

A Component Unit of Henry County, GA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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

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JUNE 30, 2012

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Comprehensive Annual Financial Report

INTRODUCTORY SECTION

Henry County Water and Sewerage Authority - McDonough, Georgia



Henry County Water & Sewerage Authority

1695 Hwy 20, West, McDonough, GA 30253 (770) 957-6659 phone, (678) 583-2431 fax

December 5, 2012

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Henry County Water and Sewerage Authority for the fiscal year ended June 30, 2012. This report is the responsibility of the management of the Henry County Water and Sewerage Authority (HCWSA), 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 & Sewerage 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. HCWSA 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 unqualified (clean) opinion on the financial statements of the Authority for the year ending June 30, 2012. 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 HCWSA and the nature and scope of the services provided. This letter, together with a list of current HCWSA 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 (MD&A) of the Authority's overall financial position and results of operations, and the audited financial statements, including the accompanying note disclosures.

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

Profile of HCWSA

General

The Henry County Water & Sewerage Authority was founded in 1961 by an Act of the General Assembly of the State of Georgia, to "acquire, construct, and thereafter operate and maintain projects embracing sources of water supply and the distribution and sale of water and related facilities." The Act goes on to list the other duties of the Authority, including establishing a sewer system.

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 HCWSA to purchase large tracts of land and develop its own reservoirs for source of water, as no available streams or lakes provided adequate supply. HCWSA 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 16.5 million gallons per day (MGD) during FY 2012, the reservoirs provide a 586 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 55,000 customer water connections. Additionally, 29.5 million gallons of potable water can be stored in 9 elevated tanks, 4 ground water storage tanks plus the clear wells at the water plants.

The service area for HCWSA 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, HCWSA 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. HCWSA currently serves over 19,000 customer sewer connections with approximately 445 miles of sewer mains, 30 sewerage lift stations and 4 waste water treatment plants. Currently, the Authority's total permitted

sewerage treatment capacity is 8.75 MGD. The expansion of the Walnut Creek facility, which is nearing completion, will bring the total treatment capacity up to 12.75 MGD. The average flow to the Authority's wastewater treatment plants during FY2012 was 5.4 MGD.

Governance

HCWSA 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 HCWSA 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

Wherever practical, the Authority does not tightly confine employees to narrow job descriptions. Authority personnel are trained and capable of performing multiple functions. For example, all Field Service Technicians perform meter reading, meter maintenance, service orders for move-ins and move-outs, and collections. Our small Fleet Maintenance staff works on gasoline engines, diesel engines, hydraulics, HVAC, large equipment and generators. Water Plant Operators and Maintenance Mechanics work together on issues. Those maintaining sewer lift stations also perform maintenance at the sewerage plants and are skilled in both electrical and mechanical aspects. This versatility is a great advantage to the Authority.

Throughout the year, both of the Authority's Water Treatment Plants and all four Wastewater Treatment Plants maintained 100% compliance with all Federal and State regulations and permit requirements. The Water Distribution system and the Sewerage Collection system were also 100% compliant with all regulations. The Authority's Industrial Monitoring Department required all commercial and industrial customers to meet the discharge requirements delimited in the Sewer Use Ordinance.

The Authority's Bear Creek Water Reclamation Facility won Plant of the Year Award in the 1 to 10 million gallon per day category from the Georgia Association of Water Professionals (GAWP). The Authority also received GAWP Platinum Awards for five straight years of 100% permit compliance at both Tussahaw and Towaliga Water Treatment Plants, which have each received Plant of the Year Awards on two separate occasions in the recent past.

Additionally, the Authority is one of only 24 Water Utilities in Georgia to achieve the 'WaterFirst Community' designation from the Georgia Department of Community Affairs.

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

Current economic environment

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

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. During that year, only 1,839 new meters were set, and the numbers have trailed off dramatically from that during the subsequent four years. During FY 2012, only 282 new meters were set. The Authority has seen a significant reduction in connection fees and property tax revenue as a result of the economic downturn.

Water Conservation - 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 & Sewerage Authority enacted all conservation measures the State required, even though the drought of 2007 and 2008 did not impact Henry County to the same extent as it did those who depend on water supplies in the Chattahoochee basin. In fact, with our newly constructed Tussahaw Reservoir that was filling during this time, the Authority never had less than one year's supply of raw water available. The State realized that in order to deal with future drought conditions, conservation measures should be in place before a drought occurs, and thus has continued a modified program of permanent outdoor water use restrictions that we abide by today.
2. *Tri-State Water Dispute* - The States of Georgia, Florida and Alabama are currently engaged in an ongoing dispute over use of the water in Lakes Lanier and Allatoona, and the Chattahoochee River. These are the primary sources of drinking water for the metro Atlanta area. The State of Georgia realized the need to exercise good stewardship of these water resources and be able to demonstrate that they are doing so to our neighboring States. However, the Henry County Water & Sewerage Authority is not dependent on these water sources, as over 99% of the water supply of Henry County comes from reservoirs developed by the Authority in the southern part of Henry County. The Authority only purchases a small amount of water (less than 1%) from neighboring DeKalb County (DeKalb draws water from the Chattahoochee River) to serve a small high elevation area in the north part of Henry County. Nonetheless, Henry County is part of the metro Atlanta area and is thus included in water conservation regulations.

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

Outlook

The Authority's policy is to budget in a conservative fashion - actual revenues typically exceed projected revenues and actual expenditures typically are less than budgeted amounts. This policy provided the Authority some cushion at the outset of the current economic conditions. As the economic downturn and water conservation took hold, the Authority decided to take steps to ensure continued financial stability, knowing that growth in some revenue sources would not be as we have seen in past years, and other revenue sources would actually decrease significantly. In FY 2012, the Authority continued cost control measures that began in 2007 such as: postponing projects; limiting new hiring; limiting pay increases; centralizing purchasing; extending the life of vehicles and other equipment.

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

Long Term Financial Considerations

The Authority borrowed \$41.3 million from the Georgia Environmental Finance Authority (GEFA) for the expansion of Walnut Creek Wastewater Treatment Plant, making the final construction draw in December 2011. Monthly debt service payments of \$232,169 are currently being made on this 20 year loan. The expansion doubles the capacity of the Walnut Creek plant, from 4 million gallons per day (mgd) to 8 mgd.

The Authority borrowed \$2.5 million from the Georgia Environmental Finance Authority (GEFA) on a State Revolving Fund (SRF) Loan for a water transmission line extension (Tussahaw transmission main), making the final construction draw in January 2012. This loan carries a 30% principal forgiveness from GEFA, so the Authority is only required to repay 70% of the amount borrowed. Monthly debt service payments of \$9,721 are currently being made on this 20 year loan. The line extension is the first phase of a two phase extension that will allow potable water from Tussahaw Water Treatment Plant to serve all areas of Henry County. The second phase of the line extension is currently underway. It is being financed from system revenues, without the incurrence of any additional debt, and is scheduled to be completed prior to June 2013.

Major Initiatives

The Authority revised its long term capital improvement plan in June 2012, reflecting continuation of an anticipated slower pace of development. The Plan lists projects totaling more than \$537 million (not adjusted for inflation), through the year 2035. Authority staff carefully evaluate on-going and up-coming projects on a monthly basis. The Authority has adjusted the timing of many projects in the capital improvement plan in an effort to match them with anticipated growth in the customer base that would create the need for the project. The Authority has a history of excellent planning and successfully executing those plans. As a result, adequate facilities are in place to meet the drinking water and waste water treatment needs of Henry County.

Construction neared completion at June 30, 2012 on the expansion of Walnut Creek Wastewater Treatment Plant to increase its treatment capacity from 4 mgd to 8 mgd. The final loan draw from GEFA for this project has already

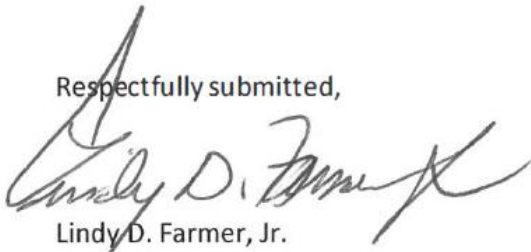
been made; the remaining costs are being paid from system revenues. The plant, located in the eastern part of the county, is our largest sewerage treatment plant. The total cost of the expansion is expected to be approximately \$46.7 million.

The Authority completed construction of the first phase of an 11 mile, 24" ductile iron water transmission main in the southern part of Henry County, and has begun on the second phase. When complete, this line will enable the Tussahaw Water Treatment Plant to transmit water to the entire county. The first phase of the project was financed primarily by a loan from GEFA. The second phase is being financed from system revenues without the incurrence of additional debt.

Acknowledgements

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

Respectfully submitted,



Lindy D. Farmer, Jr.
General Manager



Roderick Burch, CPA
Finance Director

Henry County Water and Sewerage Authority Listing of Principal Officers

HCWSA Board Members



Jimmy Carter



Rick Jeffares



Robert Abercrombie



Al Smith



Jim Lenahan

General Manager

Lindy D. Farmer, Jr., General Manager

Kimberly Turner Osborne, Clerk

Management Team

Gary Mayo - Deputy General Manager, Division Manager of Operations

Roderick Burch - Chief Financial Officer, Division Manager of Administration

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

Tony Carnell - Division Manager of Engineering & Inspections

Joy Colantoni - Manager, Finance

Allan Branan - Manager, Inspections

James Whitaker - Manager, Information Technology

Ray Novotny - Manager, Customer Service

David Hood - Manager, Purchasing & Inventory

Phil Turner - Manager, Fleet & Building Maintenance

Jason Jeffares - Manager, Water Pollution Control

Mike Craig - Manager, Industrial Monitoring

Chuck McCarter - Manager, Reservoirs & Land Management

Scott Harrison - Manager, Operations

Allen Rape - Manager, GIS

Consultants and Professional Services

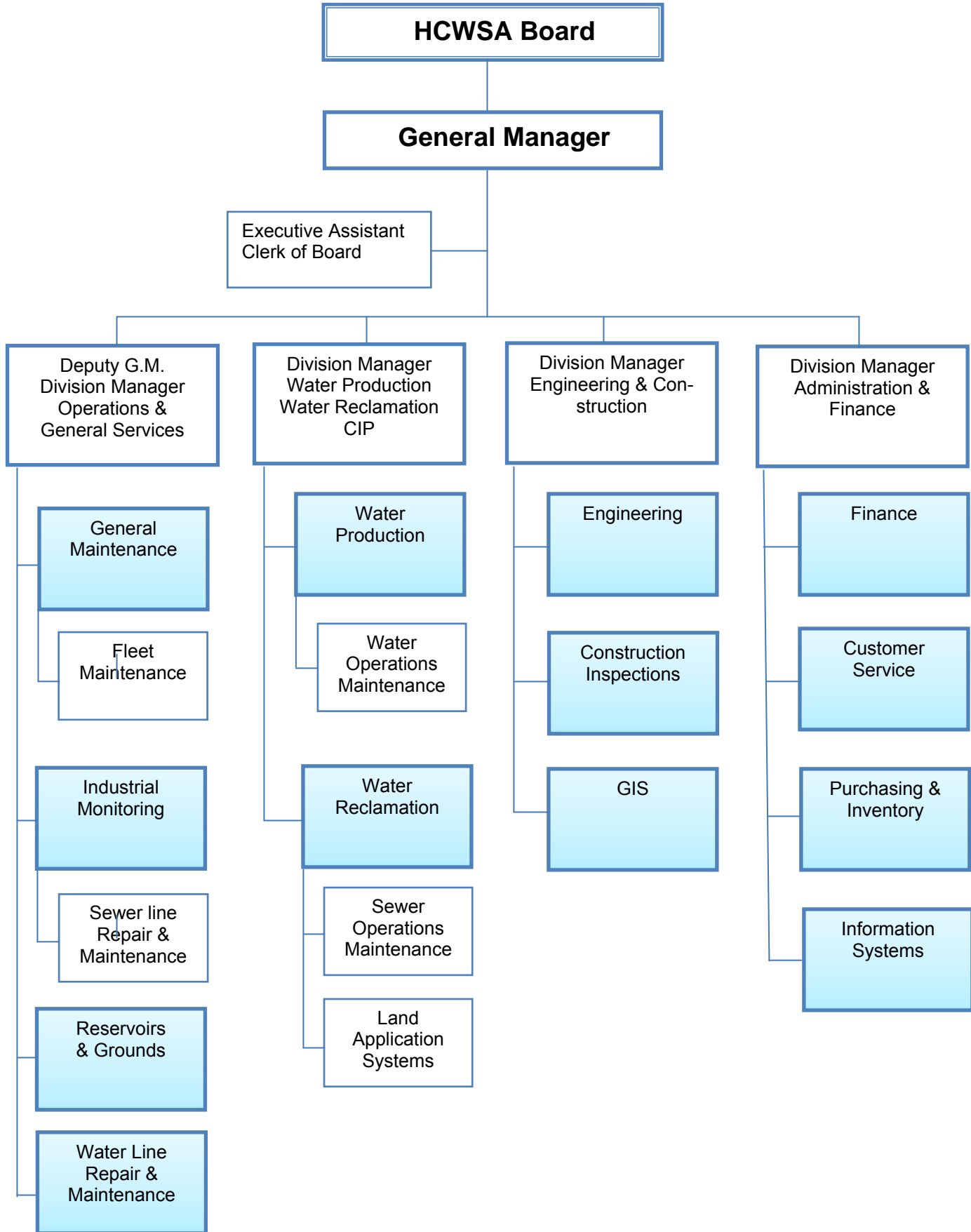
Legal Counsel:

Smith, Welch, Webb & White, McDonough, Georgia

Auditors:

Mauldin & Jenkins, LLC, Macon, Georgia

Henry County Water and Sewerage Authority Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Henry County Water & Sewerage
Authority, Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Egan

Executive Director

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the **Henry County Water and Sewerage Authority** (the "Authority"), a component unit of Henry County, Georgia, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 11) and the Defined Benefit Pension Plan Schedule of Funding Progress (on page 33) 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections 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.

Mauldin & Jenkins, LLC

Macon, Georgia
December 5, 2012

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Henry County Water and Sewerage Authority ("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, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements.

Proprietary Fund Accounting and Reporting

The Authority operates as a single fund in a business-like manner. Thus, the Authority uses the accrual approach to account for and report financial transactions. This means that revenues are recognized as soon as they are earned and expenses are recognized as soon as the liability is incurred, regardless of the timing of related cash inflows and outflows. All assets and liabilities that are measurable and probable are included in the financial statements. The full acquisition costs of all fixed assets are included in the Statement of Net Assets 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 Assets: 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 \$4.9 million. Fixed and other long-term assets actually decreased because the increase in accumulated depreciation of \$26.6 million was greater than the \$6.9 million increase in capital assets before depreciation.

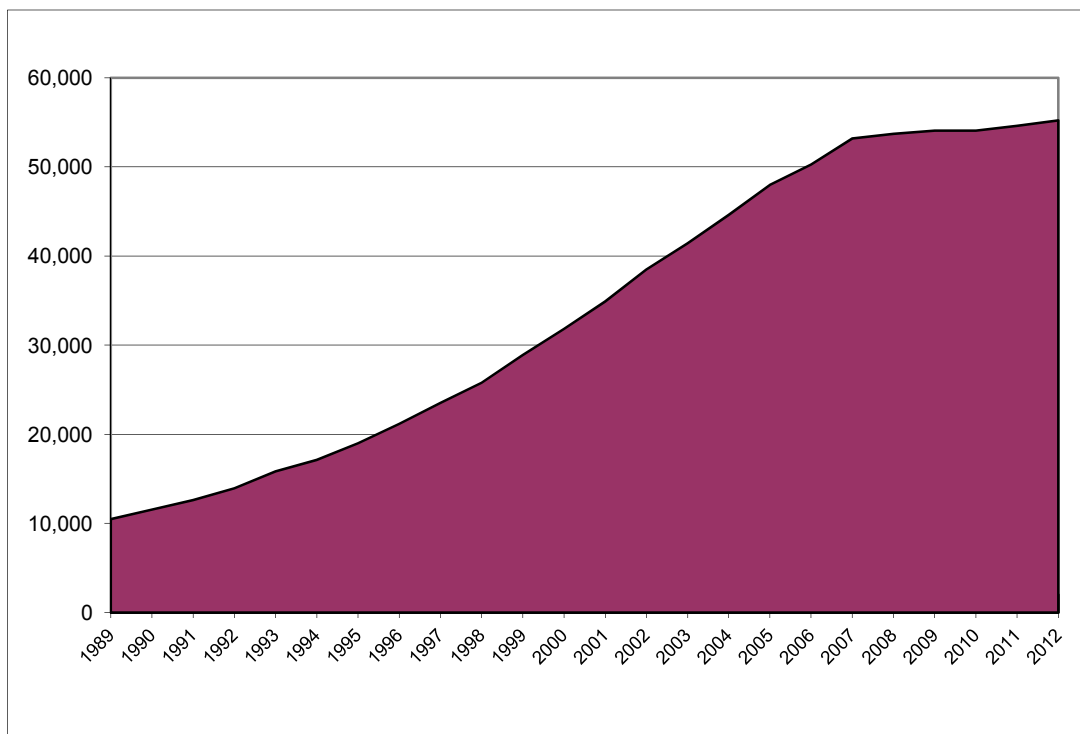
Although the Authority borrowed an additional \$2.3 million from GEFA during the year for two projects, overall, long term liabilities decreased by \$9.2 million. This is primarily attributable to principal repayments on revenue bonds of \$4.9 million and on GEFA loans of \$6.3 million.

	<u>2012</u>	<u>2011</u>
Current assets	\$ 9,704,413	\$ 8,676,897
Restricted assets	67,688,545	63,847,810
Capital assets	448,057,231	467,735,427
Other long-term assets	8,403,118	8,130,352
Total assets	<u>533,853,307</u>	<u>548,390,486</u>
Current liabilities	20,673,517	21,408,966
Long-term liabilities	264,916,855	274,065,163
Total liabilities	<u>285,590,372</u>	<u>295,474,129</u>
Invested in capital assets, net of related debt	205,280,042	221,738,250
Restricted for debt service	34,946,383	24,847,227
Unrestricted	8,036,510	6,330,880
Total net assets	<u>\$ 248,262,935</u>	<u>\$ 252,916,357</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

The expansion of the Authority's water and sewer infrastructure has been driven by the explosive rate of growth in population in Henry County. The graph below shows the number of Authority water customers from 1989 to 2012. The pace of the increase has leveled off substantially over the last five years. During the five year period since FY 2007, the Authority has added just 2,026 new customers to the system, compared to adding 14,707 new customers during the five year period leading up to FY 2007.



The Authority carries a significant amount of debt relative to net assets. This was necessary in order to construct system improvements needed for the pre-2007 rapidly increasing customer base. The number of water customer connections to the Authority's system has increased from 11,557 in 1990 to 55,237 in 2012. Large tracks of developable land, formerly farmland, located along Interstate 75 (with 7 exits in Henry County) just south of Atlanta and the Atlanta airport were, no doubt, among the factors contributing to the growth of the county.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

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

	2012	2011
Operating revenues:		
Water revenues	\$ 32,937,885	\$ 31,451,080
Sewerage revenue	11,206,587	10,813,428
Connection fees	121,430	104,255
Other fees and charges	1,701,626	1,458,284
Total operating revenues	45,967,528	43,827,047
Operating expenses:		
Water treatment	5,396,683	5,662,739
Water purchase	128,133	80,322
Customer service and connection	2,997,749	3,104,957
Waste water treatment	4,941,058	4,713,624
Repairs and maintenance	8,539,430	8,869,625
Administrative and engineering	4,755,786	5,042,610
Depreciation	26,887,472	27,840,646
Information technology	1,218,138	1,210,713
Total operating expenses	54,864,449	56,525,236
Operating loss	(8,896,921)	(12,698,189)
Non-operating revenues (expenses):		
Real property taxes	10,725,108	11,537,338
Motor vehicle and other taxes	1,226,663	1,201,397
Interest income	14,045	93,770
Realized loss on investments	-	(64,250)
Interest expense and fiscal charges	(11,103,558)	(11,362,704)
Gain on disposal of capital assts	(5,680)	-
Total non-operating revenues, net	856,578	1,405,551
Loss before contributions	(8,040,343)	(11,292,638)
Capital contributions	3,386,921	3,764,917
Change in net assets	(4,653,422)	(7,527,721)
Total net assets, beginning	252,916,357	260,444,078
Total net assets, ending	\$ 248,262,935	\$ 252,916,357

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

Water revenues - The average daily flow (water demand) of 16.451 million gallons per day (mgd) in FY2012 is very close to that of the previous year, 16.553 mgd. Therefore, the increase in water revenues is primarily the result of a 5% rate increase. 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, 2012, are:

- \$11.24 per month base charge (household size meter)
- \$4.25 per thousand gallons for the first 6,000 gallons
- \$5.78 per thousand gallons for the next 4,000 gallons
- \$8.45 per thousand gallons for all usage above 10,000 gallons.

Sewerage charges are based on metered water usage. The rates in place at June 30, 2012, are:

- \$11.24 per month base charge
- \$4.25 per thousand gallons for the first 6,000 gallons
- \$5.78 per thousand gallons for all usage above 6,000 gallons

Approximately $\frac{1}{3}$ 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 from both residential and commercial connections continued as last year to reflect a weak economy indicated by decreased construction of new houses and commercial development.

Other fees and charges - This line item includes a 10% fee for late payments made by customers, which totaled \$580,000 in FY 2012. 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 \$596,000 was collected for that. Bad check fees, damage and tampering fees, plan review fees, fishing permits and various other fees, and are also credited to this line.

Water treatment & water purchase - This is the cost to operate the Authority's two water treatment plants, having a permitted capacity totaling 37 million gallons per day (mgd), plus nine elevated water storage tanks, four ground storage tanks and booster pump stations. Actual water production during FY 2012 averaged 16.5 million gallons per day (mgd), almost the same as the previous year's 16.6 mgd. In addition to its finished water production capability, contracts with neighboring Clayton and DeKalb counties enable the Authority to purchase finished water on an as needed basis. In fiscal year 2012, the Authority produced more than 99% of its total water requirements and purchased less than 1%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

Meter Reading and Connection - This line includes all of the Customer Service Department as well as meter reading and new account connections. All meters are read electronically (radio read) each month and customers receive a monthly statement based on that reading.

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.

Wastewater treatment - This is the cost to operate four wastewater treatment plants. These four plants together treated an average of 5.4 million gallons of sewerage per day during FY 2012.

Repairs and maintenance - This is comprised of the following:

	<u>2012</u>	<u>2011</u>	<u>Difference</u>
Purchasing and inventory	\$ 473,282	\$ 482,068	\$ (8,786)
Vehicle maintenance	802,548	830,553	(28,005)
Security & maintenance	455,907	482,837	(26,930)
Sewer line repair & maintenance	2,654,598	2,691,271	(36,673)
Industrial monitoring	429,499	439,933	(10,434)
Reservoir and grounds	819,319	929,703	(110,384)
Water line repair & maintenance	2,904,277	3,013,260	(108,983)
Total	<u>\$ 8,539,430</u>	<u>\$ 8,869,625</u>	<u>\$ (330,195)</u>

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

Depreciation - This is, by far, the Authority's single largest expense line item, accounting for 49% of the total operating expenses. The Authority owns \$623 million in fixed assets that are subject to annual depreciation. Straight line depreciation is used over the life expectancy of the asset which ranges from 3 to 50 years.

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 has seen substantial increases in the tax digest from year to year leading up through FY 2009. However, for the last three consecutive years, the tax digest has decreased, reflecting lower property valuations. Real property tax revenue in FY 2012 is 21% less than real property tax revenue in FY 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

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

Interest Income - Funds are invested as permitted in accordance with Georgia Code Section 36-80-3. As interest rates have continued to drastically decrease, so has our Interest Income. Bank charges of \$75,410 are netted on this line against interest earnings of \$89,455.

Unrealized Gain on Investments - The Authority's investments are reported at 'fair value' as required by GASB #31. The Authority held an investment in the amount of \$6.4 million which matured in Sept 2010. Thus, its 'fair value' write-up in the prior year was written off when the investment matured during FY 2011.

Interest expense and fiscal charges:

	2012	2011
Revenue bonds interest expense	\$ 7,186,963	\$ 7,519,354
GEFA interest expense	3,820,208	3,663,713
Amortization of issuance costs	93,213	176,487
Fiscal agent fees	3,174	3,152
Total	\$ 11,103,558	\$ 11,362,706

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

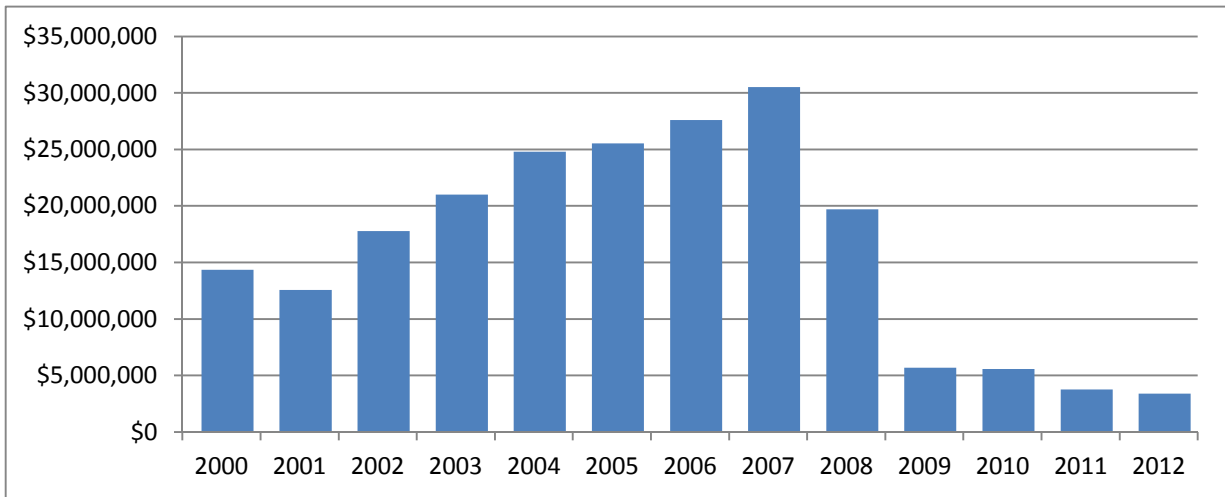
Contributions for project costs are paid to the Authority to cover the expense of improvements made to serve specific developments. Contributions in kind represent the value of assets deeded over to the Authority by developers

	2012	2011
Impact fees	\$ 1,514,751	\$ 952,480
Contributions for project costs	1,406,523	1,489,253
Contributions in kind	465,647	1,323,184
Total	\$ 3,386,921	\$ 3,764,917

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

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.



Capital Asset and Debt Administration

Capital Assets: The Authority's investment in capital assets as of June 30, 2012 amounts to \$448,057,231 (net of accumulated depreciation). This investment in capital assets includes land and easements, 5 reservoirs, buildings, two water treatment plants, water storage tanks, wastewater treatment plants, system improvements, construction in progress, vehicles and equipment. The Authority has scaled back on its aggressive capital improvement program because of the relatively flat population growth over the last five years. Authority personnel closely monitor demand at water and wastewater treatment plants, as well as private development plan submittals, and are prepared to accelerate the capital improvement program as needed to serve the needs of projected future growth, as economics allow.

Significant capital events during the current fiscal year included the following:

- Completed water and sewer line extensions, rehabilitation and relocation projects totaling \$1.9 million in FY 2012
- Neared completion of construction of Walnut Creek Water Reclamation Facility (\$2.9 million paid in FY 2012)
- Construction in progress on Tussahaw Transmission Main (\$1.4 million paid in FY 2012)
- Completed other system improvements totaling approximately \$600,000 in FY 2012

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).

In February, 2012 the Authority issued \$17,950,000 Revenue Bonds at an average yield of 2.4179% and a final maturity of 2030. The proceeds from these bonds were used to partially refund the outstanding balance of the Authority's 2002A Revenue Bonds with the same final maturity date of 2030. The sole purpose of the 2012 Issue was to achieve a reduction in total debt service payments. The net present value savings from the refinancing exceeded \$2.4 million.

During the year, the Authority made the final two construction draws totaling \$2,004,007 on GEFA loan # CWSRF 08-001 (part 2) for the expansion of Walnut Creek Water Reclamation Facility, bringing the total amount borrowed up to \$21,342,866 (parts 1 & 2). The loan carries a 3% interest rate and monthly repayments of \$232,169 (on part 1 & 2) are currently being made. These payments will continue until July 2030 when part 1 of the loan is paid off. Payments of \$118,072 will continue on part 2 of the loan for another 1½ years until January 2032.

During the year, the Authority made the final two construction draws totaling \$335,282 on GEFA loan # DWSRF 10-025 for the construction of a project known as Tussahaw Transmission Main consisting of approximately 4.7 miles of 24" ductile iron water main in the south part of Henry County, bringing the total amount borrowed up to \$2,504,013. The loan carries a 3% interest rate. Prior to repayment, the loan balance was reduced by 30% in accordance with GEFA's principal forgiveness program. The adjusted balance of \$1,752,809 is being repaid with monthly payments of \$9,721, which will continue until February 2032.

The Authority's Aa2 rating from Moody's Investor Services was unchanged during the year.

Currently Known Conditions Affecting Future Operations

In November, 2012 the Authority issued \$17,465,000 in revenue bonds at an average net interest cost of .64% and final maturity of 2018. The proceeds from these bonds were used to refund \$18,005,000 of the outstanding balance remaining (after refinancing which occurred in February 2012) on the Authority's 2002A revenue bonds with the same final maturity date of 2018. The sole purpose of the 2012A bond issue was to achieve a reduction in total debt service payments. The net present value savings from the refinancing was \$1,584,358.

Real property taxes, motor vehicle and other taxes declined in FY2010 by 1.9% from FY2009. FY2011 saw another decline of 12.9%, and FY2012 is the third consecutive year of decline at 6.2%. The Authority anticipates a decrease in FY 2013 of 12.0% and has budgeted accordingly. These decreases are due to reduced values on the Tax Digest. It is currently unknown whether this downward trend will continue, and if so, how far.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Currently Known Conditions Affecting Future Operations (Continued)

In April, 2012 the State of Georgia enacted House Bill 386. Part of this law deals with the way motor vehicles will be taxed in the future. Vehicles purchased prior to January 1, 2012 will continue to pay ad valorem tax each year. Vehicles purchased after March 1, 2013 will pay a one-time title fee instead of sales tax and annual ad valorem tax. Vehicles purchased between January 1, 2012 and March 1, 2013 may elect to pay the one-time title fee instead of sales tax and annual ad valorem tax. The Authority recorded \$980,511 of revenue from motor vehicle taxes in FY 2012. It appears this revenue source will diminish over the coming years and will eventually reach \$-0-.

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 officials at the Authority located at 1695 Highway 20 West, McDonough, Georgia 30253.

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2012

ASSETS	
CURRENT ASSETS	
Cash	\$ 2,080,414
Receivables, net of allowance for uncollectibles:	
Taxes	624,550
Interest	7,264
Accounts	6,263,315
Inventory	728,185
Prepaid expenses	685
Restricted assets:	
Cash	37,772,331
Investments	<u>29,916,214</u>
Total current assets	<u>77,392,958</u>
 NON-CURRENT ASSETS	
Capital assets:	
Land	35,495,474
Buildings	13,171,941
Improvements other than buildings	598,183,960
Machinery and equipment	8,175,569
Vehicles	3,833,620
Construction in progress	<u>50,196,649</u>
	709,057,213
Less accumulated depreciation	<u>260,999,982</u>
Total capital assets, net of accumulated depreciation	<u>448,057,231</u>
Other assets:	
Deferred charges	4,108,132
Other non-current assets	<u>4,294,986</u>
Total non-current assets	<u>456,460,349</u>
Total assets	<u>533,853,307</u>

See Notes to Financial Statements.

LIABILITIES	
CURRENT LIABILITIES	
Payable from current assets:	
Accounts payable	\$ 1,853,245
Compensated absences payable	737,663
Accrued expenses and other liabilities	522,262
Retainage payable	4,451
Customer deposits payable	2,235,044
Accrued interest payable	337,173
Notes payable - current	6,987,586
	<u>12,677,424</u>
Payable from restricted assets:	
Revenue bonds payable	5,130,000
Accrued interest payable	2,866,093
	<u>7,996,093</u>
 Total current liabilities	 <u>20,673,517</u>
 LONG-TERM LIABILITIES	
Notes payable	124,812,781
Revenue bonds payable, net	135,385,718
Compensated absences payable	202,589
OPEB obligation	4,515,767
	<u>264,916,855</u>
 Total long-term liabilities	 <u>264,916,855</u>
 Total liabilities	 <u>285,590,372</u>
 NET ASSETS	
Invested in capital assets, net of related debt	205,280,042
Restricted for debt service	34,946,383
Unrestricted	8,036,510
Total net assets	<u>\$ 248,262,935</u>

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HENRY COUNTY WATER AND SEWERAGE AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2012

Operating revenues:

Charges for services:

Water sales	\$ 32,937,885
Sewer sales	11,206,587
Connection fees	121,430
Other fees and charges	1,701,626
Total operating revenues	<u>45,967,528</u>

Operating expenses:

Water treatment	5,396,683
Water purchase	128,133
Customer service and connection	2,997,749
Waste water treatment	4,941,058
Repairs and maintenance	8,539,430
Administrative and engineering	4,755,786
Depreciation	26,887,472
Information technology	1,218,138
Total operating expenses	<u>54,864,449</u>

Operating loss (8,896,921)

Non-operating revenues (expenses):

Real property taxes	10,725,108
Motor vehicle and other taxes	1,226,663
Interest income	14,045
Loss on disposal of fixed assets	(5,680)
Interest expense and fiscal charges	(11,103,558)
Total non-operating revenues, net	<u>856,578</u>

Loss before contributions (8,040,343)

Capital contributions

3,386,921

Change in net assets (4,653,422)

Total net assets, beginning

252,916,357

Total net assets, ending

\$ 248,262,935

See Notes to Financial Statements.

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 45,697,064
Payments to suppliers	(24,469,861)
Payments to employees	(4,332,491)
Net cash provided by operating activities	<u>16,894,712</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes received	12,079,538
Net cash provided by noncapital financing activities	<u>12,079,538</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(6,744,858)
Proceeds from the sale of capital assets	3,584
Proceeds from long-term borrowings, including premiums	22,362,210
Principal payments on long-term borrowings	(29,817,861)
GEFA loan closing costs	(89,895)
Bond issuance and refunding costs	(1,048,081)
Interest paid on long-term borrowings	(11,260,837)
Capital contributions	2,253,703
Net cash used in capital and related financing activities	<u>(24,342,035)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	6,781
Net cash provided by investing activities	<u>6,781</u>

Net increase in cash 4,638,996

Cash:

Beginning	<u>65,129,963</u>
Ending	<u>\$ 69,768,959</u>

Classified as:

Cash	\$ 2,080,414
Restricted assets:	
Cash	37,772,331
Cash equivalents included in investments	29,916,214
	<u>\$ 69,768,959</u>

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2012

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$	(8,896,921)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation		26,887,472
Changes in assets and liabilities:		
Increase in accounts receivable		(272,298)
Decrease in due from Henry County		1,834
Increase in inventory		(106,294)
Decrease in prepaid expenses		27,000
Increase in other noncurrent assets		(430,628)
Decrease in accounts payable and accrued expenses		(1,310,364)
Increase in customer deposits payable		207,092
Increase in OPEB obligation		787,819
Net cash provided by operating activities	\$	<u>16,894,712</u>

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

Capital contributions from developers	\$	465,647
GEFA loan forgiveness		100,585
City of McDonough payable forgiveness		566,986
	\$	<u>1,133,218</u>

See Notes to Financial Statements.

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HENRY COUNTY WATER AND SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Henry County Water and Sewerage 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 54,000 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 assets. Net assets are segregated into capital assets net of related debt and restricted and unrestricted net asset 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 Accounting:

In accounting and reporting for its proprietary operations, the Authority applies all Governmental Accounting Standards Board (GASB) pronouncements, and applies all Financial Accounting Standards Board (FASB) pronouncements and interpretations issued on or before November 30, 1989. Such FASB pronouncements are applied unless they conflict or contradict GASB pronouncements.

Basis of Presentation:

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

Management Estimates:

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

Revenues:

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for goods and services provided. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2011, and not collected by June 30, 2012, 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 assets because their use is limited by applicable bond covenants.

Bond Premium, Discount and Issuance Cost:

Bond premiums, discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which is not materially different from the effective interest method. Bond premiums and discounts are presented as an addition and reduction, respectively, of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a reduction of the face amount of bonds payable.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2012, are summarized as follows:

As reported in the Statement of Net Assets:		
Cash	\$	2,080,414
Restricted:		
Cash		37,772,331
Investments		29,916,214
	<u>\$</u>	<u>69,768,959</u>
Cash deposited with financial institutions	\$	39,852,745
Cash deposited with Georgia Fund 1		29,916,214
	<u>\$</u>	<u>69,768,959</u>

Credit risk. State statutes authorize the Authority to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2012, the Authority's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

At June 30, 2012, the Authority had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	48 day weighted average	\$ 29,916,214
Total		<u>\$ 29,916,214</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2012, all 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.

NOTE 3. RECEIVABLES

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following at June 30, 2012:

Receivables:

Taxes	\$	645,354
Interest		7,264
Accounts		6,961,381
Gross receivables		<u>7,613,999</u>
Less allowance for uncollectibles		<u>(718,870)</u>
Net total receivables	\$	<u><u>6,895,129</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 35,495,474	\$ -	\$ -	\$ -	\$ 35,495,474
Construction in progress	<u>51,259,097</u>	<u>6,242,282</u>	<u>-</u>	<u>(7,304,730)</u>	<u>50,196,649</u>
Total	<u>86,754,571</u>	<u>6,242,282</u>	<u>-</u>	<u>(7,304,730)</u>	<u>85,692,123</u>
Capital assets, being depreciated:					
Buildings	13,171,941	-	-	-	13,171,941
Improvements other than buildings	590,676,758	465,647	(1,419)	7,042,974	598,183,960
Machinery and equipment	7,869,488	326,660	(282,335)	261,756	8,175,569
Vehicles	<u>3,709,102</u>	<u>175,916</u>	<u>(51,398)</u>	<u>-</u>	<u>3,833,620</u>
Total	<u>615,427,289</u>	<u>968,223</u>	<u>(335,152)</u>	<u>7,304,730</u>	<u>623,365,090</u>
Less accumulated depreciation for:					
Buildings	(4,411,344)	(621,305)	-	-	(5,032,649)
Improvements other than buildings	(219,255,153)	(25,805,973)	190	-	(245,060,936)
Machinery and equipment	(7,228,520)	(332,160)	282,335	-	(7,278,345)
Vehicles	<u>(3,551,416)</u>	<u>(128,034)</u>	<u>51,398</u>	<u>-</u>	<u>(3,628,052)</u>
Total	<u>(234,446,433)</u>	<u>(26,887,472)</u>	<u>333,923</u>	<u>-</u>	<u>(260,999,982)</u>
Total capital assets, being depreciated, net	<u>380,980,856</u>	<u>(25,919,249)</u>	<u>(1,229)</u>	<u>7,304,730</u>	<u>362,365,108</u>
Total capital assets, net	<u>\$ 467,735,427</u>	<u>\$ (19,676,967)</u>	<u>\$ (1,229)</u>	<u>\$ -</u>	<u>\$ 448,057,231</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 141,960,000	\$ 17,950,000	\$ (23,545,000)	\$ 136,365,000	\$ 5,130,000
Plus unamortized premiums	9,548,237	2,072,921	(1,353,146)	10,268,012	
Less unamortized discounts	(127,349)	-	14,837	(112,512)	
Less unamortized deferred charges	(5,695,418)	(765,342)	455,978	(6,004,782)	
Revenue bonds, net	145,685,470	19,257,579	(24,427,331)	140,515,718	
Notes payable	135,834,524	2,339,289	(6,373,446)	131,800,367	6,987,586
OPEB obligation	3,727,948	787,819	-	4,515,767	-
Compensated absences	942,668	700,121	(702,537)	940,252	737,663
Total long-term liabilities	<u>\$ 286,190,610</u>	<u>\$ 23,084,808</u>	<u>\$ (31,503,314)</u>	<u>\$ 277,772,104</u>	<u>\$ 12,855,249</u>

Revenue Bonds:

The County issues bonds which pledge Authority revenues derived from the operation of capital assets to pay debt service. Revenue bonds outstanding at June 30, 2012 are as follows:

<u>Interest Rate</u>	<u>Due Date</u>		
3.75%-6.15%	2020	\$	12,250,000
4.90%-6.00%	2020		7,905,000
2.00%-5.38%	2030		21,705,000
3.00%-5.25%	2030		46,770,000
5.00%	2026		29,785,000
2.00%-5.00%	2030		17,950,000
			<u>136,365,000</u>
	Plus unamortized premiums		10,268,012
	Less unamortized discounts		(112,512)
	Less unamortized deffered charges - refunding		(6,004,782)
		\$	<u>140,515,718</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>
2013	\$ 5,130,000	\$ 6,904,430	\$ 12,034,430
2014	5,390,000	6,661,510	12,051,510
2015	5,665,000	6,378,808	12,043,808
2016	5,955,000	6,082,696	12,037,696
2017	6,240,000	5,769,959	12,009,959
2018-2022	34,055,000	23,688,510	57,743,510
2023-2027	41,815,000	14,768,413	56,583,413
2028-2030	32,115,000	3,295,363	35,410,363
Total	<u>\$ 136,365,000</u>	<u>\$ 73,549,689</u>	<u>\$ 209,914,689</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, 2012:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	
3.70%	20 years	2021	\$ 8,602,964
3.49%	20 years	2022	12,181,025
3.00%	20 years	2026	31,651,854
3.00%	20 years	2027	21,082,653
3.00%	20 years	2028	16,490,568
3.00%	20 years	2030	19,043,743
3.00%	20 years	2033	21,016,187
3.00%	20 years	2032	1,731,373
			<u>\$ 131,800,367</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,	Principal	Interest	Total
2013	\$ 6,987,586	\$ 3,970,918	\$ 10,958,504
2014	7,208,378	3,750,126	10,958,504
2015	7,439,031	3,519,472	10,958,503
2016	7,674,840	3,283,664	10,958,504
2017	7,925,021	3,033,482	10,958,503
2018-2022	42,547,613	11,211,718	53,759,331
2023-2027	36,827,057	5,156,337	41,983,394
2028-2032	15,190,841	846,350	16,037,191
Total	<u>\$ 131,800,367</u>	<u>\$ 34,772,067</u>	<u>\$ 166,572,434</u>

NOTE 6. DEFINED BENEFIT PENSION PLAN

Plan Description

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy

The Authority is required to contribute an actuarially determined amount annually to The Plan's trust. The contribution amount is determined using actuarial methods and assumptions approved by The Segal Company Plan trustees and intended to satisfy the minimum contribution requirements as set forth in the State of Georgia statutes. Plan participants are required to contribute a percentage of their compensation to the plan. The required contribution percentage at June 30, 2012, was 5%.

Annual Pension Cost

The Authority's annual pension cost and net pension obligation for the pension plan for the plan year ended June 30, 2012 are as follows:

<u>Derivation of Net Pension Asset</u>	<u>2012</u>
Annual Required Contribution	\$ 1,256,969
Interest on net pension obligation (asset)	(106,270)
Adjustments to annual required contribution	121,608
Annual Pension Cost for Fiscal Year	<u>1,272,307</u>
Actual Contributions to Plan for Fiscal Year	<u>1,702,935</u>
Increase in Net Pension Asset	(430,628)
Net Pension Asset as of June 30, 2011	<u>(3,864,358)</u>
Net Pension Asset as of June 30, 2012	<u><u>\$ (4,294,986)</u></u>

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

Basis of Valuation

Current Valuation Date	January 1, 2012
Annual Return on Invested Plan Assets	7.75%
Projected Annual Salary Increases	3.50% Plus Age and Service Based Merit Increases
Expected Annual Inflation	1.00%
Actuarial Value of Assets	Market Value
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Closed Level Dollar for Remaining Unfunded Liability
Remaining Amortization Period	28

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Annual Pension Cost (Continued)

Trend Information for The Plan

Fiscal Year Beginning	Annual Pension Cost (APC)	Actual Authority Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
7/1/2005	\$ 533,622	\$ 838,318	157%	\$ (864,237)
7/1/2006	563,210	995,869	177%	(1,296,896)
7/1/2007	754,181	1,336,859	177%	(1,879,574)
7/1/2008	1,043,382	1,713,303	164%	(2,549,495)
7/1/2009	1,216,547	1,789,604	147%	(3,122,552)
7/1/2010	1,353,290	1,669,893	123%	(3,439,155)
7/1/2011	1,298,844	1,724,047	133%	(3,864,358)
7/1/2012	1,272,307	1,702,935	134%	(4,294,986)

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as A Percentage of Covered Payroll
12/31/2011	\$ 16,361,499	\$ 24,234,961	\$ 7,873,462	67.5%	\$ 10,276,891	76.6%

The required schedule of funding progress included in the Required Supplementary Information presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. COMMITMENTS AND CONTINGENCIES

In addition to the liabilities enumerated in the statement of net assets at June 30, 2012, the Authority has contractual commitments on uncompleted construction contracts of approximately \$390,000.

NOTE 8. 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 9. SUBSEQUENT EVENT

In November 2012, a Resolution was passed authorizing the issuance of 2012A Bonds in an amount not to exceed \$17,465,000 at a net interest cost of .64% for the purpose of refunding the remaining portion of the 2002A Bonds which have the same final maturity date of 2018. The sole purpose of the 2012A Bonds is to reduce debt service payments. The 2012A Bonds have been validated and were issued prior to the date of this report but subsequent to the year ended June 30, 2012.

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The Henry County Water & Sewerage Authority Postretirement Benefit Plan (the "OPEB Plan") is a single-employer defined benefit post-retirement health care plan, or other post employment benefit (OPEB) plan. The OPEB plan is based upon the policy that is contained in the Henry County Water & Sewerage 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 10. 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, 2011.

Active participants	208
Retirees and beneficiaries	19
Total	<u>227</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Contributions

Henry County Water & Sewerage 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.

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Authority Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation End of Year</u>
2009	\$ 1,292,062	\$ 64,106	4.96%	\$ 1,227,956
2010	1,286,743	77,667	6.04%	2,425,649
2011	1,387,139	84,840	6.12%	3,727,948
2012	922,957	135,138	14.64%	4,515,767

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

Annual required contribution	\$ 984,063
Interest from net OPEB obligation	167,758
Adjustment of net OPEB asset	(228,864)
Annual OPEB cost	<u>922,957</u>
Actual contribution to the plan	<u>(135,138)</u>
Increase in net OPEB obligation	787,819
Net OPEB obligation as of July 1, 2011	<u>3,727,948</u>
Net OPEB obligation as of June 30, 2012	<u><u>\$ 4,515,767</u></u>

As of the most recent valuation date, July 1, 2011, the funded status of the OPEB Plan was as follows:

<u>Fiscal Year Ended</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percent of Covered Payroll</u>
6/30/2012	\$ -	\$ 6,797,083	\$ 6,797,083	0%	\$ 10,524,399	64.6%

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

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, 2011. Assumptions used in the July 1, 2011 actuarial valuation include:

	<u>Actuarial Assumptions:</u>
Mortality	RP-2000 Combined Healthy Mortality Table, full projectional using Scale AA
Amortization	Level dollar amount of thirty years based on an open group
Discount rate for benefit obligations	4.5% per year
Inflation rate assumption	3.0%
Healthcare cost trend rates:	
Medical	9.0% 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%
Withdrawal	Various by age
Disability	None
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 3 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 equivalent rates, age adjusting using normative data and industry standard methodology, in accordance with the applicable Actuarial Standards of Practice.
Annual per capita retiree contributions:	
Medical (Premier Plan)	
Single	\$252
Retiree and spouse	\$504
Dental	
Single	\$31
Retiree and spouse	\$95
Retiree contribution increases	Retiree contributions are assumed to increase at the same rates as incurred medical or dental claims.
Medicare coordination	At 65 coverage assumed to be secondary to Medicare

REQUIRED SUPPLEMENTARY INFORMATION

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

DEFINED BENEFIT PENSION 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
12/31/2004	\$ 1,590,442	\$ 6,258,410	\$ 4,667,968	25.4%	\$ 6,216,734	75.1%
12/31/2005	2,813,334	7,655,401	4,842,067	36.7%	7,173,951	67.5%
12/31/2006	4,571,740	8,299,064	3,657,324	55.6%	7,867,202	46.5%
12/31/2007	6,818,481	12,134,018	5,315,537	56.2%	8,955,377	59.4%
12/31/2008	8,697,588	14,612,339	5,914,751	59.5%	10,144,460	58.3%
12/31/2009	11,295,607	17,180,226	5,884,619	65.7%	10,685,904	55.1%
12/31/2010	14,049,501	21,619,929	7,570,428	65.0%	10,346,469	73.2%
12/31/2011	16,361,499	24,234,961	7,873,462	67.5%	10,276,891	76.6%

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

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the Henry County Water & Sewerage 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	35 - 41
<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	42 - 53
<i>These schedules contain information to help the reader assess the Authority's most significant local revenue sources.</i>	
Debt Capacity	54 - 56
<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	57 - 59
<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	60 - 63
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.</i>	

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

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

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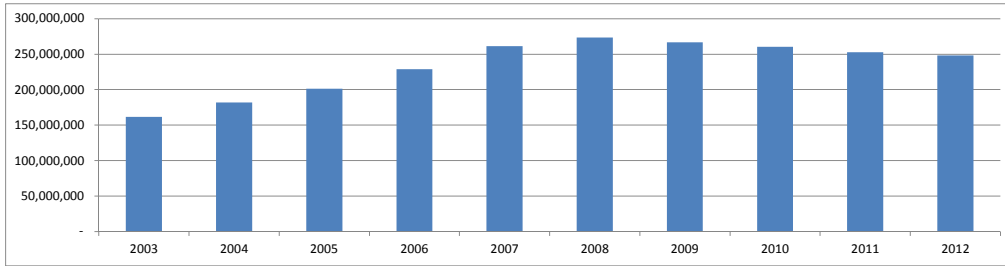
FINANCIAL TRENDS

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

NET ASSETS BY COMPONENT LAST TEN YEARS

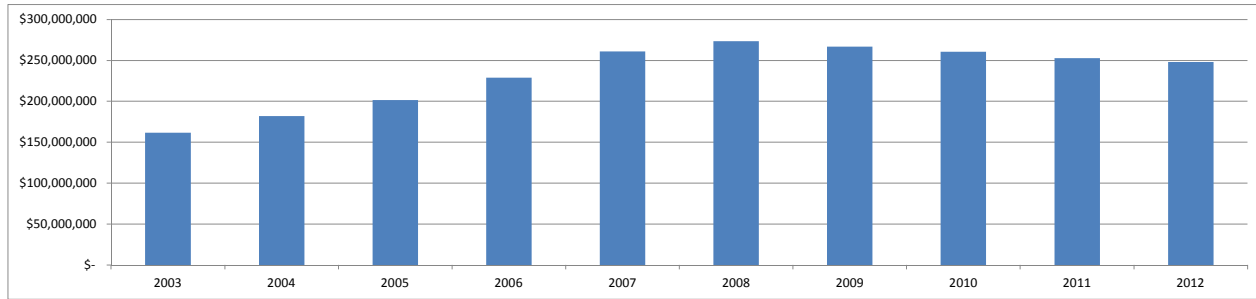
	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Invested in capital assets, net of related debt	\$ 144,234,549	\$ 168,957,755	\$ 188,105,036	\$ 210,147,676	\$ 198,056,873	\$ 220,786,750	\$ 228,664,267	\$ 238,506,575	\$ 221,738,250	\$ 205,280,042
Restricted for:										
Debt service	18,626,333	18,123,265	14,341,645	14,470,748	56,159,313	44,262,004	33,315,862	16,931,449	24,847,227	34,946,383
Unrestricted	(1,175,224)	(5,271,175)	(1,045,664)	4,188,297	6,877,064	8,406,044	4,685,547	5,006,054	6,330,880	8,036,510
Total net assets	<u>\$ 161,685,658</u>	<u>\$ 181,809,845</u>	<u>\$ 201,401,017</u>	<u>\$ 228,806,721</u>	<u>\$ 261,093,250</u>	<u>\$ 273,454,798</u>	<u>\$ 266,665,676</u>	<u>\$ 260,444,078</u>	<u>\$ 252,916,357</u>	<u>\$ 248,262,935</u>



HENRY COUNTY WATER AND SEWERAGE AUTHORITY

CHANGES IN NET ASSETS LAST TEN YEARS

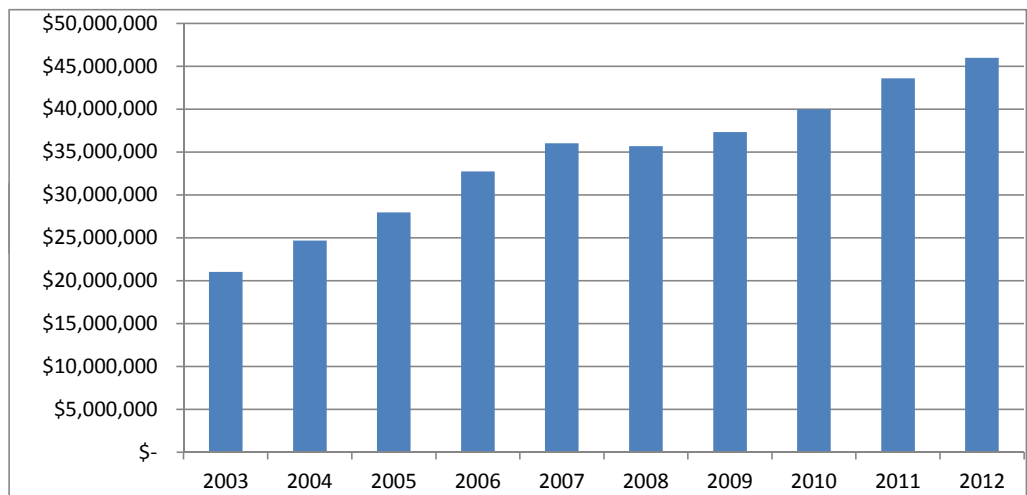
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Revenues	\$ 21,033,029	\$ 24,688,337	\$ 27,950,479	\$ 32,733,003	\$ 36,018,346	\$ 35,702,127	\$ 37,346,288	\$ 39,961,912	\$ 43,595,126	\$ 45,967,528
Operating Expenses	26,786,158	30,087,110	33,927,525	36,852,752	41,664,705	48,950,470	54,755,618	55,812,639	56,525,236	54,864,449
Operating Income (Loss)	(5,753,129)	(5,398,773)	(5,977,046)	(4,119,749)	(5,646,359)	(13,248,343)	(17,409,330)	(15,850,727)	(12,930,110)	(8,896,921)
Nonoperating Revenue (Expense)	972,695	735,788	31,893	3,933,485	7,420,798	5,913,202	4,930,827	4,060,355	1,637,472	856,578
Gain (Loss) before Contributions	(4,780,434)	(4,662,985)	(5,945,153)	(186,264)	1,774,439	(7,335,141)	(12,478,503)	(11,790,372)	(11,292,638)	(8,040,343)
Capital Contributions	21,005,966	24,787,172	25,536,325	27,591,968	30,512,090	19,696,689	5,689,381	5,568,774	3,764,917	3,386,921
Prior Period Adjustments	11,781,445	-	-	-	-	-	-	-	-	-
Change in Net Assets	28,006,977	20,124,187	19,591,172	27,405,704	32,286,529	12,361,548	(6,789,122)	(6,221,598)	(7,527,721)	(4,653,422)
Net Assets - Beginning	133,678,681	161,685,658	181,809,845	201,401,017	228,806,721	261,093,250	273,454,798	266,665,676	260,444,078	252,916,357
Net Assets - Ending	<u>\$ 161,685,658</u>	<u>\$ 181,809,845</u>	<u>\$ 201,401,017</u>	<u>\$ 228,806,721</u>	<u>\$ 261,093,250</u>	<u>\$ 273,454,798</u>	<u>\$ 266,665,676</u>	<u>\$ 260,444,078</u>	<u>\$ 252,916,357</u>	<u>\$ 248,262,935</u>



HENRY COUNTY WATER AND SEWERAGE AUTHORITY

OPERATING REVENUES BY SOURCE LAST TEN YEARS

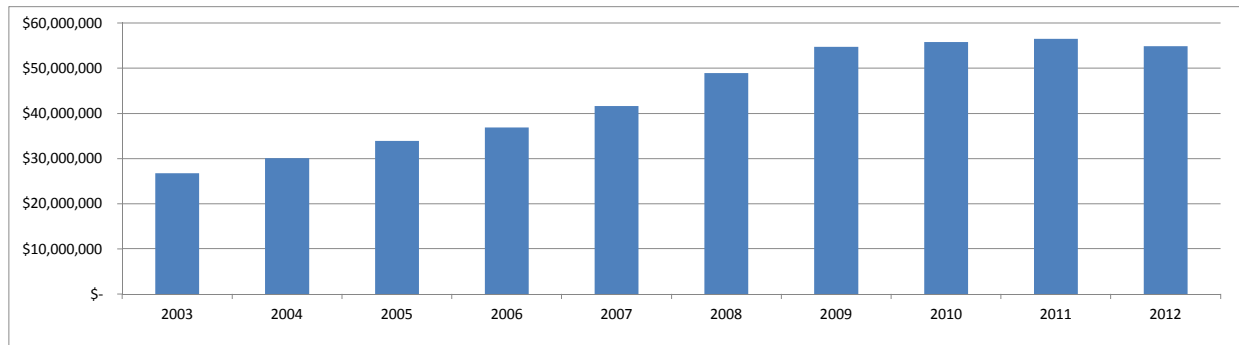
Fiscal Year	Water Revenues	Sewer Revenues	Connection Fees	Other Fees and Charges	Total
2003	\$ 15,910,366	\$ 4,168,853	\$ 812,905	\$ 140,905	\$ 21,033,029
2004	18,639,668	4,829,134	804,997	414,538	24,688,337
2005	20,852,083	5,956,110	687,316	454,970	27,950,479
2006	24,496,078	7,113,762	771,385	351,778	32,733,003
2007	27,090,802	7,985,196	469,160	473,188	36,018,346
2008	26,475,486	8,469,760	217,259	539,622	35,702,127
2009	27,309,977	9,188,611	124,707	722,993	37,346,288
2010	28,832,018	10,074,148	100,740	955,006	39,961,912
2011	31,451,080	10,813,428	104,255	1,226,363	43,595,126
2012	32,937,885	11,206,587	121,430	1,701,626	45,967,528



HENRY COUNTY WATER AND SEWERAGE AUTHORITY

OPERATING EXPENSES BY FUNCTION LAST TEN YEARS

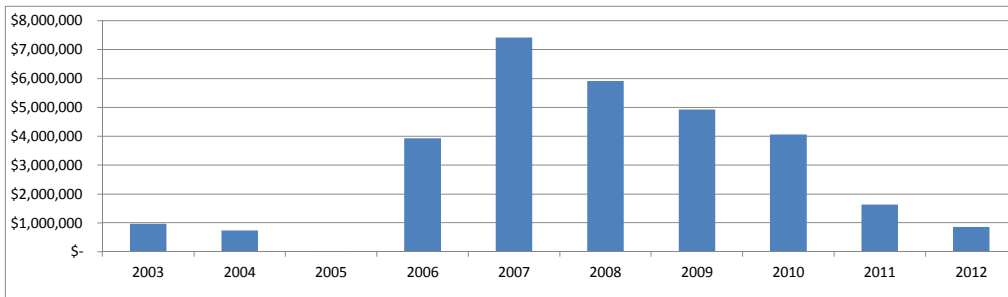
Fiscal Year	Water Treatment	Water Purchase	Customer Service and Connection	Waste Water Treatment	Repairs and Maintenance	Administrative and Engineering	Depreciation	Information Technology	Total Operating Expenses
2003	2,152,403	713,266	1,168,195	2,696,773	4,016,206	3,821,826	11,331,559	885,930	\$ 26,786,158
2004	2,483,913	265,666	2,849,847	2,693,090	4,823,089	2,998,931	13,129,646	842,928	\$ 30,087,110
2005	2,666,373	565,274	3,170,323	3,013,882	5,697,921	3,371,193	14,259,739	1,182,820	33,927,525
2006	3,274,102	397,834	3,401,765	3,355,143	6,018,254	3,700,723	15,550,652	1,154,279	36,852,752
2007	4,165,653	118,522	3,110,421	3,465,474	6,549,697	4,788,394	18,264,673	1,201,871	41,664,705
2008	4,499,392	84,783	3,070,178	3,929,979	7,687,983	5,506,196	22,805,784	1,366,175	48,950,470
2009	5,136,763	74,615	3,388,580	4,463,053	8,570,491	6,101,471	25,598,147	1,422,498	54,755,618
2010	5,428,943	80,644	3,372,801	4,625,639	8,747,513	5,693,885	26,634,341	1,228,873	55,812,639
2011	5,662,739	80,322	3,104,957	4,713,624	8,869,625	5,042,610	27,840,646	1,210,713	56,525,236
2012	5,396,683	128,133	2,997,749	4,941,058	8,539,430	4,755,786	26,887,472	1,218,138	54,864,449



HENRY COUNTY WATER AND SEWERAGE AUTHORITY

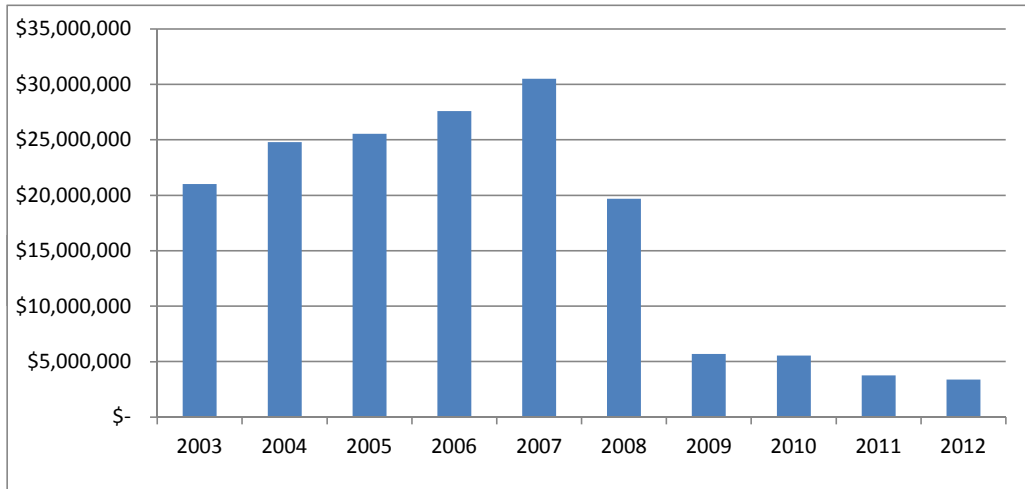
NON-OPERATING REVENUES (EXPENSES) LAST TEN YEARS

Fiscal Year	Real Property Taxes	Motor Vehicle and Other Taxes	Interest Income	Realized Gains (Losses) on Investments	Interest Expense and Fiscal Charges	Gains (Losses) on Disposal of Capital Assets	Other	Total Non-Operating Expenses
2003	\$ 7,487,870	\$ 848,562	\$ 1,574,038	\$ 347,348	\$ (10,171,684)	\$ 115,023	\$ 771,538	\$ 972,695
2004	8,585,168	1,387,123	1,337,523	(441,719)	(10,726,652)	5,395	588,950	735,788
2005	9,440,499	1,347,011	1,282,331	(259,005)	(10,159,399)	(2,040,208)	420,664	31,893
2006	10,363,150	1,471,602	2,067,097	(164,641)	(10,060,147)	3,532	252,892	3,933,485
2007	11,456,251	1,553,062	3,349,937	(169,138)	(9,676,814)	12,517	894,983	7,420,798
2008	12,488,924	1,415,249	2,416,150	261,980	(10,948,444)	7,600	271,743	5,913,202
2009	13,627,396	1,292,157	866,635	116,460	(11,115,574)	4,870	138,883	4,930,827
2010	13,440,290	1,190,644	337,658	(295,152)	(10,767,833)	5,102	149,646	4,060,355
2011	11,537,338	1,201,397	93,770	(64,250)	(11,362,704)	-	231,921	1,637,472
2012	10,725,108	1,226,663	14,045	-	(11,103,558)	(5,680)	-	856,578



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

Fiscal Year	Impact Fees	Contributions for Project Improvements	Contributions in Kind	Total
2003	\$ 9,494,281	\$ 2,847,822	\$ 8,663,863	\$ 21,005,966
2004	9,246,126	2,152,770	13,388,276	24,787,172
2005	7,865,973	3,925,794	13,744,558	25,536,325
2006	8,840,607	4,169,808	14,581,553	27,591,968
2007	5,908,273	7,996,101	16,607,716	30,512,090
2008	6,108,482	4,878,475	8,709,732	19,696,689
2009	1,051,561	1,107,550	3,530,270	5,689,381
2010	1,357,251	2,029,146	2,182,377	5,568,774
2011	952,480	1,489,253	1,323,184	3,764,917
2012	1,514,751	1,406,524	465,646	3,386,921

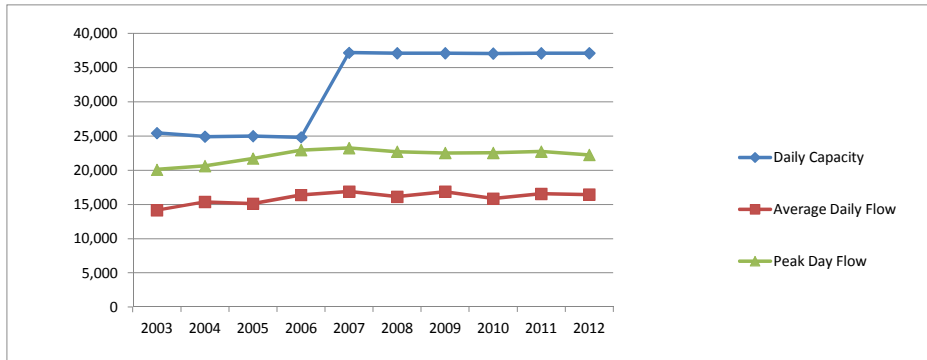


REVENUE CAPACITY

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

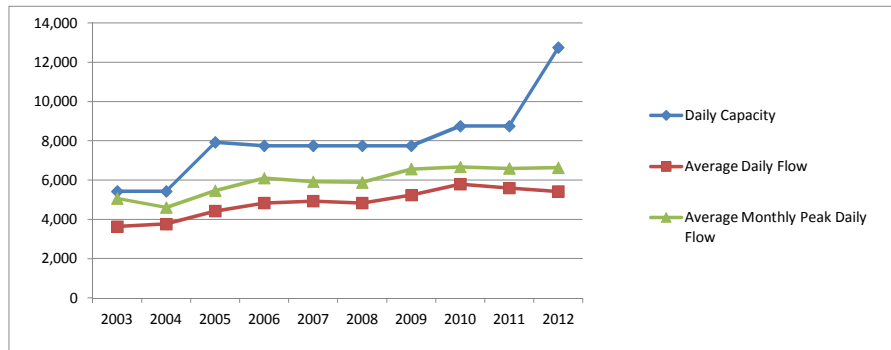
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Maximum Permitted Daily Capacity of Water Treatment Plants:										
Towaliga water treatment plant	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Tussahaw water treatment plant	-	-	-	-	13,000	13,000	13,000	13,000	13,000	13,000
Water Purchased	1,432	919	994	830	186	112	114	65	108	121
	25,432	24,919	24,994	24,830	37,186	37,112	37,114	37,065	37,108	37,121
Average daily flow	14,150	15,372	15,125	16,387	16,896	16,144	16,869	15,867	16,553	16,451
Percent of Capacity used	56%	62%	61%	66%	45%	44%	45%	43%	45%	44%
Ave Summer Peak Day flow	20,083	20,628	21,719	22,948	23,241	22,717	22,533	22,548	22,739	22,252
Percent of Capacity used	79%	83%	87%	92%	62%	61%	61%	61%	61%	60%



Source: Henry County Water & Sewerage Authority historical financial records

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Permitted Daily Capacity of Sewerage Treatment Plants:										
Camp Creek sewerage plant	1,500	1,500 (taken out of service)								
Simpsons Mill sewerage plant	180	180 (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
Springdale sewerage plant	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Bear Creek sewerage plant	250	250	250	250	250	250	250	1,250	1,250	1,250
Walnut Creek sewerage plant			4,000	4,000	4,000	4,000	4,000	4,000	4,000	8,000
Total Permitted Capacity	5,430	5,430	7,930	7,750	7,750	7,750	7,750	8,750	8,750	12,750
Average daily flow	3,639	3,765	4,426	4,835	4,931	4,837	5,237	5,796	5,597	5,423
Percent of Capacity used	67%	69%	56%	62%	64%	62%	68%	66%	64%	43%
Ave Monthly Peak Day flow	5,069	4,605	5,465	6,099	5,922	5,884	6,563	6,669	6,598	6,634
Percent of Capacity used	93%	85%	69%	79%	76%	76%	85%	76%	75%	52%

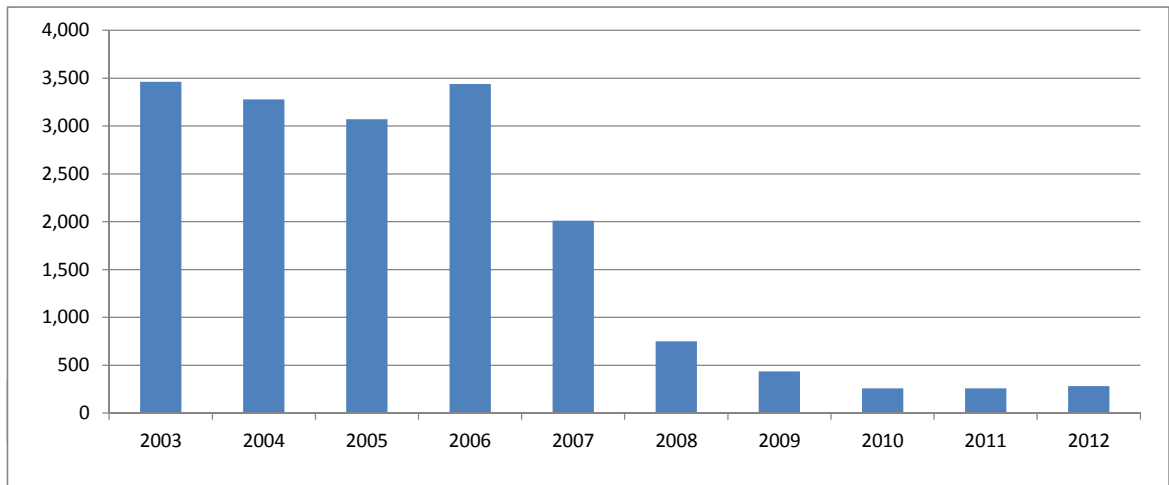


Source: Henry County Water & Sewerage Authority historical financial records

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

NEW WATER METERS ADDED TO THE SYSTEM LAST TEN FISCAL YEARS

Size of Meter	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3/4"	3,245	3,076	2,911	3,191	1,839	635	305	234	243	244
1"	161	135	98	109	84	70	64	19	13	29
1.5"	7	1	-	1	-	-	1	-	-	-
2"	30	39	32	85	52	30	39	4	2	6
3"	2	1	2	-	-	-	-	-	-	-
4"	3	3	1	2	3	-	-	1	-	-
6"	2	12	21	37	16	10	17	1	1	2
8"	11	11	6	8	16	2	7	-	-	1
10"	1	-	-	7	1	1	2	-	-	-
Total	3,462	3,278	3,071	3,440	2,011	748	435	259	259	282

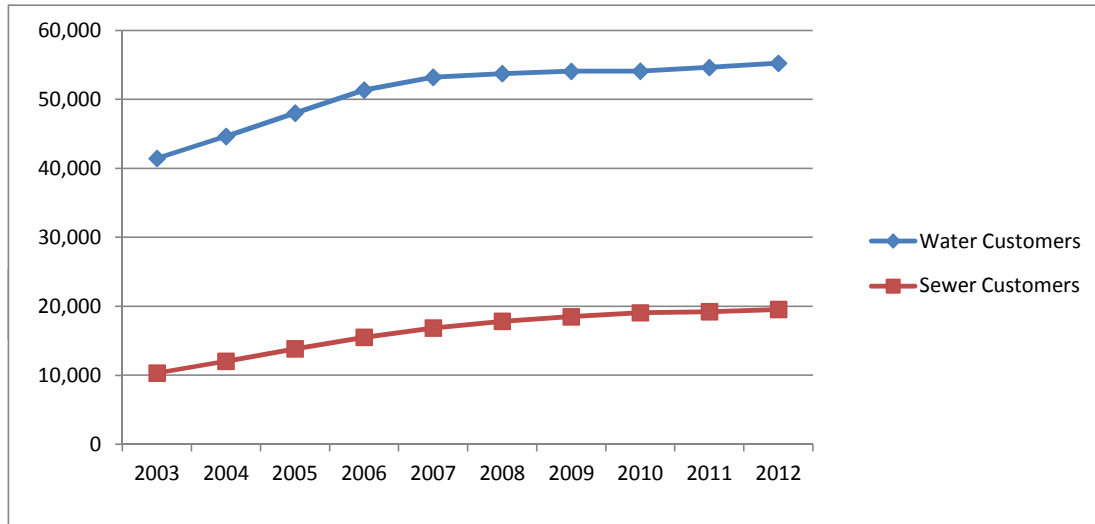


Source: Henry County Water & Sewerage Authority historical financial records

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

NUMBER OF CUSTOMERS LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Water Customers										
Residential	40,208	43,292	46,558	49,818	51,539	51,977	52,276	52,300	52,832	53,396
Commercial & Industrial	1,233	1,338	1,445	1,524	1,672	1,757	1,790	1,790	1,792	1,837
Municipal	4	4	4	4	4	4	4	4	4	4
	41,445	44,634	48,007	51,346	53,215	53,738	54,070	54,094	54,628	55,237
Sewerage Customers										
Residential	9,847	11,431	13,182	14,806	16,068	16,983	17,626	18,186	18,354	18,651
Commercial & Industrial	502	599	661	715	785	844	873	887	881	900
Municipal	1	1	1	1	1	1	1	1	1	1
	10,350	12,031	13,844	15,522	16,854	17,828	18,500	19,074	19,236	19,552



Source: Henry County Water & Sewerage Authority historical financial records

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

RESIDENTIAL WATER AND SEWERAGE RATES LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Water</u>										
Base Charge	13.02*	13.67*	14.35*	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24
Charge per 1,000 gallons: over 3,000 gallons	3.66	3.84	4.03	4.23	4.44					
-0- to 6,000 gallons						3.50	3.68	3.86	4.05	4.25
6,001 to 10,000 gallons						4.75	4.99	5.24	5.50	5.78
over 10,000 gallons						6.95	7.30	7.67	8.05	8.45
<u>Sewerage</u>										
Base Charge	13.02*	13.67*	14.35*	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24
Charge per 1,000 gallons: over 3,000 gallons	3.66	3.84	4.03	4.23	4.44					
-0- to 6,000 gallons						3.50	3.68	3.86	4.05	4.25
over 6,000 gallons						4.75	4.99	5.24	5.50	5.78

* In FY 2003 through FY 2007 the Base Charge includes the first 3,000 gallons
A new rate structure was adopted in FY 2008

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

COMMERCIAL WATER AND SEWERAGE RATES LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Water</u>										
Base Charge:										
3/4"	13.02*	13.67*	14.35*	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24
1"	13.02*	13.67*	14.35*	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24
1.5"	29.56	31.04	32.59	34.22	35.93	46.25	48.56	50.99	53.54	56.22
2'	105.53	110.82	116.36	122.18	128.29	128.29	134.70	141.44	148.51	155.94
3"	321.62	236.39	248.21	260.62	273.65	240.54	252.57	265.20	278.46	292.38
4"	281.44	295.50	310.28	325.79	342.08	352.80	370.44	388.96	408.41	428.83
6"	492.49	517.11	542.97	570.12	598.63	487.50	511.88	537.47	564.34	592.56
8"	598.02	627.92	659.32	692.29	726.90	602.96	633.11	664.77	698.01	732.90
10"	914.61	960.34	1,008.36	1,058.78	1,111.72	936.52	983.34	1,032.52	1,084.15	1,138.36
Charge per 1,000 gallons:										
over 3,000 gallons	3.66	3.84	4.03	4.23	4.44					
per 1,000 gallons						4.75	4.99	5.24	5.50	5.78
<u>Sewerage</u>										
Base Charge										
	13.02*	13.67*	14.35*	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24
Charge per 1,000 gallons:										
over 3,000 gallons	3.66	3.84	4.03	4.23	4.44					
per 1,000 gallons						4.75	4.99	5.24	5.50	5.78

* In FY 2003 through FY 2007 the Base Charge includes the first 3,000 gallons
A new rate structure was adopted in FY 2008

HENRY COUNTY WATER AND SEWERAGE 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)					
2003	2,788,093,657	1,355,253,002	381,641,030	13,923,808	703,336,212	3,835,575,285	11.69	9,588,938,213	40%
2004	3,176,393,257	1,514,744,199	406,978,890	12,301,259	777,838,655	4,332,578,950	11.74	10,831,447,375	40%
2005	3,549,801,966	1,620,263,499	423,649,350	11,087,769	890,036,158	4,714,766,426	12.04	11,786,916,065	40%
2006	4,030,385,731	1,711,614,189	426,951,430	15,233,252	1,060,592,258	5,123,592,344	11.24	12,808,980,860	40%
2007	4,500,677,025	1,848,100,687	428,347,920	13,425,953	1,156,212,229	5,634,339,356	11.20	14,085,848,390	40%
2008	4,949,730,447	2,053,935,438	474,676,980	13,876,885	1,279,630,190	6,212,589,560	11.20	15,531,473,900	40%
2009	5,139,260,358	2,452,100,370	504,161,380	8,800,752	1,343,128,210	6,761,194,650	10.97	16,902,986,625	40%
2010	5,100,209,854	2,444,597,311	521,749,210	10,237,167	1,355,121,921	6,721,671,621	10.97	16,804,179,053	40%
2011	4,148,277,699	2,295,735,115	450,888,710	10,241,711	1,195,578,627	5,709,564,608	11.75	14,273,911,520	40%
2012	3,761,782,236	2,289,954,941	458,020,740	9,796,885	1,257,127,218	5,262,427,584	11.75	13,156,068,960	40%

Source: Henry County Tax Commissioner

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

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS

(rate per \$1,000 of assessed value)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Henry County rates										
Maintenance & Operations										
Unincorporated	14.25	14.13	14.06	14.13	14.13	14.37	13.89	13.71	14.89	18.52
Insurance Reduction (1)	-	-	-	-	-	-	-	-	-	-
Municipal rates										
McDonough (2)	2.84	2.77	2.71	2.56	2.51	2.45	2.59	2.59	3.45	4.39
Stockbridge	-	-	-	-	-	-	-	-	-	-
Hampton	-	-	-	-	-	-	-	-	-	-
Locust Grove	-	-	-	-	-	-	-	-	-	-
LOST Reduction	(3.01)	(2.89)	(2.82)	(2.89)	(2.93)	(3.17)	(2.92)	(2.92)	(3.14)	(4.02)
Police Protection	-	-	-	-	-	-	-	-	1.72	1.91
Fire Protection	2.56	2.39	2.02	1.18	1.21	1.16	1.22	1.22	1.15	1.02
Planning & Development	-	-	-	0.02	-	-	-	-	0.23	0.14
Water Authority	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Hospital Authority	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Board of Education										
Maintenance & Operations										
Maintenance & Operations	17.65	18.90	18.90	19.40	20.00	20.00	20.00	20.00	20.00	20.00
Debt Service	3.06	3.06	3.06	3.06	3.06	3.06	3.06	3.06	3.06	3.63
State of Georgia	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.20
Total Unincorporated	35.20	36.45	36.45	36.95	37.51	37.51	37.28	37.28	38.06	40.33
Total Municipalities (3)										
McDonough	33.33	35.02	35.33	37.03	37.48	37.58	38.14	38.14	38.42	41.65
Stockbridge	35.04	36.45	36.45	36.95	37.47	37.51	37.02	37.02	38.06	40.33
Hampton	33.38	34.67	34.67	35.65	36.23	36.29	36.17	36.17	36.35	38.34
Locust Grove	33.47	34.80	34.80	35.67	35.69	36.29	35.87	35.87	36.11	38.28

Source: Henry County Tax Commissioner

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

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND TEN YEARS AGO

Taxpayer	2012			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cardinal Health 110, LLC	\$ 47,245,598	8	0.90 %	-		- %
Henry Co Development Authority	35,260,440	1	0.67	\$ -		-
Georgia Power Company	32,696,007	2	0.62	-		-
Kens Foods, INC	27,568,447	5	0.52	9,932,165	9	0.29
Norfolk Southern Combined	20,238,870	4	0.38	-		-
US Industrial Reit II	19,965,960	3	0.38	16,859,740	4	0.49
Inland Western McDonough	18,897,760	6	0.36	-		-
Trees of Avalon LLC	17,504,465	7	0.33	-		-
Georgia Transmission Corp	16,750,044	9	0.32	-		-
Prologis NA2 US LLC	14,924,520	10	0.28	-		-
	-		-			-
	-		-			-
Toys R Us	-		-	44,135,750	1	1.29
Atlanta Motor Speedway	-		-	20,306,170	2	0.59
Bellsouth	-		-	19,318,675	3	0.56
TRU Properties Inc.	-		-	14,046,320	5	0.41
Goodyear Tire & Rubber	-		-	13,587,200	6	0.40
Atlanta Gas Light	-		-	10,543,056	7	0.31
Space Center Atlanta Inc.	-		-	10,354,160	8	0.30
Charter Communications, II , LP	-		-	9,269,753	10	0.27
Totals	<u>\$ 251,052,111</u>		<u>4.77 %</u>	<u>\$ 168,352,989</u>		<u>4.90 %</u>

The fiscal year 2012 total taxable assessed value is: 5,262,427,584
The fiscal year 2002 total taxable assessed value is: 3,432,567,410

Source: Henry County Tax Commissioner

NOTE: Fiscal year 2003 principal taxpayer data was not readily available.

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

HENRY COUNTY WATER AND SEWERAGE 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
2003	\$ 114,849,885	110,386,263	96.1 %	5,631,895	116,018,158	101.0 %
2004	127,299,079	124,071,710	97.5	5,890,088	129,961,798	102.1
2005	149,456,772	139,171,748	93.1	5,222,567	144,394,315	96.6
2006	167,000,428	163,055,967	97.6	3,270,634	166,326,601	99.6
2007	189,356,554	183,717,413	97.0	4,286,214	188,003,627	99.3
2008	209,079,707	198,038,407	94.7	5,750,090	203,788,497	97.5
2009	224,099,576	211,348,395	94.3	9,633,458	220,981,853	98.6
2010	232,661,093	220,510,188	94.8	12,162,480	232,672,668	100.0
2011	205,764,434	193,893,667	94.2	11,764,074	205,657,741	99.9
2012	190,525,178	181,582,275	95.3	8,481,108	190,063,383	99.8

Source: Henry County Tax Commissioner

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

TEN LARGEST CUSTOMERS CURRENT YEAR AND NINE YEARS AGO

		<u>Water</u>	
	<u>2012</u>		<u>2003</u>
Board of Education	\$ 967,130	Board of Education	\$ 283,091
City of Hampton	618,350	City of Stockbridge	363,871
City of Stockbridge	471,146	City of Hampton	254,377
Ken's Foods, Inc	357,036	Henry Medical Center	136,553
Henry Medical Center	207,624	Ken's Foods, Inc	113,371
City of Locust Grove	157,794	City of Locust Grove	88,449
City of McDonough	151,235	Atlas Roofing	75,647
Wilwat Properties (Trees of Avalon Apts)	116,926	Preston Creek Apts	63,341
Connor & Murphy (St Ives)	106,861	Bridgemill (Saddlecreek) Apts	57,599
Amber Chase Apts	101,853	Hudson Bridge Apts	53,674
	<u>\$ 3,255,955</u>		<u>\$ 1,489,973</u>
% of total Water Revenue	9.9%		9.4%

		<u>Sewer</u>	
	<u>2012</u>		<u>2003</u>
Board of Education	\$ 387,175	City of Hampton	\$ 106,819
Ken's Foods, Inc	248,722	Ken's Foods, Inc	106,338
Henry Medical Center	153,833	Board of Education	98,700
St Ives Crossing Apts	99,996	Henry Medical Center	72,493
Trees of Avalon Apts	95,606	Bridgemill (Saddlecreek) Apts	51,960
Amber Chase Apts	86,702	Hudson Bridge Apts	51,179
Sable Chase Apts	84,799	St Ives Crossing Apts	42,999
Bridgemill (Saddlecreek) Apts	77,966	Baptist Inn	39,226
Preston Creek Apts	77,338	Sable Chase Apts	39,054
Walden Run Apts	74,838	Preston Creek Apts	37,586
	<u>\$ 1,386,975</u>		<u>\$ 646,354</u>
% of total Sewer Revenue	12.4%		15.5%

Source: Henry County Water and Sewerage Authority historical financial records.

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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 AND SEWERAGE AUTHORITY

OUTSTANDING DEBT BY TYPE LAST TEN YEARS

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>GEFA Notes</u>	<u>Outstanding Debt Service Requirements</u>
2003	\$ 169,678,195	\$ 43,465,906	\$ 213,144,101
2004	167,160,000	45,985,845	213,145,845
2005	170,875,000	53,957,820	224,832,820
2006	166,980,000	70,540,487	237,520,487
2007	163,960,000	91,752,681	255,712,681
2008	159,675,000	96,805,241	256,480,241
2009	155,150,000	111,630,461	266,780,461
2010	146,850,000	126,967,301	273,817,301
2011	141,960,000	135,834,524	277,794,524
2012	136,365,000	131,800,367	268,165,367

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

PLEGGED REVENUE COVERAGE LAST TEN YEARS

Fiscal Year	Gross Revenues				Operating Expenses (Excluding Depreciation)	Net Available Revenues	Debt Service			Coverage Ratio
	Operating Revenues	Other Income	Property Taxes	Impact Fees			Principal	Interest	Total	
2003	\$ 21,033,029	\$ 2,345,576	\$ 8,336,432	\$ 9,494,281	\$ 15,454,599	\$ 25,754,719	\$ 2,397,934	\$ 7,593,492	\$ 9,991,426	2.58
2004	24,688,337	1,926,476	9,972,291	9,246,126	16,957,464	28,875,766	2,560,757	8,737,888	11,298,645	2.56
2005	27,950,479	1,702,995	10,787,510	7,865,973	19,667,786	28,639,171	3,150,000	8,714,479	11,864,479	2.41
2006	32,733,003	2,319,989	11,834,752	8,840,607	21,302,100	34,426,251	2,915,000	8,632,675	11,547,675	2.98
2007	36,018,346	4,244,920	13,009,313	5,908,273	23,400,032	35,780,820	4,095,000	8,532,190	12,627,190	2.83
2008	35,702,127	2,687,893	13,904,173	6,108,482	26,144,686	32,257,989	4,285,000	7,971,047	12,256,047	2.63
2009	37,346,288	1,005,518	14,919,553	1,051,561	29,157,471	25,165,449	4,525,000	7,973,590	12,498,590	2.01
2010	39,961,912	487,304	14,630,934	1,357,251	29,178,298	27,259,103	4,730,000	7,775,799	12,505,799	2.18
2011	43,595,126	325,691	12,738,735	952,480	28,684,590	28,927,442	4,890,000	7,501,931	12,391,931	2.33
2012	45,967,528	14,045	11,951,771	1,514,751	27,976,977	31,471,118	4,930,000	7,407,229	12,337,229	2.55

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

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 AND SEWERAGE AUTHORITY

PRINCIPAL EMPLOYERS CURRENT YEAR AND THIRTEEN YEARS AGO

Taxpayer	2012			1999		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (3)	Rank	Percentage of Total County Employment (2)
Henry County Board of Education	4800	1	4.98 %	2400	1	3.91 %
Henry Medical Center	1645	2	1.71	850	3	1.38
Henry County Board of Commissioners	1595	3	1.66	830	4	1.35
WalMart Supercenter	1373	4	1.43	550	5	0.90
Federal Aviation Administration	800	5	0.83	-		-
Georgia Power Company	592	6	0.61	-		-
Briggs & Stratton/fka/Snapper	578	7	0.60	-		-
Symcor	500	8	0.52	-		-
Southern States, Inc	400	9	0.42	-		-
Luxtottica Retail Group	325	10	0.34	-		-
Toys R Us	-		-	1000	2	1.63
Ford Motor Company	-		-	350	6	0.57
Dowling Textile Mfg. Co.	-		-	300	7	0.49
Smead Manufacturing	-		-	280	8	0.46
Pep Boys	-		-	270	9	0.44
NEC Technologies	-		-	250	10	0.41
Totals	<u>12,608</u>		<u>13.09 %</u>	<u>7080</u>		<u>11.53 %</u>

(1) Source: Henry County Development Authority

(2) Source: U.S. Bureau of Labor Statistics - Henry County Employment 61,412 (1999) 96,291 (2012)

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

NOTE: Information on principal employers was not readily available for fiscal year 2000 - 2003.

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population (1)	Personal Income (Amounts Expressed in Thousands) (1)	Per Capita Personal Income (1)	Median Age (3)	School Enrollment (4)	Unemployment Rate (2)
2003	150,165	3,974,626	26,468	33.4	27,744	4.3
2004	158,939	4,276,616	26,907	33.4	29,912	4.0
2005	168,204	4,512,290	26,826	33.4	32,413	5.1
2006	177,436	4,768,767	26,950	33.4	37,350	4.4
2007	186,308	5,031,049	27,082	33.4	38,969	4.4
2008	195,623	5,282,602	27,004	33.4	38,421	5.9
2009	201,343	5,546,732	22,945	33.4	40,370	10.1
2010	194,400	6,360,121	43,600	33.4	40,791	10.0
2011	207,800	6,678,127	46,818	31	40,951	10.9
2012	209,500	6,548,536	30,218	35	40,290	9.5

Source: Henry County, Georgia

(1) Source: Bureau of Economic Analysis: Regional Economic Accounts 2001-2007, Atlanta Regional Commission 2008-2010

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

(3) Source: U. S. Bureau of the Census, Census 1990 and 2000

(4) Source: Henry County Board of Education and Atlanta Regional Commission

NOTE: 2008 - 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 AND SEWERAGE AUTHORITY

FULL TIME EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Water Treatment	20	20	21	26	29	31	31	31	35	34
Customer Service & Connection	29	30	31	34	35	34	34	32	29	27
Waste Water Treatment	23	31	30	31	31	32	31	31	35	32
Repairs & Maintenance	60	68	71	74	82	89	90	81	84	85
Administrative, Engineering & Info Tech	30	35	37	41	49	51	50	47	38	38
	<u>162</u>	<u>184</u>	<u>190</u>	<u>206</u>	<u>226</u>	<u>237</u>	<u>236</u>	<u>222</u>	<u>221</u>	<u>216</u>

Source: Henry County Water and Sewerage Authority historical financial records.

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Ground level tanks:										
Hwy 81	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Hampton	300	300	300	300	300	300	300	300	300	300
East Lake	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
East Lake				5,000	5,000	5,000	5,000	5,000	5,000	5,000
	<u>6,300</u>	<u>6,300</u>	<u>6,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>
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
N E				1,000	1,000	1,000	1,000	1,000	1,000	1,000
	<u>5,200</u>	<u>5,200</u>	<u>5,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>
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
	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>
Total Water Tank Storage Capacity	<u>17,000</u>	<u>17,000</u>	<u>17,500</u>	<u>23,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>

Source: Henry County Water and Sewerage Authority historical financial records.

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

RAW WATER SUPPLY IN RESERVOIRS LAST TEN FISCAL YEARS

(ALL NUMBERS EXPRESSED IN THOUSANDS OF GALLONS)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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
Total supply	8,340,710	8,340,710	8,340,710	8,340,710	18,120,710	18,120,710	18,120,710	18,120,710	18,120,710	18,120,710
Percent allowed for withdrawal	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Water available for use	6,672,568	6,672,568	6,672,568	6,672,568	14,496,568	14,496,568	14,496,568	14,496,568	14,496,568	14,496,568
Average daily flow										
Average daily production	14,150	15,372	15,125	16,387	16,896	16,144	16,869	15,867	16,553	16,451
Daily Release downstream	5,380	5,380	5,380	5,380	8,280	8,280	8,280	8,280	8,280	8,280
Total daily flow	19,530	20,752	20,505	21,767	25,176	24,424	25,149	24,147	24,833	24,731
Number of days supply	342	322	325	307	576	594	576	600	584	586

Source: Henry County Water and Sewerage Authority historical financial records.

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SINGLE AUDIT 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 and Sewerage Authority
McDonough, Georgia**

We have audited the basic financial statements of the Henry County Water and Sewerage Authority (the "Authority"), a component unit of Henry County, Georgia, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 5, 2012. 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.

Internal Control over Financial Reporting

Management of Henry County Water and Sewerage Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Authority, management, others within the organization, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
December 5, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Henry County Water and Sewerage Authority (the "Authority"), a component unit of Henry County, Georgia with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2012. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Authority, management, others within the organization, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
December 5, 2012

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2012

Grant Program	CFDA #	Grant I.D.	Expenditures
FEDERAL AWARD PROGRAMS			
U.S. Environmental Protection Agency			
Pass Through Program - Georgia Environmental Facilities Authority:			
Funds under the Clean Water Act of 1994	66.458	CWSRF 08-002	\$ 2,004,007
Funds under the Clean Water Act of 1994	66.458	CWSRF 10-025	<u>335,282</u>
Total Federal Awards			<u><u>\$ 2,339,289</u></u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2012

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unqualified

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

Internal Control over major programs:
Material weaknesses identified? yes no

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

Type of auditor's report issued on compliance for
major programs Unqualified

Any audit findings disclosed that are required to
be reported in accordance with OMB Circular
A-133, Section 510(a)? yes no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	U.S. Environmental Protection Agency, Capitalization Grant

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2012

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported

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