

**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2010**

# **Comprehensive Annual Financial Report**

**Year Ended June 30, 2010**

**Henry County Water and Sewerage Authority - McDonough, Georgia**

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

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**JUNE 30, 2010**

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**(A Component Unit of Henry County, Georgia)**

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# **Comprehensive Annual Financial Report**

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## **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

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, 2010. 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, 2010. 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.

1. 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.

2. 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.

3. The STATISTICAL SECTION provides information regarding the Authority's economic condition and is divided into five sections: financial trends; revenue capacity; debt capacity; demographic and economic information; and other operating information.

## **Profile of HCWSA**

### **General**

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

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 15.9 million gallons per day (MGD) during FY 2010, the reservoirs provide a 600 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 54,000 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 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 441 miles of sewer mains, 31 sewerage lift stations and 4 waste water treatment plants. The recent expansion of the Authority's Bear Creek treatment plant brought the total permitted treatment capacity up to 8.75 MGD, and an expansion of the Walnut Creek facility, currently ongoing and projected to be complete in August, 2011, will bring the total treatment capacity up to 12.75 MGD.

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 customers who also have sewerage service, are also based on water consumption.

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.

### **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 regular 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, and the Financial Accounting Standards Board, where applicable. 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 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, and 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 has been the hallmark of Henry County for three decades. It took just 5 years, from 1980 till 1985 for the Authority's customer base to double to 6,287. Six year 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. This was due primarily to two things that have played a significant role in shaping the current economic environment for the Authority. These two things are 1) the national economic downturn; and 2) Water conservation.

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 three years.

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 significant water conservation measures, including stringent 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 Authority has 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 (Lakes Lanier and Allatoona) 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 the drought occurs, and thus has continued the 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 a 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. How much of this water the metro Atlanta area has a right to is currently in question. The State of Georgia realized the need to exercise good stewardship of these water resources. Henry County is not dependant 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 Lake Lanier) 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 established to deal with the possibility of diminished supplies coming from Lakes Lanier and Allatoona and the Chattahoochee River.

Because of the economic downturn, and water conservation, our long range projections for water and sewer revenue had to be revised, and current developmental impact fee and connection fee revenue likewise decreased. 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. Cost control measures the Authority has taken since 2007 such as: postponing projects; hiring freeze; limited or no pay increases; centralizing purchasing; extending the life of vehicles and other equipment; etc, have positioned the Authority well to navigate financial challenges caused by the economic downturn and water conservation. In other words, the Authority has taken the right steps to adjust to the new economic environment.

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 there is every reason to believe that Henry County could rebound faster and better than many other parts of the State or Country. 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 is currently making monthly draws from the Georgia Environmental Facilities Authority (GEFA) on a State Revolving Fund (SRF) Loan for the expansion of Walnut Creek Wastewater Treatment Plant. The Authority anticipates borrowing a total of \$41.3 million for this project. Annual debt service will be approximately \$2.8 million. The expansion will double the capacity of the Walnut Creek plant, thus positioning the Authority well to accommodate future growth in a wide area of Henry County.

The Authority anticipates that property tax collections for FY 2011 will be 20% less than collections in FY 2010, and has budgeted accordingly. The Authority's five year projections reflect no increase in property tax collections in FY 2012, and a modest 2.5% annual increase thereafter. Although we believe actual property taxes may well exceed our estimates, for long term planning purposes, we choose to take this conservative approach.

### **Major Initiatives**

The Authority has a long term capital improvement plan, listing projects totaling more than \$700 million (2007 dollars, not adjusted for inflation), through the year 2035 that will be needed as the population in Henry County continues to grow. Authority staff carefully evaluates 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 continued on the expansion of Walnut Creek Wastewater Treatment Plant to increase its sewerage treatment capacity from 4 mgd to 8 mgd. This plant, located in the eastern part of the county, is our largest sewerage treatment plant. The total cost of the expansion is \$44,700,000, and the anticipated completion date is August, 2011.

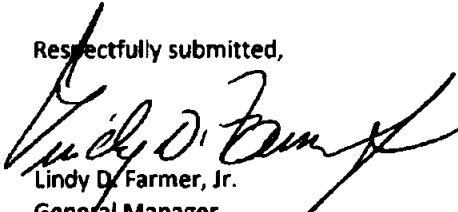
The flow to Authority's Indian Creek Wastewater Treatment Plant was nearing its permitted capacity and the Plant was scheduled for a 1.5 mgd expansion in 2010. This would be very expensive- the just completed 1.0 mgd expansion to the Bear Creek Plant cost \$18.3 million. The Authority's Engineering Department developed and implemented a plan diverting a portion of the flow from Indian Creek to the Walnut Creek Plant. The Walnut Creek Plant is able to accommodate the additional flow currently, and after the completion of the Walnut Creek expansion, will be able to easily accommodate the additional flow. This effectively postpones the need to expand the Indian Creek Plant, and incur the related debt service and additional operating costs for a few years.


The Authority plans to construct 4.7 miles of 24" ductile iron water transmission main in the southern part of Henry County at a total cost of approximately \$2.7 million. This will be the first section of an 11 mile water transmission main that, when complete, will enable the Tussahaw Water Treatment Plant to transmit water to the entire county.

### **Acknowledgements**

We express our thanks to the management of each department of the Authority, all of whom have implemented 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 the Henry County Water & Sewerage Authority in fulfilling our mission.

Respectfully submitted,

  
Lindy D. Farmer, Jr.  
General Manager

  
Roderick Burch, CPA  
Finance Director



**Henry County Water and Sewerage Authority**  
**Administration**  
**HCWSA Board Members**



Ken Phillips



Jimmy Carter



Kirk Emerson



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 Finance  
David Whitson - 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**

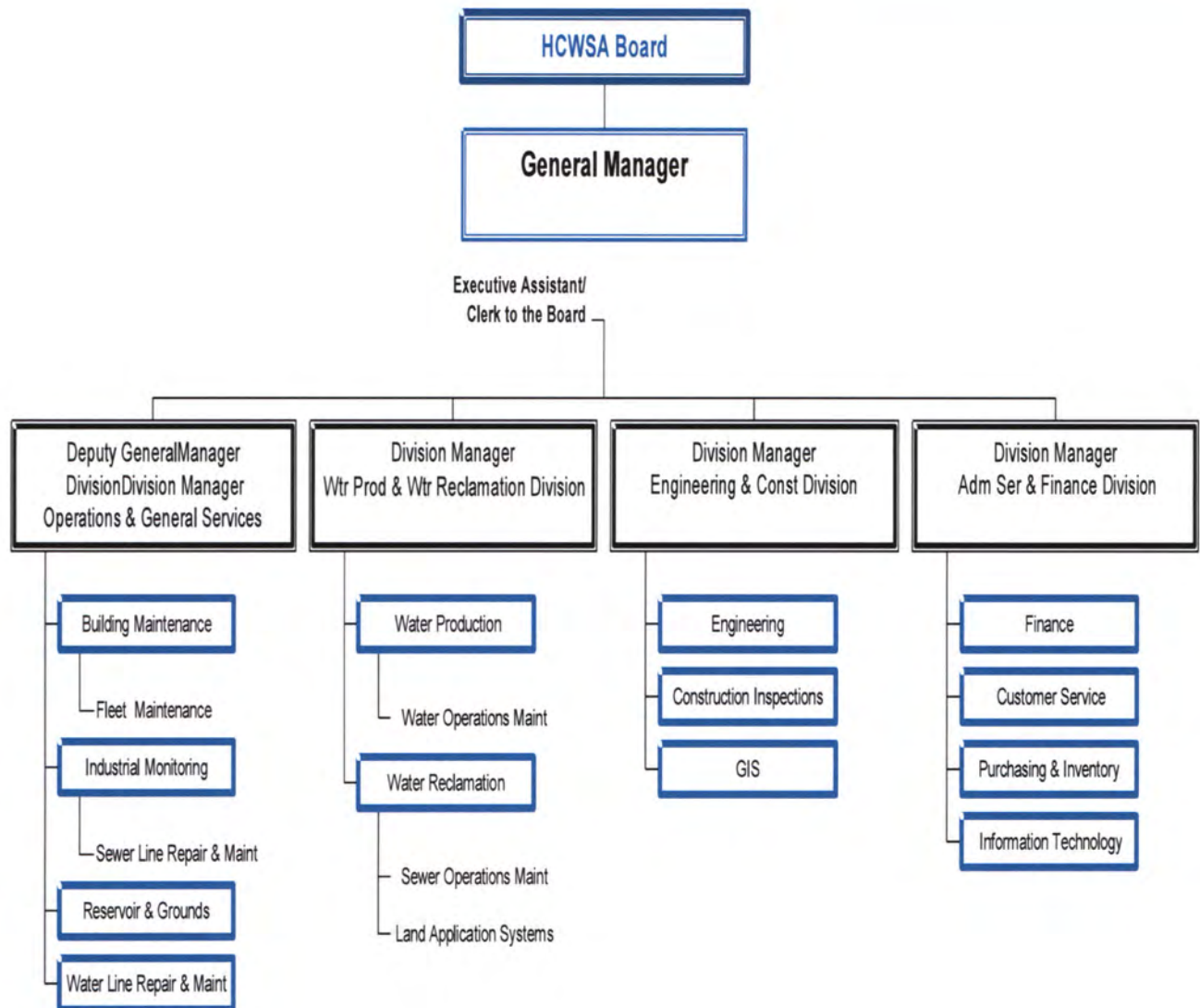
**Legal Counsel:**

Smith, Welch & Brittain, McDonough, Georgia

**Auditors:**

Mauldin & Jenkins, LLC, Macon, Georgia

# HCWSA Organization Chart





## INDEPENDENT AUDITOR'S REPORT

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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, 2010, 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, 2010, and the changes in financial position and cash flows 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 21, 2010, 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.

The Management's Discussion and Analysis (on pages 3 through 11) and the Defined Benefit Pension Plan Schedule of Funding Progress (on page 33) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by 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 basic financial statements of the Authority. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 21, 2010

# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2010. 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.

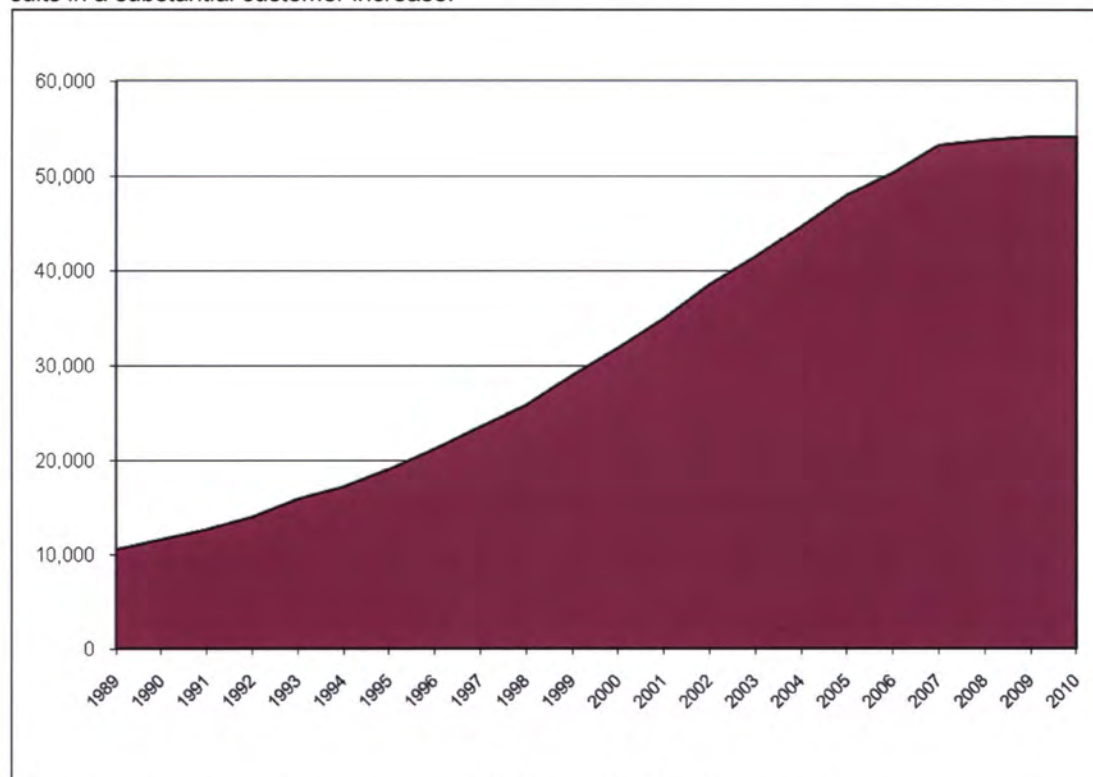
	2010	2009
Current assets	\$ 8,596,843	\$ 7,598,116
Restricted assets	59,001,036	57,698,265
Capital assets	477,226,112	474,314,796
Other long-term assets	7,905,097	7,234,473
Total assets	552,729,088	546,845,650
Current liabilities	22,576,295	21,472,444
Long-term liabilities	269,708,715	258,707,530
Total liabilities	292,285,010	280,179,974
Invested in capital assets, net of related debt	238,506,575	228,664,267
Restricted for debt service	16,931,449	33,315,862
Unrestricted	5,006,054	4,685,547
Total net assets	\$ 260,444,078	\$ 266,665,676

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Financial Statements (Continued)

The Authority continued its program of expanding the water and sewer systems during the fiscal year. Capital Assets before depreciation increased by \$ 29.3 million during this time period. Some of the more significant additions to the system are itemized in the Capital Assets section of this discussion. The increase in long term liabilities is principally attributable to additional funds borrowed from the Georgia Environmental Facilities Authority to finance the expansion of two wastewater treatment plants. 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 2010. The pace of the increase has leveled off over the last three years with the current housing downturn, however, projections indicate that the overall trend in growth will accelerate again. The rate of growth may not be quite as rapid as in years prior to 2007, but even a rate  $\frac{1}{2}$  that steep still results in a substantial customer increase.



The Authority carries a significant amount of debt relative to net assets. This is necessary in order to construct system improvements needed for the rapidly increasing customer base. The number of water customers connected to the Authority's system increased from 10,493 in 1989 to 54,094 in 2010. The history of growth in Henry County prior to the economic downturn, the vast amount of developable land and the water resources available in Henry County, together with our prime location along Interstate 75 just south of Atlanta and the Atlanta airport strongly suggests an increased pace in the rate of growth in the future.



## 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.

	2010	2009
<b>Operating revenues:</b>		
Water revenues	\$ 28,832,018	\$ 27,309,977
Sewerage revenues	10,074,148	9,188,611
Connection fees	100,740	124,707
Other fees and charges	955,006	722,993
Total operating revenues	<u>39,961,912</u>	<u>37,346,288</u>
<b>Operating expenses:</b>		
Water treatment	5,428,943	5,136,763
Water purchase	80,644	74,615
Customer service and connection	3,372,801	3,388,580
Waste water treatment	4,625,639	4,463,053
Repairs and maintenance	8,747,513	8,570,491
Administrative and engineering	5,693,885	6,101,471
Depreciation	26,634,341	25,598,147
Information technology	1,228,873	1,422,498
Total operating expenses	<u>55,812,639</u>	<u>54,755,618</u>
Operating loss	(15,850,727)	(17,409,330)
<b>Non-operating revenues (expenses):</b>		
Real property taxes	13,440,290	13,627,396
Motor vehicle and other taxes	1,190,644	1,292,157
Interest income	337,658	866,635
Unrealized gain on investments	(295,152)	116,460
Interest expense and fiscal charges	(10,767,833)	(11,115,574)
Gain on disposal of capital assets	5,102	4,870
Other	149,646	138,883
Total nonoperating revenues, net	<u>4,060,355</u>	<u>4,930,827</u>
(Loss) before contributions	(11,790,372)	(12,478,503)
Capital contributions	<u>5,568,774</u>	<u>5,689,381</u>
Change in net assets	(6,221,598)	(6,789,122)
Total net assets, beginning	<u>266,665,676</u>	<u>273,454,798</u>
Total net assets, ending	<u>\$ 260,444,078</u>	<u>\$ 266,665,676</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Financial Statements (Continued)

Water revenues- All water is metered and sold at a monthly base charge plus a usage rate per thousand gallons. The rates in place at June 30, 2010, are:

\$10.20 per month base charge (household size meter)  
\$3.86 per thousand gallons for the first 6,000 gallons  
\$5.24 per thousand gallons for the next 4,000 gallons  
\$7.67 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, 2010, are:

\$10.20 per month base charge  
\$3.86 per thousand gallons for the first 6,000 gallons  
\$5.24 per thousand gallons for all usage above 10,000 gallons

Approximately  $\frac{1}{4}$  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. Even though the customer growth rate has flattened over the last three years, revenue from sewerage fees has continued to increase from year to year: 6.1% in 2008; 7.7% in 2009; and 9.6% in 2010.

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- In October, 2009, the Authority began charging a 10% fee for late payments, which accounts for the increase on this line. Additionally, as in past years, a fee is required to restore service to customers who have had their water service cut off for non-payment. Bad check fees, plan review fees and various other engineering fees, and fishing permits are also charged to this line item.

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 2010 averaged 15.9 million gallons per day (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 2010, the Authority produced more than 99% of its total water requirements and purchased less than 1%.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### 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.

**Wastewater treatment-** This is the cost to operate four wastewater treatment plants. These four plants together treated an average of 5.8 mgd of sewerage per day during FY 2010, up 10% from the amount treated in the previous year.

**Repairs and maintenance-** This line did not change significantly from the prior year and is comprised of the following:

	<u>2010</u>	<u>2009</u>	<u>Difference</u>
Purchasing and inventory	\$ 485,582	\$ 462,229	\$ 23,353
Vehicle maintenance	840,412	902,891	(62,479)
Security & maintenance	465,314	454,834	10,480
Sewer line repair & maintenance	2,590,670	2,410,524	180,146
Industrial monitoring	438,388	443,370	(4,982)
Reservoirs and grounds	900,038	879,762	20,276
Water line repair & maintenance	<u>3,027,109</u>	<u>3,016,881</u>	<u>10,228</u>
Total	<u>\$ 8,747,513</u>	<u>\$ 8,570,491</u>	<u>\$ 177,022</u>

**Administration and Engineering-** This line item includes Administration, Finance, Human Resources, Engineering and bad debt write-offs. This line was abnormally high during the prior year, FY 2009, due to a bad debt write off of a large balance owed by one developer for water and sewer line extensions. Bad Debt write-offs for the current year were back on target at 1% of operating revenue. The total Admin and Eng line for FY 2010 is 3% higher than the total of two years ago which is within expectations.

**Depreciation-** This is the Authority's single largest expense line item. It continues to grow each year as the Authority continues to complete large construction projects and bring them on line. Capital Assets, before depreciation, increased by more than \$28 million (exclusive of Construction in Progress) from June 30, 2009 to June 30, 2010.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Financial Statements (Continued)

**Real property taxes-** The Authority receives a two-mill tax levy on all taxable property within the boundaries of Henry County. The Joint Resolutions of Henry County and the Authority to issue Revenue Bonds contains a covenant to levy the two mill tax. This covenant, along with the other conditions specified in the Resolutions constitutes a contract between the County, Authority and the holders of the Authority's Revenue Bonds. The two mill tax must be collected until all Revenue Bonds are paid in full. The final maturity on currently outstanding Revenue Bonds is Feb 1, 2030. Before the current fiscal year, in which the Authority experienced a slight decrease in property tax revenue, Henry County has seen substantial increases in the tax digest from year to year. Please see the paragraph about property taxes under the heading 'Currently Known Conditions Affecting Future Operations'.

**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. The decrease in motor vehicle taxes would seem to reflect an older average vehicle age which would result in less tax, and only a modest increase in the total number of vehicles.

**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.

**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' was decreased to an amount closer to its 'face value' at June 30, 2010.

**Interest expense and fiscal charges:**

	<u>2010</u>	<u>2009</u>
Revenue bonds interest expense	\$ 7,734,710	\$ 7,891,177
GEFA interest expense	2,672,006	2,804,281
Amortization of issuance costs	358,027	415,776
Fiscal agent fees	3,090	4,340
Total	<u>\$ 10,767,833</u>	<u>\$ 11,115,574</u>

**Other non-operating revenues.** This is miscellaneous income which varies from year to year:

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Financial Statements (Continued)

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 services pays \$700 per equivalent dwelling unit (EDU), and anyone initially connecting onto the sewer system pays \$2,900 per EDU. The Authority defines one EDU to be 300 gallons per household per day. 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. The following numbers for FY 2009 and FY 2010 reflect a steep decline from prior years in the construction of new houses and commercial development.

	2010	2009
Impact fees	\$ 1,357,251	\$ 1,051,561
Contributions for project costs	2,029,146	1,107,550
Contributions in kind	2,182,377	3,530,270
Total	<u>\$ 5,568,774</u>	<u>\$ 5,689,381</u>

### Capital Asset and Debt Administration

**Capital Assets:** The Authority's investment in capital assets as of June 30, 2010 amounts to \$477,226,112 (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. Although the Authority has scaled back on its aggressive capital improvement program because of the relatively flat population growth over the last three years, it is imperative that the Authority be poised to accommodate a steeper growth rate that may be somewhat similar to that of previous years.

During FY2010, an additional 6.5 miles of water lines and 2.2 miles of sewer lines were added to the Authority's system. Other significant capital events during the current fiscal year included the following:

- Completed expansion of the Bear Creek Water Reclamation Facility totaling \$18.3 million
- Completed water and sewer line extensions and rehab projects totaling \$1.3 million
- Continued construction of Walnut Creek Water Reclamation Facility (\$16.9 million spent in FY2010)

**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).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Capital Asset and Debt Administration (Continued)

During the year, the Authority made construction draws of \$1,585,440 on GEFA loan # SRF 06-001 for the expansion of Bear Creek Water Reclamation Facility. The project was completed and the final draw was made in June 2010. The balance of the loan at June 30, 2010 was \$17,768,722. Monthly repayments of \$98,545 began August 1, 2010. The loan carries a 3% interest rate and will be repaid over 20 years.

During the year, the Authority made construction draws of \$10,638,347 on GEFA loan # SRF 08-001 (phase 1) for the expansion of Walnut Creek Water Reclamation Facility. A final draw in May, 2010 completed Phase 1 funding. The balance of the loan at June 30, 2010 was \$20,519,788. Monthly repayments of \$113,802 began August 1, 2010. The loan carries a 3% interest rate and will be repaid over 20 years.

In March, 2010, the Authority entered into an agreement with GEFA to borrow \$21,342,866 on GEFA loan # SRF 08-001(phase 2), to complete the expansion of Walnut Creek Water Reclamation Facility. The loan carries a 3% interest rate and a 2% closing cost. The amount actually drawn on the loan during the year was \$6,343,422. Repayment of the loan will be made in monthly amounts over 20 years beginning one month after completion of the project, currently estimated to be August, 2011.

In March, 2010 the Authority issued \$29,785,000 Revenue Bonds at an average yield of 3.5223% and a final maturity of 2026. The proceeds from these bonds were used to refund the outstanding balance of the Authority's 2007 Revenue Bonds with an average yield of 4.24% and a final maturity of 2026. The sole purpose of the 2010 Issue was to achieve a reduction in total debt service payments.

In May, 2010, Moody's Investor Services "recalibrated" the ratings of many municipal issuers to make muni-bond ratings more comparable to corporate bond ratings. As a result, the Authority's Bonds were moved up from Aa3 to Aa2. Moody's said "Market participants should not view the recalibration of municipal ratings as rating upgrades, but rather as a recalibration of the ratings to a different rating scale". Nonetheless, the end result is that the Authority's rating has moved to Aa2, which is an improvement from Aa3.

### Currently Known Conditions Affecting Future Operations

In September, 2010 the Authority approved a Resolution seeking an SRF loan from GEFA for the construction of Tussahaw Transmission Line phase 3 (approximately 4.7 miles of 24" ductile iron water main in the south part of Henry County). A loan application has been filed with GEFA seeking \$2,652,000. If approved by GEFA, this loan will carry a 3% interest rate and 2% closing cost. This loan also includes 30% principal forgiveness. Completion of the project is projected to be prior to the end of calendar year 2011.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **Currently Known Conditions Affecting Future Operations (Continued)**

In September 2010, the Tax Commissioner's Office notified the Authority to anticipate the 2010 Tax Digest would yield what amounts to a 20% decrease from the prior year in property tax revenue. Revenue from the 2010 Tax Digest is collected after September 2010. The Authority had already anticipated a 20% decrease in property tax revenue in their FY 2011 Budget.

### **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, 2010

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<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 1,002,007
Receivables, net of allowance for uncollectibles:	
Taxes	960,248
Accounts	5,839,962
Inventory	793,941
Prepaid expenses	685
Restricted assets:	
Cash	34,143,041
Investments	24,756,955
Accrued interest	101,040
	<hr/>
Total current assets	67,597,879
<b>NON-CURRENT ASSETS</b>	
Capital assets:	
Land	35,463,906
Buildings	8,380,082
Improvements other than buildings	589,030,903
Machinery and equipment	7,213,246
Vehicles	3,634,167
Construction in progress	40,561,945
	<hr/>
Less accumulated depreciation	207,058,137
	<hr/>
Total capital assets, net of accumulated depreciation	477,226,112
Other assets:	
Deferred charges	4,465,942
Other non-current assets	3,439,155
	<hr/>
Total non-current assets	485,131,209
	<hr/>
Total assets	552,729,088

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**See Notes to Financial Statements.**

<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Payable from current assets:	
Accounts payable	\$ 3,937,991
Compensated absences payable	658,570
Accrued expenses and other liabilities	837,561
Retainage payable	1,515,301
Customer deposits payable	1,653,473
Accrued interest payable	311,822
OPEB obligation - current	77,667
Notes payable - current	5,624,987
	<u>14,617,372</u>
Payable from restricted assets:	
Revenue bonds payable	4,890,000
Accrued interest payable	3,068,923
	<u>7,958,923</u>
Total current liabilities	<u>22,576,295</u>
<b>LONG-TERM LIABILITIES</b>	
Notes payable	121,342,314
Revenue bonds payable, net	145,761,971
Compensated absences payable	225,425
OPEB obligation	2,347,982
Other non-current liabilities	31,023
Total long-term liabilities	<u>269,708,715</u>
Total liabilities	<u>292,285,010</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	238,506,575
Restricted for debt service	12,041,449
Unrestricted	9,896,054
Total net assets	<u>\$ 260,444,078</u>

# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2010

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**Operating revenues:****Charges for services:**

Water sales	\$ 28,832,018
Sewer sales	10,074,148
Connection fees	100,740
Other fees and charges	955,006
Total operating revenues	<u>39,961,912</u>

**Operating expenses:**

Water treatment	5,428,943
Water purchase	80,644
Customer service and connection	3,372,801
Waste water treatment	4,625,639
Repairs and maintenance	8,747,513
Administrative and engineering	5,693,885
Depreciation	26,634,341
Information technology	1,228,873
Total operating expenses	<u>55,812,639</u>

Operating loss (15,850,727)

**Non-operating revenues (expenses):**

Real property taxes	13,440,290
Motor vehicle and other taxes	1,190,644
Interest income	337,658
Unrealized loss on investments	(295,152)
Interest expense and fiscal charges	(10,767,833)
Gain on disposal of capital assets	5,102
Other	149,646
Total non-operating revenues, net	<u>4,060,355</u>

Loss before contributions (11,790,372)

Capital contributions 5,568,774

Change in net assets (6,221,598)

Total net assets, beginning 266,665,676

Total net assets, ending \$ 260,444,078

**See Notes to Financial Statements.**



# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2010

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### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 39,292,879
Payments to suppliers	(23,788,222)
Payments to employees	(4,263,117)
Net cash provided by operating activities	<u>11,241,540</u>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes received	14,684,696
Other non-operating revenue	149,646
Net cash provided by noncapital financing activities	<u>14,834,342</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(27,362,178)
Proceeds from the sale of capital assets	4,000
Proceeds from long-term borrowings	53,271,130
Principal payments on long-term borrowings	(42,275,035)
GEFA loan closing costs	(426,857)
Bond issuance and refunding costs	(351,680)
Interest paid on long-term borrowings	(10,594,462)
Capital contributions	3,386,397
Net cash used in capital and related financing activities	<u>(24,348,685)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	337,658
Net cash provided by investing activities	<u>337,658</u>

Net increase in cash 2,064,855

### Cash:

Beginning	<u>51,347,898</u>
Ending	<u><u>\$ 53,412,753</u></u>

### Classified as:

Cash	\$ 1,002,007
Restricted assets:	
Cash	34,143,041
Cash equivalents included in investments	18,267,705
	<u><u>\$ 53,412,753</u></u>

# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2010

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### RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (15,850,727)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	26,634,341
Changes in assets and liabilities:	
Increase in accounts receivable	(758,945)
Decrease in due from Henry County	89,912
Decrease in inventory	83,476
Increase in other noncurrent assets	(316,603)
Decrease in accounts payable and accrued expenses	(250,226)
Increase in customer deposits payable	381,596
Increase in OPEB obligation	1,197,693
Increase in Other non-current liabilities	31,023
Net cash provided by operating activities	<u>\$ 11,241,540</u>

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

Capital contributions from developers	\$ 2,182,377
Unrealized loss on investments	(295,152)
	<u>\$ 1,887,225</u>

See Notes to Financial Statements.

# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### 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 56,000 customers in the City of McDonough and Henry County, Georgia. Related services include waste treatment, maintenance of water and sewer lines and installation of new water and sewer lines. The Authority is governed by a board of directors, which are appointed by Henry County. The County is obligated for the debt of the Authority, and therefore, a financial burden exists.

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

#### Fund Accounting:

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

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

#### Measurement Focus:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the statement of net 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

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### 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.

#### **Cash and Investments:**

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

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

Investments are stated at fair value.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Customer Accounts Receivable:**

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

#### **Property Taxes Receivable:**

Property taxes levied by the County in September 2009, and not collected by June 30, 2010, 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.

#### **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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Capital Assets:

Capital assets are carried at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. These assets are depreciated over the estimated useful life using the straight-line method.

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.

### NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2010, are summarized as follows:

As reported in the Statement of Net Assets:

Cash	\$ 1,002,007
Restricted:	
Cash	34,143,041
Investments	24,756,955
	<u>\$ 59,902,003</u>
Cash deposited with financial institutions	\$ 35,145,048
Cash deposited with Georgia Fund 1	18,267,705
Federal Home Loan Bank Agency Coupon	6,489,250
	<u>\$ 59,902,003</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

**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, 2010, the Authority's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's and the investment in the Corporate Bond and Federal Home Loan Bank Agency Coupon was rated AAA by Standard & Poor's.

At June 30, 2010, the Authority had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	46 day weighted average	\$ 18,267,705
Federal Home Loan Bank Agency Coupon	September 10, 2010	6,489,250
Total		<u>\$ 24,756,955</u>

The reporting of investments at fair value in accordance with GASB Statement No. 31 for the year ended June 30, 2010, resulted in an unrealized loss of \$295,152.

**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.

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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

**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, 2010, 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, 2010:

Receivables:	
Taxes	\$ 981,051
Accounts	<u>6,540,524</u>
Gross receivables	<u>7,521,575</u>
Less allowance for uncollectibles	<u>721,365</u>
Net total receivables	<u>\$ 6,800,210</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 35,171,918	\$ 161,640	\$ -	\$ 130,348	\$ 35,463,906
Construction in progress	39,870,480	27,197,768	-	(26,506,303)	40,561,945
Total	<u>75,042,398</u>	<u>27,359,408</u>	<u>-</u>	<u>(26,375,955)</u>	<u>76,025,851</u>
Capital assets, being depreciated:					
Buildings	7,246,758	-	(10,560)	1,143,884	8,380,082
Improvements other than buildings	562,005,349	2,182,377	(203,418)	25,046,595	589,030,903
Machinery and equipment	7,085,696	79,361	(137,287)	185,476	7,213,246
Vehicles	3,530,043	128,109	(23,985)	-	3,634,167
Total	<u>579,867,846</u>	<u>2,389,847</u>	<u>(375,250)</u>	<u>26,375,955</u>	<u>608,258,398</u>
Less accumulated depreciation for:					
Buildings	(3,144,044)	(375,847)	10,560	-	(3,509,331)
Improvements other than buildings	(168,003,759)	(25,380,899)	-	-	(193,384,658)
Machinery and equipment	(6,140,804)	(700,017)	137,107	-	(6,703,714)
Vehicles	(3,306,841)	(177,578)	23,985	-	(3,460,434)
Total	<u>(180,595,448)</u>	<u>(26,634,341)</u>	<u>171,652</u>	<u>-</u>	<u>(207,058,137)</u>
Total capital assets, being depreciated, net	<u>399,272,398</u>	<u>(24,244,494)</u>	<u>(203,598)</u>	<u>26,375,955</u>	<u>401,200,261</u>
Total capital assets, net	<u>\$ 474,314,796</u>	<u>\$ 3,114,914</u>	<u>\$ (203,598)</u>	<u>\$ -</u>	<u>\$ 477,226,112</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 155,150,000	\$ 29,785,000	\$ (38,085,000)	\$ 146,850,000	\$ 4,890,000
Plus unamortized premiums	6,639,086	3,958,695	(431,823)	10,165,958	
Less unamortized discounts	(157,023)	-	14,837	(142,186)	
Less unamortized deferred charges	(6,570,438)	(211,187)	559,824	(6,221,801)	
Revenue bonds, net	155,061,625	33,532,508	(37,942,162)	150,651,971	
Notes payable	111,630,461	19,527,435	(4,190,595)	126,967,301	5,624,987
OPEB obligation	1,227,956	1,197,693	-	2,425,649	77,667
Compensated absences	811,623	699,581	(627,209)	883,995	658,570
Total long-term liabilities	<u>\$ 268,731,665</u>	<u>\$ 54,957,217</u>	<u>\$ (42,759,966)</u>	<u>\$ 280,928,916</u>	<u>\$ 11,251,224</u>

#### Revenue Bonds:

The County issues bonds where the County pledges Authority revenues derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2010 are as follows:

Interest Rate	Due Date	
2.00%-5.00%	2011	\$ 585,000
5.00%	2012	3,910,000
3.75%-6.15%	2020	12,450,000
4.90%-6.00%	2020	9,390,000
2.00%-5.38%	2030	42,645,000
3.00%-5.25%	2030	48,085,000
5.00%	2026	29,785,000
		<u>146,850,000</u>
	Plus unamortized premiums	10,165,958
	Less unamortized discounts	(142,186)
	Less unamortized deferred charges - refunding	(6,221,801)
		<u>\$ 150,651,971</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>
2011	\$ 4,890,000	\$ 7,501,931	\$ 12,391,931
2012	4,930,000	7,407,229	12,337,229
2013	5,045,000	7,177,044	12,222,044
2014	5,330,000	6,910,016	12,240,016
2015	5,605,000	6,629,114	12,234,114
2016-2020	32,085,000	28,333,315	60,418,315
2021-2025	37,830,000	19,062,700	56,892,700
2026-2030	51,135,000	8,238,588	59,373,588
Total	<u>\$ 146,850,000</u>	<u>\$ 91,259,937</u>	<u>\$ 238,109,937</u>

The Authority has also incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewer system projects. Included with these notes is one construction line of credit agreement for \$21,342,850 of which \$6,365,282 had been drawn as of June 30, 2010. These notes are as follows at June 30, 2010:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	
3.70%	20 years	2021	\$ 10,059,825
3.49%	20 years	2022	14,228,349
3.00%	20 years	2026	34,896,348
3.00%	20 years	2027	23,128,987
3.00%	20 years	2028	17,768,722
3.00%	20 years	2030	20,519,788
3.00%	20 years	2033	6,365,282
			<u>\$ 126,967,301</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. LONG-TERM DEBT (CONTINUED)

#### Notes Payable:

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

Fiscal year ending June 30,	Principal	Interest	Total
2011	\$ 5,624,987	\$ 3,584,113	\$ 9,209,100
2012	5,924,746	3,496,701	9,421,447
2013	6,121,106	3,300,341	9,421,447
2014	6,315,543	3,105,904	9,421,447
2015	6,519,041	2,902,406	9,421,447
2016-2020	35,884,770	11,222,466	47,107,236
2021-2025	32,805,586	5,582,986	38,388,572
2026-2030	21,190,270	1,294,576	22,484,846
2031	215,970	534	216,504
Total	<u>\$ 120,602,019</u>	<u>\$ 34,490,027</u>	<u>\$ 155,092,046</u>

The above debt service requirements to maturity table does not include provision for the construction line of credit agreements for \$21,342,850, of which \$6,365,282 had been drawn as of June 30, 2010. This note payable is in the draw down phase as of June 30, 2010, and repayment will be determined when construction is complete and all draws have been made.

### 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 Association County Commissioners of Georgia Third Restated Defined Benefit Plan (The ACCG Plan), an agent multiple-employer pension plan administered by GEBCorp. The ACCG, in its role as the Plan Sponsor, has the sole authority to amend the provisions of The ACCG Plan, as provided in Section 19.03 of The ACCG Plan document. The Authority has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan, as provided in Section 19.02 of The ACCG Plan document. Complete financial statements for the Association County Commissioners of Georgia (ACCG) Defined Benefit Pension Plan can be obtained from Pension Service Company, 1100 Circle 75 Parkway, Suite 300, Atlanta, Georgia 30339.

## NOTES TO FINANCIAL STATEMENTS

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### 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 ACCG 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, 2010, 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, 2010 are as follows:

	2010
<b><u>Derivation of Annual Pension Cost</u></b>	
Annual Required Contribution	\$ 1,337,298
Interest on Net Pension Obligation	(228,533)
Amortization of Net Pension Obligation	244,525
Annual Pension Cost	<u>\$ 1,353,290</u>
 <b><u>Derivation of Net Pension Obligation</u></b>	
Annual Pension Cost for Fiscal Year 2010	\$ 1,353,290
Actual Contributions to Plan for Fiscal Year 2010	1,669,893
Increase (Decrease) in Net Pension Obligation (Asset)	(316,603)
Net Pension Obligation (Asset) as of June 30, 2009	(3,122,552)
Net Pension Obligation (Asset) as of June 30, 2010	<u>\$ (3,439,155)</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Annual Pension Cost

##### Basis of Valuation

Current Valuation Date	January 1, 2010
Annual Return on Invested Plan Assets	7.75%
Projected Annual Salary Increases	4.0% - 6.5%
Expected Annual Inflation	3.0%
Actuarial Value of Assets	Market Value
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Level Percentage (closed)
Remaining Amortization Period	25

#### Trend Information for The Plan

<u>Fiscal Year Beginning</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Authority Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
7/1/05	533,622	838,318	157	(864,237)
7/1/06	563,210	995,869	177	(1,296,896)
7/1/07	754,181	1,336,859	177	(1,879,574)
7/1/08	1,043,382	1,713,303	164	(2,549,495)
7/1/09	1,216,547	1,789,604	147	(3,122,552)
7/1/10	1,353,290	1,669,893	123	(3,439,155)

<u>Measurement Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as A Percentage of Covered Payroll</u>
12/31/2009	11,295,607	17,180,226	5,884,619	65.7 %	10,685,904	55.1%

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Annual Pension Cost (Continued)

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, 2009.

### NOTE 7. COMMITMENTS AND CONTINGENCIES

In addition to the liabilities enumerated in the statement of net assets at June 30, 2010, the Authority has contractual commitments on uncompleted construction contracts of approximately \$17,110,683.

### 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. 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

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### NOTE 9. 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, 2009.

Active participants	224
Retirees and beneficiaries	9
Total	<u>233</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. 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.

Fiscal Year	Annual OPEB Cost	Actual County Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
2009	\$1,292,062	\$64,106	5%	\$ 1,227,956
2010	\$1,286,743	\$77,667	6%	\$ 2,425,649

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

Annual required contribution	\$ 1,286,743
Interest from net OPEB obligation	70,976
Adjustment of net OPEB asset	(82,359)
Annual OPEB cost	<u>1,275,360</u>
Actual contributions to the plan	(77,667)
Increase in net OPEB asset	<u>1,197,693</u>
Net OPEB obligation as of July 1, 2009	1,227,956
Net OPEB obligation as of June 30, 2010	<u><u>\$ 2,425,649</u></u>

As of the most recent valuation date, July 1, 2009, the funded status of the OPEB Plan was as follows:

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percent of Covered Payroll
6/30/2010	\$ -	\$ 7,373,209	\$ 7,373,209	0%	\$ 10,624,999	69.4%

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. 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 based on the substantive plan in effect as of July 1, 2009. The assumptions used in the July 1, 2009, actuarial valuation as follows:

Actuarial Assumptions:	
Mortality	RP-2000 Combined Healthy Mortality Table, separate for males and females.
Discount rate for benefit obligations	5.78% per year
Healthcare cost trend rates:	
Medical	9.0% graded by .5% per year to an ultimate rate of 5.0%
Dental	9.0% graded by .5% per year to an ultimate rate of 5.0%
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 capita claims costs were developed from current premium equivalent rates, age adjusted using normative data and industry standard methodology, in accordance with applicable Actuarial Standards of Practice.
Annual per capita retiree contributions:	
Medical (Multi-Choice Plan)	
Single	\$450
Retiree and spouse	\$1,350
Dental	
Single	\$ -
Retiree and spouse	\$330
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 become secondary to Medicare

## REQUIRED SUPPLEMENTARY INFORMATION

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# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## REQUIRED SUPPLEMENTARY INFORMATION

### DEFINED BENEFIT PENSION PLAN SCHEDULE OF FUNDING PROGRESS

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
12/31/2004	\$ 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	8,229,064	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%

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

**STATISTICAL SECTION**

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## STATISTICAL SECTION

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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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends .....</b>	<b>35 - 41</b>
<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>	
<b>Revenue Capacity .....</b>	<b>42 - 48</b>
<i>These schedules contain information to help the reader assess the Authority's most significant local revenue sources.</i>	
<b>Debt Capacity .....</b>	<b>49 - 51</b>
<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>	
<b>Demographic and Economic Information .....</b>	<b>52 - 58</b>
<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>	
<b>Operating Information .....</b>	<b>59 - 62</b>
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.</i>	

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

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

## FINANCIAL TRENDS

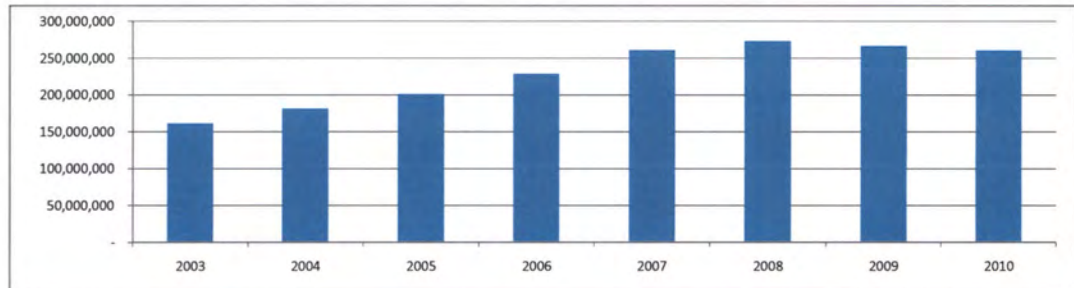
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These schedules contain trend information to help the reader understand how the Henry County Water & Sewerage Authority's financial performance and well being have changed over time.

# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## NET ASSETS BY COMPONENT LAST EIGHT YEARS

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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
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	12,041,449
Unrestricted	(1,175,224)	(5,271,175)	(1,045,664)	4,188,297	6,877,064	8,406,044	4,685,547	9,896,054
Total net assets	\$ 161,685,658	\$ 181,809,845	\$ 201,401,017	\$ 228,806,721	\$ 261,093,250	\$ 273,454,798	\$ 266,665,676	\$ 260,444,078

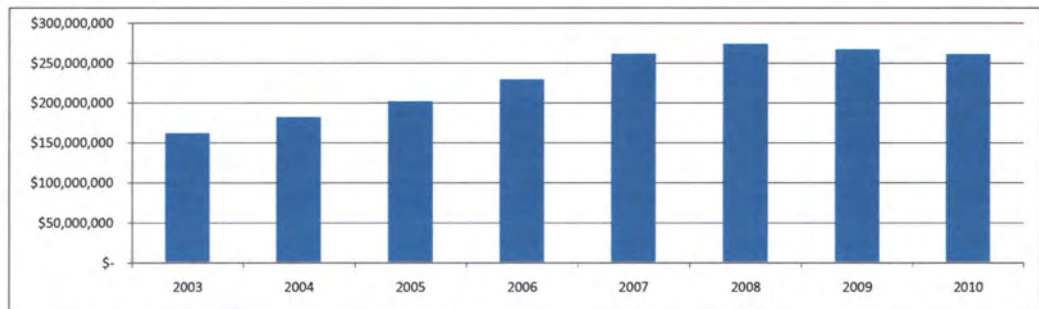




# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## CHANGES IN NET ASSETS LAST EIGHT YEARS

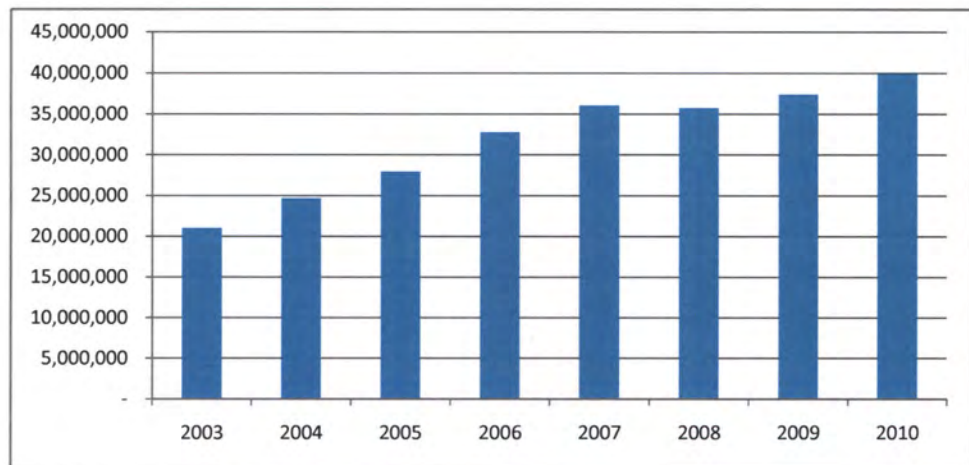
	2003	2004	2005	2006	2007	2008	2009	2010
Operating Revenues	\$ 21,033,029	\$ 24,688,337	\$ 27,950,479	\$ 32,733,003	\$ 36,018,346	\$ 35,702,127	\$ 37,346,288	\$ 39,961,912
Operating Expenses	26,786,158	30,087,110	33,927,525	36,852,752	41,664,705	48,950,470	54,755,618	55,812,639
Operating Income	(5,753,129)	(5,398,773)	(5,977,046)	(4,119,749)	(5,646,359)	(13,248,343)	(17,409,330)	(15,850,727)
Nonoperating Rev (Exp)	972,695	735,788	31,893	3,933,485	7,420,798	5,913,202	4,930,827	4,060,355
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)
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
Prior Period Adj	11,781,445	-	-	-	-	-	-	-
<b>Change in Net Assets</b>	<b>28,006,977</b>	<b>20,124,187</b>	<b>19,591,172</b>	<b>27,405,704</b>	<b>32,286,529</b>	<b>12,361,548</b>	<b>(6,789,122)</b>	<b>(6,221,598)</b>
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
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>



# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## OPERATING REVENUES BY SOURCE LAST EIGHT 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

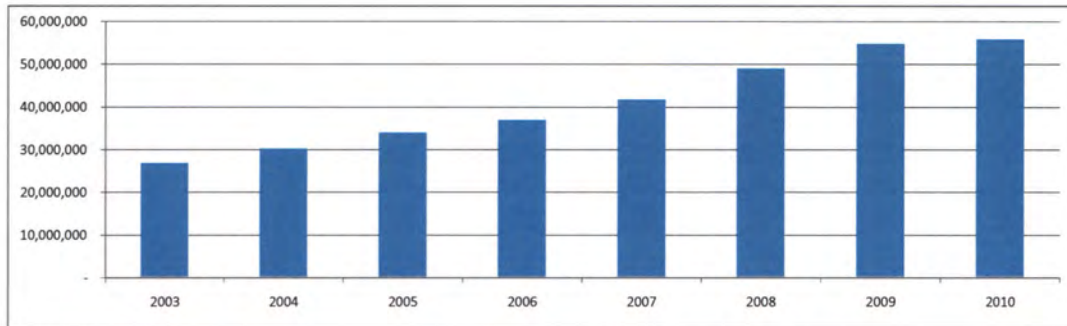


# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## OPERATING EXPENSES BY FUNCTION

### LAST EIGHT YEARS

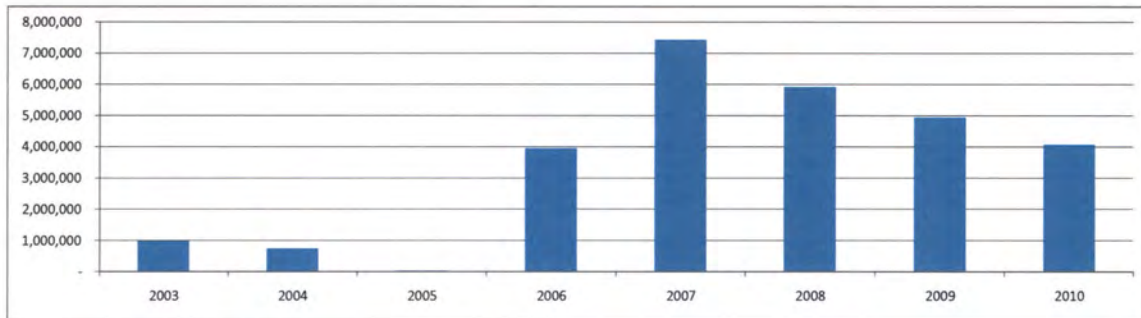
Fiscal Year	Water Treatment	Water Purchase	Customer Service and Connection	Waste Water Treatment	Repairs and Maintenance	Administrative and Engineering	Depreciation	Information Technology	Total Operating Expenses
2003	\$ 2,152,403	\$ 713,266	\$ 1,168,195	\$ 2,696,773	\$ 4,016,206	\$ 3,821,826	\$ 11,331,559	\$ 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



# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## NON-OPERATING REVENUES (EXPENSES) LAST EIGHT YEARS

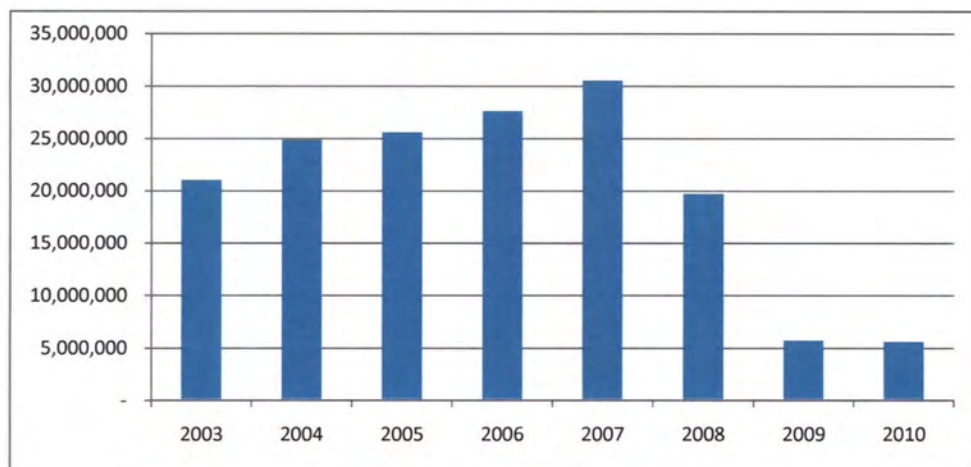
Fiscal Year	Real Property Taxes	Motor Vehicle and Other Taxes	Interest Income	Unrealized Gains (Losses) on Investments	Interest Expense and Fiscal Charges	Gains (Losses) on Disposal of Capital Assets	Other	Total Non-Operating Expenses
2003	\$ 7,487,870	\$ 848,562	\$ 1,574,038	\$ 347,348	\$ (10,171,684)	\$ 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





**HENRY COUNTY WATER AND SEWERAGE AUTHORITY**  
**CAPITAL CONTRIBUTIONS FROM DEVELOPERS AND IMPACT FEES**  
**LAST EIGHT 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



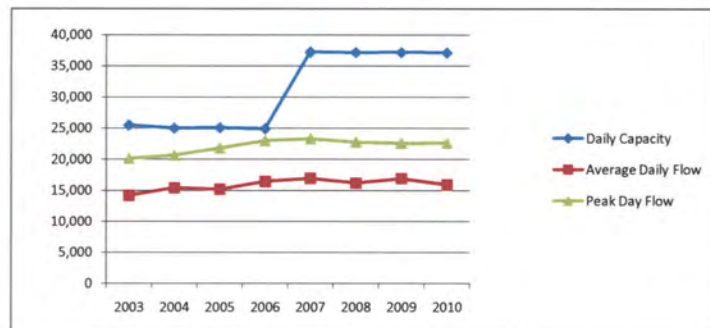
## REVENUE CAPACITY

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

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

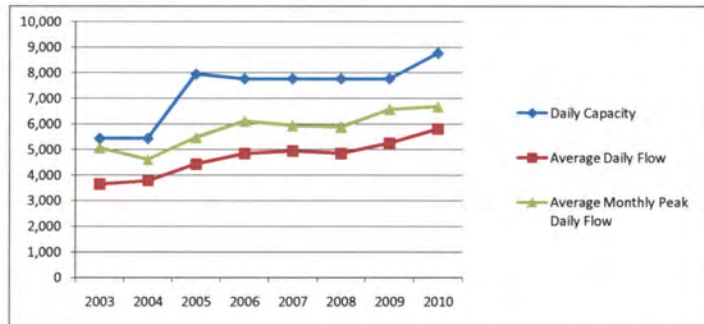
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Maximum Permitted Daily Capacity of Water Treatment Plants:</b>								
Towaliga water treatment plant	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Tussahaw water treatment plant	-	-	-	-	13,000	13,000	13,000	13,000
Water Purchased	1,432	919	994	830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



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 EIGHT FISCAL YEARS**  
**(ALL NUMBERS EXPRESSED IN THOUSANDS OF GALLONS)**

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

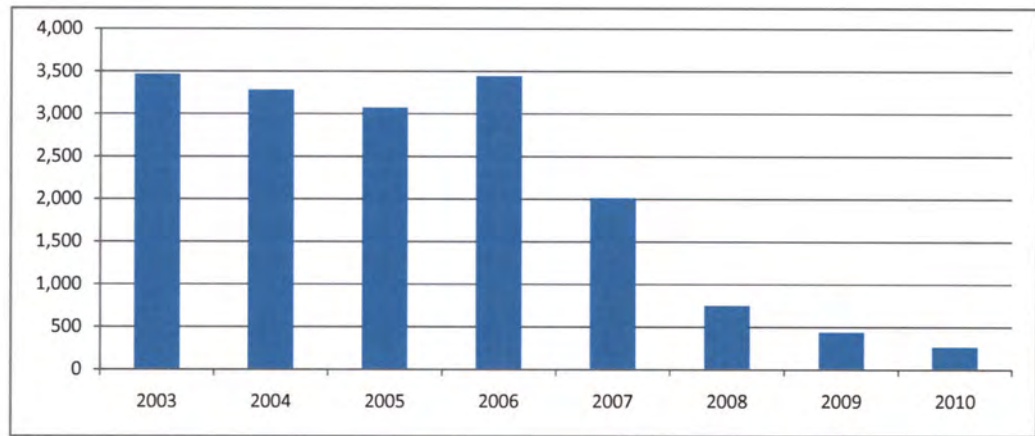


Source: Henry County Water & Sewerage Authority historical financial records



**HENRY COUNTY WATER AND SEWERAGE AUTHORITY**  
**NEW WATER METERS ADDED TO THE SYSTEM**  
**LAST EIGHT FISCAL YEARS**

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

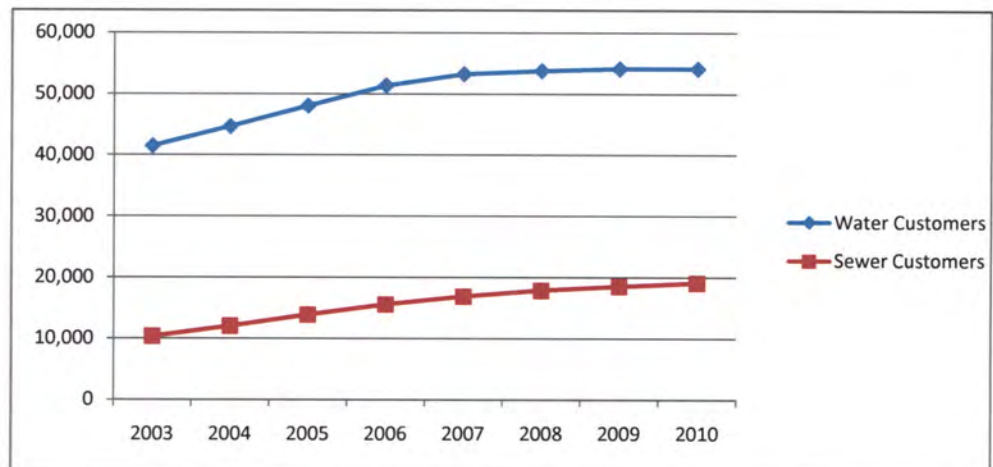


Source: Henry County Water & Sewerage Authority historical financial records

# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## NUMBER OF CUSTOMERS LAST EIGHT FISCAL YEARS

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



Source: Henry County Water & Sewerage Authority historical financial records

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

	2003	2004	2005	2006	2007	2008	2009	2010
<b><u>Water</u></b>								
Base Charge	13.02*	13.67*	14.35*	15.07*	15.82*	9.25	9.71	10.20
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
6,001 to 10,000 gallons						4.75	4.99	5.24
over 10,000 gallons						6.95	7.30	7.67
<b><u>Sewerage</u></b>								
Base Charge	13.02*	13.67*	14.35*	15.07*	15.82*	9.25	9.71	10.20
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
over 6,000 gallons						4.75	4.99	5.24

\* 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 EIGHT FISCAL YEARS**

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

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

# DEBT CAPACITY

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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 EIGHT YEARS

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<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>GEFA Notes</u>	<u>Total Amount</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

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

# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## PLEDGED REVENUE COVERAGE

### LAST EIGHT YEARS

Fiscal Year	Gross Revenues			Operating Expenses (Excluding Depreciation)	Net Available Revenues	Debt Service			Coverage Ratio
	Operating Revenues	Interest Income	Property Taxes			Principal	Interest	Total	
2003	\$ 21,033,029	\$ 1,574,038	\$ 8,336,432	\$ 15,454,599	\$ 15,488,900	\$ 2,397,934	\$ 7,593,492	\$ 9,991,426	1.55
2004	24,688,337	1,337,523	9,972,291	16,957,464	19,040,687	2,560,757	8,737,888	11,298,645	1.69
2005	27,950,479	1,282,331	10,787,510	19,667,786	20,352,534	3,150,000	8,714,479	11,864,479	1.72
2006	32,733,003	2,067,097	11,834,752	21,302,100	25,332,752	2,915,000	8,632,675	11,547,675	2.19
2007	36,018,346	3,349,937	13,009,313	23,400,032	28,977,564	4,095,000	8,532,190	12,627,190	2.29
2008	35,702,127	2,416,150	13,904,173	26,144,686	25,877,764	4,285,000	7,971,047	12,256,047	2.11
2009	37,346,288	866,635	14,919,553	29,157,471	23,975,005	4,525,000	7,973,590	19,376,174	1.24
2010	39,961,912	337,658	14,630,934	29,178,298	25,752,206	4,730,000	7,775,799	12,505,799	2.06

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

## DEMOGRAPHIC AND ECONOMIC INFORMATION

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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**  
**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)					
2001	2,096,632,290	1,005,287,357	300,432,618	10,698,507	559,638,979	2,853,411,793	12.51	7,133,529,483	40%
2002	2,476,793,288	1,259,409,347	347,111,730	14,977,146	665,724,101	3,432,567,410	11.81	8,581,418,525	40%
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	474,676,980	13,876,885	1,156,212,229	5,681,119,348	11.20	14,202,798,370	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%

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,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Henry County rates										
Maintenance & Operations										
Unincorporated	12.51	11.81	14.25	14.13	14.06	14.13	14.13	14.37	13.89	13.89
Insurance Reduction (1)	-	-	-	-	-	-	-	-	-	-
Municipal rates										
McDonough (2)	3.50	3.00	2.84	2.77	2.71	2.56	2.51	2.45	2.59	2.59
Stockbridge	-	-	-	-	-	-	-	-	-	-
Hampton	-	-	-	-	-	-	-	-	-	-
Locust Grove	-	-	-	-	-	-	-	-	-	-
LOST Reduction	(3.10)	(3.02)	(3.01)	(2.89)	(2.82)	(2.89)	(2.93)	(3.17)	(2.92)	(2.92)
Fire Protection	1.88	2.50	2.56	2.39	2.02	1.18	1.21	1.16	1.22	1.22
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	1.00
Board of Education										
Maintenance & Operations	17.15	17.15	17.65	18.90	18.90	19.40	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	3.06
State of Georgia	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Total Unincorporated	34.75	34.75	35.20	36.45	36.45	36.95	37.51	37.51	37.28	37.28
Total Municipalities (3)										
McDonough	34.56	33.44	33.33	35.02	35.33	37.03	37.48	37.58	38.14	38.14
Stockbridge	34.75	34.75	35.04	36.45	36.45	36.95	37.47	37.51	37.02	37.02
Hampton	32.97	32.97	33.38	34.67	34.67	35.65	36.23	36.29	36.17	36.17
Locust Grove	33.10	33.10	33.47	34.80	34.80	35.67	35.69	36.29	35.87	35.87

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 receive 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	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Georgia Power Company	\$ 47,979,724	1	0.71 %	\$ 13,190,383	9	0.46 %
Inland Western McDonough	34,599,805	2	0.51	-	-	-
Cardinal Health 110, INC	28,708,336	3	0.43	-	-	-
Bellsouth Telecomm	22,869,352	4	0.34	18,668,496	7	0.65
Norfolk Southern Combined	20,856,200	5	0.31	11,141,673	10	0.39
US Industrial Reit II	20,719,240	6	0.31	-	-	-
Trees of Avalon LLC	19,776,866	7	0.29	-	-	-
Kens Foods, INC	19,417,984	8	0.29	-	-	-
Henry Co Development Authority	17,954,616	9	0.27	-	-	-
Prologis NA2 US LLC	17,939,348	10	0.27	-	-	-
Goodyear tire & Rubber	-	-	-	45,835,283	1	1.61
Toys 'R Us -Distribution	-	-	-	37,691,444	2	1.32
Amazon.com	-	-	-	29,001,500	3	1.02
Snapper	-	-	-	25,330,415	4	0.89
Atlanta Motor Speedway	-	-	-	23,113,579	5	0.81
Nestle	-	-	-	21,396,085	6	0.75
Killearn Properties	-	-	-	16,718,887	8	0.59
Totals	\$ 250,821,471		3.73 %	\$ 242,087,745		8.49 %

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

## 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
2001	\$ 86,886,817	\$ 85,614,862	98.5 %	\$ 2,831,301	\$ 88,446,163	101.8 %
2002	103,739,072	98,638,535	95.1	4,167,615	102,806,150	99.1
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

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 SEVEN YEARS AGO

<u>Water</u>			
	<u>2010</u>		<u>2003</u>
Board of Education	\$650,078	Board of Education	\$283,091
City of Hampton	441,155	City of Stockbridge	363,871
City of Stockbridge	405,886	City of Hampton	254,377
Ken's Foods, Inc	265,057	Henry Medical Center	136,553
Henry Medical Center	166,553	Ken's Foods, Inc	113,371
Atlas Roofing	132,780	City of Locust Grove	88,449
City of McDonough	92,882	Atlas Roofing	75,647
Amber Chase Apts	83,155	Preston Creek Apts	63,341
Connor & Murphy (St Ives)	81,026	Bridgemill (Saddlecreek) Apts	57,599
Emprian Waterford Landing, LLC	80,008	Hudson Bridge Apts	53,674
	<u>\$2,398,580</u>		<u>\$1,489,973</u>
% of total Water Revenue	8.3%		9.4%

<u>Sewer</u>			
	<u>2010</u>		<u>2003</u>
Board of Education	\$329,031	City of Hampton	\$106,819
Ken's Foods, Inc	193,808	Ken's Foods, Inc	106,338
Henry Medical Center	119,824	Board of Education	98,700
St Ives Crossing Apts	75,301	Henry Medical Center	72,493
Empirian Waterford Landing	74,284	Bridgemill (Saddlecreek) Apts	51,960
Bridgemill (Saddlecreek) Apts	73,997	Hudson Bridge Apts	51,179
Amber Chase Apts	71,075	St Ives Crossing Apts	42,999
Preston Creek Apts	65,970	Baptist Inn	39,226
Walden Run Apts	63,896	Sable Chase Apts	39,054
Trees of Avalon Apts	60,945	Preston Creek Apts	37,586
	<u>\$1,128,131</u>		<u>\$646,354</u>
% of total Sewer Revenue	11.2%		15.5%

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

**HENRY COUNTY WATER AND SEWERAGE AUTHORITY**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND ELEVEN YEARS AGO**

Taxpayer	2010			1999		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (3)	Rank	Percentage of Total County Employment (2)
Henry County Board of Education	4573	1	5.22 %	2400	1	3.91 %
Henry County Board of Commissioners	1687	2	1.92	830	4	1.35
Henry Medical Center	1561	3	1.78	850	3	1.38
Wal-Mart Supercenter	1055	4	1.20	550	5	0.90
Federal Aviation Administration	725	5	0.83			
Georgia Power Company	650	6	0.74			
Symcor	520	7	0.59			
Briggs & Stratton/fka/Snapper	450	8	0.51			
Southern States, Inc	350	9	0.40			
Georgia Crown Distributing Co	280	10	0.32			
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>11,851</u>		<u>13.51 %</u>	<u>7080</u>		<u>11.54 %</u>

(1) Source: Henry County Development Authority

(2) Source: U.S. Bureau of Labor Statistics - Henry County Employment 91720 (June 2008) 61,412 (June 1999)

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

**NOTE:** Information on principal employers was not readily available for fiscal year 2001

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

## OPERATING INFORMATION

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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 EIGHT FISCAL YEARS**

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

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



**HENRY COUNTY WATER AND SEWERAGE AUTHORITY**  
**WATER TANK STORAGE CAPACITY**  
**LAST EIGHT 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>
<b>Ground level tanks:</b>								
Hwy 81	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
East Lake	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
	<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>
<b>Elevated tanks:</b>								
Patillo	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
Mt Olive	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
Hudson Bridge	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
Panola	200	200	200	200	200	200	200	200
Kelly Road			500	500	500	500	500	500
N E				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>
<b>Storage at Water Plants:</b>								
Towaliga	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
	<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>
<b>Total Water Tank Storage Capacity</b>	<u><b>17,000</b></u>	<u><b>17,000</b></u>	<u><b>17,500</b></u>	<u><b>23,500</b></u>	<u><b>29,500</b></u>	<u><b>29,500</b></u>	<u><b>29,500</b></u>	<u><b>29,500</b></u>

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

**HENRY COUNTY WATER AND SEWERAGE AUTHORITY**  
**RAW WATER SUPPLY IN RESERVOIRS**  
**LAST EIGHT FISCAL YEARS**  
**(ALL NUMBERS EXPRESSED IN THOUSANDS OF GALLONS)**

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Reservoirs</b>								
Gardner	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
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
Lower Towaliga	138,550	138,550	138,550	138,550	138,550	138,550	138,550	138,550
Tusahaw	-	-	-	-	9,780,000	9,780,000	9,780,000	9,780,000
<b>Total supply</b>	<b>8,340,710</b>	<b>8,340,710</b>	<b>8,340,710</b>	<b>8,340,710</b>	<b>18,120,710</b>	<b>18,120,710</b>	<b>18,120,710</b>	<b>18,120,710</b>
Percent allowed for withdrawal	80%	80%	80%	80%	80%	80%	80%	80%
<b>Water available for use</b>	<b>6,672,568</b>	<b>6,672,568</b>	<b>6,672,568</b>	<b>6,672,568</b>	<b>14,496,568</b>	<b>14,496,568</b>	<b>14,496,568</b>	<b>14,496,568</b>
 <b>Average daily flow</b>								
Average daily production	14,150	15,372	15,125	16,387	16,896	16,144	16,869	15,867
Daily Release downstream	5,380	5,380	5,380	5,380	8,280	8,280	8,280	8,280
<b>Total daily flow</b>	<b>19,530</b>	<b>20,752</b>	<b>20,505</b>	<b>21,767</b>	<b>25,176</b>	<b>24,424</b>	<b>25,149</b>	<b>24,147</b>
 <b>Number of days supply</b>	<b>342</b>	<b>322</b>	<b>325</b>	<b>307</b>	<b>576</b>	<b>594</b>	<b>576</b>	<b>600</b>

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

**SINGLE AUDIT SECTION**

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**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**

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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, 2010, and have issued our report thereon dated December 10, 2009. 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**

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.

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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 21, 2010

**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**

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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, 2010. 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, 2010.

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### 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 21, 2010

# HENRY COUNTY WATER AND SEWERAGE AUTHORITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2010

<u>Grant Program</u>	<u>CFDA #</u>	<u>Grant I.D.</u>	<u>Expenditures</u>
<b>FEDERAL AWARD PROGRAMS</b>			
<b>U.S. Environmental Protection Agency</b>			
Pass Through Program - Georgia Environmental Facilities			
Authority:			
Funds under the Clean Water Act of 1994	66.458	CWSRF 06-001	\$ 1,585,440
Funds under the Clean Water Act of 1994	66.458	CWSRF 08-001	<u>16,981,769</u>
<b>Total Federal Awards</b>			<u><u>\$ 18,567,209</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, 2010

### SECTION I SUMMARY OF AUDIT RESULTS

#### Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_ yes X no

Reportable conditions identified not considered  
to be material weaknesses?

\_\_\_ yes X none reported

Noncompliance material to financial statements noted?

\_\_\_ yes X no

#### Federal Awards

Internal Control over major programs:

Material weaknesses identified?

\_\_\_ yes X no

Reportable conditions identified not considered  
to be material weaknesses?

\_\_\_ yes X 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 X no

Identification of major program:

CFDA Number  
66.458

Name of Federal Program or Cluster  
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?

X yes \_\_\_ no

# **HENRY COUNTY WATER AND SEWERAGE AUTHORITY**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2010**

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### **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