

A Component Unit of Henry County, GA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

Comprehensive Annual Financial Report

Year Ended June 30, 2016

Henry County Water Authority - McDonough, Georgia

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

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2016

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

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Comprehensive Annual Financial Report

INTRODUCTORY SECTION

Henry County Water Authority - McDonough, Georgia



Henry County Water Authority

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

December 7, 2016

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Henry County Water Authority for the fiscal year ended June 30, 2016. This report is the responsibility of the management of the Henry County Water Authority (HCWA), and was prepared in accordance with Generally Accepted Accounting Principles and in conformance with current accounting and financial reporting requirements and principles promulgated by the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations and cash flows of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

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

The firm of Mauldin and Jenkins, LLC, Certified Public Accountants, conducted an independent audit on these financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. As a result of the audit, Mauldin and Jenkins issued an unqualified (clean) opinion on the financial statements of the Authority for the fiscal year ending June 30, 2016. 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 HCWA and the nature and scope of the services provided. This letter, together with a list of current HCWA Board Members and an organizational chart following this letter, comprise the introductory section.
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 HCWA

General

The Henry County Water Authority (HCWA) was founded in 1961 by an Act of the General Assembly of the State of Georgia, to "acquire, construct, and thereafter operate and maintain projects embracing sources of water supply and the distribution and sale of water and related facilities." The Act goes on to list the other duties of the Authority, including that to establish a sewer system. In April, 2013, new legislation was signed into law, the purpose of which was to: 1) change the Authority's name from 'Henry County Water & Sewerage Authority' to simply 'Henry County Water Authority', and; 2) to more clearly define and enhance the Authority's ability to provide water and sewer services to its current and future customer base and to protect natural resources and local water supply.

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

It was necessary for HCWA to purchase large tracts of land and develop its own reservoirs for source of water, as no available streams or lakes provided adequate supply. HCWA has developed five reservoirs, covering a combined total of 3,138 acres of water surface area, and holding approximately 18.1 billion gallons of water. With an average day finished water demand in Henry County of approximately 14.7 million gallons per day (MGD) during FY2015, the reservoirs provide a 631 day supply of raw water after the downstream release requirement. This provides more than enough supply to weather an extended period of drought.

The reservoirs are at the south end of the County, and water is pumped significant distances across Henry County's 331 square miles. Over 1,400 miles of water mains have been constructed, making service available to most of the county, and serving approximately 58,000 customer water connections. Additionally, 29.2 million gallons of potable water can be stored in 9 elevated tanks, 3 ground water storage tanks plus the clear wells at the water plants.

The service area for HCWA is Henry County. A few customers in neighboring counties are also served, where subdivisions or drainage basins cross county lines. Henry County is located in the north central

portion of the State of Georgia approximately 25 miles southeast of the City of Atlanta. Henry County is bordered on the north by DeKalb County, on the west by Clayton County, on the south by Spalding and Butts Counties, and on the east by Newton and Rockdale Counties. There are four municipalities within Henry County: Stockbridge, McDonough, Hampton, and Locust Grove. Each municipality operates its own water and sewerage system. However, HCWA does supply most of the water requirements needed by Stockbridge and Hampton and some of the water requirements for McDonough and Locust Grove.

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

The sewer system, while serving some of the higher density areas in the county, is not as extensive as the water system. HCWA currently serves over 22,000 customer sewer connections with approximately 447 miles of sewer mains, 30 sewerage lift stations and 3 waste water treatment plants. Currently, the Authority's total permitted sewerage treatment capacity is 10.75 MGD. The average flow to the Authority's wastewater treatment plants during FY2016 was 6.8 MGD.

Governance

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

Accounting and Financial Reporting

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

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

Budgetary Controls

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

Other Relevant Information

General

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

The Authority's Water Distribution System won the Gold Award from GAWP (Georgia Association of Water Professionals) in 2016. The System was also a Gold Award winner the previous year. The Authority's Wastewater Collection System, which won the Gold Award for the 4 consecutive years prior to 2016, again won in 2016, making it a Platinum Award winner. The Authority's Tussahaw Water Treatment Plant won the 2016 Plant of the Year Award for water treatment plants. Both Tussahaw and Towaliga Water Treatment Plants were 2016 GAWP Platinum Award winners for 100% permit compliance for nine consecutive years. Bear Creek Wastewater Treatment Plant was named by GAWP as the Plant of the Year for the third time. Bear Creek also received the GAWP Gold Award for 100% permit compliance. Walnut Creek Wastewater Treatment Plant received the 2016 Platinum Award for seven straight years of 100% permit compliance. The Authority's Consumer Confidence Report won the GAWP Award as the best in the State for the third consecutive year. Additionally, the Authority is one of only 30 Water Utilities in Georgia to currently hold the 'WaterFirst Community' designation from the Georgia Department of Community Affairs.

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

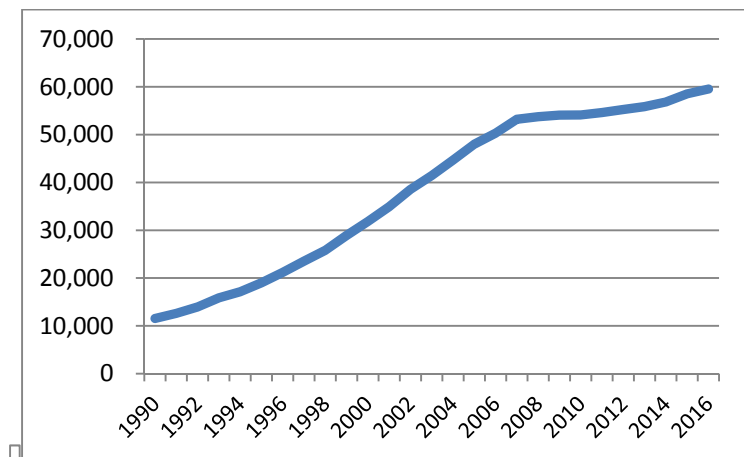
All of this gives evidence to the fact that the Authority takes its stewardship responsibility of preserving and protecting our environment and natural resources very seriously, and is effectively doing so.

Current economic environment

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

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

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



Prior to the national economic downturn that began in 2007, Henry County was one of the fastest growing counties in the United States. And as you would expect in a rapidly growing county, one of Henry County's biggest economic engines was the housing industry. The Authority typically set more than 3,000 meters at newly constructed homes annually. During our fiscal year ending June 30, 2007, the economic downturn became evident in Henry County, and there was a dramatic decrease in new

meter sets in that year and in the years following. An average of less than 500 meters per year were set during the six year period of 2008 through 2013. Since that time, however, new meter sets are now trending upward, with 709 set in 2014, followed by 897 set in 2015 and 1,171 in 2016.

The concept of water conservation is a significant factor in metro-Atlanta area. This concept took hold in our State, and in particular in the metro Atlanta area, for a couple of reasons:

1. *Drought Preparedness*- During the calendar years of 2007 and 2008, the northern half of the State of Georgia experienced drought conditions which prompted the State to enact water conservation measures, including outdoor water use restrictions, which all water providers in the affected area were required to follow. Operational issues at Lake Lanier seem to have played a key role in the State's decisions. The Henry County Water Authority enacted all conservation measures the State required, even though the drought of 2007 and 2008 did not impact Henry County to the same extent as it did those who depend on water supplies in the Chattahoochee basin. In fact, with our newly constructed Tussahaw Reservoir that was filling during this time, the Authority never had less than one year's supply of raw water available. The State realized that in order to deal with future drought conditions, conservation measures should be in place before a drought occurs, and thus has continued a modified program of permanent outdoor water use restrictions that we abide by today.

The current State water conservation regulations consists of a four tier system ranging from modest restrictions during pre-drought or non-drought conditions, and escalating the severity of the restrictions through a Level 1 Drought Response, Level 2 Drought Response, or Level 3 Drought Response; with Level 3 being the most severe and eliminating all non-commercial outdoor use of water and placing restrictions on commercial use as well. The State EPD Director determines the Drought Level, thus imposing the restrictions. Throughout FY2016, Henry County was in a non-drought condition. After the end of FY2016, a Level 2 Drought Response was called on November 17, 2016, which remains currently in place as the date of this letter.

2. *Tri-State Water Dispute*- The States of Georgia, Florida and Alabama are currently engaged in an ongoing dispute over use of the water in Lakes Lanier and Allatoona, and the Chattahoochee River. These are the primary sources of drinking water for the metro Atlanta area. Florida and Alabama are seeking a ruling that would drastically reduce the quantity of water that metro Atlanta water providers would be permitted to withdraw from the Chattahoochee basin. The State of Georgia, on the other hand, believes that water withdrawals by metro area water providers are entirely reasonable and should be allowed to increase in accordance with population growth. Further, the State understands the need to exercise good stewardship of these water resources, and the rules and conservation measures that are in place enable the State to make a strong case in its defense. A court case that the State of Florida brought against the State of Georgia has recently concluded in November, 2016, but as of the date of this letter, the Special Magistrate has not yet issued a ruling. Regardless of which State prevails in this

recent court case, there is no reason to believe that the State that receives an unfavorable ruling would abandon further legal challenges.

The Henry County Water Authority is not dependent on the water sources of the Chattahoochee basin, as over 99% of the water supply of Henry County comes from reservoirs developed by the Authority in the southern part of Henry County, from streams that originate in the County. The Authority only purchases a small amount of water (less than 1%) from neighboring DeKalb County (DeKalb draws water from the Chattahoochee River) to serve a small high elevation area in the north part of Henry County. Any withdrawal limitations imposed on the Chattahoochee basin should have minimal direct impact on the Henry County Water Authority, other than the Authority would have to add some infrastructure to supply this small high elevation area from the Authority's own sources. Nonetheless, Henry County is part of the metro Atlanta region, and is thus included in any water conservation regulations imposed on the metro Atlanta region.

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

Outlook

In the years leading up to 2007, the Authority was constructing system improvements and setting new meters as fast as possible to keep up with the rampant pace of growth. Then, beginning in 2007 the Authority began revising plans and projections downward and putting austerity measures in place as a result of the economic downturn. In 2013, we began to see some indications that the severity of the economic downturn is easing. More new meters were set, vacant home inventory decreased, and the number of foreclosures and bankruptcies decreased. This positive trend in FY 2013 continued during 2014 and accelerated during the current fiscal year. Property tax digest values increased slightly in FY 2014 after 4 years of decline, followed by an increase of 12% during FY 2015, and are projected to increase by an additional 11% during FY 2016.

The increase in the customer base was 3% in FY 2015 and 2% in FY 2016. This is a comfortable and sustainable rate of growth for the Authority- not so fast as to necessitate massive infrastructure expansions and the associated debt, but enough to generate additional revenue, without using up available capacity too quickly. However, the Authority must be ready to accommodate continued moderate growth, or ramp up to meet the demands of accelerated growth, or withstand further economic depressed conditions, whichever occurs. Fortunately, the Authority's cash flow position is positive, bad debt write-offs are negligible, staffing levels are adequate, the knowledge/skill level of employees is strong, our facilities are in good to excellent condition. The Authority plans to increase the capacity of one of its wastewater treatment plants (Indian Creek WWTP); construction will start during FY 2017. After that, the next wastewater treatment plant scheduled for expansion, Walnut Creek, is

still several years out (as shown below under Major Initiatives). Otherwise, the Authority has excess capacity to meet additional demand. Further, there does not appear to be a need to add additional debt in the near future to construct additional infrastructure. In short, the Authority is in as good a position as possible to respond to whichever economic condition prevails.

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

Long Term Financial Considerations

Over the past several years the Authority has undertaken 6 refinancings and achieved over \$20 million gross savings (\$15 million in net present value savings). It appears that all Revenue Bonds and GEFA loans that were candidates for refinancing have, in fact been refinanced. No further refinancing or restructuring of our debt is anticipated at this time.

The Authority has experienced a positive movement in ratings from Moody's Investors Service over recent years and currently maintains an Aa2 rating. Rate changes since the year 2000 are:

2003 from A2 to A1
2005 from A1 to Aa3
2012 from Aa3 to Aa2

Moody's commented that the rating incorporates the system's relatively large service area with a diverse customer base, healthy liquidity position bolstered by annual rate increases, and above average but manageable debt position resulting from system growth.

The FY 2014 Budget and all subsequent Budgets of the Authority include a strategy of decreasing the Authority's dependence on debt to finance future projects by using a 'pay-as-you-go' approach in as much as possible, and gradually adding to the Renewal and Extension Fund in order to fund large scale projects. This strategy is working, evidenced by the Authority's continually improving cash position, and ability to completely finance the \$18 million expansion to Indian Creek WWTP from cash in hand.

Major Initiatives

The Authority concluded a major update of its 30 year Capital Improvement Plan during 2015. The last major update was done in 2007. Below, expressed in millions of dollars, are the amounts expected to be spent by the Authority over the next 30 years (future dollars based on annual inflation rate of 3%).

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

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

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

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

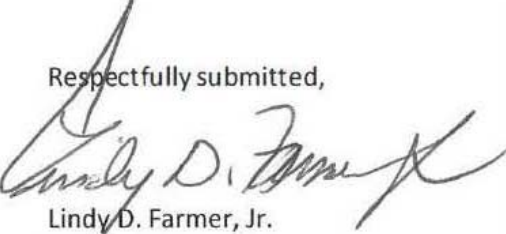
Authority staff carefully evaluate on-going and up-coming projects on a monthly basis. The Authority adjusts the timing of projects in the capital improvement plan in an effort to match them with anticipated growth in the customer base that would create the need for the project. The Authority has a history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

Meter system upgrades are currently on-going and will continue to take place over the next 10 to 12 years, on a route by route basis. The Authority has 64 routes and is currently working on upgrades to the first route.

Acknowledgements

We express our thanks to the management of each department of the Authority, all of whom have adhered to sound practices to assure that transactions are properly accounted for. Thanks should also be expressed to the staff of the Finance Department for their commitment and dedication to the financial integrity of the Authority that makes this report possible. Finally, a great deal of thanks is due to the Board of the Authority, who keep the best interest of the citizens of Henry County foremost in mind, and do not lose sight of the 'big picture' when making decisions. Their support has been and continues to be of paramount importance to financial integrity of the Authority.

Respectfully submitted,

Respectfully submitted,

Lindy D. Farmer, Jr.
General Manager


Roderick Burch, CPA
Chief Financial Officer

Henry County Water Authority Listing of Principal Officers

HCWSA Board Members



Jimmy Carter



Rick Jeffares



Carlotta Harell



Harold Jenkins



Mike Barr

General Manager

Lindy D. Farmer, Jr., General Manager

Kimberly Turner Osborne, Clerk

Management Team

Tony Carnell - Deputy General Manager

Roderick Burch - Chief Financial Officer, Division Manager of Administration

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

Scott Harrison - Division Manager of Distribution and Collection Systems

Scott Sage - Division Manager of Engineering and Inspections

Vicky Hyatt - Manager, Finance

Allan Branan - Manager, Inspections

Allen Rape - Manager, GIS

Dan Newcombe – Director of Information Technology

Rhonda Gonzalez - Manager, Customer Service

Jeff Allen - Manager, Purchasing & Inventory

Eric Osborne - Manager, Water Production

Jason Jeffares - Manager, Water Pollution Control

Jim Brinkman - Manager, Sewer Line Maintenance and Repairs

Ray Sanders – Manager of Water and Sewer Operations Maintenance

Chuck McCarter - Manager, Reservoirs & Land Management

Lesa Walker - Manager, Operations

Consultants and Professional Services

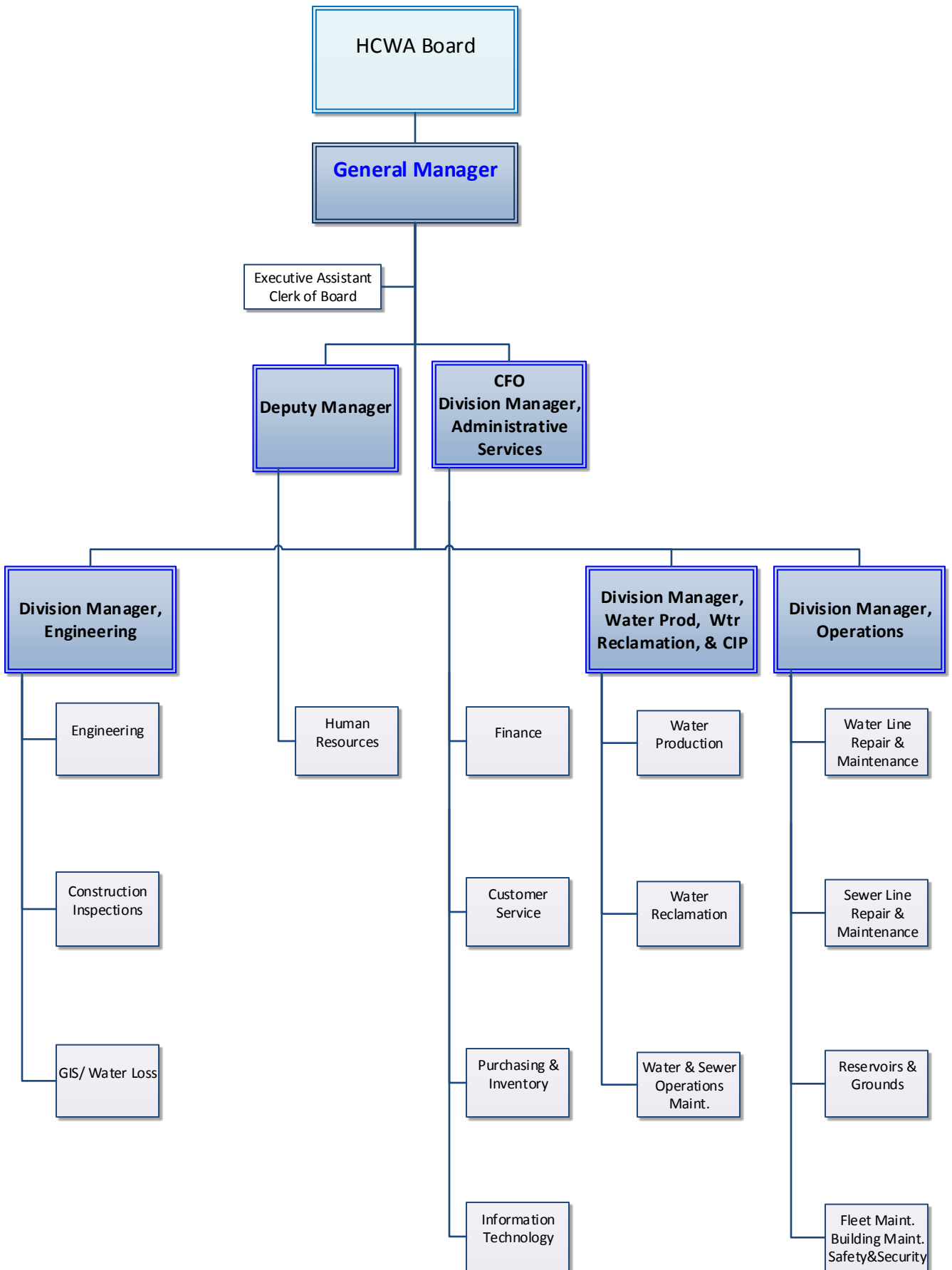
Legal Counsel:

Smith, Welch, Webb & White, McDonough, Georgia

Auditors:

Mauldin & Jenkins, LLC, Macon, Georgia

Henry County Water Authority Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Henry County Water Authority
Georgia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Comprehensive Annual Financial Report

FINANCIAL SECTION

Henry County Water Authority - McDonough, Georgia



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the **Henry County Water Authority** (the "Authority"), a component unit of Henry County, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Henry County Water Authority, a component unit of Henry County, Georgia, as of June 30, 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 12) and the Schedule of Changes in the Authority's Net Pension Liability and Related Ratios, Schedule of Authority Contributions and Schedule of Funding Progress – Other Post- Employment Benefit Plan (on pages 38 through 40) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 7, 2016

HENRY COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Henry County Water Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements, notes to the financial statements and statistical section.

Proprietary Fund Accounting and Reporting

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

Overview of the Financial Statements

Net Position: The following table reflects the overall financial condition of the Authority as of the last two fiscal years. Current plus restricted assets increased from the prior year by \$9.9 million. Capital assets decreased, primarily because the increase in accumulated depreciation of \$30.1 million was greater than net additions of \$8.7 million to capital assets during the year.

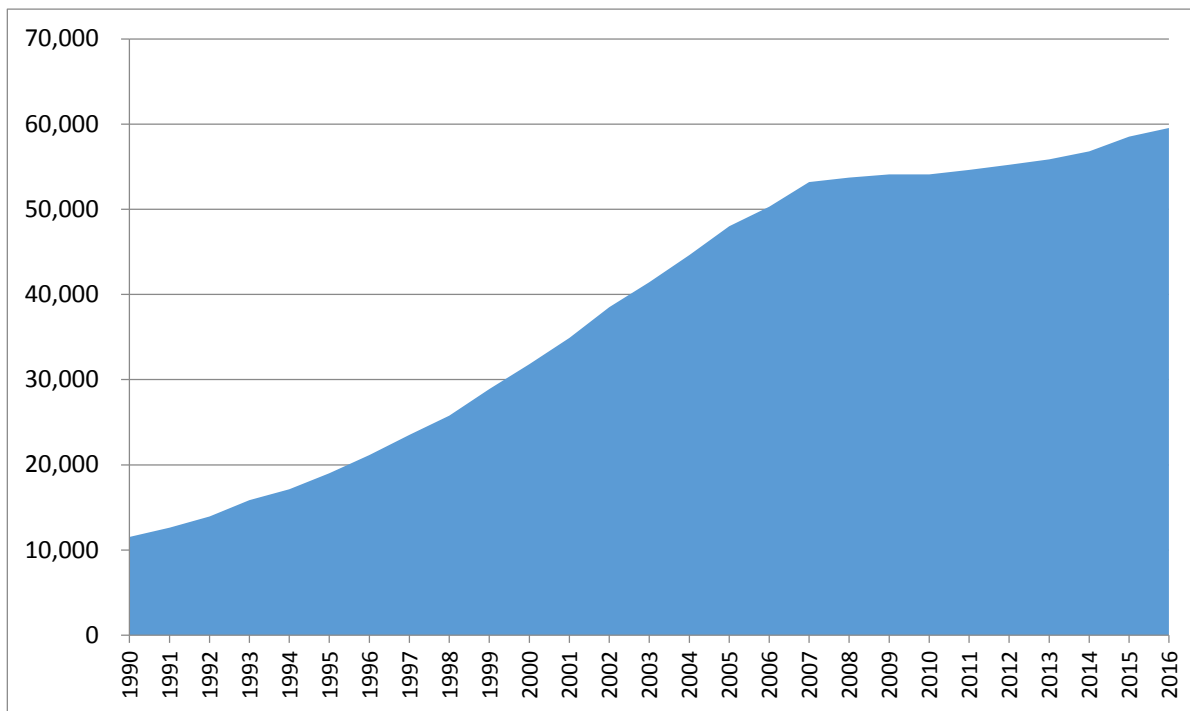
	2016	2015
Current assets	\$ 11,668,315	\$ 10,553,668
Restricted assets	103,296,036	94,547,233
Capital assets	349,272,059	370,660,806
Other long-term assets	-	-
Total assets	464,236,410	475,761,707
Deferred refunding charges	5,318,074	5,903,017
Deferred outflows related to pensions	3,714,644	1,120,907
Total deferred outflows of resources	9,032,718	7,023,924
Current liabilities	23,938,742	22,543,724
Long-term liabilities	224,226,781	236,799,479
Total liabilities	248,165,523	259,343,203
Deferred inflows related to pensions	1,169,828	-
Total deferred inflows of resources	1,169,828	-
Net investment in capital assets	139,110,602	149,576,330
Restricted for debt service	86,392,853	73,776,950
Unrestricted	(1,569,678)	(2,014,333)
Total net position	\$ 223,933,777	\$ 221,338,947

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

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

The expansion of the Authority's water and sewer infrastructure has been driven by the explosive rate of growth in population in Henry County. The graph below shows the number of Authority water customers from 1990 to 2016. The pace of the growth leveled off substantially beginning in 2007. During the seven year period from 2007 through 2014, the Authority added an average of 515 new customers per year to the system, compared to averaging 3,054 new customers annually during the seven year period immediately preceding. The pace of growth quickened somewhat during the last two years with the addition of 1,721 customers in 2015 and 1,007 in 2016.



The Authority carries a significant amount of debt relative to net position. This was necessary in order to construct system improvements needed for the pre-2008 rapidly increasing customer base. The number of water customer connections to the Authority's system has increased from 11,557 in 1990 to 59,543 in 2016. Large tracks of developable land, formerly farmland, located along Interstate 75 (with 7 exits in Henry County) just south of Atlanta and the Atlanta airport were, no doubt, among the factors contributing to the growth of the county.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

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

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Water revenues	\$ 38,002,333	\$ 36,473,745
Sewerage revenue	14,469,173	13,740,887
Connection fees	398,641	340,685
Other fees and charges	<u>1,708,502</u>	<u>1,800,736</u>
Total operating revenues	<u>54,578,649</u>	<u>52,356,053</u>
Operating expenses:		
Water treatment	4,754,710	4,796,858
Water purchase	115,338	176,514
Customer service and connection	3,351,042	3,406,955
Wastewater treatment	5,147,464	4,834,437
Repairs and maintenance	10,425,409	10,230,372
Administrative and engineering	5,577,957	5,349,187
Depreciation	30,870,714	30,998,869
Information technology	<u>1,588,328</u>	<u>1,481,645</u>
Total operating expenses	<u>61,830,962</u>	<u>61,274,837</u>
Operating loss	(7,252,313)	(8,918,784)
Non-operating revenues (expenses):		
Real property taxes	11,674,596	10,509,669
Motor vehicle and other taxes	739,780	1,142,548
Interest income	181,278	47,831
Interest expense and fiscal charges	(8,256,354)	(8,549,199)
Gain on disposal of capital assets	<u>(168,845)</u>	<u>28,379</u>
Total non-operating revenues, net	<u>4,170,455</u>	<u>3,179,228</u>
Loss before contributions	(3,081,858)	(5,739,556)
Capital contributions	<u>5,676,688</u>	<u>10,127,624</u>
Change in net position	2,594,830	4,388,068
Total net position, beginning	<u>221,338,947</u>	<u>216,950,879</u>
Total net position, ending	<u>\$ 223,933,777</u>	<u>221,338,947</u>
Restatement, new pension standard		<u>-</u>
Total net position, ending, as restated		<u>\$ 221,338,947</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

Water revenues – Water revenues were 4.5% higher in 2016 than in 2015. The addition of 1,007 new customers during 2016 plus dryer than normal weather conditions that persisted during the spring and summer of 2016 accounts for most of this increase. The Authority has a three tiered inclining block rate structure. Total system wide revenue will fluctuate from year to year depending on customer consumption patterns which determine the tiers that water is billed in.

All water is metered and sold at a monthly base charge plus a usage rate per thousand gallons. The residential rates in place at June 30, 2016, are:

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

Sewerage charges are based on metered water usage. The Authority added 909 new sewerage customers to the system in 2016. Residential sewerage rates at June 30, 2016, are:

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

Approximately 37% of the Authority's water customers are also sewer customers. However, this percentage is growing as Henry County transforms to a more urbanized county, and most new subdivisions and commercial developments require public sewer.

Connection fees - A connection fee, approximating the cost of the water meter equipment, is required for all new connections onto the system. The fee during FY 2016 for a standard ¾ inch meter is \$240 (the charge is more for larger meters). In addition, if the Authority is required to tap into the water main and run the service line to the meter, the Authority charges a fee to recover the cost for doing so. Total revenue received from Connection fees has risen each year for five consecutive years from a low of \$104,000 in FY 2011, up to \$398,641 in FY2016.

Other fees and charges - This line item includes a 10% fee for late payments made by customers, which totaled \$673,049 in FY 2016. A \$50 fee is also required to restore service to customers who have had their water service cut off for non-payment. During the year, approximately \$485,620 was collected for that. Bad check fees, damage and tampering fees, plan review fees, non-compliance fees, fishing permits and various other fees, are also credited to this line.

Water treatment & water purchase - This is the cost to operate the Authority's two water treatment plants, having a permitted capacity totaling 37 million gallons per day (mgd), plus nine elevated water storage tanks, three ground storage tanks and several booster pump stations. Actual water production during FY 2016 averaged 15.4 million gallons per day (mgd), compared to 14.7 mgd the previous year. In addition to its finished water production

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

capability contracts with neighboring Clayton and DeKalb counties enable the Authority to purchase finished water on an as needed basis. For the last nine years, inclusive of the current year, after the Authority's second water treatment plant came on line in 2007, the Authority produces more than 99% of its total water requirements and purchases less than 1%.

Customer Service and Connection - This is the cost of the Customer Service Department including billing and the field Service technicians. All meters are read electronically (radio read) each month and customers receive a monthly statement based on that reading. No estimates are used. Any meter that is found to be non-functioning at the date of reading is repaired, typically the same day.

Wastewater treatment – The Authority operates three wastewater treatment plants (WWTP). The three plants together treated an average of 6.8 million gallons per day (mgd) of sewerage during FY 2016, up by approximately 15% from the 5.9 mgd treated the previous year. Wastewater treatment expenditures increased 6.5% from the prior year. The primary causes for this increase are additional electricity cost of \$112,590 and additional chemical cost of \$50,475, both as a result of the increased volume treated. Also, maintenance cost was up by \$87,000 due primarily to some expensive repairs to pumps and pump motors. And, outsourced sewer treatment increased by \$60,709 (the Authority contracts with neighboring DeKalb County to treat sewerage from an isolated area in the extreme northwest corner of Henry County).

Repairs and maintenance - This is comprised of the following:

	<u>2016</u>	<u>2015</u>	<u>Difference</u>
Purchasing and inventory	\$ 572,235	\$ 558,737	\$ 13,498
Vehicle maintenance	272,477	285,395	(12,918)
Bldg & grounds maintenance	565,069	484,687	80,382
Security & maintenance	703,064	649,832	53,232
Sewer line repair & maintenance	1,790,723	1,524,138	266,585
Water & sewer operations maintenance	2,661,584	2,806,353	(144,769)
Reservoir and grounds	1,031,133	1,184,324	(153,191)
Water line repair & maintenance	2,829,124	2,736,906	92,218
Total	<u>\$ 10,425,409</u>	<u>\$ 10,230,372</u>	<u>\$ 195,037</u>

Administration and Engineering - This line item includes Administration, Finance, Human Resources, Engineering, Inspections, Geographic Information Systems (GIS) and property & liability insurance. This line was 4.3% higher than the previous year. Regular Pay increased by \$130,638 due to merit increases plus the transfer of an employee from another Department to the Admin Department. Professional/Contractual Fees in the Human Resource Department increased by \$119,467 due to a change in the way we elected to pay our Health Insurance Broker (previously this was included in the Health Insurance line in each Department; we changed Brokers and the method by which their fee is charged and achieved an overall reduction in cost, albeit the entire fee is now all charged to the H/R Department, who is responsible for managing it). Expenses for a payroll study were also included in H/R Professional/Contractual fees. Additionally, our Property and Liability Insurance cost us \$93,587 more than the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

Depreciation – This is, by far, the Authority's single largest expense line item, accounting for 50% of the total operating expenses. The Authority owns over \$677 million in capital assets that are subject to annual depreciation. Straight line depreciation is used over the life expectancy of the assets which range from 3 to 50 years.

Information Technology – This Department is responsible for all computer and telecommunications systems (hardware & software) Authority wide. Expenses in 2016 were up from the previous year by 7.2%. This increase is primarily the result of several upgrades that were undertaken, which increased the Supplies line by \$60,393, and Professional/Contractual Services by \$43,404.

Real property taxes – The Authority receives a two-mill tax levy on all taxable property within the boundaries of Henry County. The Joint Resolutions of Henry County and the Authority to issue Revenue Bonds contains a covenant to levy the two-mill tax until all Revenue Bonds are paid in full, or provision is made therefore. The final maturity on currently outstanding Revenue Bonds is Feb 1, 2030. Henry County experienced substantial increases in the tax digest from year to year leading up through FY 2009. The tax digest decreased each fiscal year beginning with FY 2010 through FY 2013, reflecting lower property valuations. However, this downward trend turned a corner with a 1% increase in FY 2014 and a very substantial 12% increase for FY 2015, followed by a 10% increase for FY 2016.

Motor vehicle and other taxes – These taxes, like real property taxes, are part of the two-mill tax levy that is required to be collected by the Joint Revenue Bond Resolution mentioned above. In 2014, motor vehicle tax made up 80% of this revenue line, and other taxes accounted for the remaining 20%. Beginning in April, 2015 and continuing throughout FY 2016, the Henry County Tax Commissioner reduced our monthly receipts on motor vehicle tax by approximately 50% to comply with Legislation that the State of Georgia adopted. This is discussed further in the section entitled 'Currently Known Conditions Affecting Further Operations' located on page 11 of the MD&A.

Interest Income – Funds are invested as permitted in accordance with Georgia Code Section 36-80-3. Bank charges of \$94,151 were netted on this line against interest earnings of \$275,429.

Interest expense and fiscal charges:

	2016	2015
Revenue bond interest expense	\$ 7,052,934	\$ 7,385,974
GEFA interest expense	1,488,071	1,563,520
Amortization of issuance costs	(289,074)	(404,689)
Fiscal agent fees	4,423	4,393

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

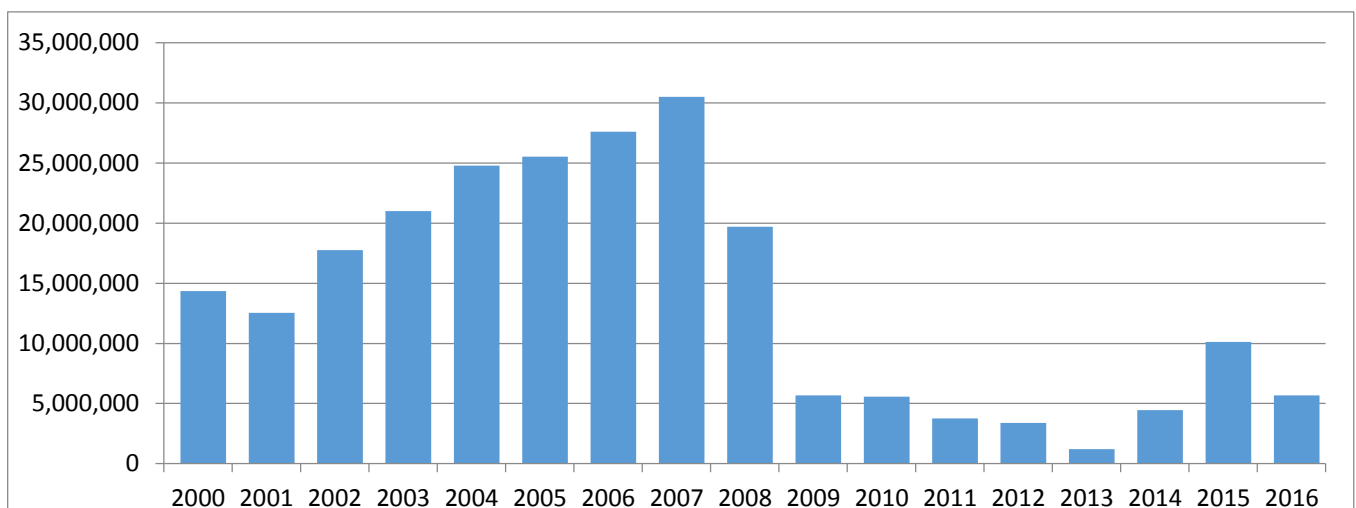
Gain on disposal of property and equipment – As vehicles and equipment reach or exceed their useful lives and it becomes impracticable to continue to repair and maintain them, those items are declared to be surplus property and are sold at public auction. However, some property that becomes surplus is unique to Water/Sewer Utilities and is of virtually no value on the open market. Such property can only be sold for scrap value, or in some cases, simply disposed of. During 2016, we realized a net loss of \$168,845 on surplus property.

Capital Contributions consist of the items listed in the table on the following page. The Authority assesses Impact Fees designed to recover a fair proportionate share of the costs of system improvements needed to serve new growth and development. For residential use, anyone subscribing for initial use of water service pays \$700 per equivalent dwelling unit (EDU), and anyone initially connecting onto the sewer system pays \$2,700 per EDU. The commercial/industrial fees are \$350 per EDU for water and \$1,350 per EDU for sewer. The Authority defines one EDU to be 300 gallons per household per day. Impact fees are only expended for qualifying system improvements and to make debt service payments on such improvements.

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.

	<u>2016</u>	<u>2015</u>
Impact fees	\$ 3,376,469	\$ 3,433,352
Contributions for project costs	2,017,301	3,888,394
Contributions in kind	282,918	2,805,877
Total	<u>\$ 5,676,688</u>	<u>\$ 10,127,623</u>

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets: The Authority's investment in capital assets as of June 30, 2016 before accumulated depreciation is \$718,299,724. Net of accumulated depreciation, that number comes to \$349,272,059. The investment in capital assets includes land and easements, five reservoirs, buildings, two water treatment plants, water storage tanks, three wastewater treatment plants, system improvements, construction in progress, vehicles and equipment. The Authority added 5.6 miles of water main and 1.3 miles of sewerage main to the system during FY 2016.

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

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

No additional debt was incurred by the Authority during FY 2016. Principal payments of \$2,590,528 on GEFA loans and \$11,165,000 on Revenue Bonds were made in accordance with the debt service schedules.

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

Currently Known Conditions Affecting Future Operations

The Authority receives a 2 mill tax on motor vehicles as well as on real property. During 2012, the State of Georgia created a 'Title Ad Valorem Tax' (TAVT) to take the place of motor vehicle tax on all vehicles purchased after March 1, 2013. Motor Vehicle Ad Valorem tax continued to be collected on vehicles purchased prior to March 1, 2013, and the Authority continued to receive 2 mills of that tax. The Henry County Tax Commissioner also allocated a portion of the TAVT to the Authority each month until March 30, 2015, when he determined that the Authority was not eligible to participate in the TAVT. From that date through June 30, 2016, the Tax Commissioner did not distribute any TAVT to the Authority. Prior to March, 2015 the Authority had been averaging more than \$80,000 per month from the distribution of motor vehicle tax and TAVT. After March, 2015 the monthly distribution dropped to less than \$40,000.

However, on May 3, 2016 the Governor of Georgia signed Senate Bill 379 into law with an effective date of July 1, 2016. This law requires the Tax Commissioner to distribute to the Authority, an amount each month sufficient to equal motor vehicle taxes received by the Authority during the same month in calendar year 2012. The Henry County Tax Commissioner is complying with that law and since July, 2016, the Authority has received distributions averaging more than \$80,000 per month. Thus, it appears that the reduction to the Authority's Motor Vehicle Tax Revenue caused by passage of the TAVT in 2012 has now been rectified by passage of SB379 in 2016, and Motor Vehicle Tax Revenue has returned to expected levels.

On November 17, 2016, the Georgia Environmental Protection Division declared the north half of the State, inclusive of Henry County, to be in drought conditions and mandated that all counties abide by Level 2 Drought Response rules. These rules make certain requirements of Water Providers and place restrictions on outdoor water

MANAGEMENT'S DISCUSSION AND ANALYSIS

Currently Known Conditions Affecting Future Operations (Continued)

Use which Water Providers must enforce. The intent of the rules is to reduce the total volume of water used for outdoor purposes and thus conserve available water supplies in the event that the drought persists. However, the Authority's water supply is not dependent on the Chattahoochee basin like most of the metro Atlanta region, and is sufficient to withstand a very prolonged drought. Nonetheless, we must abide by the same Level 2 rules. If those rules remain in place during the spring and summer of 2017, revenue from water sales could potentially be somewhat negatively impacted.

Further Information

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

HENRY COUNTY WATER AUTHORITY

STATEMENT OF NET POSITION JUNE 30, 2016

ASSETS	
CURRENT ASSETS	
Cash	\$ 2,753,655
Receivables, net of allowance for uncollectibles:	
Taxes	425,643
Interest	21,835
Accounts	7,584,048
Inventory	883,134
Restricted assets:	
Cash	11,785,063
Investments	91,510,973
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Total current assets	114,964,351
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CAPITAL ASSETS	
Land	34,968,336
Buildings	16,438,459
Improvements other than buildings	639,213,065
Machinery and equipment	17,416,444
Vehicles	4,361,884
Construction in progress	5,901,536
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	718,299,724
Less accumulated depreciation	369,027,665
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Total capital assets, net of accumulated depreciation	349,272,059
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Total assets	464,236,410
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DEFERRED OUTFLOWS OF RESOURCES	
Deferred refunding charges	5,318,074
Pensions	3,714,644
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Total deferred outflows of resources	\$ 9,032,718
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See Notes to Financial Statements.

LIABILITIES	
CURRENT LIABILITIES	
Payable from current assets:	
Accounts payable	\$ 1,460,567
Compensated absences payable	943,512
Accrued expenses and other liabilities	207,067
Retainage payable	199,302
Customer deposits payable	3,997,428
Accrued interest payable	119,711
Notes payable - current	2,672,179
	<u>9,599,766</u>
Payable from restricted assets:	
Revenue bonds payable	11,490,000
Accrued interest payable	2,848,976
	<u>14,338,976</u>
Total current liabilities	<u>23,938,742</u>
LONG-TERM LIABILITIES	
Notes payable	45,691,644
Revenue bonds payable, net	164,242,130
Compensated absences payable	210,048
OPEB obligation	7,795,661
Net pension liability, due in more than one year	6,287,298
	<u>224,226,781</u>
Total long-term liabilities	<u>224,226,781</u>
Total liabilities	<u>248,165,523</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>1,169,828</u>
Total deferred inflows of resources	<u>1,169,828</u>
NET POSITION	
Net investment in capital assets	139,110,602
Restricted for debt service	86,392,853
Unrestricted	<u>(1,569,678)</u>
Total net position	<u>\$ 223,933,777</u>

HENRY COUNTY WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FISCAL YEAR ENDED JUNE 30, 2016

Operating revenues:

Charges for services:

Water sales	\$ 38,002,333
Sewer sales	14,469,173
Connection fees	398,641
Other fees and charges	1,708,502
Total operating revenues	<u>54,578,649</u>

Operating expenses:

Water treatment	4,754,710
Water purchase	115,338
Customer service and connection	3,351,042
Waste water treatment	5,147,464
Repairs and maintenance	10,425,409
Administrative and engineering	5,577,957
Depreciation	30,870,714
Information technology	1,588,328
Total operating expenses	<u>61,830,962</u>

Operating loss	<u>(7,252,313)</u>
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Non-operating revenues (expenses):

Real property taxes	11,674,596
Motor vehicle and other taxes	739,780
Interest income	181,278
Loss on disposal of capital assets	(168,845)
Interest expense and fiscal charges	(8,256,354)
Total non-operating revenues, net	<u>4,170,455</u>

Loss before contributions	(3,081,858)
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Capital contributions

5,676,688

Change in net position	2,594,830
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Total net position, beginning

<u>221,338,947</u>

Total net position, ending

<u>\$ 223,933,777</u>

See Notes to Financial Statements.

HENRY COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS FISCAL YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 54,315,325
Payments to suppliers	(11,394,974)
Payments to employees	(19,391,195)
Net cash provided by operating activities	<u>23,529,156</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes received	12,370,468
Net cash provided by noncapital financing activities	<u>12,370,468</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(7,583,503)
Proceeds from the sale of capital assets	68,459
Principal payments on long-term borrowings	(13,755,534)
Interest paid on long-term borrowings	(8,705,896)
Capital contributions	3,540,820
Net cash used in capital and related financing activities	<u>(26,435,654)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	181,278
Net cash provided by investing activities	<u>181,278</u>

Net increase in cash 9,645,248

Cash:

Beginning	<u>96,404,443</u>
Ending	<u>\$ 106,049,691</u>

Classified as:

Cash	\$ 2,753,655
Restricted assets:	
Cash	11,785,063
Cash equivalents included in investments	91,510,973
	<u>\$ 106,049,691</u>

HENRY COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS FISCAL YEAR ENDED JUNE 30, 2016

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (7,252,313)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	30,870,714
Changes in assets and liabilities:	
Increase in accounts receivable	(265,132)
Decrease in due from Henry County	1,808
Decrease in inventory	89,030
Increase in deferred outflows of resources	(2,593,737)
Increase in accounts payable and accrued expenses	436,248
Increase in customer deposits payable	592,957
Increase in net pension liability	1,563,583
Decrease in deferred inflows of resources	(933,653)
Increase in OPEB obligation	1,019,651
Net cash provided by operating activities	<u>\$ 23,529,156</u>

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

Capital contributions from developers	\$ 2,135,868
	<u>\$ 2,135,868</u>

See Notes to Financial Statements.

HENRY COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Henry County Water Authority (the "Authority"), a body politic, was duly created under the Acts of the General Assembly of the State of Georgia on March 28, 1961. The Authority was created to provide water and related services throughout Henry County, Georgia (the "County"). The Authority currently serves approximately 57,000 customers in the City of McDonough and Henry County, Georgia. Related services include waste treatment, maintenance of water and sewer lines and installation of new water and sewer lines. The Authority is governed by a board of directors, which are appointed by Henry County. The County is obligated for the debt of the Authority, and therefore, a financial burden exists.

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

Fund Accounting

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

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

Measurement Focus

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

Management Estimates

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

Revenues

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

Cash and Investments

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

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

Investments are stated at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Customer Accounts Receivable

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

Property Taxes Receivable

Property taxes levied by the County in September 2015, and not collected by June 30, 2016, are recorded as receivables, net of estimated uncollectibles.

Inventories

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

Restricted Assets

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

Bond Premiums and Discounts

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

Deferred Refunding Charges

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Capital Contributions

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

Deferred Outflows/Inflows of Resources and Net Position

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority reported two items that qualified for reporting in this category for the year ended June 30, 2016. Those items are deferred bond refunding charges and the items related to the changes in the net pension liability discussed below.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Other than the items related to the

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

changes in the net pension liability, as discussed below, the Authority did not have any items that qualified for reporting in this category for the year ended June 30, 2016.

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

Pensions

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2016, are summarized as follows:

As reported in the Statement of Net Position:

Cash	\$ 2,753,655
Restricted:	
Cash	11,785,063
Investments	91,510,973
	<u>\$ 106,049,691</u>
Cash deposited with financial institutions	\$ 14,538,718
Cash deposited with Georgia Fund 1	91,510,973
	<u>\$ 106,049,691</u>

Credit Risk. State statutes authorize the Authority to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2016, the Authority's investment in Georgia Fund 1 was rated AAf by Standard & Poor's.

At June 30, 2016, the Authority had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	42 day weighted average	\$ 91,510,973
Total		<u>\$ 91,510,973</u>

Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard & Poor's criteria for AAf rated money market funds. The investment in Georgia Fund 1 represents the Authority's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. treasury obligations, securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities, banker's acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in the Georgia Fund 1 is valued at fair market value. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1.00 per share. The pool is regulated by the Georgia Office of State Treasurer.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Georgia Fund 1 is an investment pool, which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the Authority does not disclose investment in Georgia Fund 1 within the fair value hierarchy.

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

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2016, all of the Authority's funds which were uninsured were collateralized as required by the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c) and as defined by GASB pronouncements. The Authority does not have a formal custodial credit risk policy but does ensure compliance with OCGA and GASB.

NOTE 3. RECEIVABLES

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following at June 30, 2016:

Receivables:

Taxes	\$	463,377
Interest		21,835
Accounts		7,710,619
		<hr/>
Gross receivables		8,195,831
Less allowance for uncollectibles		(164,305)
Net total receivables	\$	<hr/> <hr/> 8,031,526

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 34,968,336	\$ -	\$ -	\$ -	\$ 34,968,336
Construction in progress	1,321,797	6,772,281	-	(2,192,542)	5,901,536
Total	<u>36,290,133</u>	<u>6,772,281</u>	<u>-</u>	<u>(2,192,542)</u>	<u>40,869,872</u>
Capital assets, being depreciated:					
Buildings	16,401,528	36,931	-	-	16,438,459
Improvements other than buildings	635,532,749	1,722,438	(234,664)	2,192,542	639,213,065
Machinery and equipment	17,197,526	783,979	(565,061)	-	17,416,444
Vehicles	4,155,347	388,195	(181,658)	-	4,361,884
Total	<u>673,287,150</u>	<u>2,931,543</u>	<u>(981,383)</u>	<u>2,192,542</u>	<u>677,429,852</u>
Less accumulated depreciation for:					
Buildings	(7,202,804)	(754,468)	-	-	(7,957,272)
Improvements other than buildings	(315,044,182)	(27,094,099)	-	-	(342,138,281)
Machinery and equipment	(12,975,135)	(2,810,623)	562,421	-	(15,223,337)
Vehicles	(3,694,356)	(211,524)	197,105	-	(3,708,775)
Total	<u>(338,916,477)</u>	<u>(30,870,714)</u>	<u>759,526</u>	<u>-</u>	<u>(369,027,665)</u>
Total capital assets, being depreciated, net	<u>334,370,673</u>	<u>(27,939,171)</u>	<u>(221,857)</u>	<u>2,192,542</u>	<u>308,402,187</u>
Total capital assets, net	<u>\$ 370,660,806</u>	<u>\$ (21,166,890)</u>	<u>\$ (221,857)</u>	<u>\$ -</u>	<u>\$ 349,272,059</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 180,405,000	\$ -	\$ (11,165,000)	\$ 169,240,000	\$ 11,490,000
Plus unamortized premiums	7,400,530	-	(884,967)	6,515,563	-
Less unamortized discounts	(34,283)	-	10,850	(23,433)	-
Revenue bonds, net	187,771,247	-	(12,039,117)	175,732,130	11,490,000
Notes payable	50,954,357	-	(2,590,534)	48,363,823	2,672,179
Net pension liability	4,723,715	1,563,583	-	6,287,298	-
OPEB obligation	6,776,010	1,019,651	-	7,795,661	-
Compensated absences	1,119,547	932,597	(898,584)	1,153,560	943,512
Total long-term liabilities	<u>\$ 251,344,876</u>	<u>\$ 3,515,831</u>	<u>\$ (15,528,235)</u>	<u>\$ 239,332,472</u>	<u>\$ 15,105,691</u>

Revenue Bonds

The Authority issues revenue bonds to improve existing water and sewer systems, for construction and equipping certain capital facilities, and to repay principal and interest of prior bond issues when necessary. These bonds are secured by and payable from net revenues of the Authority's water and sewer systems until maturity or the bonds are redeemed. Net revenues include operating revenues, property taxes, impact fees and other income less operating expenses, excluding depreciation. For the fiscal year ended June 30, 2016, net revenues totaled \$39,421,679 and total debt service related to the revenue bonds totaled \$18,371,785. Amounts pledged equal total debt service for each applicable year. Revenue bonds outstanding at June 30, 2016 are as follows:

<u>Interest Rate</u>	<u>Due Date</u>	
3.75%-6.15%	2020	\$ 11,785,000
4.90%-6.00%	2020	4,430,000
3.00%-5.25%	2030	44,920,000
5.00%	2026	29,785,000
2.00%-5.00%	2030	17,680,000
1.50%-4.00%	2018	5,240,000
2.16%	2028	55,400,000
		<u>169,240,000</u>
	Plus unamortized premiums	6,515,563
	Less unamortized discounts	(23,433)
		<u>\$ 175,732,130</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>
2017	\$ 11,490,000	6,837,543	\$ 18,327,543
2018	11,790,000	6,484,758	18,274,758
2019	12,340,000	6,061,245	18,401,245
2020	12,565,000	5,578,210	18,143,210
2021	12,695,000	5,076,270	17,771,270
2022-2026	60,215,000	18,640,500	78,855,500
2027-2030	48,145,000	5,623,955	53,768,955
Total	<u>\$ 169,240,000</u>	<u>\$ 54,302,481</u>	<u>\$ 223,542,481</u>

Notes Payable

The Authority has also incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewer system projects. These notes are as follows at June 30, 2016:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	
3.00%	20 years	2030	\$ 13,571,182
3.00%	20 years	2030	15,672,358
3.00%	20 years	2032	17,663,562
3.00%	20 years	2032	1,456,721
			<u>\$ 48,363,823</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

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

Fiscal year ending June 30,	Principal	Interest	Total
2017	\$ 2,672,179	1,413,038	\$ 4,085,217
2018	2,752,049	1,333,174	4,085,223
2019	2,835,755	1,249,468	4,085,223
2020	2,920,897	1,164,326	4,085,223
2021	3,011,912	1,073,311	4,085,223
2022-2026	16,484,905	3,941,208	20,426,113
2027-2031	16,788,881	1,306,091	18,094,972
2032-2033	897,245	9,092	906,337
Total	<u>\$ 48,363,823</u>	<u>\$ 11,489,708</u>	<u>\$ 59,853,531</u>

NOTE 6. DEFINED BENEFIT PENSION PLAN

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

Plan Membership. As of January 1, 2016, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	45
Inactive plan members entitled to but not receiving benefits	20
Active plan members	219
	<u>284</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted an actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. Plan participants are required to contribute a percentage of their compensation to the plan. For the year ended June 30, 2016, the active member required contribution rate was 5% and the Authority's contribution rate was 8.62% of annual payroll. Authority contributions to the Plan were \$2,866,292 for the year ended June 30, 2016.

The Authority's net pension liability was measured as of September 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 with update procedures performed by the actuary to roll forward the total pension liability measured as of September 30, 2015.

The Authority's net pension liability for the year ended June 30, 2016, is as follows:

Total pension liability	\$ 35,838,837
Plan net position	<u>29,551,539</u>
Net pension liability	<u>\$ 6,287,298</u>
Plan net position as a percentage of the total pension liability	82.5%

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net pension liability (continued). The Authority's changes in the net pension liability by source and the derivation of the Authority's pension expense for the fiscal year ended June 30, 2016, are reflected below:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)	Pension Expense
Beginning Balance	\$ 31,988,766	\$ 27,265,051	\$ 4,723,715	
Changes for the year:				
Service cost	873,093	-	873,093	\$ 873,093
Interest	2,437,024	-	2,437,024	2,437,024
Differences between expected and actual experience	1,626,538	-	1,626,538	-
Amortization of experience differences	-	-	-	224,423
Contributions—employer	-	2,581,723	(2,581,723)	-
Contributions—employee	-	583,536	(583,536)	(583,536)
Net investment income	-	244,742	(244,742)	(2,192,159)
Amortization of investment earnings differences	-	-	-	(160,299)
Benefit payments, including refunds of employee contributions	(1,086,584)	(1,086,584)	-	-
Administrative expense	-	(36,929)	36,929	36,929
Net changes	3,850,071	2,286,488	1,563,583	\$ 635,475
Ending Balance	\$ 35,838,837	\$ 29,551,539	\$ 6,287,298	

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred outflows and inflows of resources. The Authority reported deferred outflows and inflows of resources related to pensions from the following sources as of June 30, 2016:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension experience differences	\$ 1,355,450	\$ 186,660
Pension assumption changes	-	983,168
Pension investment return	1,077,035	-
Pension contribution subsequent to measurement date	1,282,159	-
Total	<u>\$ 3,714,644</u>	<u>\$ 1,169,828</u>

Authority contributions subsequent to the measurement date of \$1,282,159 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2017		\$ 207,817
2018		207,817
2019		207,817
2020		368,116
2021		271,090
Total		<u>\$ 1,262,657</u>

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

Inflation	3.25%
Salary increases	3.75% - 8.75%, including inflation
Investment return	7.75%

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

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

Cost of living adjustments were assumed to be 1.00%.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial assumptions (continued). The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2015 are summarized in the following table:

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions and also on considering the Plan's net position as of June 30, 2016, the Plan's net position was projected to be available to make projected future benefit payments of current plan members for all future Plan years. Therefore, the long-term expected rate of return on pension plan investments (7.75%) becomes the discount rate and thus was applied to all projected future benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Authority's net pension liability	\$ 10,994,431	\$ 6,287,298	\$ 2,406,242

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2016 and the current sharing pattern of costs between employer and employee.

NOTE 7. RISK MANAGEMENT

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

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

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

General

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

Retirement Options/Benefit Provisions

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

Eligibility

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

Fund Membership

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Plan as of July 1, 2015.

Active participants	213
Retirees and beneficiaries	32
Total	<u>245</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contributions

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

Fiscal Year	Annual OPEB Cost	Actual Authority Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
2011	\$ 1,387,139	\$ 84,840	6.12 %	\$ 3,727,948
2012	922,957	135,138	14.64	4,515,767
2013	792,968	147,300	18.58	5,161,435
2014	906,163	144,889	15.99	5,922,709
2015	1,011,230	157,929	15.62	6,776,010
2016	1,192,135	172,484	14.47	7,795,661

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

Annual required contribution	\$ 1,303,204
Interest from net OPEB obligation	304,920
Adjustment of net OPEB obligation	(415,989)
Annual OPEB cost	<u>1,192,135</u>
Actual contribution to the plan	(172,484)
Increase in net OPEB obligation	<u>1,019,651</u>
Net OPEB obligation as of July 1, 2015	6,776,010
Net OPEB obligation as of June 30, 2016	<u><u>\$ 7,795,661</u></u>

As of the most recent valuation date, July 1, 2015, 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
6/30/2016	\$ -	\$ 9,539,429	\$ 9,539,429	- %	\$ 12,497,500	76.3 %

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are computed using the actuarial cost method based on the substantive plan in effect as of July 1, 2015. Assumptions used in the July 1, 2015 actuarial valuation are included in the table on the following page:

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

Actuarial Assumptions:	
Mortality	RPH-2015 Total Dataset Mortality Table, full generational using Scale MP-2015
Amortization	Level dollar amount over 30 years based on an open group
Discount rate for benefit obligations	4.5% per year
Inflation rate assumption	3.0%
Cost Method	Projected unit credit
Healthcare cost trend rates:	
Medical	9.0% graded by .5% per year to ultimate rate of 5.0%
Dental	5.0% graded by .25% per year to ultimate rate of 4.0%
Retirement rates by age:	
55	20%
56-61	10%
62	30%
63-64	10%
65	100%
Marital Status	80% of retirees are assumed to be married at retirement.
Age difference of spouses	Males are assumed to be three years older than females.
Plan participation	100% of future eligible retirees are assumed to elect coverage for themselves and their spouses.
Per capita claims cost	Gross per capital claims costs were developed from current premium rates by plan, actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Upon retirement, all employees are assumed to elect the Premier Plus plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Authority has active construction projects as of June 30, 2016. The projects include lift station and water tank construction as well as Administrative building renovations. As of June 30, 2016, the Authority has contractual commitments on uncompleted construction contracts of approximately \$3,000,000.

The Authority is a defendant in various lawsuits incidental to its business. Management believes that any liability that may result from such lawsuits will not have a material adverse effect on its operations or financial position.

REQUIRED SUPPLEMENTARY INFORMATION

HENRY COUNTY WATER AUTHORITY

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

	2016	2015
Total pension liability		
Service cost	\$ 873,093	\$ 828,707
Interest on total pension liability	2,437,024	2,402,683
Differences between expected and actual experience	1,626,538	(279,992)
Changes in assumptions and/or cost method	-	(1,474,753)
Benefit payments, including refunds of employee contributions	(1,086,584)	(980,474)
Net change in total pension liability	3,850,071	496,171
Total pension liability - beginning	31,988,766	31,492,595
Total pension liability - ending (a)	<u>\$ 35,838,837</u>	<u>\$ 31,988,766</u>
Plan fiduciary net position		
Contributions - employer	\$ 2,581,723	\$ 2,148,491
Contributions - employee	583,536	554,460
Net investment income	244,742	2,643,980
Benefit payments, including refunds of member contributions	(1,086,584)	(980,474)
Administrative expenses	(36,929)	(28,323)
Net change in plan fiduciary net position	2,286,488	4,338,134
Plan fiduciary net position - beginning	27,265,051	22,926,917
Plan fiduciary net position - ending (b)	<u>\$ 29,551,539</u>	<u>\$ 27,265,051</u>
Authority's net pension liability (asset) - ending (a) - (b)	<u>\$ 6,287,298</u>	<u>\$ 4,723,715</u>
Plan fiduciary net position as a percentage of the total pension liability	82.5%	85.2%
Covered-employee payroll	\$ 11,570,213	\$ 10,400,334
Net pension liability as a percentage of covered-employee payroll	54.3%	45.4%

Notes to the Schedule:

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

HENRY COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION RETIREMENT PLAN FOR THE EMPLOYEES OF HENRY COUNTY WATER AUTHORITY SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE FISCAL YEARS ENDED

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 910,825	\$ 1,134,312
Contributions in relation to the actuarially determined contribution	<u>2,866,292</u>	<u>2,557,728</u>
Contribution deficiency (excess)	<u>\$ (1,955,467)</u>	<u>\$ (1,423,416)</u>
Covered employee payroll	\$ 11,570,213	\$ 10,400,334
Contributions as a percentage of covered-employee payroll	24.77%	24.59%

Notes to the Schedule:

(1) Actuarial Assumptions

Valuation Date	January 1, 2016
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.75%-8.75%, including 3.25% for inflation
Cost of Living Adjustments	1.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 30 years.

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

HENRY COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST-EMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percent of Covered Payroll
6/30/2012	\$ -	\$ 6,797,083	\$ 6,797,083	- %	\$ 10,524,399	64.6 %
6/30/2013	-	6,189,591	6,189,591	-	10,840,131	57.1
6/30/2014	-	6,983,441	6,983,441	-	11,974,506	58.3
6/30/2015	-	8,038,566	8,038,566	-	12,333,741	65.2
6/30/2016	-	9,539,429	9,539,429	-	12,497,500	76.3

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

STATISTICAL SECTION

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	42 - 48
<i>These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.</i>	
Revenue Capacity.....	49 - 60
<i>These schedules contain information to help the reader assess the Authority's most significant local revenue sources.</i>	
Debt Capacity.....	61 - 63
<i>These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.</i>	
Revenue Capacity Information.....	64 - 66
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.</i>	
Operating Information.....	67 - 70
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the Authority's financial reports for the relevant year.

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

FINANCIAL TRENDS

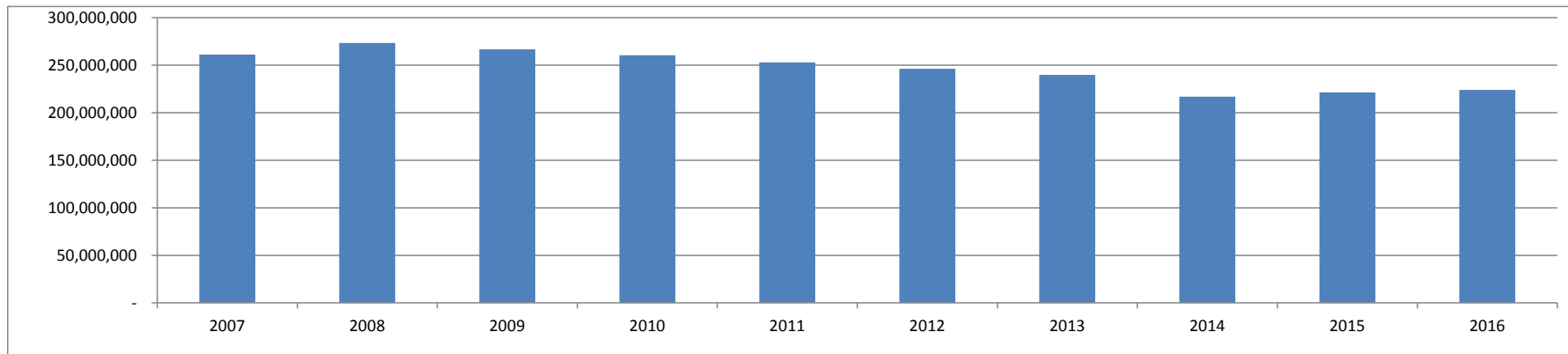
These schedules contain trend information to help the reader understand how the Henry County Water Authority's financial performance and well-being have changed over time.

HENRY COUNTY WATER AUTHORITY

NET POSITION BY COMPONENT LAST TEN YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net investment in capital assets	\$ 198,056,873	\$ 220,786,750	\$ 228,664,267	\$ 238,506,575	\$ 221,738,250	\$ 205,280,042	\$ 200,409,094	\$ 163,916,454	\$ 149,576,330	\$ 139,110,602
Restricted for:										
Debt service	56,159,313	44,262,004	33,315,862	16,931,449	24,847,227	32,822,755	31,472,197	56,308,020	73,776,950	86,392,853
Unrestricted	6,877,064	8,406,044	4,685,547	5,006,054	6,330,880	8,036,510	7,841,733	(3,273,595)	(2,014,333)	(1,569,678)
Total net position	<u>\$ 261,093,250</u>	<u>\$ 273,454,798</u>	<u>\$ 266,665,676</u>	<u>\$ 260,444,078</u>	<u>\$ 252,916,357</u>	<u>\$ 246,139,307</u>	<u>\$ 239,723,024</u>	<u>\$ 216,950,879</u>	<u>\$ 221,338,947</u>	<u>\$ 223,933,777</u>

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



HENRY COUNTY WATER AUTHORITY

CHANGES IN NET POSITION LAST TEN YEARS

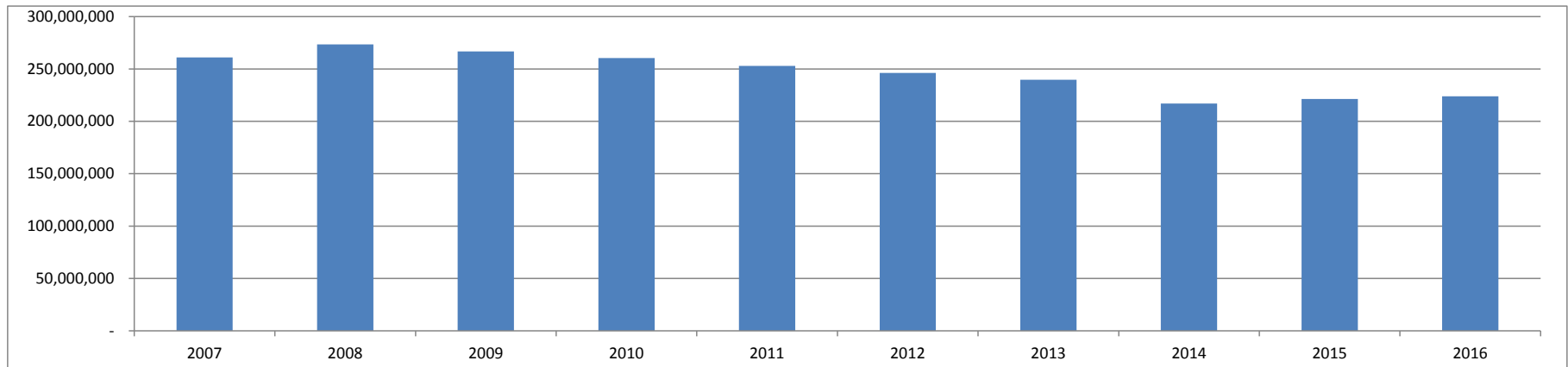
	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenues	\$ 36,018,346	\$ 35,702,127	\$ 37,346,288	\$ 39,961,912	\$ 43,595,126	\$ 45,967,528	\$ 46,381,388	\$ 48,489,781	\$ 52,356,053	\$ 54,578,649
Operating Expenses	41,664,705	48,950,470	54,755,618	55,812,639	56,525,236	54,864,449	54,586,091	72,914,560	61,274,837	61,830,962
Operating Income (Loss)	(5,646,359)	(13,248,343)	(17,409,330)	(15,850,727)	(12,930,110)	(8,896,921)	(8,204,703)	(24,424,779)	(8,918,784)	(7,252,313)
Non-Operating Revenue (Expense)	7,420,798	5,913,202	4,930,827	4,060,355	1,637,472	(1,267,050)	567,767	(2,791,323)	3,179,228	4,170,455
Gain (Loss) before Contributions	1,774,439	(7,335,141)	(12,478,503)	(11,790,372)	(11,292,638)	(10,163,971)	(7,636,936)	(27,216,102)	(5,739,556)	(3,081,858)
Capital Contributions	30,512,090	19,696,689	5,689,381	5,568,774	3,764,917	3,386,921	1,220,653	4,443,957	10,127,624	5,676,688
Change in Net Position	32,286,529	12,361,548	(6,789,122)	(6,221,598)	(7,527,721)	(6,777,050)	(6,416,283)	(22,772,145)	4,388,068	2,594,830
Net Position - Beginning	228,806,721	261,093,250	273,454,798	266,665,676	260,444,078	252,916,357	246,139,307	239,723,024	216,950,879	221,338,947
Net Position - Ending	<u>\$ 261,093,250</u>	<u>\$ 273,454,798</u>	<u>\$ 266,665,676</u>	<u>\$ 260,444,078</u>	<u>\$ 252,916,357</u>	<u>\$ 246,139,307</u>	<u>\$ 239,723,024</u>	<u>\$ 216,950,879</u>	<u>\$ 221,338,947</u>	<u>\$ 223,933,777</u>

Note:

Beginning Balance restated in 2014 to implement GASB 65 and in 2015 to implement GASB 68

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

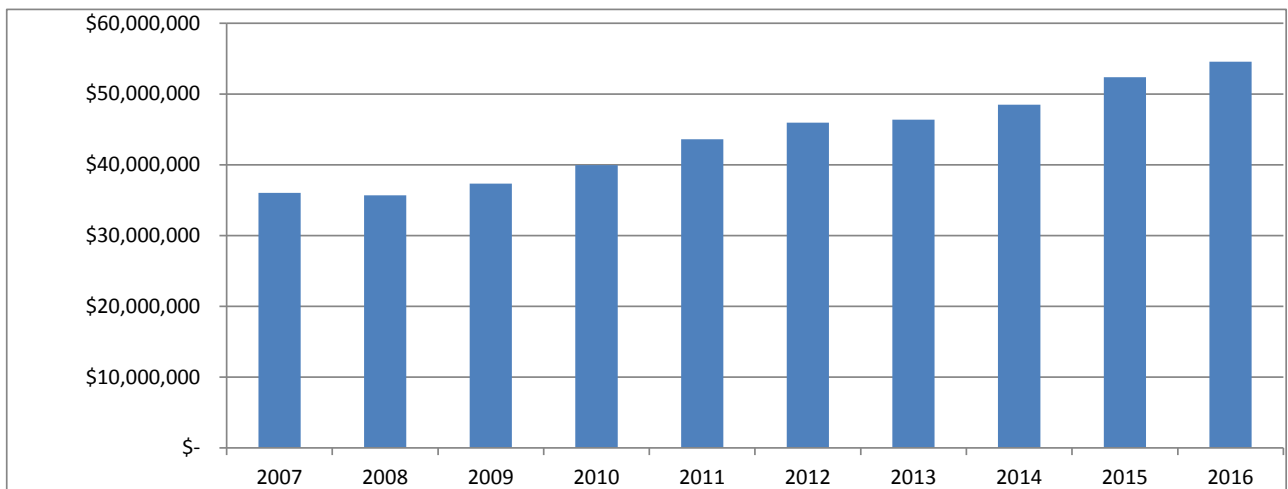
See the Non-Operating Revenues (Expenses) statistical schedule for a breakdown by non-operating revenue (expense) item.



HENRY COUNTY WATER AUTHORITY

OPERATING REVENUES BY SOURCE LAST TEN YEARS

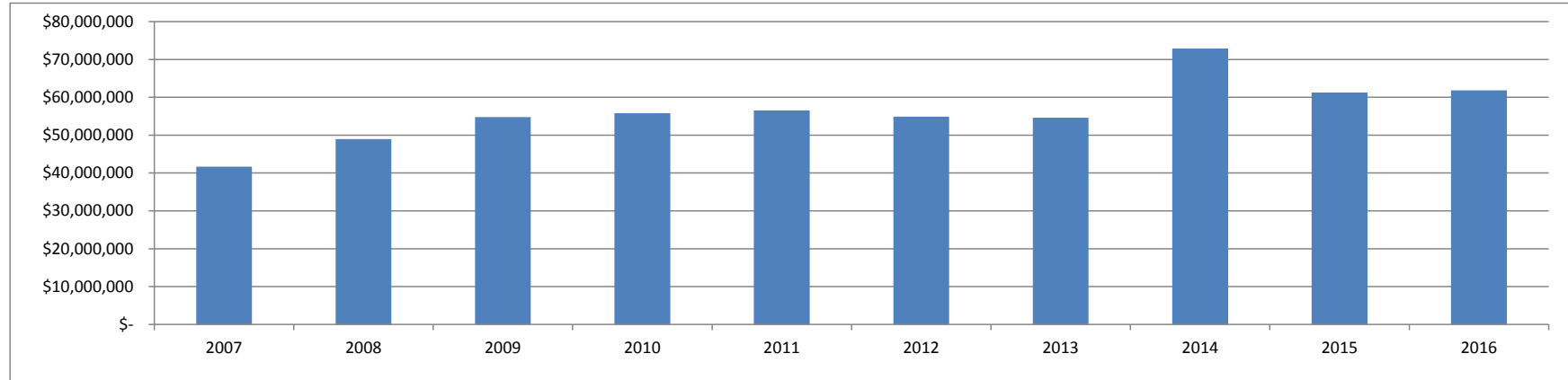
<u>Fiscal Year</u>	<u>Water Revenues</u>	<u>Sewer Revenues</u>	<u>Connection Fees</u>	<u>Other Fees and Charges</u>	<u>Total</u>
2007	\$ 27,090,802	\$ 7,985,196	\$ 469,160	\$ 473,188	\$ 36,018,346
2008	26,475,486	8,469,760	217,259	539,622	35,702,127
2009	27,309,977	9,188,611	124,707	722,993	37,346,288
2010	28,832,018	10,074,148	100,740	955,006	39,961,912
2011	31,451,080	10,813,428	104,255	1,226,363	43,595,126
2012	32,937,885	11,206,587	121,430	1,701,626	45,967,528
2013	32,761,539	11,752,238	191,927	1,675,684	46,381,388
2014	33,706,604	12,686,632	294,935	1,801,610	48,489,781
2015	36,473,745	13,740,887	340,685	1,800,736	52,356,053
2016	38,002,333	14,469,173	398,641	1,708,502	54,578,649



HENRY COUNTY WATER AUTHORITY
OPERATING EXPENSES BY FUNCTION
LAST TEN YEARS

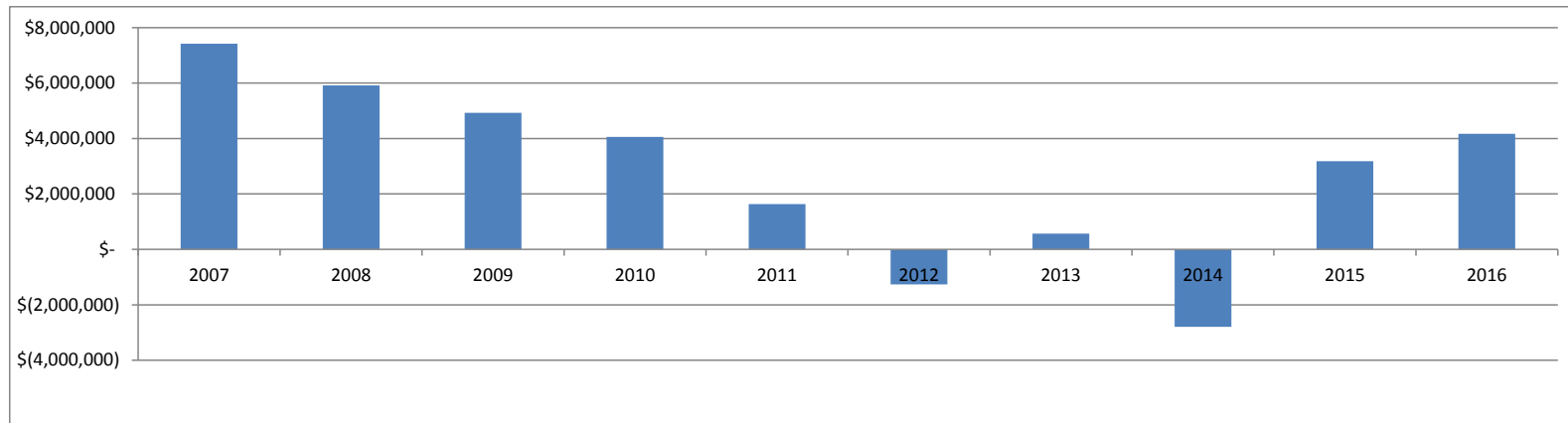
Fiscal Year	Water Treatment	Water Purchase	Customer Service and Connection	Wastewater Treatment	Repairs and Maintenance	Administrative and Engineering	Depreciation	Information Technology	Total Operating Expenses
2007	\$ 4,165,653	\$ 118,522	\$ 3,110,421	\$ 3,465,474	\$ 6,549,697	\$ 4,788,394	\$ 18,264,673	\$ 1,201,871	\$ 41,664,705
2008	4,499,392	84,783	3,070,178	3,929,979	7,687,983	5,506,196	22,805,784	1,366,175	48,950,470
2009	5,136,763	74,615	3,388,580	4,463,053	8,570,491	6,101,471	25,598,147	1,422,498	54,755,618
2010	5,428,943	80,644	3,372,801	4,625,639	8,747,513	5,693,885	26,634,341	1,228,873	55,812,639
2011	5,662,739	80,322	3,104,957	4,713,624	8,869,625	5,042,610	27,840,646	1,210,713	56,525,236
2012	5,396,683	128,133	2,997,749	4,941,058	8,539,430	4,755,786	26,887,472	1,218,138	54,864,449
2013	4,236,560	133,837	2,851,222	4,527,492	9,467,367	4,910,456	27,129,579	1,329,578	54,586,091
2014	6,788,579	169,601	4,675,927	6,899,904	14,029,159	7,330,298	31,074,795	1,946,297	72,914,560
2015	4,796,858	176,514	3,406,955	4,834,437	10,230,372	5,349,187	30,998,869	1,481,645	61,274,837
2016	4,754,710	115,338	3,351,042	5,147,464	10,425,409	5,577,957	30,870,714	1,588,328	61,830,962

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



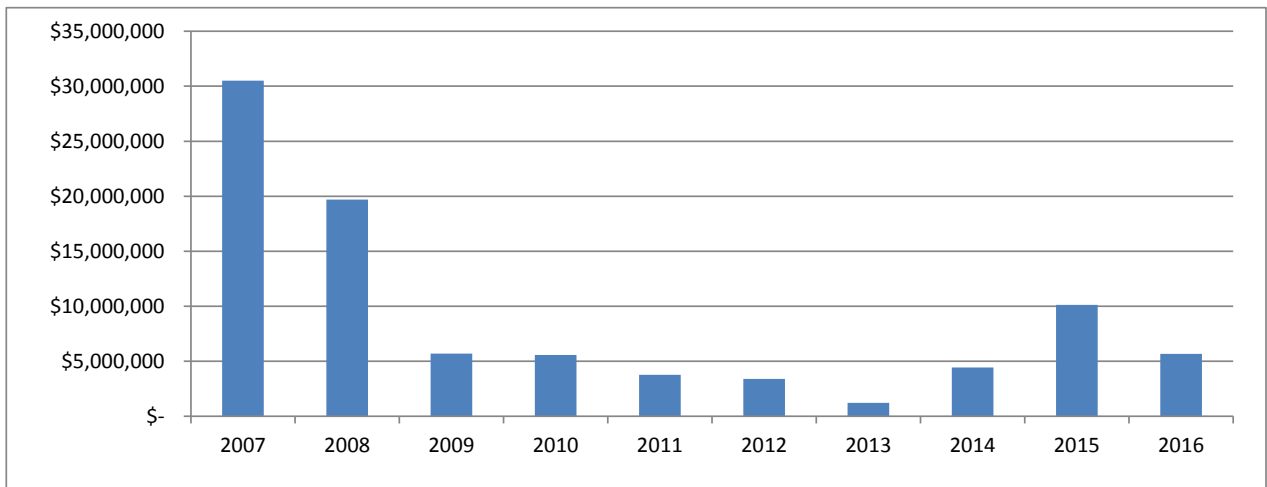
HENRY COUNTY WATER AUTHORITY
NON-OPERATING REVENUES (EXPENSES)
LAST TEN YEARS

Fiscal Year	Real Property Taxes	Motor Vehicle and Other Taxes	Interest Income	Realized Gains (Losses) on Investments	Interest Expense and Fiscal Charges	Gain (Loss) on Disposal of Capital Assets	Other	Total Non-Operating Revenue (Expense)
2007	\$ 11,456,251	\$ 1,553,062	\$ 3,349,937	\$ (169,138)	\$ (9,676,814)	\$ 12,517	\$ 894,983	\$ 7,420,798
2008	12,488,924	1,415,249	2,416,150	261,980	(10,948,444)	7,600	271,743	5,913,202
2009	13,627,396	1,292,157	866,635	116,460	(11,115,574)	4,870	138,883	4,930,827
2010	13,440,290	1,190,644	337,658	(295,152)	(10,767,833)	5,102	149,646	4,060,355
2011	11,537,338	1,201,397	93,770	(64,250)	(11,362,704)	-	231,921	1,637,472
2012	10,725,108	1,226,663	14,045	-	(13,227,186)	(5,680)	-	(1,267,050)
2013	9,296,221	1,326,845	70,592	-	(10,132,661)	6,770	-	567,767
2014	9,386,971	1,295,644	29,962	-	(9,091,132)	(4,412,768)	-	(2,791,323)
2015	10,509,669	1,142,548	47,831	-	(8,549,199)	28,379	-	3,179,228
2016	11,674,596	739,780	181,278	-	(8,256,354)	(168,845)	-	4,170,455



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

Fiscal Year	Impact Fees	Contributions for Project Improvements	Contributions in Kind	Total
2007	\$ 5,908,273	\$ 7,996,101	\$ 16,607,716	\$ 30,512,090
2008	6,108,482	4,878,475	8,709,732	19,696,689
2009	1,051,561	1,107,550	3,530,270	5,689,381
2010	1,357,251	2,029,146	2,182,377	5,568,774
2011	952,480	1,489,253	1,323,184	3,764,917
2012	1,514,751	1,406,524	465,646	3,386,921
2013	1,516,803	136,210	(432,360)	1,220,653
2014	2,788,161	1,655,796	-	4,443,957
2015	3,433,352	3,888,395	2,805,877	10,127,624
2016	3,376,469	2,017,301	282,918	5,676,688

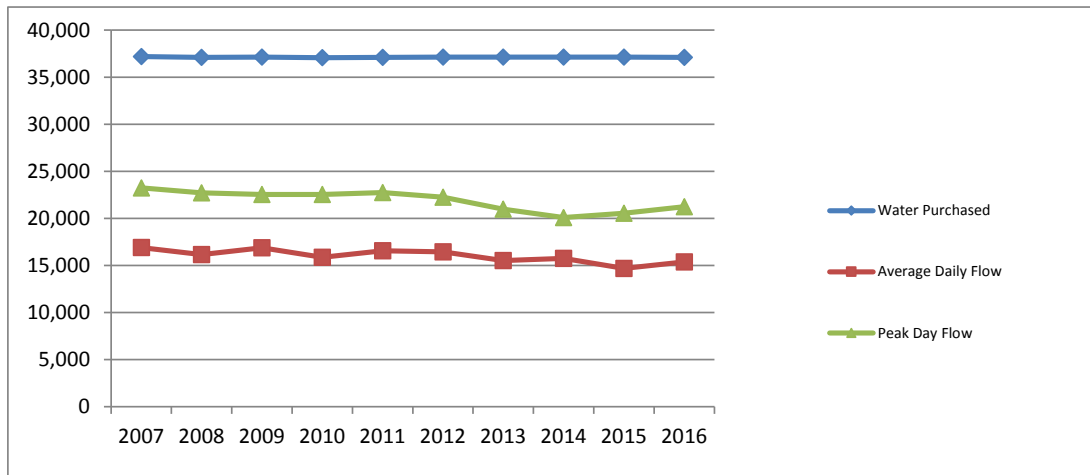


REVENUE CAPACITY

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

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

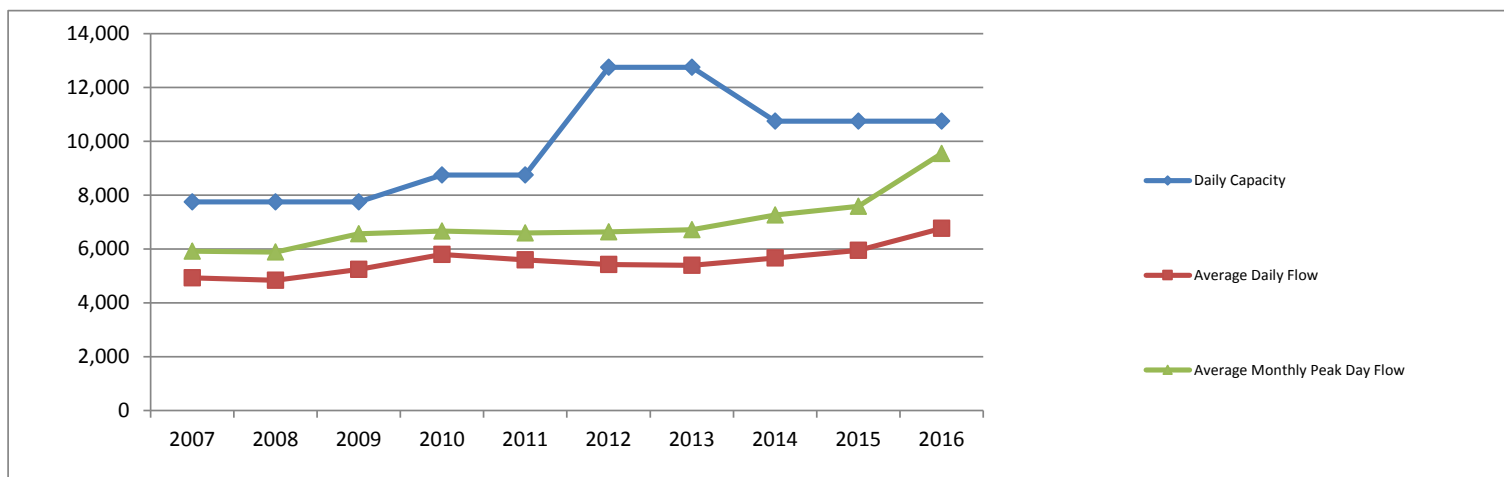
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Maximum Permitted Daily Capacity of Water Treatment Plants:										
Towaliga water treatment plant	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Tussahaw water treatment plant	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Water Purchased	186	112	114	65	108	121	135	141	116	110
	37,186	37,112	37,114	37,065	37,108	37,121	37,135	37,141	37,116	37,110
 Average daily flow	16,896	16,144	16,869	15,867	16,553	16,451	15,533	15,753	14,689	15,366
Percent of Capacity used	45%	44%	45%	43%	45%	44%	42%	42%	40%	41%
 Avg. Summer Peak Day flow	23,241	22,717	22,533	22,548	22,739	22,252	20,978	20,090	20,537	21,248
Percent of Capacity used	62%	61%	61%	61%	61%	60%	56%	54%	55%	57%



Source: Henry County Water Authority historical financial records

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

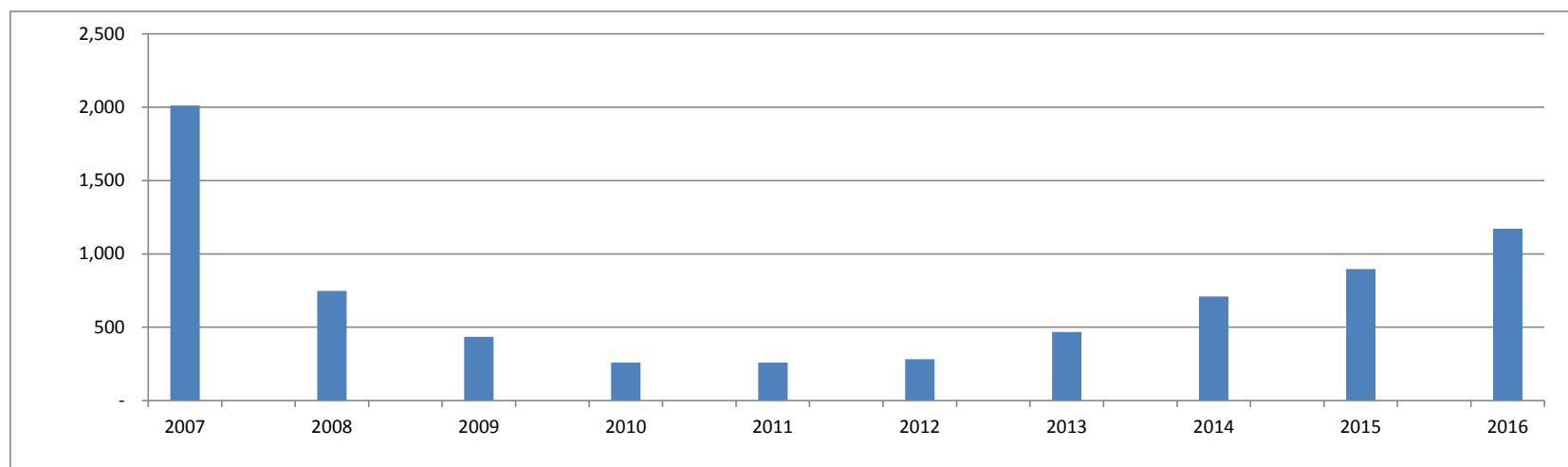
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Permitted Daily Capacity of Sewerage Treatment Plants:										
Springdale sewerage plant	2,000	2,000	2,000	2,000	2,000	2,000	2,000 (taken out of service)			
Indian Creek sewerage plant	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Bear Creek sewerage plant	250	250	250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Walnut Creek sewerage plant	4,000	4,000	4,000	4,000	4,000	8,000	8,000	8,000	8,000	8,000
Total Permitted Capacity	7,750	7,750	7,750	8,750	8,750	12,750	12,750	10,750	10,750	10,750
Average daily flow	4,931	4,837	5,237	5,796	5,597	5,423	5,389	5,663	5,950	6,765
Percent of Capacity used	64%	62%	68%	66%	64%	43%	42%	53%	55%	63%
Avg. Monthly Peak Day flow	5,922	5,884	6,563	6,669	6,598	6,634	6,719	7,263	7,583	9,546
Percent of Capacity used	76%	76%	85%	76%	75%	52%	53%	68%	71%	89%



Source: Henry County Water Authority historical financial records

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Size of Meter										
3/4"	1,839	635	305	234	243	244	434	666	855	1,132
1"	84	70	64	19	13	29	25	32	33	27
1.5"	-	-	1	-	-	-	1	2	-	3
2"	52	30	39	4	2	6	7	6	4	6
3"	-	-	-	-	-	-	-	-	-	-
4"	3	-	-	1	-	-	-	1	-	1
6"	16	10	17	1	1	2	1	1	3	1
8"	16	2	7	-	-	1	-	1	2	1
10"	1	1	2	-	-	-	-	-	-	-
Total	2,011	748	435	259	259	282	468	709	897	1,171

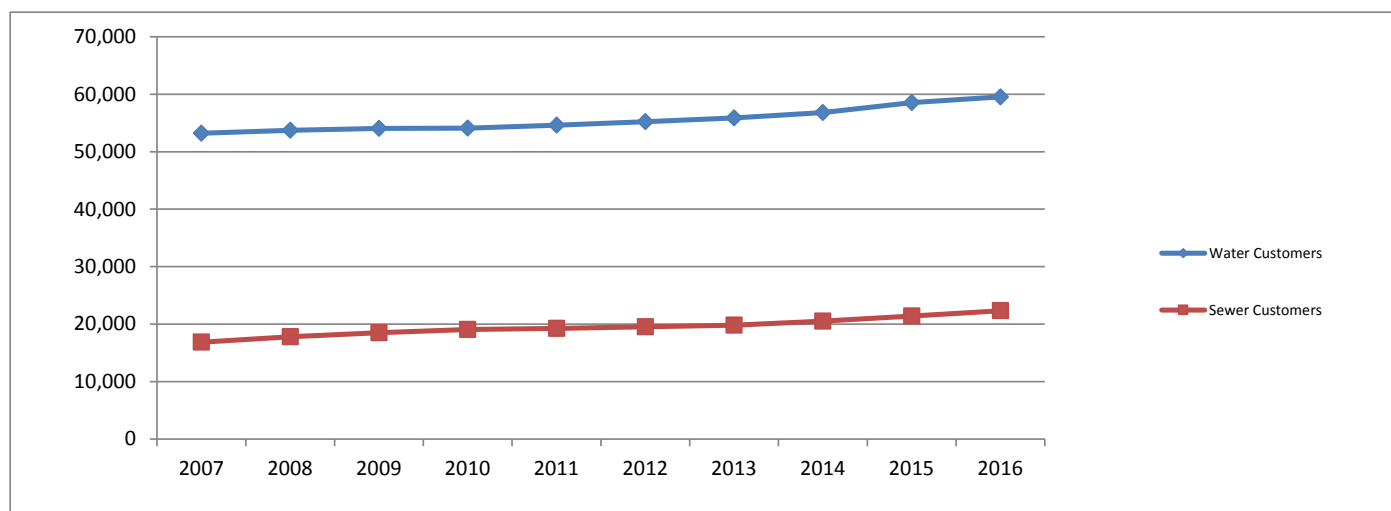


Source: Henry County Water Authority historical financial records

HENRY COUNTY WATER AUTHORITY

NUMBER OF CUSTOMERS LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water Customers										
Residential	51,539	51,977	52,276	52,300	52,832	53,396	53,979	54,887	56,577	57,551
Commercial & Industrial	1,672	1,757	1,790	1,790	1,792	1,837	1,877	1,924	1,955	1,988
Municipal	4	4	4	4	4	4	4	4	4	4
	53,215	53,738	54,070	54,094	54,628	55,237	55,860	56,815	58,536	59,543
Sewerage Customers										
Residential	16,068	16,983	17,626	18,186	18,354	18,651	18,907	19,598	20,499	21,396
Commercial & Industrial	785	844	873	887	881	900	889	903	915	927
Municipal	1	1	1	1	1	1	-	-	1	1
	16,854	17,828	18,500	19,074	19,236	19,552	19,796	20,501	21,415	22,324



Source: Henry County Water Authority historical financial records

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Water</u>										
Base Charge	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39	12.39	12.39
Charge per 1,000 gallons: over 3,000 gallons	4.44									
-0- to 6,000 gallons		3.50	3.68	3.86	4.05	4.25	4.46	4.68	4.68	4.68
6,001 to 10,000 gallons		4.75	4.99	5.24	5.50	5.78	6.07	6.37	6.37	6.37
over 10,000 gallons		6.95	7.30	7.67	8.05	8.45	8.87	9.31	9.31	9.31
<u>Sewerage</u>										
Base Charge	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39	12.39	12.39
Charge per 1,000 gallons: over 3,000 gallons	4.44									
-0- to 6,000 gallons		3.50	3.68	3.86	4.05	4.25	4.46	4.68	4.68	4.68
over 6,000 gallons		4.75	4.99	5.24	5.50	5.78	6.07	6.37	6.37	6.37

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Water</u>										
Base Charge:										
3/4"	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39	13.01	13.01
1"	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39	13.01	13.01
1.5"	35.93	46.25	48.56	50.99	53.54	56.22	59.03	61.98	65.08	65.08
2"	128.29	128.29	134.70	141.44	148.51	155.94	163.74	171.92	180.52	180.52
3"	273.65	240.54	252.57	265.20	278.46	292.38	307.00	322.35	338.47	338.47
4"	342.08	352.80	370.44	388.96	408.41	428.83	450.27	472.78	496.42	496.42
6"	598.63	487.50	511.88	537.47	564.34	592.56	622.19	653.29	685.95	685.95
8"	726.90	602.96	633.11	664.77	698.01	732.90	769.55	808.02	924.21	924.21
10"	1,111.72	936.52	983.34	1,032.52	1,084.15	1,138.36	1,195.28	1,255.04	1,317.79	1,317.79
Charge per 1,000 gallons:										
over 3,000 gallons	4.44									
per 1,000 gallons		4.75	4.99	5.24	5.50	5.78	6.07	6.37	6.69	6.69
<u>Sewerage</u>										
Base Charge	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39	13.01	13.01
Charge per 1,000 gallons:										
over 3,000 gallons	4.44									
per 1,000 gallons		4.75	4.99	5.24	5.50	5.78	6.07	6.37	6.69	6.69

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

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

Fiscal Year Ended June 30,	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other (1)					
2007	4,500,677,025	1,848,100,687	428,347,920	13,425,953	1,156,212,229	5,634,339,356	11.20	14,085,848,390	40%
2008	4,949,730,447	2,053,935,438	474,676,980	13,876,885	1,279,630,190	6,212,589,560	11.20	15,531,473,900	40%
2009	5,139,260,358	2,452,100,370	504,161,380	8,800,752	1,343,128,210	6,761,194,650	10.97	16,902,986,625	40%
2010	5,100,209,854	2,444,597,311	521,749,210	10,237,167	1,355,121,921	6,721,671,621	10.97	16,804,179,053	40%
2011	4,148,277,699	2,295,735,115	450,888,710	10,241,711	1,195,578,627	5,709,564,608	11.75	14,273,911,520	40%
2012	3,761,782,236	2,289,954,941	458,020,740	9,796,885	1,257,127,218	5,262,427,584	11.75	13,156,068,960	40%
2013	3,022,034,746	2,386,381,854	478,457,190	8,195,509	1,254,042,188	4,641,027,111	14.50	11,602,567,778	40%
2014	3,034,741,148	2,426,561,125	495,286,040	8,991,946	1,250,359,481	4,715,220,778	14.50	11,788,051,945	40%
2015	3,571,245,625	2,538,835,322	407,309,750	8,692,776	1,308,650,163	5,217,433,310	14.30	13,043,583,275	40%
2016	3,983,559,997	2,685,707,573	305,971,820	8,775,263	1,329,555,852	5,654,458,801	13.87	14,136,147,003	40%

Source: Henry County Tax Commissioner

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

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

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Henry County rates										
Maintenance & Operations										
Unincorporated	14.13	14.37	13.89	13.71	14.89	18.52	18.71	18.39	17.65	16.45
Insurance Reduction (1)	-	-	-	-	-	-	-	-	-	-
Municipal rates										
McDonough (2)	2.51	2.45	2.59	2.59	3.45	4.39	4.39	4.38	4.92	4.56
Stockbridge	-	-	-	-	-	-	-	-	-	-
Hampton	-	-	-	-	-	-	-	-	-	-
Locust Grove	-	-	-	-	-	-	-	-	-	-
LOST Reduction	(2.93)	(3.17)	(2.92)	(2.92)	(3.14)	(4.02)	(4.21)	(4.09)	(3.78)	(3.71)
Police Protection	-	-	-	-	1.72	1.91	1.94	1.92	1.79	1.89
Fire Protection	1.21	1.16	1.22	1.22	1.15	1.02	0.68	0.60	0.57	0.56
Planning & Development	-	-	-	-	0.23	0.14	0.10	0.02	0.01	0.02
Water Authority	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Hospital Authority	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Board of Education										
Maintenance & Operations	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Debt Service	3.06	3.06	3.06	3.06	3.06	3.63	3.63	3.63	3.63	3.63
State of Georgia	0.25	0.25	0.25	0.25	0.25	0.20	0.15	0.10	0.05	0.00
Total Unincorporated	37.51	37.51	37.28	37.28	38.06	40.33	40.28	40.03	39.55	38.36
Total Municipalities (3), (4)										
McDonough	37.48	37.58	38.14	38.14	38.42	41.65	41.58	41.32	42.10	40.45
Stockbridge	37.47	37.51	37.02	37.02	38.06	40.33	40.28	40.03	39.55	38.361
Hampton	36.23	36.29	36.17	36.17	36.35	38.34	38.29	38.04	37.76	36.475
Locust Grove	35.69	36.29	35.87	35.87	36.11	38.28	38.08	37.83	37.75	36.455

Source: Henry County Tax Commissioner

(1) Insurance reduction is applied only to unincorporated rates.

(2) Fire protection included in City of McDonough rate.

(3) Beginning in 2000, all cities except Stockbridge received a reduction for police services.

(4) Beginning in 2006, the Cities of McDonough and Hampton received a rollback for Planning and Development.

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

HENRY COUNTY WATER AUTHORITY

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Henry Co Development Authority	\$ 40,813,482	1	0.72	\$		-
Georgia Power Company	37,089,739	2	0.66	23,895,038	3	0.42
Atlanta Motor Speedway	36,632,600	3	0.65	20,315,970	5	0.36
Directv LLC	27,570,080	4	0.49			-
Home Depot USA Inc	23,853,474	5	0.42	22,095,437	4	0.39
US Industrial REIT II	21,000,000	6	0.37			-
Norfolk Southern Combined	22,714,464	7	0.40			-
Kens Foods Inc	29,461,920	8	0.52	19,931,537	6	0.35
Trees of Avalon LLC	18,261,313	9	0.32			-
Inland Western McDonough	18,457,584	10	0.33	18,864,440	7	0.33
Cardinal Health 103, Inc.	-		-	31,432,409	1	0.56
Istar Financial, Inc.	-		-	13,587,200	10	0.24
BellSouth Telecom	-		-	24,957,567	2	0.44
Prologis-MacQuarie US LLC	-		-	14,674,040	8	0.26
Henry County Land Holdings, LLC	-		-	13,922,520	9	0.25
Totals	<u>\$ 275,854,656</u>		<u>4.88 %</u>	<u>\$ 203,676,158</u>		<u>3.61 %</u>

The fiscal year 2016 total taxable assessed value is: 5,654,458,801
The fiscal year 2007 total taxable assessed value is: 5,634,339,356

Source: Henry County Tax Commissioner

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

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	189,356,554	183,717,413	97.0	4,286,214	188,003,627	99.3
2008	209,079,707	198,038,407	94.7	5,750,090	203,788,497	97.5
2009	224,099,576	211,348,395	94.3	9,633,458	220,981,853	98.6
2010	232,661,093	220,510,188	94.8	12,162,480	232,672,668	100.0
2011	205,764,434	193,893,667	94.2	11,764,074	205,657,741	99.9
2012	190,525,178	181,582,275	95.3	8,481,108	190,063,383	99.8
2013	171,146,444	165,774,289	96.9	5,875,203	171,649,492	100.3
2014	172,499,793	167,977,729	97.4	4,084,658	172,062,387	99.7
2015	193,276,894	188,413,250	97.5	3,376,296	191,789,546	99.2
2016	212,123,295	208,089,985	98.1	3,294,368	211,384,353	99.7

Source: Henry County Tax Commissioner

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

HENRY COUNTY WATER AUTHORITY

TEN LARGEST CUSTOMERS CURRENT YEAR AND NINE YEARS AGO

<u>Water</u>			
	<u>2016</u>		<u>2007</u>
Henry Co Bd of Education	\$ 1,065,392	Henry Co Bd of Education	\$ 1,118,926
City Of Hampton	586,404	City of Stockbridge	547,706
City Of Stockbridge	574,684	City of Hampton	361,429
Kens Foods Inc	411,608	Kens Foods Inc	199,419
Piedmont Henry Medical Center	296,609	Henry Medical Center	189,464
City Of McDonough	170,484	Empirian Waterford Landing, LLC	179,970
Sable Chase LLC	150,306	Bridge Mill Apartments	157,058
Hollingsworth Capital Part-McD	133,158	Atlas Roofing	155,070
Preston Creek Apartments	131,699	City of McDonough	119,459
Amber Chase Apt of Atlanta LP	128,400	City of Locust Grove	116,089
	<u>\$ 3,648,744</u>		<u>\$ 3,144,590</u>
% of total Water Revenue	9.6%		11.6%

<u>Sewer</u>			
	<u>2016</u>		<u>2006</u>
Kens Foods Inc	\$ 401,906	Henry Co Bd of Education	\$ 423,243
Henry Co Bd of Education	377,758	City of Locust Grove	173,426
Piedmont Henry Medical Center	272,340	Empirian Waterford Landing, LLC	164,964
Sable Chase LLC	142,232	Bridge Mill Apartments	143,456
Hollingsworth Capital Part-McD	129,253	Kens Foods Inc	141,401
Preston Creek Apartments	119,747	Connor & Murphy- St Ives Crossing Apts	131,095
Wilwat Properties Inc	107,905	Henry Medical Center	125,955
Amber Chase Apt of Atlanta LP	102,767	Aero Plastics Inc.	119,898
H P I Waterford LLC	91,996	I D I Services Group	86,820
Glenwood Stockbridge Manag LLC	75,191	Glenwood Stockbridge Manag LLC	78,517
	<u>\$ 1,821,095</u>		<u>\$ 1,588,775</u>
% of total Sewer Revenue	12.6%		19.9%

Source: Henry County Water Authority historical financial records.

DEBT CAPACITY

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

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

Fiscal Year	Jr. Lien Revenue Bonds	Sr. Lien Revenue Bonds	Total Revenue Bonds	GEFA Notes	Total Outstanding Debt	Percentage of Personal Income	Population	Debt per Capita
2007	\$ -	\$ 171,151,028	\$ 171,151,028	\$ 91,752,681	\$ 262,903,709	4.49%	190,700	1,379
2008	-	166,511,545	166,511,545	96,805,241	263,316,786	4.52%	192,800	1,366
2009	-	161,632,063	161,632,063	111,630,461	273,262,524	4.51%	194,400	1,406
2010	-	156,873,772	156,873,772	126,967,301	283,841,073	4.51%	207,800	1,366
2011	-	151,380,888	151,380,888	135,834,524	287,215,412	4.39%	209,500	1,371
2012	-	146,520,500	146,520,500	131,800,367	278,320,867	4.09%	211,300	1,317
2013	70,100,000	140,611,317	210,711,317	55,911,042	266,622,359	4.04%	214,500	1,243
2014	65,900,000	133,735,978	199,635,978	53,469,825	253,105,803	3.50%	214,869	1,178
2015	60,700,000	127,071,247	187,771,247	50,954,357	238,725,604	3.30%	217,739	1,096
2016	55,400,000	120,332,130	175,732,130	48,363,823	224,095,953	3.10%	217,739	1,029

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

HENRY COUNTY WATER AUTHORITY
PLEDGED REVENUE COVERAGE
LAST TEN YEARS

Fiscal Year	Gross Revenues					Operating Expenses (Excluding Depreciation)	Net Available Revenues	Debt Service			Coverage Ratio
	Operating Revenues	Other Income (Loss)	Property Taxes	Impact Fees	Principal			Interest	Total		
2007	\$ 36,018,346	\$ 4,088,299	\$ 13,009,313	\$ 5,908,273	\$ 23,400,032	\$ 35,624,199	\$ 4,095,000	\$ 8,532,190	\$ 12,627,190	2.82	
2008	35,702,127	2,957,473	13,904,173	6,108,482	26,144,686	32,527,569	4,285,000	7,971,047	12,256,047	2.65	
2009	37,346,288	1,126,848	14,919,553	1,051,561	29,157,471	25,286,779	4,525,000	7,973,590	12,498,590	2.02	
2010	39,961,912	197,254	14,630,934	1,357,251	29,178,298	26,969,053	4,730,000	7,775,799	12,505,799	2.16	
2011	43,595,126	261,441	12,738,735	952,480	28,684,590	28,863,192	4,890,000	7,501,931	12,391,931	2.33	
2012	45,967,528	8,365	11,951,771	1,514,751	27,976,977	31,465,438	4,930,000	7,407,229	12,337,229	2.55	
2013	46,381,388	77,362	10,623,066	1,516,803	27,456,512	31,142,107	1,430,000	6,246,453	7,676,453	4.06	
2014	48,489,781	(4,382,806) ⁽³⁾	10,682,615	2,788,161	41,839,765	15,737,986	9,515,000	7,687,046	17,202,046	0.91 ⁽¹⁾	
2015	52,356,053	76,210	11,652,217	3,433,352	30,275,968	37,241,864	10,875,000	7,513,966	18,388,966	2.03 ⁽²⁾	
2016	54,578,649	12,433	12,414,376	3,376,469	30,960,248	39,421,679	11,165,000	7,206,785	18,371,785	2.15	

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

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

⁽²⁾ The fiscal year 2014 and 2015 ratio includes both Jr. and Sr. Lien Bond debt. The ratio excluding Jr. Lien debt is 2.42 and 3.07, respectively.

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

HENRY COUNTY WATER AUTHORITY

PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2016			2007		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (1)	Rank	Percentage of Total County Employment (2)
Henry County Board of Education	4950	1	4.54 %	5000	1	5.57 %
Henry County Board of Commissioners	1656	2	1.52	1466	3	1.63
Piedmont Henry	1449	3	1.33	1500	2	1.67
WalMart Supercenter	1339	4	1.23	1175	4	1.31
PVH	813	5	0.75			-
Federal Aviation Administration	800	6	0.73	725	5	0.81
Luxottica Retail Group	650	7	0.60			-
Georgia Power Company	544	8	0.50	505	7	0.56
TSYS	403	9	0.37			-
Home Depot DFC #6777	400	10	0.37			-
Southern States, Inc				275	10	0.31
Kens Food						-
Suntrust Bank				536	6	0.60
Snapper				445	9	0.50
Toys R Us				454	8	0.51
Totals	<u>13,004</u>		<u>11.94 %</u>	<u>12,081</u>		<u>13.47 %</u>

(1) Source: Henry County Development Authority

(2) Source: U.S. Bureau of Labor Statistics , Georgia Department of Labor, workforce - 108,941 (October 2016)

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

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

Fiscal Year Ended June 30,	Population (1)	Personal Income (Amounts Expressed in Thousands) (2)	Per Capita Personal Income (2)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2007	186,308	5,615,564	29,754	33.4	38,969	4.4
2008	190,700	5,859,183	30,100	33.4	38,421	5.9
2009	192,800	5,821,827	29,126	33.4	40,370	10.1
2010	194,400	6,054,490	28,804	33.4	40,791	10.0
2011	207,800	6,296,670	30,143	31.0	40,951	10.9
2012	209,500	6,548,536	31,509	35.3	40,290	9.5
2013	211,300	6,810,478	32,578	35.3	40,440	8.1
2014	214,500	6,596,125	31,242	35.6	41,000	7.5
2015	214,869	7,224,263	33,779	36.5	41,000	6.1
2016	217,739	7,224,263	33,779	36.0	42,000	5.1

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

(2) Source: Bureau of Economic Analysis

(3) Source: Henry County Board of Education

(4) Source: Georgia Department of Labor

NOTE: 2011 and 2012 population, per capita, and personal income are estimates based on past regional trends.

OPERATING INFORMATION

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

HENRY COUNTY WATER AUTHORITY

FULL TIME EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Water Treatment	29	31	31	31	35	34	25	30	28	44
Customer Service & Connection	35	34	34	32	29	27	28	28	27	29
Wastewater Treatment	31	32	31	31	35	32	31	31	30	31
Repairs & Maintenance	82	89	90	81	84	85	93	86	90	95
Administrative, Engineering & Info Tech	49	51	50	47	38	38	38	40	44	28
	<u>226</u>	<u>237</u>	<u>236</u>	<u>222</u>	<u>221</u>	<u>216</u>	<u>215</u>	<u>215</u>	<u>219</u>	<u>227</u>

Source: Henry County Water Authority historical financial records.

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Ground level tanks:										
Hwy 81	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Hampton	300	300	300	300	300	300	300	300	-	-
East Lake	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
East Lake	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,000</u>	<u>11,000</u>
Elevated tanks:										
Patillo	500	500	500	500	500	500	500	500	500	500
Hwy 81	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Mt Olive	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Hudson Bridge	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Hudson Bridge	500	500	500	500	500	500	500	500	500	500
Fairview	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,200
Panola	200	200	200	200	200	200	200	200	200	200
Kelly Road	500	500	500	500	500	500	500	500	500	500
N E	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,900</u>
Storage at Water Plants:										
Towaliga	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Tussahaw	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>
Total Water Tank Storage Capacity	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,200</u>	<u>29,400</u>

Source: Henry County Water Authority historical financial records.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Reservoirs										
Gardner	733,500	733,500	733,500	733,500	733,500	733,500	733,500	733,500	733,500	733,500
Longbranch	1,502,860	1,502,860	1,502,860	1,502,860	1,502,860	1,502,860	1,502,860	1,502,860	1,502,860	1,502,860
Upper Towaliga	5,965,800	5,965,800	5,965,800	5,965,800	5,965,800	5,965,800	5,965,800	5,965,800	5,965,800	5,965,800
Lower Towaliga	138,550	138,550	138,550	138,550	138,550	138,550	138,550	138,550	138,550	138,550
Tussahaw	9,780,000	9,780,000	9,780,000	9,780,000	9,780,000	9,780,000	9,780,000	9,780,000	9,780,000	9,780,000
Total supply	18,120,710	18,120,710	18,120,710	18,120,710	18,120,710	18,120,710	18,120,710	18,120,710	18,120,710	18,120,710
Percent allowed for withdrawal	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Water available for use	14,496,568	14,496,568	14,496,568	14,496,568	14,496,568	14,496,568	14,496,568	14,496,568	14,496,568	14,496,568
 Average daily flow										
Average daily production	16,896	16,144	16,869	15,867	16,553	16,451	15,553	15,753	14,689	15,366
Daily Release downstream	8,280	8,280	8,280	8,280	8,280	8,280	8,280	8,280	8,280	8,280
Total daily flow	25,176	24,424	25,149	24,147	24,833	24,731	23,833	24,033	22,969	23,646
 Number of days supply	576	594	576	600	584	586	608	603	631	613

Source: Henry County Water Authority historical financial records.

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Henry County Water Authority (the "Authority"), a component unit of Henry County, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 7, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Macon, Georgia
December 7, 2016

Mauldin & Jenkins, LLC

HENRY COUNTY WATER AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES FISCAL YEAR ENDED JUNE 30, 2016

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

____ Yes X No

Reportable conditions identified not considered
to be material weaknesses?

____ Yes X None reported

Noncompliance material to financial statements noted?

____ Yes X No

Federal Awards

There was not an audit of major federal award programs as of June 30, 2016 due to the total amount expended being less than \$750,000.

SECTION II FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

HENRY COUNTY WATER AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS YEAR ENDED JUNE 30, 2016

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

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

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

Auditee

Response/Status: Resolved.