

A Component Unit of Henry County, GA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

Comprehensive Annual Financial Report

Year Ended June 30, 2017

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, 2017

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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

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 (the "Authority") for the fiscal year ended June 30, 2017. 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 ended June 30, 2017. 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 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, 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 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 16.1 million gallons per day ("MGD") during FY 2017, the reservoirs provide a 595 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. Approximately 1,327 miles of water mains have been constructed, making service available to most of the county, and serving over 60,700 customer water connections. Additionally, 29.4 million gallons of potable water can be stored in nine elevated tanks, three ground water storage tanks plus the clear wells at the two 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. Approximately 85% of those meters send a signal identifying the meter and the current reading to a device in our meter reading truck as it drives past. The other 15% send their signal to strategically located fixed base stations and data received is transmitted to the main office. All readings are 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 23,100 customer sewer connections with approximately 505 miles of sewer mains (inclusive of 36 miles of force mains), 31 sewerage lift stations and three waste water treatment plants. Currently, the Authority's total permitted sewerage treatment capacity is 10.75 MGD. The average flow to the Authority's wastewater treatment plants during FY 2017 was 6.2 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 two year term plus any additional time until their successors are appointed and qualified. The Board holds regular monthly meetings at the administrative offices of the Authority located in McDonough, GA. The daily operations of the Authority are the responsibility of the General Manager, who reports to the Board.

Accounting and Financial Reporting

The Authority operates as an enterprise fund. That is, the Authority is accounted for as a separate accounting entity with a self-balancing set of accounts. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, similar to accounting procedures used by private business. The accounting of the Authority complies with all pronouncements of the Governmental Accounting Standards Board. 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.

During the past year, the Authority received a number of awards for outstanding performance:

- 2014 – 2016 GAWP Best Consumer Confidence Report for a Large Water System in Georgia
- 2017 GAWP Wastewater Collections System Platinum Award
- 2017 GAWP Water Distribution System Gold Award
- 2017 GAWP Plant of the Year Award for Walnut Creek Water Reclamation Facility ("WRF")
- 2017 GAWP Platinum Award for 100% Permit Compliance for Bear Creek WRF
- 2017 GAWP Platinum Award for 100% Permit Compliance three years for Walnut Creek Land Application System ("LAS")
- 2017 GAWP Platinum Award for 100% Permit compliance for ten consecutive years for Tussahaw Water Treatment Plant ("WTP")
- 2017 GAWP Platinum Award for 100% permit compliance for ten consecutive years for Towaliga WTP

- GFOA Certificate of Achievement for Excellence in Financial Reporting for seven consecutive years
- DCA designation of WaterFirst Community
- EPA continued recognition as a WaterSense Promotional Partner

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.

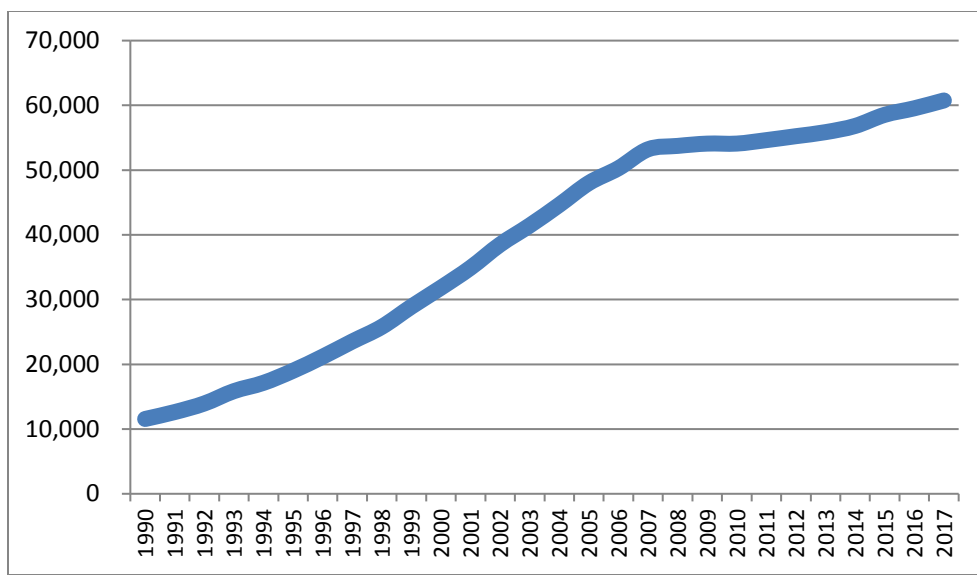
All of this gives evidence to the fact that the Authority takes its stewardship responsibility of preserving and protecting our environment and natural resources very seriously, and is effectively doing so.

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 ended 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
- 897 set in 2015
- 1,171 set in 2016
- 1,175 set in 2017

The concept of water conservation is a significant factor in the 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.

Henry County was under a declared drought level 1 or 2 for almost 10 months of FY 2017. A drought level 1 was imposed on the north half of the State, which included Henry County, on Sept 9, 2016. The drought level was escalated to a level 2 on Nov 17, 2016, and remained in place until Mar 2, 2017 when it was lowered to a level 1 for Henry County. It remained at a level 1 until after the fiscal year end when it was finally lifted on Sept 7, 2017.

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 has enacted rules and conservation measures that enable the State to make a strong case in its defense. As it stands today, the State of Georgia has presented compelling arguments in favor of continued withdrawals for the greater metro Atlanta area. As a result, the Army Corp of Engineers has determined to allow water withdrawals from Lake Lanier and the Chattahoochee basin that should be sufficient to meet the metro area's needs through 2050. However, even though the arguments in favor of the State of Georgia have prevailed, there is little reason to believe that Florida and Alabama will 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 has continued to accelerate on through the current fiscal year. Real property tax increases, recorded as revenue by the Authority are an indication of economic improvement in our County, and in recent years have increased as follows:

- FY 2014 1.0%
- FY 2015 12.0%
- FY 2016 11.1%
- FY 2017 9.4%

Real property tax revenue for FY 2018 is expected to be 6.5% above that recorded in FY 2017.

The increase in the customer base was 3% in FY 2015, followed by an increase of 2% in FY 2016, and another 2% in FY 2017. This rate of growth is sustainable- not so fast as to necessitate massive, rapid infrastructure expansions and the associated debt, and quickly use up available capacity. However, even a 2% growth rate still equates to more than 1,100 new meters per year and requires that the Authority be diligent in planning and adding capacity. It is also important to be in position to adapt to change, in the event growth becomes extremely rapid as it was in 2007 and prior, or if growth slows due to economically depressed conditions as we saw in the years following 2007. 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, and our facilities are generally in good to excellent condition. One of the Authority's waste water treatment plants ("WWTP"), Indian Creek WWTP, is currently undergoing construction to increase its capacity from 1.5 MGD to 3.0 MGD. After that, the next wastewater treatment plant scheduled for expansion, Walnut Creek, is still several years out (as shown below under major initiatives). 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 any potential change in economic conditions.

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

Several years ago, the Authority agreed on a strategy of decreasing the Authority's dependence on debt to finance future projects, and instead 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 \$20.3 million expansion to Indian Creek WWTP from cash in hand.

Major Initiatives

The Authority concluded a major study of its 30 year Capital Improvement Plan during 2015. During FY 2017, that Plan was updated to adjust for projected rate of growth and additional infrastructure needs. 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	\$41.7	\$36.5	\$78.2
2021 - 2025	81.9	95.1	177.0
2026 - 2030	110.4	55.8	166.2
2031 - 2035	83.4	99.9	183.3
2036 - 2040	66.9	9.9	76.8
2041 - 2045	91.5	151.0	242.5
total	\$475.8	\$448.2	\$924.0

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

- \$20.3 Indian Creek WWTP expansion from 1.5 MGD to 3.0 MGD (2016-2020)
- \$60.8 Walnut Creek WWTP expansion from 8 MGD to 12 MGD (2021-2025)
- \$81.7 Walnut Creek WWTP expansion from 12 MGD to 16 MGD (2031-2035)
- \$109.8 Walnut Creek WWTP expansion from 16 MGD to 20 MGD (2041-2045)
- \$31.8 Leguin Mill WWTP initially 0.25 MGD expanded to 1.0 MGD (2021-2030)
- \$29.8 Leguin Mill WWTP expansion from 1 MGD to 2 MGD (2041-2045)
- \$29.4 Big Cotton Indian Creek Pump Station upgrade to 20 MGD (2026-2030)
- \$35.0 Tussahaw WTP upgrade from 16 MGD to 26 MGD (2021-2025)
- \$34.0 Tussahaw WTP upgrade from 26 MGD to 36 MGD (2031-2035)
- \$45.8 Tussahaw WTP upgrade from 36 MGD to 46 MGD (2041-2045)
- \$20.0 Big Cotton Indian Creek Pump Station upgrade (2026-2030)
- \$97.9 Metering system upgrades (2016-2045)
- \$154.2 Water distribution system improvements, including pipe replacement (2016-2045)
- \$51.2 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.

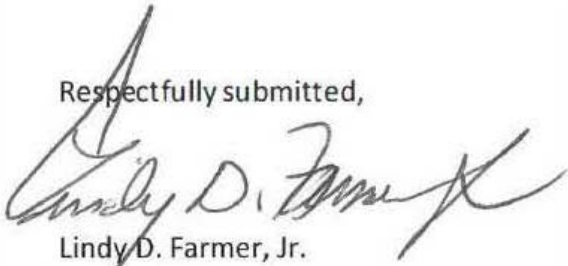
Authority staff carefully evaluate on-going and up-coming projects on a monthly basis. The Authority adjusts the timing of projects in the Capital Improvement Plan in an effort to match them with anticipated growth in the customer base that would create the need for the project. The Authority has a history 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 the initial meter change-out program will continue to take place over the next 10 to 12 years, on a route by route basis. The Authority's approximately 60,000 mechanical water meters are being replaced by more technologically advanced meters which contain no moving parts. Additionally, a change is being made in the way those meters are read. The mechanical meters transmit a signal that is read as our meter reading truck goes by each month (this is called Automated Meter Reading, or "AMR"). The new meters are capable of both sending transmissions to and receiving transmissions from the main office, on a real time basis, as often as needed, by using strategically placed antennas and base stations around the county. This technology is called Advanced Metering Infrastructure or "AMI". As of the date of this letter, approximately 10,000 of the old mechanical meters have been replaced by the new meters.

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,

A handwritten signature in black ink, appearing to read "Lindy D. Farmer, Jr.", written in a cursive style.

Lindy D. Farmer, Jr.

General Manager

A handwritten signature in blue ink, appearing to read "Roderick Burch", written in a cursive style.

Roderick Burch, CPA

Chief Financial Officer

Henry County Water Authority Listing of Principal Officers

HCWSA Board Members



Jimmy Carter



Harold Jenkins



Carlotta Harrell



Roslyn Williams



Warren Holder

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 & 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 Maint & Repairs

Ray Sanders – Manager of Water & Sewer Operations Maintenance

Chuck McCarter - Manager, Reservoirs & Land Management

Lesa Walker - Manager, Operations

Consultants and Professional Services

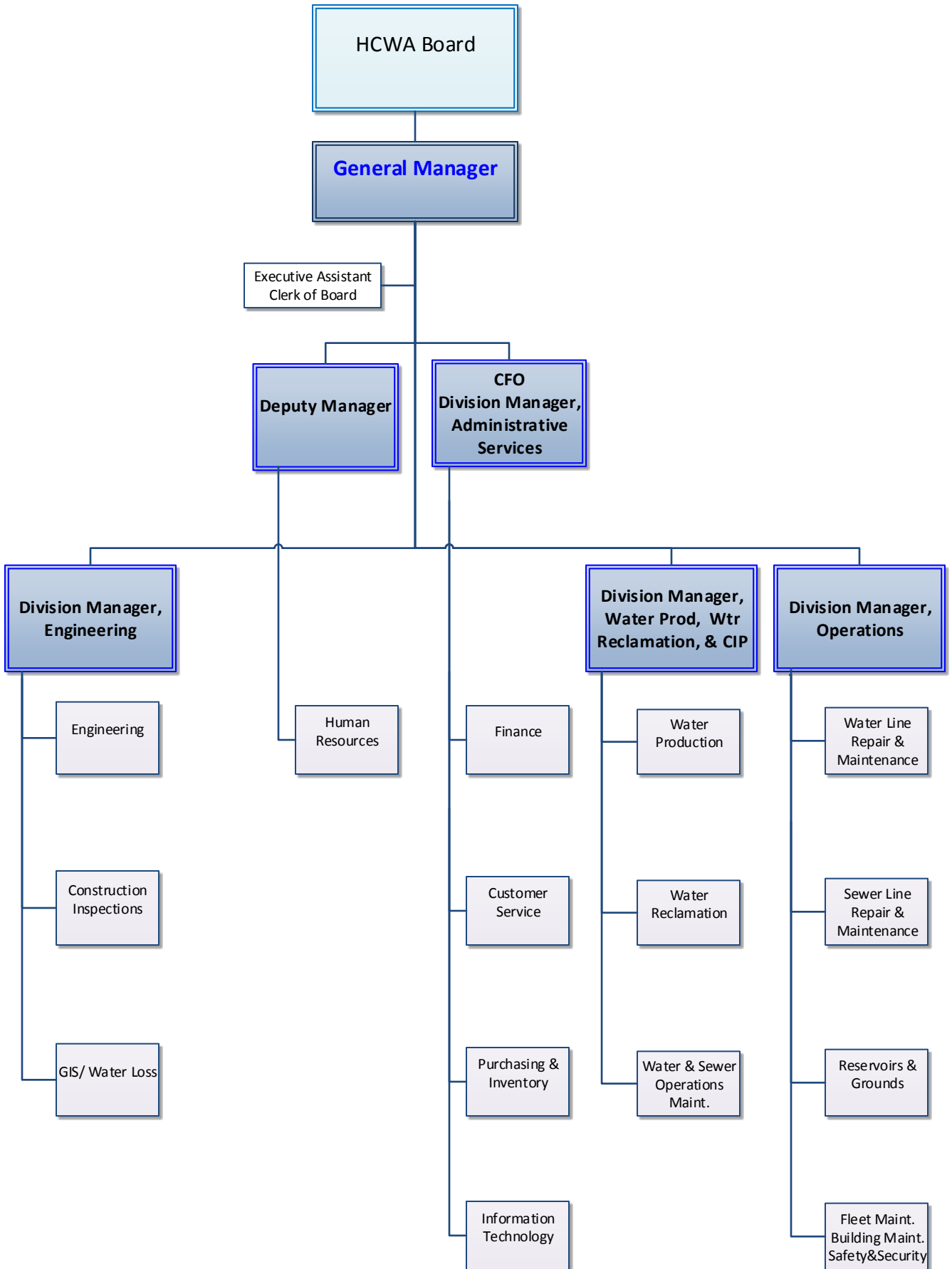
Legal Counsel:

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, 2016

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, 2017, 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, 2017, 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 November 19, 2017, 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
November 19, 2017

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, 2017. 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 \$3.0 million. Capital assets decreased \$5.7 million because the increase in accumulated depreciation of \$28.9 million was greater than net additions of \$23.2 million to capital assets during the year.

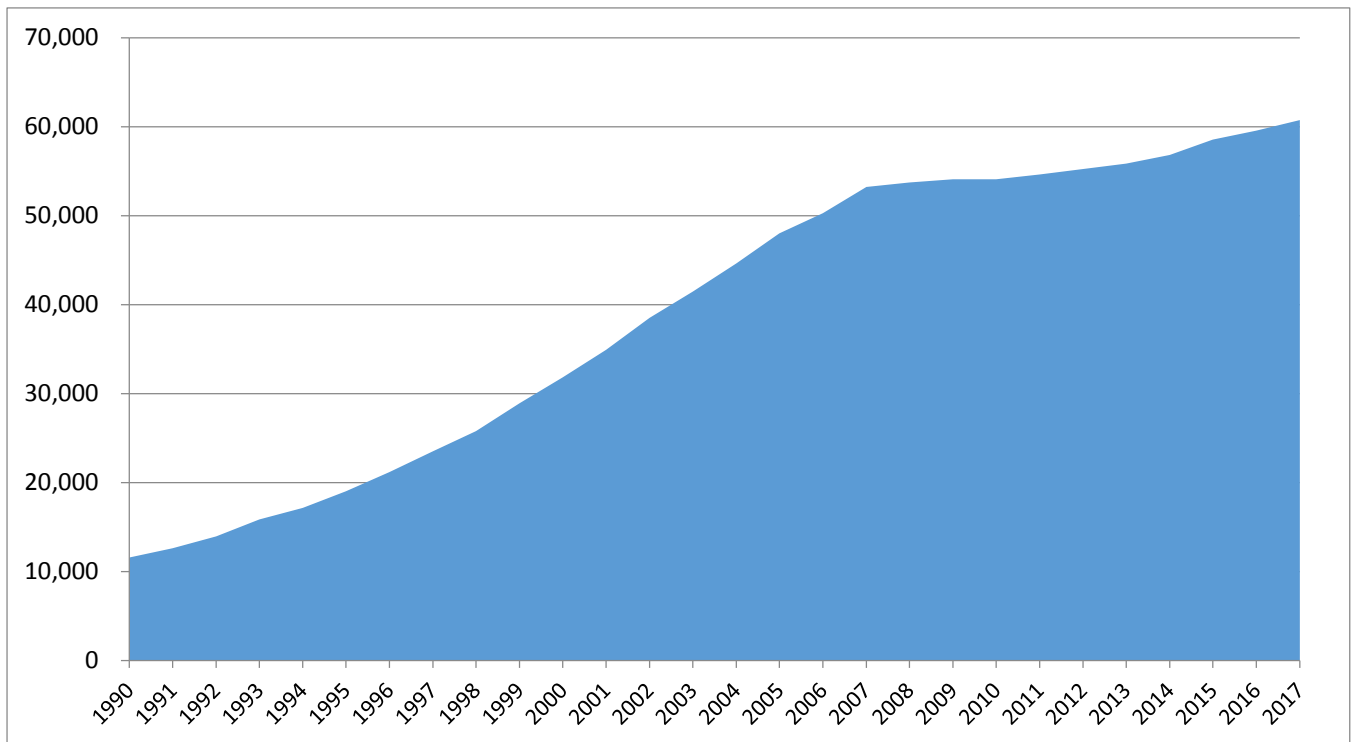
	2017	2016
Current assets	\$ 7,944,813	\$ 11,668,315
Restricted assets	110,018,535	103,296,036
Capital assets	343,530,286	349,272,059
Total assets	461,493,634	464,236,410
Deferred refunding charges	4,732,984	5,318,074
Deferred outflows related to pensions	2,460,525	3,714,644
Total deferred outflows of resources	7,193,509	9,032,718
Current liabilities	25,854,825	23,938,742
Long-term liabilities	206,652,246	224,226,781
Total liabilities	232,507,071	248,165,523
Deferred inflows related to pensions	1,033,746	1,169,828
Total deferred inflows of resources	1,033,746	1,169,828
Net investment in capital assets	149,506,098	139,110,602
Restricted for debt service	92,040,942	86,392,853
Unrestricted	(6,400,714)	(1,569,678)
Total net position	\$ 235,146,326	\$ 223,933,777

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 2017. 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 three years with the addition of 1,721 customers in 2015 and 1,007 in 2016, and 1,209 in 2017.



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 60,752 in 2017. 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>2017</u>	<u>2016</u>
Operating revenues:		
Water revenues	\$ 40,142,775	\$ 38,002,333
Sewerage revenue	15,029,973	14,469,173
Connection fees	550,438	398,641
Other fees and charges	1,624,226	1,708,502
Total operating revenues	<u>57,347,412</u>	<u>54,578,649</u>
Operating expenses:		
Water treatment	5,201,521	4,754,710
Water purchase	507,997	115,338
Customer service and connection	3,124,717	3,351,042
Wastewater treatment	5,175,434	5,147,464
Repairs and maintenance	10,747,963	10,425,409
Administrative and engineering	5,911,797	5,577,957
Depreciation	29,556,617	30,870,714
Information technology	1,606,971	1,588,328
Total operating expenses	<u>61,833,017</u>	<u>61,830,962</u>
Operating loss	(4,485,605)	(7,252,313)
Non-operating revenues (expenses):		
Real property taxes	12,773,628	11,674,596
Motor vehicle and other taxes	1,433,838	739,780
Interest income	506,771	181,278
Interest expense and fiscal charges	(7,939,498)	(8,256,354)
Gain on disposal of capital assets	117,803	(168,845)
Total non-operating revenues, net	<u>6,892,542</u>	<u>4,170,455</u>
Loss before contributions	2,406,937	(3,081,858)
Capital contributions	<u>8,805,612</u>	<u>5,676,688</u>
Change in net position	11,212,549	2,594,830
Total net position, beginning	<u>223,933,777</u>	<u>221,338,947</u>
Total net position, ending	<u>\$ 235,146,326</u>	<u>\$ 223,933,777</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

Water revenues – Water revenues were 5.6% higher in 2017 than in 2016. The addition of 1,209 new customers during 2017 plus dryer than normal weather conditions that persisted during the summer and fall of 2017 account for most of this increase. Additionally, the Authority implemented a 2% volumetric rate increase (base fees were not increased) effective for the last eight months of the fiscal year.

The Authority has a three tiered inclining block rate structure. Total system wide revenue will fluctuate from year to year depending on customer consumption patterns which determine the tiers that water is billed 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, 2017, are:

- \$12.39 per month base charge (household size meter)
- \$ 4.77 per thousand gallons for the first 6,000 gallons
- \$ 6.50 per thousand gallons for the next 4,000 gallons
- \$ 9.50 per thousand gallons for all usage above 10,000 gallons

Sewerage charges are based on metered water usage. The Authority added 836 new sewerage customers to the system in 2017. Volumetric sewer rates were increased by 2% (base rates were not increased) effective for the last eight months of the fiscal year. Residential sewerage rates at June 30, 2017, are:

- \$12.39 per month base charge
- \$ 4.77 per thousand gallons for the first 6,000 gallons
- \$ 6.50 per thousand gallons for all usage above 10,000 gallons

Approximately 38% 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. At June 30, 2017, the fee for a standard ¾ inch meter is \$320 (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 six consecutive years from a low of \$104,000 in FY 2011, up to \$550,438 in FY 2017.

Other fees and charges - This line item includes a 10% fee for late payments made by customers, which totaled \$806,100 in FY 2017. 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 \$441,051 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 and water purchase - This is the cost to operate the Authority's two water treatment plants, having a permitted capacity totaling 40 million gallons per day (MGD), plus nine elevated water storage tanks, three ground

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

storage tanks and several booster pump stations. Actual water production during FY 2017 averaged 16.1 million gallons per day (MGD), compared to 15.4 MGD the previous year. In addition to its finished water production capability, contracts with neighboring Clayton and DeKalb counties enable the Authority to purchase finished water on an as needed basis. For the last ten 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 6.2 million gallons per day (MGD) of sewerage during FY 2017, compared to 6.8 MGD treated the previous year. Total wastewater treatment expenditures for FY 2017 were approximately the same as the prior year.

Repairs and maintenance - This is comprised of the following:

	<u>2017</u>	<u>2016</u>	<u>Difference</u>
Purchasing and inventory	\$ 580,297	\$ 572,235	\$ 8,062
Vehicle maintenance	314,765	272,477	42,288
Bldg and grounds maintenance	608,753	565,069	43,684
Security and maintenance	608,447	703,064	(94,617)
Sewer line repair and maintenance	1,711,813	1,790,723	(78,910)
Water and sewer operations maintenance	2,877,953	2,661,584	216,369
Reservoir and grounds	1,144,089	1,031,133	112,956
Water line repair and maintenance	2,901,846	2,829,124	72,722
Total	<u>\$ 10,747,963</u>	<u>\$ 10,425,409</u>	<u>\$ 322,554</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 6.0% higher than the previous year. Regular Pay increased by \$166,568 due to: 1) merit increases; 2) the transfer of a position from Customer Service to the Finance Department; 3) an additional employee hired in the Inspections Department. Health Insurance costs increased by a combined total of \$127,604 for the six Departments included here. Increases in regular pay and health insurance account for 88% of the increase.

Depreciation – This is, by far, the Authority's single largest expense line item, accounting for 47.8% of the total operating expenses. The Authority owns over \$691 million in capital assets that are subject to annual depreciation. Straight line depreciation is used over the life expectancy of the assets which range from 3 to 50 years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

Real property taxes – The Authority receives a two-mill tax levy on all taxable property within the boundaries of Henry County. The Joint Resolutions of Henry County and the Authority to issue Revenue Bonds contains a covenant to levy the two-mill tax until all Revenue Bonds are paid in full, or provision is made therefore. The final maturity on currently outstanding Revenue Bonds is Feb 1, 2030. Henry County experienced substantial increases in the tax digest from year to year leading up through FY 2009. 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 very substantial increases of 12% for FY 2015, 10% for FY 2016, and another 10% for FY 2017.

Motor vehicle and other taxes - 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. Total Motor Vehicle tax received by the Authority in FY 2017, inclusive of the distribution mandated by SB379, was \$1,050,515.

Interest Income - Funds are invested as permitted in accordance with Georgia Code Section 36-80-3. Bank charges of \$91,699 were netted on this line against interest earnings of \$598,470.

Interest expense and fiscal charges:

	<u>2017</u>	<u>2016</u>
Revenue bond interest expense	\$ 6,690,549	\$ 7,052,934
GEFA interest expense	1,406,618	1,488,071
Amortization of issuance costs	(162,218)	(289,074)
Fiscal agent fees	<u>4,549</u>	<u>4,423</u>
Total	<u>\$ 7,939,498</u>	<u>\$ 8,256,354</u>

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, or when they are no longer of any use or value to the Authority, those items are declared to be surplus property and are sold at auction. During the year, the Authority made use of an on-line auction (Gov.deals) to sell its surplus property. Occasionally, property that becomes surplus is of virtually no value on the open market and can only be sold for scrap value, or in some cases, simply disposed of. The Authority makes every reasonable effort to achieve the maximum net profit possible from the sale of all surplus items. During FY 2017, we realized a net gain of \$117,803 on the sale of surplus property.

Capital Contributions consist of the items listed in the table below. The Authority assesses Impact Fees designed to recover a fair proportionate share of the costs of 'system improvements' needed to serve new growth and development. 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.

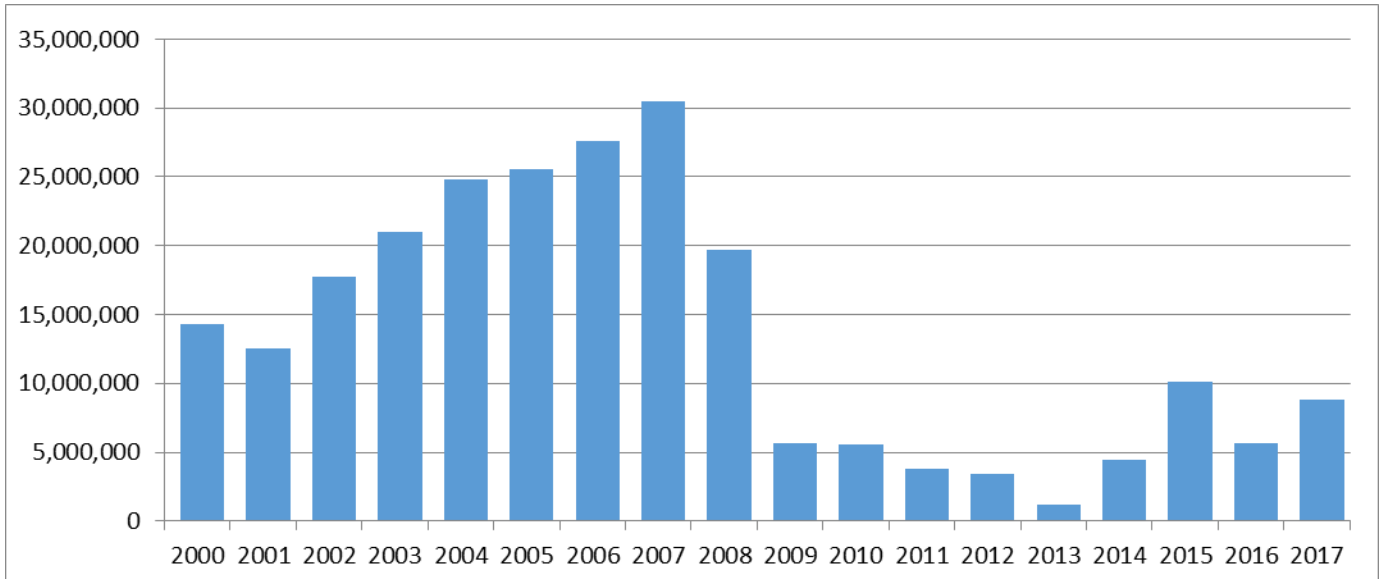
Contributions for project costs, shown below, are paid to the Authority to cover the expense of improvements made to serve specific developments. Contributions in kind represent the value of assets deeded over to the Authority by developers.

	<u>2017</u>	<u>2016</u>
Impact fees	\$ 5,076,123	\$ 3,376,469
Contributions for project costs	3,231,733	2,017,301
Contributions in kind	<u>497,756</u>	<u>282,918</u>
Total	<u>\$ 8,805,612</u>	<u>\$ 5,676,688</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 four years reflect an increase in new construction, after six years of continued decline.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)



Capital Asset and Debt Administration

Capital Assets: The Authority's investment in capital assets as of June 30, 2017 before accumulated depreciation is \$741,448,724. Net of accumulated depreciation, that number comes to \$343,530,286. 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 10.6 miles of water main and 2.3 miles of sewerage main to the system during FY 2017.

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 2017. Principal payments of \$2,699,064 on GEFA loans and \$11,490,000 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Currently Known Conditions Affecting Future Operations

The Authority has received a Digest Evaluation from the County Tax Commissioner showing Net Tax to the Authority of \$13,749,398, which will be recorded as revenue in the Authority's fiscal year 2018. This is an increase of 6.8%, amounting to an additional \$876,000 from the amount reported to us by the Tax Commissioner a year ago and recorded in these FY 2017 Financial Statements. (These numbers are before any write-offs for uncollectable taxes. Write-offs in FY 2017 were less than 1%- \$99,205; there is no expectation that the write-off will be significantly different in FY 2018). This is the fourth consecutive year of very strong growth in the tax digest.

The Authority adopted a 2% rate increase on all water and sewer rates (both base fee and volumetric charges) to take effect starting with November 1, 2017 bills. Thus, revenue during the last eight months of FY 2018 should be enhanced as a result of that increase. Mathematically, a 2% increase for eight months based on FY 2017 water and sewer revenue equals \$735,000. However, historical trends have shown that revenue from water sales are significantly impacted by weather conditions. FY 2017 was a dryer than normal year and water sales greatly exceeded projections. The first three months FY 2018, on the other hand, had a somewhat abnormally high volume of rain, and water sales are significantly less than that for the same time period in the previous year. Even with the 2% rate increase, it is possible that revenue from water sales in FY 2018 may be less than that from FY 2017.

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, 2017

ASSETS	
CURRENT ASSETS	
Cash	\$ 1,270,862
Receivables, net of allowance for uncollectibles:	
Taxes	384,636
Interest	21,835
Accounts	5,472,821
Inventory	794,659
Restricted assets:	
Cash	12,812,491
Investments	97,206,044
	<hr/>
Total current assets	117,963,348
	<hr/>
CAPITAL ASSETS	
Land	34,968,336
Buildings	16,566,852
Improvements other than buildings	651,942,029
Machinery and equipment	18,116,058
Vehicles	4,470,275
Construction in progress	15,425,174
	<hr/>
	741,488,724
Less accumulated depreciation	397,958,438
	<hr/>
Total capital assets, net of accumulated depreciation	343,530,286
	<hr/>
Total assets	461,493,634
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred refunding charges	4,732,984
Pension	2,460,525
	<hr/>
Total deferred outflows of resources	\$ 7,193,509
	<hr/>

See Notes to Financial Statements.

LIABILITIES	
CURRENT LIABILITIES	
Payable from current assets:	
Accounts payable	\$ 1,945,325
Compensated absences payable	970,252
Accrued expenses and other liabilities	382,792
Retainage payable	760,921
Customer deposits payable	4,438,218
Accrued interest payable	113,286
Notes payable - current	2,752,049
	<u>11,362,843</u>
Payable from restricted assets:	
Revenue bonds payable	11,790,000
Accrued interest payable	2,701,982
	<u>14,491,982</u>
Total current liabilities	<u>25,854,825</u>
LONG-TERM LIABILITIES	
Notes payable	42,939,595
Revenue bonds payable, net	151,704,869
Compensated absences payable	163,195
OPEB obligation	8,799,724
Net pension liability	3,044,863
	<u>206,652,246</u>
Total long-term liabilities	<u>232,507,071</u>
Total liabilities	<u>232,507,071</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	<u>1,033,746</u>
Total deferred inflows of resources	<u>1,033,746</u>
NET POSITION	
Net investment in capital assets	149,506,098
Restricted for debt service	92,040,942
Unrestricted	<u>(6,400,714)</u>
Total net position	<u>\$ 235,146,326</u>

HENRY COUNTY WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FISCAL YEAR ENDED JUNE 30, 2017

Operating revenues:

Charges for services:

Water sales	\$ 40,142,775
Sewer sales	15,029,973
Connection fees	550,438
Other fees and charges	1,624,226
Total operating revenues	<u>57,347,412</u>

Operating expenses:

Water treatment	5,201,521
Water purchase	507,997
Customer service and connection	3,124,717
Waste water treatment	5,175,434
Repairs and maintenance	10,747,963
Administrative and engineering	5,911,797
Depreciation	29,556,617
Information technology	1,606,971
Total operating expenses	<u>61,833,017</u>

Operating loss	<u>(4,485,605)</u>
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Non-operating revenues (expenses):

Real property taxes	12,773,628
Motor vehicle and other taxes	1,433,838
Interest income	506,771
Gain on disposal of capital assets	117,803
Interest expense and fiscal charges	(7,939,498)
Total non-operating revenues, net	<u>6,892,542</u>

Income before contributions	2,406,937
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Capital contributions8,805,612

Change in net position	11,212,549
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Total net position, beginning223,933,777**Total net position, ending**\$ 235,146,326

See Notes to Financial Statements.

HENRY COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS FISCAL YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 59,458,639
Payments to suppliers	(11,406,374)
Payments to employees	(20,259,107)
Net cash provided by operating activities	<u>27,793,158</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes received	14,248,473
Net cash provided by noncapital financing activities	<u>14,248,473</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(20,293,924)
Proceeds from the sale of capital assets	117,803
Principal payments on long-term borrowings	(14,162,179)
Interest paid on long-term borrowings	(8,255,088)
Capital contributions	5,284,692
Net cash used in capital and related financing activities	<u>(37,308,696)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	506,771
Net cash provided by investing activities	<u>506,771</u>

Net increase in cash	5,239,706
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Cash:

Beginning	<u>106,049,691</u>
Ending	<u><u>\$ 111,289,397</u></u>

Classified as:

Cash	\$ 1,270,862
Restricted assets:	
Cash	12,812,491
Cash equivalents included in investments	97,206,044
	<u><u>\$ 111,289,397</u></u>

HENRY COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS FISCAL YEAR ENDED JUNE 30, 2017

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (4,485,605)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	29,556,617
Changes in assets and liabilities:	
Decrease in accounts receivable	2,189,283
Increase in due from Henry County	(78,056)
Decrease in inventory	88,475
Decrease in deferred outflows of resources	1,254,119
Increase in accounts payable and accrued expenses	1,201,989
Increase in customer deposits payable	440,790
Decrease in net pension liability	(3,242,435)
Decrease in deferred inflows of resources	(136,082)
Increase in OPEB obligation	1,004,063
Net cash provided by operating activities	<u>\$ 27,793,158</u>

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

Capital contributions from developers	\$ 3,520,920
	<u>\$ 3,520,920</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 2016, and not collected by June 30, 2017, 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. Donated capital assets, donated works of art and similar items, and capital assets received in service concession arrangements are reported at acquisition value. Assets with a cost of \$5,000 or greater are capitalized. These assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Land Improvements	10 - 20
Buildings	20 - 50
Infrastructure	20 - 50
Machinery and Equipment	3 - 20

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, 2017. Those items are deferred bond refunding charges and the items related to the changes in the net pension liability discussed on the following page.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Other than the items related to the 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, 2017.

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, 2017, are summarized as follows:

As reported in the Statement of Net Position:

Cash	\$ 1,270,862
Restricted:	
Cash	12,812,491
Investments	97,206,044
	<u>\$ 111,289,397</u>
Cash deposited with financial institutions	\$ 14,083,353
Cash deposited with Georgia Fund 1	97,206,044
	<u>\$ 111,289,397</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, 2017, the Authority's investment in Georgia Fund 1 was rated AA+ by Standard & Poor's.

At June 30, 2017, the Authority had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	26 day weighted average	\$ 97,206,044
Total		<u>\$ 97,206,044</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 AA+ 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, 2017, 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, 2017:

Receivables:	
Taxes	\$ 405,440
Interest	21,835
Accounts	<u>5,616,321</u>
Gross receivables	6,043,596
Less allowance for uncollectibles	<u>(164,304)</u>
Net total receivables	<u><u>\$ 5,879,292</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 34,968,336	\$ -	\$ -	\$ -	\$ 34,968,336
Construction in progress	5,901,536	19,002,922	-	(9,479,284)	15,425,174
Total	<u>40,869,872</u>	<u>19,002,922</u>	<u>-</u>	<u>(9,479,284)</u>	<u>50,393,510</u>
Capital assets, being depreciated:					
Buildings	16,438,459	128,393	-	-	16,566,852
Improvements other than buildings	639,213,065	3,520,920	(271,239)	9,479,284	651,942,030
Machinery and equipment	17,416,444	831,101	(131,489)	-	18,116,056
Vehicles	4,361,884	331,508	(223,116)	-	4,470,276
Total	<u>677,429,852</u>	<u>4,811,922</u>	<u>(625,844)</u>	<u>9,479,284</u>	<u>691,095,214</u>
Less accumulated depreciation for:					
Buildings	(7,957,272)	(781,539)	-	-	(8,738,811)
Improvements other than buildings	(342,138,281)	(27,495,600)	271,239	-	(369,362,642)
Machinery and equipment	(15,223,337)	(1,069,517)	131,489	-	(16,161,365)
Vehicles	(3,708,775)	(209,961)	223,116	-	(3,695,620)
Total	<u>(369,027,665)</u>	<u>(29,556,617)</u>	<u>625,844</u>	<u>-</u>	<u>(397,958,438)</u>
Total capital assets, being depreciated, net	<u>308,402,187</u>	<u>(24,744,695)</u>	<u>-</u>	<u>9,479,284</u>	<u>293,136,776</u>
Total capital assets, net	<u>\$ 349,272,059</u>	<u>\$ (5,741,773)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,530,286</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2017, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bonds	\$ 169,240,000	\$ -	\$ (11,490,000)	\$ 157,750,000	\$ 11,790,000
Plus unamortized premiums	6,515,563	-	(756,312)	5,759,251	-
Less unamortized discounts	(23,433)	-	9,051	(14,382)	-
Revenue bonds, net	175,732,130	-	(12,237,261)	163,494,869	11,790,000
Notes payable	48,363,823	-	(2,672,179)	45,691,644	2,752,049
Net pension liability	6,287,298	3,758,876	(7,001,311)	3,044,863	-
OPEB obligation	7,795,661	1,004,063	-	8,799,724	-
Compensated absences	1,153,560	903,937	(924,050)	1,133,447	970,252
Total long-term liabilities	<u>\$ 239,332,472</u>	<u>\$ 5,666,876</u>	<u>\$ (22,834,801)</u>	<u>\$ 222,164,547</u>	<u>\$ 15,512,301</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, 2017, net revenues totaled \$44,979,175 and total debt service related to the revenue bonds totaled \$18,327,543. Amounts pledged equal total debt service for each applicable year. Revenue bonds outstanding at June 30, 2017, are as follows:

<u>Interest Rate</u>	<u>Due Date</u>	
3.75%-6.15%	2020	\$ 11,655,000
4.90%-6.00%	2020	3,430,000
3.00%-5.25%	2030	44,450,000
5.00%	2026	29,785,000
2.00%-5.00%	2030	17,615,000
1.50%-4.00%	2018	815,000
2.16%	2028	50,000,000
		<u>157,750,000</u>
	Plus unamortized premiums	5,759,251
	Less unamortized discounts	(14,382)
		<u>\$ 163,494,869</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30,			
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	12,930,000	4,634,680	17,564,680
2023-2027	60,915,000	16,282,573	77,197,573
2028-2030	34,515,000	3,347,203	37,862,203
Total	<u>\$ 157,750,000</u>	<u>\$ 47,464,939</u>	<u>\$ 205,214,939</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, 2017:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	
3.00%	20 years	2030	\$ 12,784,403
3.00%	20 years	2030	14,763,765
3.00%	20 years	2032	16,760,717
3.00%	20 years	2032	1,382,759
			<u>\$ 45,691,644</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
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	3,102,459	982,764	4,085,223
2023-2027	16,986,312	3,439,802	20,426,114
2028-2032	14,082,260	833,826	14,916,086
Total	<u>\$ 45,691,644</u>	<u>\$ 10,076,671</u>	<u>\$ 55,768,315</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 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, 2017, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	50
Inactive plan members entitled to but not receiving benefits	23
Active plan members	<u>229</u>
	<u>302</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, 2017, the active member required contribution rate was 5% and the Authority's contribution rate was 13.60% of annual payroll. Authority contributions to the Plan were \$2,963,849 for the year ended June 30, 2017.

The Authority's net pension liability was measured as of September 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 with update procedures performed by the actuary to roll forward the total pension liability measured as of September 30, 2016.

The Authority's net pension liability for the year ended June 30, 2017, is as follows:

Total pension liability	\$ 37,990,565
Plan net position	<u>34,945,702</u>
Net pension liability	<u>\$ 3,044,863</u>
Plan net position as a percentage of the total pension liability	92.0%

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability. 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, 2017, are reflected below:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)	Pension Expense
Beginning Balance	\$ 35,838,837	\$ 29,551,539	\$ 6,287,298	
Changes for the year:				
Service cost	1,000,593	-	1,000,593	\$ 1,000,593
Interest	2,723,839	-	2,723,839	2,723,839
Differences between expected and actual experience	(187,652)	-	(187,652)	-
Amortization of experience differences	-	-	-	176,540
Contributions—employer	-	2,821,460	(2,821,460)	-
Contributions—employee	-	611,151	(611,151)	(611,151)
Net investment income	-	3,381,048	(3,381,048)	(2,368,253)
Amortization of investment earnings differences	-	-	-	(202,559)
Benefit payments, including refunds of employee contributions	(1,385,052)	(1,385,052)	-	-
Administrative expense	-	(34,444)	34,444	34,444
Net changes	2,151,728	5,394,163	(3,242,435)	\$ 753,453
Ending Balance	\$ 37,990,565	\$ 34,945,702	\$ 3,044,863	

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, 2017:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension experience differences	\$ 1,084,360	\$ 296,370
Pension assumption changes	-	737,376
Pension investment return	37,615	-
Pension contribution subsequent to measurement date	<u>1,338,550</u>	<u>-</u>
Total	<u>\$ 2,460,525</u>	<u>\$ 1,033,746</u>

Authority contributions subsequent to the measurement date of \$1,338,550 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2018	\$ (26,017)
2019	(26,017)
2020	134,282
2021	37,256
2022	<u>(31,275)</u>
Total	<u>\$ 88,229</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, 2017 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return*
Domestic equity	45%	5.95%
International equity	20%	6.45%
Fixed income	25%	1.55%
Real estate	10%	3.75%
Cash	0%	
Total	<u>100%</u>	

* 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, 2017, 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	\$ 7,936,307	\$ 3,044,863	\$ 995,899

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, 2017 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, 2016.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contributions

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Authority Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation End of Year</u>
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
2017	1,192,071	188,008	15.77	8,799,724

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

Annual required contribution	\$ 1,319,854
Interest from net OPEB obligation	350,805
Adjustment of net OPEB obligation	<u>(478,588)</u>
Annual OPEB cost	1,192,071
Actual contribution to the plan	<u>(188,008)</u>
Increase in net OPEB obligation	1,004,063
Net OPEB obligation as of July 1, 2016	<u>7,795,661</u>
Net OPEB obligation as of June 30, 2017	<u><u>\$ 8,799,724</u></u>

As of the most recent valuation date, July 1, 2016, the funded status of the OPEB Plan was as follows:

<u>Fiscal Year Ended</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percent of Covered Payroll</u>
06/30/2017	\$ -	\$ 9,904,606	\$ 9,904,606	- %	\$ 12,872,425	76.9 %

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are computed using the actuarial cost method based on the substantive plan in effect as of July 1, 2016. Assumptions used in the July 1, 2016 actuarial valuation are included in the table below:

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	8.5% graded by .5% per year to ultimate rate of 5.0%
Dental	4.75% 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, 2017. The projects include a waste water treatment plant expansion, water tank construction, as well as pumping station upgrade. As of June 30, 2017, the Authority has contractual commitments on uncompleted construction contracts of approximately \$15,000,000.

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

	2017	2016	2015
Total pension liability			
Service cost	\$ 1,000,593	\$ 873,093	\$ 828,707
Interest on total pension liability	2,723,839	2,437,024	2,402,683
Differences between expected and actual experience	(187,652)	1,626,538	(279,992)
Changes in assumptions and/or cost method	-	-	(1,474,753)
Benefit payments, including refunds of employee contributions	(1,385,052)	(1,086,584)	(980,474)
Net change in total pension liability	2,151,728	3,850,071	496,171
Total pension liability - beginning	35,838,837	31,988,766	31,492,595
Total pension liability - ending (a)	<u>\$ 37,990,565</u>	<u>\$ 35,838,837</u>	<u>\$ 31,988,766</u>
Plan fiduciary net position			
Contributions - employer	\$ 2,821,460	\$ 2,581,723	\$ 2,148,491
Contributions - employee	611,151	583,536	554,460
Net investment income	3,381,048	244,742	2,643,980
Benefit payments, including refunds of member contributions	(1,385,052)	(1,086,584)	(980,474)
Administrative expenses	(34,444)	(36,929)	(28,323)
Net change in plan fiduciary net position	5,394,163	2,286,488	4,338,134
Plan fiduciary net position - beginning	29,551,539	27,265,051	22,926,917
Plan fiduciary net position - ending (b)	<u>\$ 34,945,702</u>	<u>\$ 29,551,539</u>	<u>\$ 27,265,051</u>
Authority's net pension liability (asset) - ending (a) - (b)	<u>\$ 3,044,863</u>	<u>\$ 6,287,298</u>	<u>\$ 4,723,715</u>
Plan fiduciary net position as a percentage of the total pension liability	92.0%	82.5%	85.2%
Covered-employee payroll	\$ 12,058,778	\$ 11,570,213	\$ 10,400,334
Net pension liability as a percentage of covered-employee payroll	25.3%	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>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 985,126	\$ 910,825	\$ 1,134,312
Contributions in relation to the actuarially determined contribution	<u>2,963,849</u>	<u>2,865,866</u>	<u>2,557,728</u>
Contribution deficiency (excess)	<u>\$ (1,978,723)</u>	<u>\$ (1,955,041)</u>	<u>\$ (1,423,416)</u>
Covered employee payroll	\$ 12,058,778	\$ 11,570,213	\$ 10,400,334
Contributions as a percentage of covered-employee payroll	24.58%	24.77%	24.59%

Notes to the Schedule:

(1) Actuarial Assumptions

Valuation Date	January 1, 2017
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
06/30/2012	\$ -	\$ 6,797,083	\$ 6,797,083	- %	\$ 10,524,399	64.6 %
06/30/2013	-	6,189,591	6,189,591	-	10,840,131	57.1
06/30/2014	-	6,983,441	6,983,441	-	11,974,506	58.3
06/30/2015	-	8,038,566	8,038,566	-	12,333,741	65.2
06/30/2016	-	9,539,429	9,539,429	-	12,497,500	76.3
06/30/2017	-	9,904,606	9,904,606	-	12,872,425	76.9

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>	
Demographic and Economic 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.

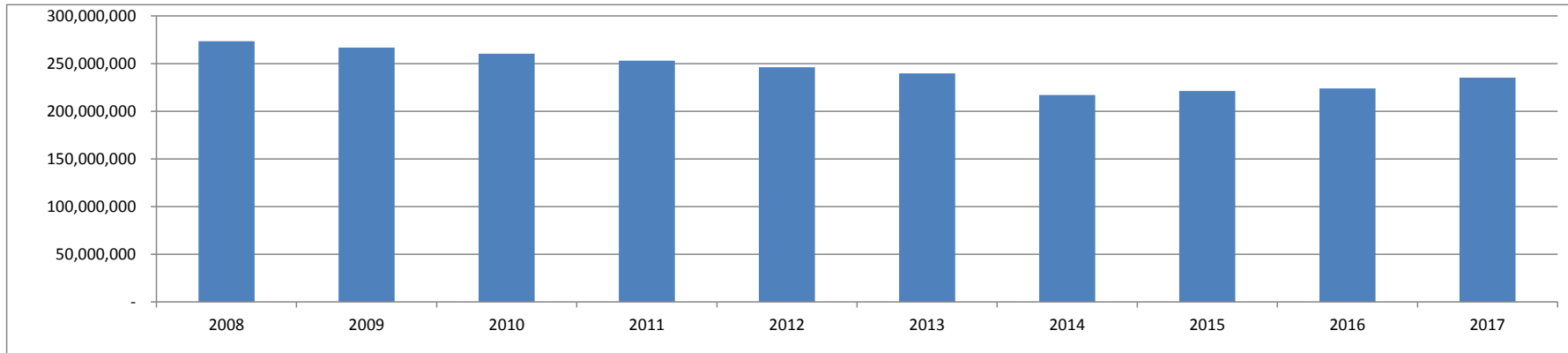
HENRY COUNTY WATER AUTHORITY

NET POSITION BY COMPONENT

LAST TEN YEARS

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net investment in capital assets	\$ 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	\$ 149,506,098
Restricted for:										
Debt service	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	92,040,942
Unrestricted	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)	(6,400,714)
Total net position	<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>	<u>\$ 235,146,326</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

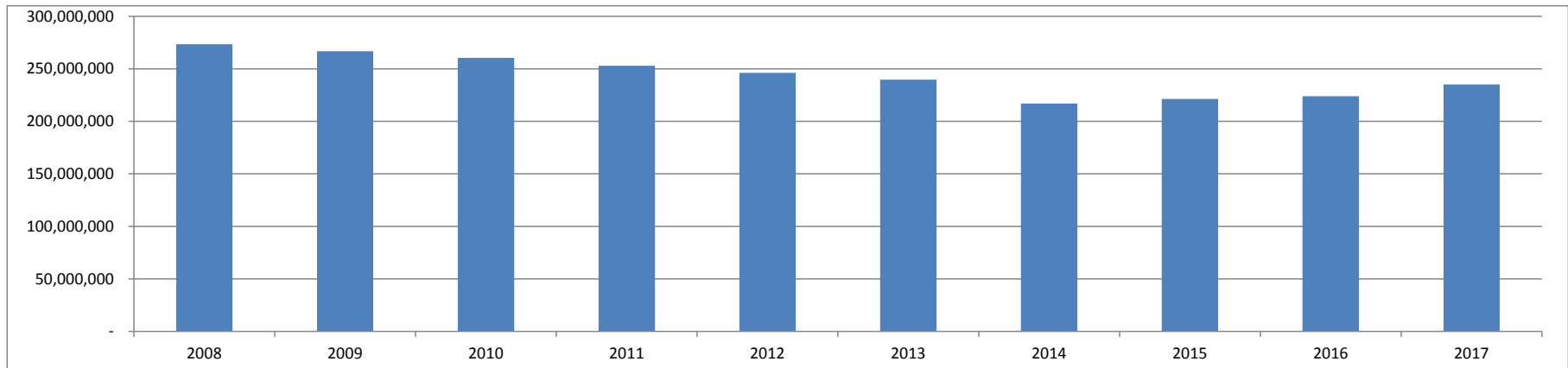
	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues	\$ 35,702,127	\$ 37,346,288	\$ 39,961,912	\$ 43,595,126	\$ 45,967,528	\$ 46,381,388	\$ 48,489,781	\$ 52,356,053	\$ 54,578,649	\$ 57,347,412
Operating Expenses	48,950,470	54,755,618	55,812,639	56,525,236	54,864,449	54,586,091	72,914,560	61,274,837	61,830,962	61,833,017
Operating Income (Loss)	(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)	(4,485,605)
Non-Operating Revenue (Expense)	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	6,892,542
Gain (Loss) before Contributions	(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)	2,406,937
Capital Contributions	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	8,805,612
Change in Net Position	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	11,212,549
Net Position - Beginning	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	223,933,777
Net Position - Ending	<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>	<u>\$ 235,146,326</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.

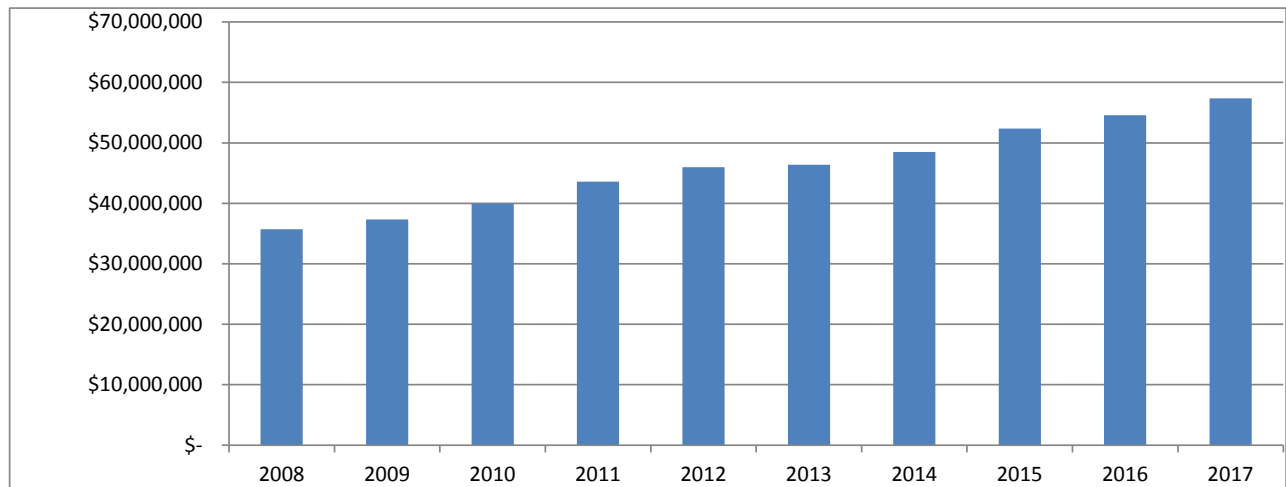
See the Non-Operating Revenues (Expenses) statistical schedule for a breakdown by non-operating revenue (expense) item.



HENRY COUNTY WATER AUTHORITY

OPERATING REVENUES BY SOURCE LAST TEN YEARS

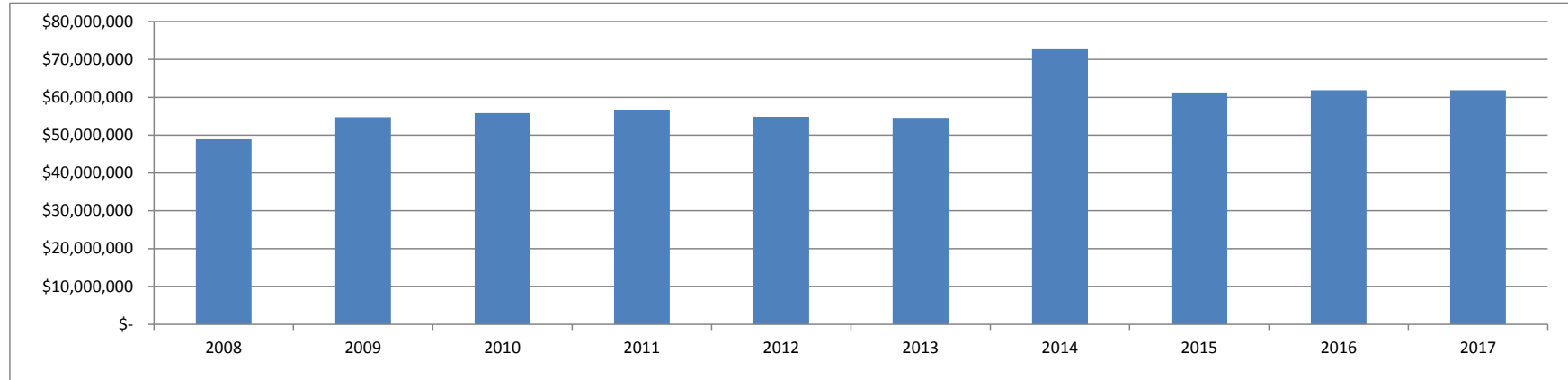
<u>Fiscal Year</u>	<u>Water Revenues</u>	<u>Sewer Revenues</u>	<u>Connection Fees</u>	<u>Other Fees and Charges</u>	<u>Total</u>
2008	\$ 26,475,486	\$ 8,469,760	\$ 217,259	\$ 539,622	\$ 35,702,127
2009	27,309,977	9,188,611	124,707	722,993	37,346,288
2010	28,832,018	10,074,148	100,740	955,006	39,961,912
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
2017	40,142,775	15,029,973	550,438	1,624,226	57,347,412



HENRY COUNTY WATER AUTHORITY
OPERATING EXPENSES BY FUNCTION
LAST TEN YEARS

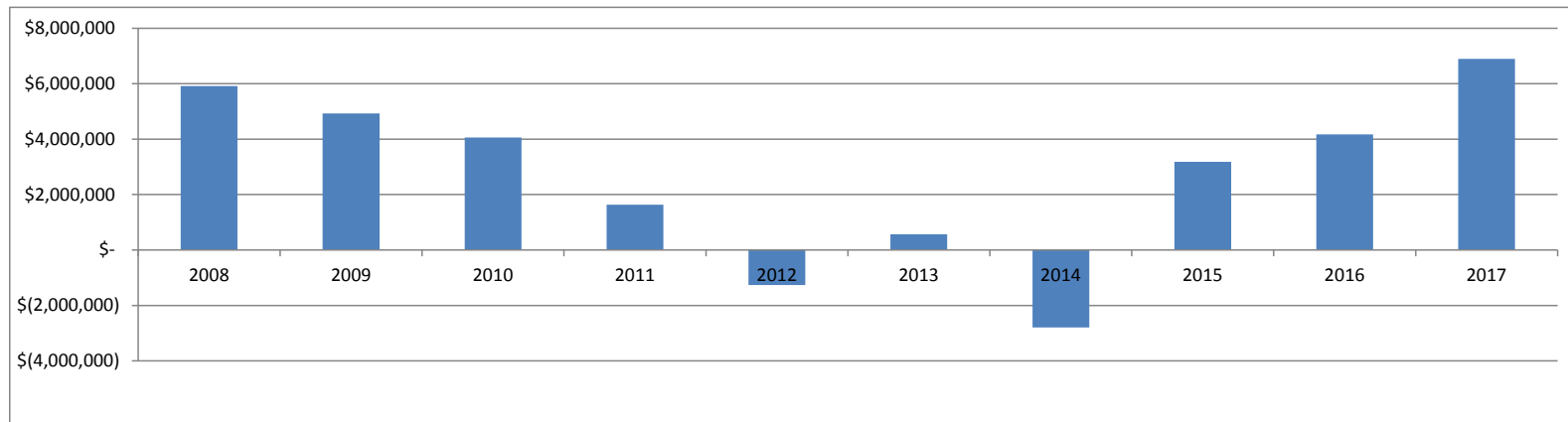
Fiscal Year	Water Treatment	Water Purchase	Customer Service and Connection	Wastewater Treatment	Repairs and Maintenance	Administrative and Engineering	Depreciation	Information Technology	Total Operating Expenses
2008	\$ 4,499,392	\$ 84,783	\$ 3,070,178	\$ 3,929,979	\$ 7,687,983	\$ 5,506,196	\$ 22,805,784	\$ 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
2017	5,201,521	507,997	3,124,717	5,175,434	10,747,963	5,911,797	29,556,617	1,606,971	61,833,017

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



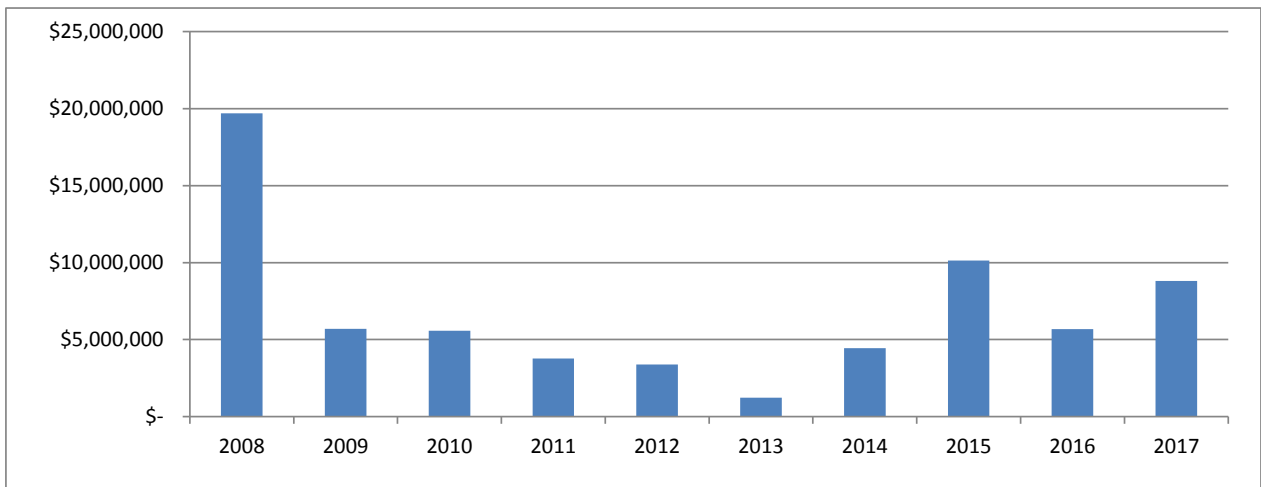
HENRY COUNTY WATER AUTHORITY
NON-OPERATING REVENUES (EXPENSES)
LAST TEN YEARS

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)
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
2017	12,773,628	1,433,838	506,771	-	(7,939,498)	117,803	-	6,892,542



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
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
2017	5,076,123	3,231,733	497,756	8,805,612

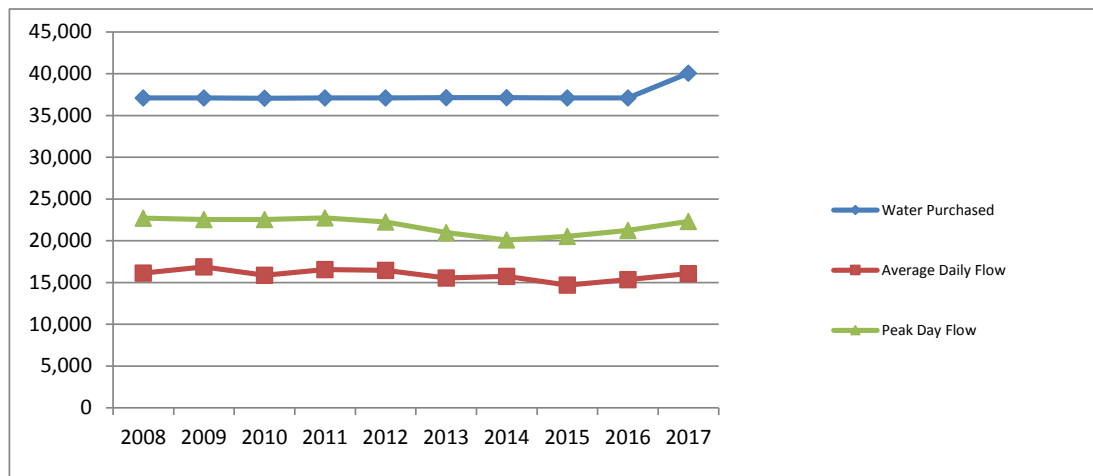


REVENUE CAPACITY

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)

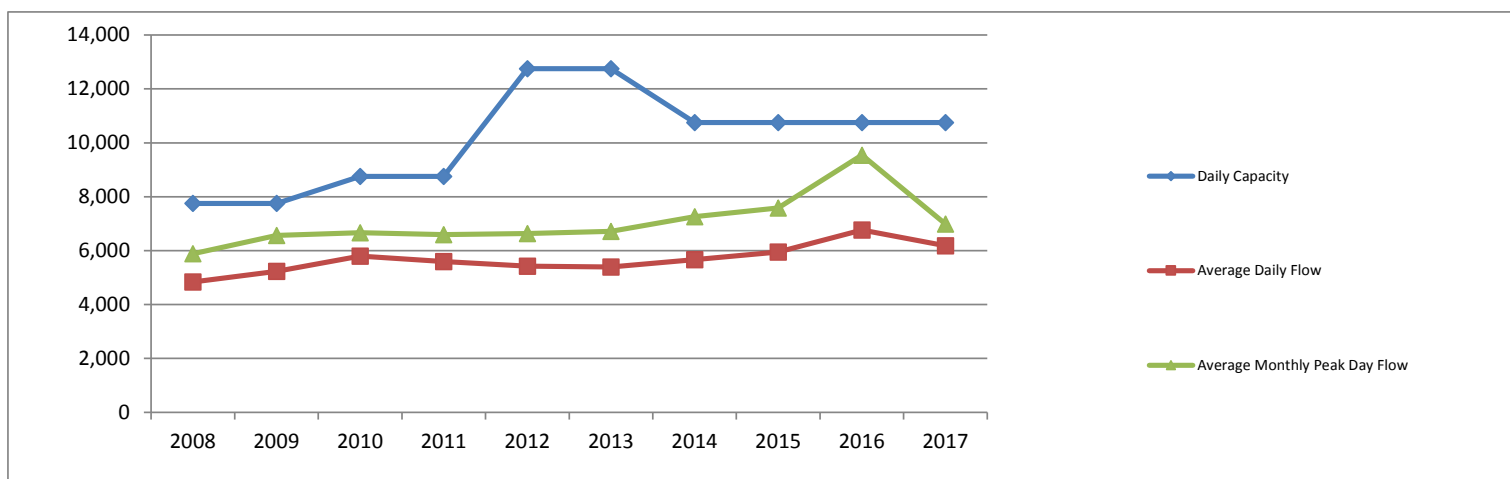
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Maximum Permitted Daily Capacity of Water Treatment Plants:										
Towaliga water treatment plant	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Tussahaw water treatment plant	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	16,000
Water Purchased	112	114	65	108	121	135	141	116	110	64
	37,112	37,114	37,065	37,108	37,121	37,135	37,141	37,116	37,110	40,064
 Average daily flow	16,144	16,869	15,867	16,553	16,451	15,533	15,753	14,689	15,366	16,069
Percent of Capacity used	44%	45%	43%	45%	44%	42%	42%	40%	41%	40%
 Avg. Summer Peak Day flow	22,717	22,533	22,548	22,739	22,252	20,978	20,090	20,537	21,248	22,312
Percent of Capacity used	61%	61%	61%	61%	60%	56%	54%	55%	57%	56%



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)

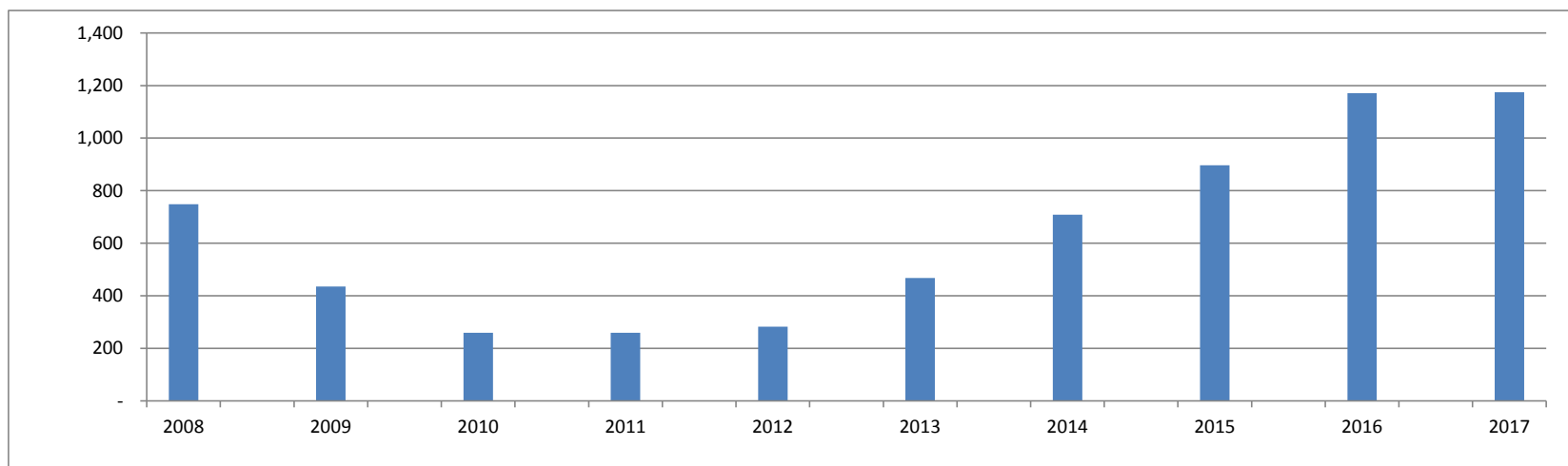
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Permitted Daily Capacity of Sewerage Treatment Plants:										
Springdale sewerage plant	2,000	2,000	2,000	2,000	2,000	2,000 (taken out of service)				
Indian Creek sewerage plant	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Bear Creek sewerage plant	250	250	1,250	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	8,000	8,000	8,000	8,000	8,000	8,000
Total Permitted Capacity	7,750	7,750	8,750	8,750	12,750	12,750	10,750	10,750	10,750	10,750
 Average daily flow	4,837	5,237	5,796	5,597	5,423	5,389	5,663	5,950	6,765	6,181
Percent of Capacity used	62%	68%	66%	64%	43%	42%	53%	55%	63%	57%
 Avg. Monthly Peak Day flow	5,884	6,563	6,669	6,598	6,634	6,719	7,263	7,583	9,546	6,984
Percent of Capacity used	76%	85%	76%	75%	52%	53%	68%	71%	89%	65%



Source: Henry County Water Authority historical financial records

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Size of Meter										
3/4"	635	305	234	243	244	434	666	855	1,132	1,085
1"	70	64	19	13	29	25	32	33	27	47
1.5"	-	1	-	-	-	1	2	-	3	-
2"	30	39	4	2	6	7	6	4	6	20
3"	-	-	-	-	-	-	-	-	-	-
4"	-	-	1	-	-	-	1	-	1	-
6"	10	17	1	1	2	1	1	3	1	6
8"	2	7	-	-	1	-	1	2	1	9
10"	1	2	-	-	-	-	-	-	-	8
Total	748	435	259	259	282	468	709	897	1,171	1,175

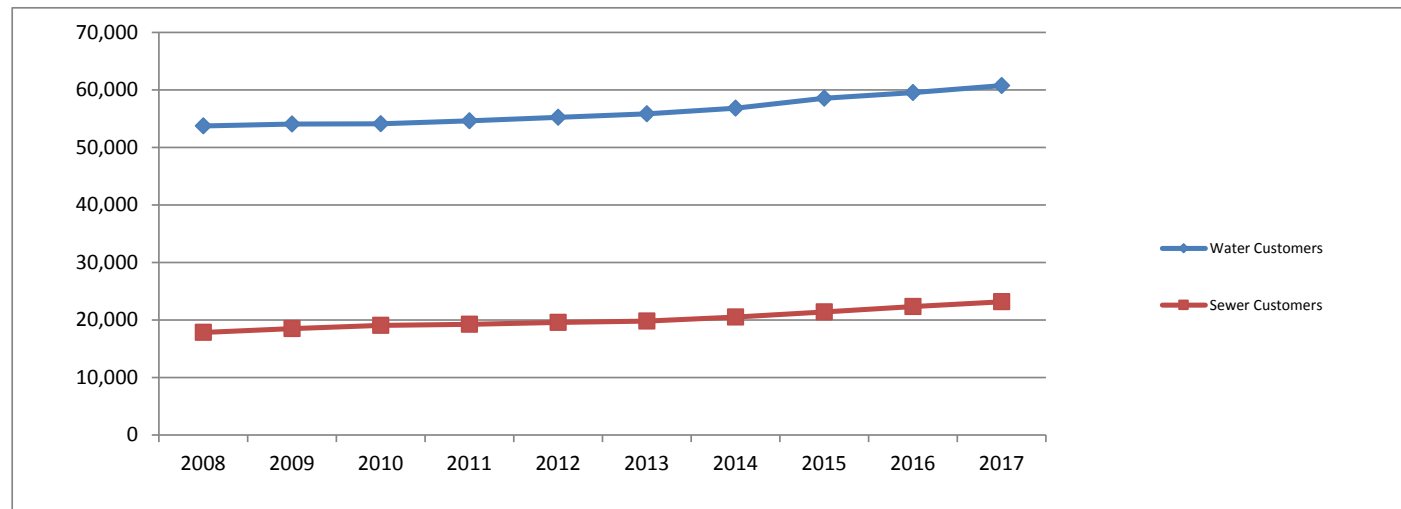


Source: Henry County Water Authority historical financial records

HENRY COUNTY WATER AUTHORITY

NUMBER OF CUSTOMERS LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water Customers										
Residential	51,977	52,276	52,300	52,832	53,396	53,979	54,887	56,577	57,551	58,691
Commercial & Industrial	1,757	1,790	1,790	1,792	1,837	1,877	1,924	1,955	1,988	2,057
Municipal	4	4	4	4	4	4	4	4	4	4
	53,738	54,070	54,094	54,628	55,237	55,860	56,815	58,536	59,543	60,752
Sewerage Customers										
Residential	16,983	17,626	18,186	18,354	18,651	18,907	19,598	20,499	21,396	22,222
Commercial & Industrial	844	873	887	881	900	889	903	915	927	937
Municipal	1	1	1	1	1	-	-	1	1	1
	17,828	18,500	19,074	19,236	19,552	19,796	20,501	21,415	22,324	23,160



Source: Henry County Water Authority historical financial records

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Water</u>										
Base Charge	9.25	9.71	10.20	10.70	11.24	11.80	12.39	12.39	12.39	12.39
Charge per 1,000 gallons:										
-0- to 6,000 gallons	3.50	3.68	3.86	4.05	4.25	4.46	4.68	4.68	4.68	4.77
6,001 to 10,000 gallons	4.75	4.99	5.24	5.50	5.78	6.07	6.37	6.37	6.37	6.50
over 10,000 gallons	6.95	7.30	7.67	8.05	8.45	8.87	9.31	9.31	9.31	9.50
<u>Sewerage</u>										
Base Charge	9.25	9.71	10.20	10.70	11.24	11.80	12.39	12.39	12.39	12.39
Charge per 1,000 gallons:										
-0- to 6,000 gallons	3.50	3.68	3.86	4.05	4.25	4.46	4.68	4.68	4.68	4.77
over 6,000 gallons	4.75	4.99	5.24	5.50	5.78	6.07	6.37	6.37	6.37	6.50

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Water</u>										
Base Charge:										
3/4"	9.25	9.71	10.20	10.70	11.24	11.80	12.39	13.01	13.01	13.01
1"	9.25	9.71	10.20	10.70	11.24	11.80	12.39	13.01	13.01	13.01
1.5"	46.25	48.56	50.99	53.54	56.22	59.03	61.98	65.08	65.08	65.08
2"	128.29	134.70	141.44	148.51	155.94	163.74	171.92	180.52	180.52	180.52
3"	240.54	252.57	265.20	278.46	292.38	307.00	322.35	338.47	338.47	338.47
4"	352.80	370.44	388.96	408.41	428.83	450.27	472.78	496.42	496.42	496.42
6"	487.50	511.88	537.47	564.34	592.56	622.19	653.29	685.95	685.95	685.95
8"	602.96	633.11	664.77	698.01	732.90	769.55	808.02	924.21	924.21	924.21
10"	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	1,317.79
Charge per 1,000 gallons: per 1,000 gallons	4.75	4.99	5.24	5.50	5.78	6.07	6.37	6.69	6.69	6.82
<u>Sewerage</u>										
Base Charge	9.25	9.71	10.20	10.70	11.24	11.80	12.39	13.01	13.01	13.01
Charge per 1,000 gallons: per 1,000 gallons	4.75	4.99	5.24	5.50	5.78	6.07	6.37	6.69	6.69	6.82

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)					
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
2017	4,435,554,023	2,925,492,842	227,952,810	8,001,091	1,417,330,098	6,179,670,668	12.73	15,449,176,670	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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Henry County rates										
Maintenance & Operations										
Unincorporated	14.37	13.89	13.71	14.89	18.52	18.71	18.39	17.65	16.45	16.28
Insurance Reduction (1)	-	-	-	-	-	-	-	-	-	-
Municipal rates										
McDonough (2)	2.45	2.59	2.59	3.45	4.39	4.39	4.38	4.92	4.56	4.30
Stockbridge	-	-	-	-	-	-	-	-	-	-
Hampton	-	-	-	-	-	-	-	-	-	-
Locust Grove	-	-	-	-	-	-	-	-	-	-
LOST Reduction	(3.17)	(2.92)	(2.92)	(3.14)	(4.02)	(4.21)	(4.09)	(3.78)	(3.71)	(3.55)
Police Protection	-	-	-	1.72	1.91	1.94	1.92	1.79	1.89	1.68
Fire Protection	1.16	1.22	1.22	1.15	1.02	0.68	0.60	0.57	0.56	0.50
Planning & Development	-	-	-	0.23	0.14	0.10	0.02	0.01	0.02	0.00
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	0.00	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	3.63	3.63	3.63	3.63	3.63	3.63
State of Georgia	0.25	0.25	0.25	0.25	0.20	0.15	0.10	0.05	0.00	0.00
Total Unincorporated	37.51	37.28	37.28	38.06	40.33	40.28	40.03	39.55	38.36	38.36
Total Municipalities (3), (4)										
McDonough	37.58	38.14	38.14	38.42	41.65	41.58	41.32	42.10	40.45	40.48
Stockbridge	37.51	37.02	37.02	38.06	40.33	40.28	40.03	39.55	38.361	38.361
Hampton	36.29	36.17	36.17	36.35	38.34	38.29	38.04	37.76	36.475	36.68
Locust Grove	36.29	35.87	35.87	36.11	38.28	38.08	37.83	37.75	36.455	36.68
Total Direct Tax Rate	11.20	10.97	10.97	11.75	14.50	14.50	14.30	13.87	12.73	12.73

Source: Henry County Tax Commissioner

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

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

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	2017 (2016 Digest)			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Henry Co Development Authority	\$ 55,748,618	1	0.90 %	\$ -	-	- %
Georgia Power Company	40,508,442	2	0.66	24,960,315	2	0.40
Home Depot USA Inc	39,762,222	3	0.64	22,095,437	3	0.36
Atlanta Motor Speedway	35,748,240	4	0.58	20,315,970	4	0.33
Kens Foods Inc	31,719,588	5	0.51	19,931,537	5	0.32
Directv, LLC	27,283,960	6	0.44	-	-	-
Norfolk Southern Combined	27,108,932	7	0.44	14,410,085	9	0.23
US Industrial REIT	25,522,840	8	0.41	-	-	-
Big Box Property Owner A, LLC	21,810,640	9	0.35	-	-	-
Georgia Transmission Corp	20,488,566	10	0.33	-	-	-
Inland Western McDonough	-	-	-	18,864,440	7	0.30
Cardinal Health 103, Inc.	-	-	-	31,432,409	1	0.51
BellSouth Telecom	-	-	-	19,446,506	6	0.31
Prologis-MacQuarie US, LLC	-	-	-	14,674,040	8	0.24
Henry County Land Holdings, LLC	-	-	-	13,640,520	10	0.22
Totals	<u>\$ 325,702,048</u>		<u>5.27 %</u>	<u>\$ 199,771,259</u>		<u>3.22 %</u>

The fiscal year 2017 total taxable assessed value is: \$ 6,179,670,668

The fiscal year 2008 total taxable assessed value is: \$ 6,212,589,560

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
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
2017	227,730,138	223,762,249	98.3	3,583,226	227,345,475	99.8

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>2017</u>		<u>2008</u>
Henry Co Bd of Education	\$ 1,317,341	Henry Co Board of Education	\$ 555,376
City Of Hampton	649,639	City of Stockbridge	484,308
Kens Foods Inc	606,183	City of Hampton	381,747
City Of Stockbridge	551,018	Kens Foods, Inc	224,405
Piedmont Henry Medical Center	288,179	Henry medical Center	191,408
City Of McDonough	187,389	Atlas Roofing	147,976
City Of Locust Grove	148,408	City of McDonough	109,607
Preston Creek Apartments	142,604	St Ives Crossing Apts	80,485
Wilwat Properties Inc	138,985	Preston Creek Assoc	70,313
Amber Chase Apt of Atlanta LP	136,791	City of Locust Grove	64,464
	<u>\$ 4,166,537</u>		<u>\$ 2,310,089</u>
% of total Water Revenue	10.4%		8.7%

<u>Sewer</u>			
	<u>2017</u>		<u>2008</u>
Henry Co Bd of Education	\$ 467,106	Henry Co Board of Education	\$ 210,731
Kens Foods Inc	456,671	Kens Foods, Inc	173,124
Piedmont Henry Medical Center	224,345	Henry Medical Center	119,390
Hollingsworth Capital Part-McD	126,750	Connor & Murphy Properties	74,328
Preston Creek Apartments	119,574	Preston Creek Assoc LTD	51,451
Wilwat Properties Inc	115,566	IDI Services Group	50,357
Amber Chase Apt of Atlanta LP	105,800	Atlas Roofing	113,459
St. Ives, LLC	104,709	Glenwood Stockbridge Mgt Group	45,041
H P I Waterford LLC	93,829	Sable Chae Apts	51,941
POH Hampton Pt LLC	92,153	Walden Run Apts	42,347
	<u>\$ 1,906,503</u>		<u>\$ 932,169</u>
% of total Sewer Revenue	12.7%		11.0%

Source: Henry County Water Authority historical financial records.

DEBT CAPACITY

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

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

<u>Fiscal Year</u>	<u>Jr. Lien Revenue Bonds</u>	<u>Sr. Lien Revenue Bonds</u>	<u>Total Revenue Bonds</u>	<u>GEFA Notes</u>	<u>Total Outstanding Debt</u>	<u>Percentage of Personal Income</u>	<u>Population</u>	<u>Debt per Capita</u>
2008	\$ -	\$ 166,511,545	\$ 166,511,545	\$ 96,805,241	\$ 263,316,786	4.49%	190,700	\$ 1,381
2009	-	161,632,063	161,632,063	111,630,461	273,262,524	4.69%	192,800	1,417
2010	-	156,873,772	156,873,772	126,967,301	283,841,073	4.69%	194,400	1,460
2011	-	151,380,888	151,380,888	135,834,524	287,215,412	4.56%	207,800	1,382
2012	-	146,520,500	146,520,500	131,800,367	278,320,867	4.25%	209,500	1,329
2013	70,100,000	140,611,317	210,711,317	55,911,042	266,622,359	3.91%	211,300	1,262
2014	65,900,000	133,735,978	199,635,978	53,469,825	253,105,803	3.84%	214,500	1,180
2015	60,700,000	127,071,247	187,771,247	50,954,357	238,725,604	3.30%	218,700	1,092
2016	55,400,000	120,332,130	175,732,130	48,363,823	224,095,953	3.10%	223,600	1,002
2017	50,000,000	113,494,869	163,494,869	45,691,644	209,186,513	2.77%	229,000	913

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		
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	
2017	57,347,412	624,574	14,207,466	5,076,123	32,276,400	44,979,175	11,490,000	6,837,543	18,327,543	2.45	

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	2017			2008		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (1)	Rank	Percentage of Total County Employment (2)
Henry County Board of Education	5000	1	4.47 %	5000	1	5.45 %
Henry County Board of Commissioners	1615	2	1.44	1744	3	1.90
Piedmont Henry	1449	3	1.3	1570	2	1.71
WalMart Supercenter	1341	4	1.2	1350	4	1.47
PVH	813	5	0.73	-	-	-
Federal Aviation Administration	800	6	0.72	706	5	0.77
Luxottica Retail Group	650	7	0.58	-	-	-
Georgia Power Company	544	8	0.49	560	8	0.61
TSYS	403	9	0.36	-	-	-
Home Depot DFC #6777	400	10	0.36	-	-	-
Southern States, Inc	-	-	-	330	9	0.36
Georgia Crown	-	-	-	280	10	0
Suntrust Bank	-	-	-	560	7	0.61
Snapper	-	-	-	616	6	0.67
Totals	<u>13,015</u>		<u>11.65 %</u>	<u>12,716</u>		<u>13.86 %</u>

(1) Source: Henry County Development Authority

(2) Source: U.S. Bureau of Labor Statistics, Georgia Department of Labor, workforce - 111,813 (August 2017)

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)
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	218,700	7,224,263	33,779	36.5	41,000	6.1
2016	223,600	7,224,263	33,779	36.0	42,000	5.1
2017	229,000	7,549,198	34,671	36.3	39,500	5.0

(1) Source: Bureau of Economic Analysis: Regional Data, Atlanta Regional Commission 2008-2017

(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>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>	<u>2017</u>
Water Treatment	31	31	31	35	34	25	30	28	28	28
Customer Service & Connection	34	34	32	29	27	28	28	27	29	31
Wastewater Treatment	32	31	31	35	32	31	31	30	31	32
Repairs & Maintenance	89	90	81	84	85	93	86	90	95	97
Administrative, Engineering & Info Tech	51	50	47	38	38	38	40	44	44	46
	<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>	<u>234</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>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>	<u>2017</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	-	-	-
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>11,000</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	1,200	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>6,900</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>29,200</u>	<u>29,400</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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	16,144	16,869	15,867	16,553	16,451	15,553	15,753	14,689	15,366	16,069
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	24,424	25,149	24,147	24,833	24,731	23,833	24,033	22,969	23,646	24,349
 Number of days supply	594	576	600	584	586	608	603	631	613	595

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 19, 2017.

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.

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.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Macon, Georgia
November 19, 2017

Mauldin & Jenkins, LLC

HENRY COUNTY WATER AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES FISCAL YEAR ENDED JUNE 30, 2017

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Reportable conditions identified not considered
to be material weaknesses?

☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

There was not an audit of major federal award programs as of June 30, 2017 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, 2017

Not applicable.