

A Component Unit of Henry County, GA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Comprehensive Annual Financial Report

Year Ended June 30, 2020

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, 2020

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

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Comprehensive Annual Financial Report

INTRODUCTORY SECTION

Henry County Water Authority - McDonough, Georgia

Henry County Water Authority

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October 12, 2020

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Henry County Water Authority for the fiscal year ended June 30, 2020. 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, 2020. 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.

Profile of HCWA

General

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

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

It was necessary for HCWA to purchase large tracts of land and develop its own reservoirs for source of water, as no available streams or lakes provided adequate supply. HCWA has developed five reservoirs, covering a combined total of 3,138 acres of water surface area, and holding approximately 18.1 billion gallons of water. Based on an average day finished water demand in Henry County of approximately 16.6 million gallons per day (MGD), the reservoirs provide a 581-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 1,350 miles of water mains have been constructed, making service available to most of the county, and serving over 63,000 customer water connections. Additionally, 31.4 million gallons of potable water can be stored in ten 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 58% 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 42% 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 25,000 customer sewer connections with approximately 512 miles of sewer mains (inclusive of 36 miles of force mains), 31 sewerage lift stations and 3 wastewater treatment plants. Currently, the Authority's total permitted sewerage treatment capacity is 12.25 MGD. The average flow to the Authority's wastewater treatment plants during FY2020 was 7.5 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 regularly monthly meetings at the administrative offices of the Authority located in McDonough, GA. The daily operations of the Authority are the responsibility of the General Manager, who reports to the Board.

Accounting and Financial Reporting

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

Budgetary Controls

The Authority believes that budget preparation and implementation are important in maintaining fiscal responsibility and accountability, and it is a good business practice to conduct the budgetary process annually. Accordingly, an operating budget is prepared by management and approved by the HCWA Board on an annual basis. The purpose of the budget process is to authorize and control expenditures,

evaluate projected revenue to determine the Authority's ability to meet its obligations under various bond covenants and to provide analysis for planning purposes.

Other Relevant Information

General

Throughout the year, both of the Authority's Water Treatment Plants and the three Wastewater Treatment Plants 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 from the Georgia Association of Water Professionals (GAWP) for outstanding performance:

- Laboratory QA/QC Awards – (Quality Assurance/Quality Control) Wastewater Lab Serving 5-20 MGD
- Platinum Wastewater Collection System Excellence Award
- Platinum Water Distribution System Excellence Award
- Education Program of Excellence Award – (Water)
- Best Operated Water Treatment Plant Certificate of Achievement – Tussahaw Water Plant
- Platinum Award for 13 Consecutive Years of 100% Permit Compliance – Tussahaw Water Treatment Plant
- Best Operated Water Treatment Plant Certificate of Achievement – Towaliga Water Plant
- Platinum Award for 13 Consecutive Years of 100% Permit Compliance – Towaliga Water Treatment Plant
- Wastewater Facility Gold Award for 100% Compliance – Indian Creek Water Reclamation Facility
- Land Application System Gold Award for 100% Compliance – Bear Creek Facility
- Certificate of Achievement in Financial Reporting

Additionally, there were several individual awards achieved by Authority staff:

- Nathan Meridith deJarnette Award demonstrates outstanding accomplishments in operating a water or water pollution control facility, who performs outstanding service in instructing and training other water/wastewater plant operators, who contributes to the advancement of system operations, and/or who develops operational devices, techniques, or programs- given to the Authority's Water Production Department Manager
- Golden Hydrant Society – given to a Water Plant Operations Supervisor
- District 3 Top Operator – given to a Water Plant Class 1 Operator

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

Henry County is one of 15 counties in the greater metropolitan Atlanta region. Economic conditions that impact Atlanta tend to have some effect on Henry County as well. When the economy is robust and new commercial development is taking place in Atlanta, then additional housing starts, increased housing prices, lower unemployment, and greater commercial development tend to occur in Henry County. When housing prices rise too high in Atlanta, more people look to the outlying counties as a place to live. While commercial businesses in Henry County do not necessarily have to match salary rates in Atlanta, they do have to stay close enough that their employees would not choose to make the congested daily commute into downtown Atlanta.

Henry County is somewhat of a bedroom community for Atlanta; and a warehousing destination for the port at Savannah (Logistics Centers are clearly one of the leading industries in Henry County); and an emerging county in its own rights with new businesses and manufacturing are continuing to locate here. Henry County has experienced rapid growth for a number of years, with population increasing by 103% from 1990 to 2000 (58,781 to 119,341); and by 71% from 2000 to 2010 (119,341 to 203,922). The Atlanta Regional Commission (ARC) currently estimates the 2020 population at 246,363. ARC projects that Henry County population will continue to steadily increase each year and will reach 370,445 in 2050. Henry County is one of the fastest growing counties, if not the fastest growing, in the Atlanta metropolitan region.

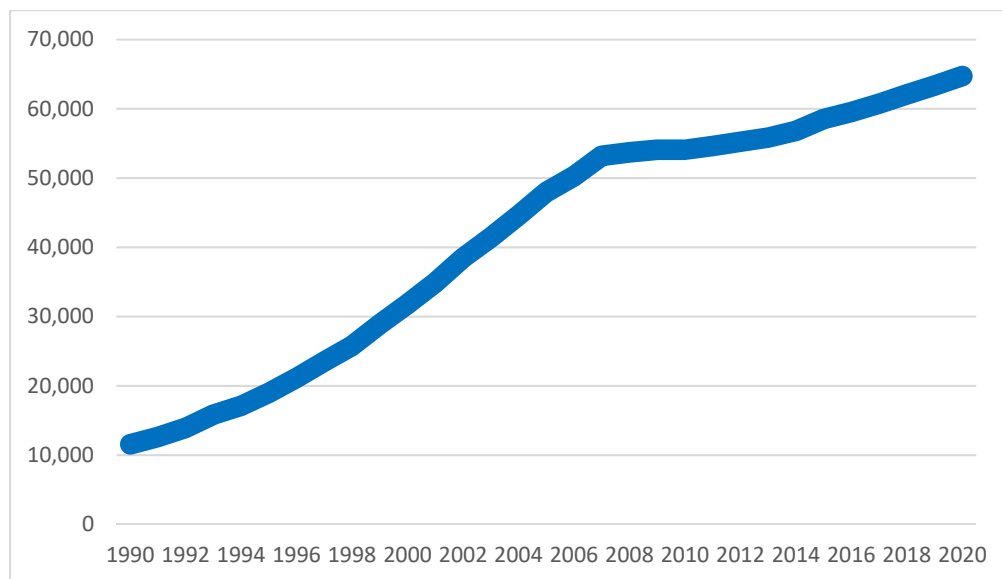
Some key U.S. Census data for Henry County is listed below:

	Henry County	State of Georgia
Median household income	\$ 68,609	\$ 61,980
Median earnings for fulltime, year-round workers	\$ 42,211	\$ 40,481
Poverty rate	10.4%	13.3%
High School degree or higher	90.4%	87.9%
Home ownership	71.6%	64.1%
Housing value	\$165,900	\$202,500

Henry County industry sectors with the highest number of employees:

	Number of Establishments	Number of Employees
Retail trade	595	10,932
Government, including Schools	100	9,735
Accommodation and Food Services	440	8,718
Health Care and Social Assistance	502	7,945
Administrative and Support and Waste Management	324	7,832
Transportation and Warehousing	218	6,249
Manufacturing	93	3,193
Wholesale trade	169	2,251
Professional, Scientific, and Technical Services	361	2,142
Construction	299	1,584
Finance and Insurance	208	1,089
Real Estate and Rental and Leasing	170	959

The Henry County Water Authority installed an average of 75 new meters per month throughout fiscal year 2020. The graph below is the number of Authority water customers from 1990 to 2020.



It is reasonable to expect that Henry County will continue to grow at a brisk pace. Housing is more affordable in Henry County than it is in much of the Atlanta area, and there is a great amount of undeveloped land in the county. Median earnings above the state average coupled with housing value well below the state average is an attractive combination. Interstate 75 runs through the middle of the county from north to south, providing direct access to Atlanta and to the Atlanta airport. Developers

and builders continued to build in Henry County even during the worst of the Coronavirus shut-downs earlier this calendar year. As the number of houses continues to increase, more retail businesses will be attracted to Henry County (retail follows housing). In fact, retail growth is well under way right now. Additionally, as the port at Savannah continues to receive more and bigger container ships, Henry County can expect additional logistics centers as a result. Thus, it would appear that the industry sectors listed above will continue to expand proportionally to each other.

In March 2020, the Authority began taking measures to deal with the Coronavirus. The Authority Administrative Building was closed to the public from mid-March through June. All contact with customers was handled primarily by phone, drive-through window or our customer website interface. All requirements and guidelines from the Governor's office were followed. A number of employees began working from home if their job function could be accomplished remotely. The Authority already utilized customer service call center software, so employees who work from home are just as accountable as if they were in the office. The Authority also utilizes paperless work-orders, and has GIS tracking on all vehicles. Thus, employees that work in the field were able to go straight to their work-order sites without having to first come to the Authority office each morning. Authority Management held on-line webex meetings twice a week (meetings have been cut to once a week more recently) to stay abreast of any issues that may have arisen as a result of changes made, and to decide if any modifications or other measures should be put in place.

It appears that water and sewer revenue was not negatively impacted as a result of the Coronavirus. In fact, our FY 2020 water and sewer revenue of \$61.6 million was 6.6% more than the previous year. Industries in the County continued to operate and we saw no revenue reduction from that sector. Many county residents who previously drove out of county to work each day, began working from home. That resulted in an increase to residential water and sewer revenue. Some restaurants and retail establishments in our county restricted operations, resulting in less water and sewer revenue from them. However, that reduction was far less than the increase in revenue generated by residents working from home. In an effort to help customers whose income may have been reduced during this period, the Authority curtailed disconnections for past-due accounts from mid-March through the end of June. As a result, reconnection fees were approximately \$90,000 less than they otherwise would have been. In July (after FY 2020), disconnections resumed and past-due customer bills were quickly caught up to date.

Water conservation is a significant factor 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 at that time seem to have played a 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 the water supplies of the Henry County Water Authority 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 consist 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. During the fiscal year, a Drought Level 1 was declared in October 2019. However, the Level 1 declaration was lifted in December 2019, and we have continued since that time under the modest non-drought condition restrictions.

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, and rulings thus far have been mostly favorable for Georgia. 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, Florida and Alabama have not abandoned 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. Prior to September 2019, the Authority purchased 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. As of September 2019, the Authority no longer purchases water from DeKalb County for that area. Water is supplied from the Authority's system. The Authority does have two connections to the DeKalb County system where water can be supplied in the event of a pressure drop on the Henry County side of the connections. Any withdrawal limitations imposed on the Chattahoochee basin should have minimal direct impact on the Henry County Water Authority. 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

Henry Continues to grow at a fairly rapid pace. Real property tax increases, recorded as revenue by the Authority, are an indication of this growth:

- FY 2015 12.0%
- FY 2016 11.1%
- FY 2017 9.4%
- FY 2018 6.4%
- FY 2019 9.5%
- FY 2020 5.6%

Real property tax revenue for FY 2021 is expected to be 6.1% above that recorded in FY 2020.

The increase in the customer base has averaged just over 2% per year for the past seven years. 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 1,200 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. 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. An expansion of one of the Authority's wastewater treatment plants (Indian Creek WWTP) to increase its capacity from 1.5 million gallons per day (mgd) to 3.0 mgd has recently been completed. Engineering design work for a planned expansion to the Walnut Creek WWTP is currently underway. 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, 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 million expansion to Indian Creek WWTP from cash in hand. However, in today's low interest rate environment, the Authority can borrow money from the Georgia Environmental Finance Authority (GEFA) to finance qualified projects at an interest rate of less than 1% for a 20-year loan. We believe it is in the Authority's best interest to take advantage of this low interest rate loan. Therefore, we anticipate borrowing up to \$72 million for a wastewater treatment plant expansion as discussed in the next paragraph.

Engineering design has recently begun on a 6 million gallons per day (mgd) expansion of the Authority's largest wastewater treatment plant- Walnut Creek Water Reclamation Facility. Preliminary total cost estimates to complete this expansion range from \$65 million to \$72 million. The Authority has notified GEFA that it will be applying for an SRF loan for the entire projected cost of the expansion. GEFA has already assigned loan # CWSRF2020-31 to this expansion project.

The Authority currently has four State Revolving Fund Loans with GEFA totaling \$37 million principal outstanding. Combined annual debt service on the four loans is \$4.1 million. All have a fixed interest rate of 3%. The Authority intends to pay off the entire balance of these loans within the next 12 months.

The Authority anticipates refinancing two outstanding Revenue Bonds, series 2010 and 2012, in the par amount of \$37.5 million within the next 12 months. Based on current economics, this refinancing will achieve an average annual cash flow savings of over \$800,000. The Authority's Board is planning to consider the proposed refinancing for approval at the November 12, 2020 regularly scheduled monthly Board Meeting.

Major Initiatives

The Authority concluded a major study of its 30 year Capital Improvement Plan during 2015. The Plan is adjusted each year based on actual customer rate of growth and additional infrastructure needs. Below, expressed in millions of dollars, are the amounts expected to be spent by the Authority in accordance with the 30 year Plan (future dollars based on annual inflation rate of 3%).

Year	Water	Wastewater	Total
2016 - 2020	31.4	38.2	69.6
2021 - 2025	100.7	75.8	176.5
2026 - 2030	95.6	69.2	164.8
2031 - 2035	83.4	119.5	202.9
2036 - 2040	66.9	9.9	76.8
2041 - 2045	91.5	151.0	242.5
	469.5	463.6	933.1

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

- \$68.0 Walnut Creek WWTP expansion from 8 mgd to 12 mgd (2021-2025) *1
- \$81.1 Walnut Creek WWTP expansion from 12 mgd to 16 mgd (2031-2035)
- \$111.2 Walnut Creek WWTP expansion from 16 mgd to 20 mgd (2041-2045)
- \$38.0 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)
- \$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)
- \$28.0 Big Cotton Indian Creek Pump Station upgrade (2026-2030)
- \$98.5 Metering system upgrades (2016-2045)
- \$147.6 Water distribution system improvements, including pipe replacement (2016-2045)
- \$57.6 Sewer Collection system improvements (2016-2045)

*1 Items are listed here as included in the 2015 Plan. Design on Walnut Creek WWTP 2021-2015 expansion has recently begun. It is recommended that the expansion be upgraded to a 6 mgd expansion rather than the 4 mgd expansion called for in the 2015 Plan. Total cost for this expansion will be up to \$72 million.

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.

In November 2019, the Authority began another comprehensive study of its 30 year Capital Improvement Plan. We anticipate the Study will be complete by December 31, 2020.

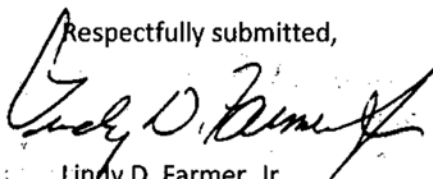
Authority staff carefully evaluate on-going and up-coming projects on a monthly basis. The Authority adjusts the timing of projects in the capital improvement plan in an effort to match them with anticipated growth in the customer base that would create the need for the project. The Authority has a history of excellent planning and successfully executing those plans. As a result, adequate facilities are in place to meet the drinking water and wastewater 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 ten years, on a route by route basis. The Authority's approximately 67,000 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 28,000 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,



Lindy D. Farmer, Jr.
General Manager



Roderick Burch, CPA
Chief Financial Officer

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

LISTING OF PRINCIPAL OFFICERS
JUNE 30, 2020

HCWA Board Members



Jimmy Carter



Carlotta Harrell



Zuwena Poole



Warren Holder



Cletonya Stidom

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
Allen Rape –	Division Manager of Customer Support Services
Dave Peterson -	Manager, Finance
Tamara Smith –	Manager, Human Resources
Jeff Allen -	Manager, Purchasing & Inventory
Dan Newcombe –	Director of Information Technology
Randy Crumbley-	Manager, Engineering
Allan Branan -	Manager, Inspections
Darlene Johnson -	Manager, Customer Service
Eric Osborne –	Manager, Water Production
Jason Jeffares -	Manager, Water Pollution Control
Tara Brown -	Manager, Sewer Line Maint & Repairs
Ray Sanders –	Manager of Water & Sewer Operations Maintenance
Ken Presley -	Manager, Reservoirs & Land Management
Lesa Walker -	Manager, Operations

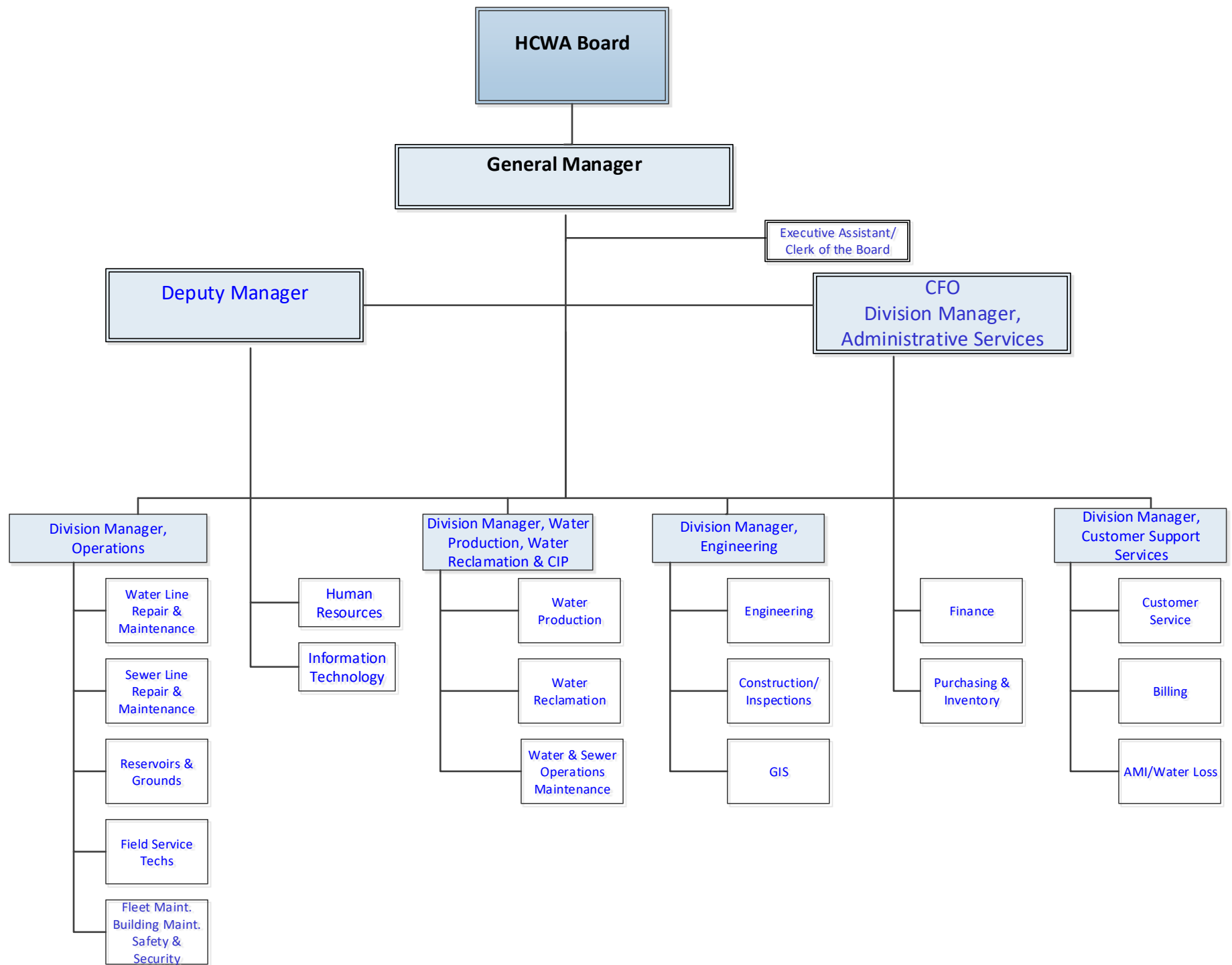
Consultants and Professional Services

Legal Counsel:

Smith, Welch, Webb & White, McDonough, Georgia

Auditors:

Mauldin & Jenkins, LLC, Macon, Georgia



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 fiscal year ended June 30, 2020, 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 Authority, as of June 30, 2020, 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 13) and the Schedule of Changes in the Authority's Net Pension Liability and Related Ratios (on page 39), Schedule of Authority Contributions (on page 40), and Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios (page 41) 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 October 12, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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
October 12, 2020

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements, notes to the financial statements and statistical section.

The overall financial position of the Authority has improved from the previous year, as evidenced by:

- Increase in total net position of \$15 million
- Net increase in cash of \$22 million
- Net decrease in liabilities of \$7 million

The Authority has a growing customer base; is expanding capital assets (infrastructure) without the burden of additional debt; and has the ability to implement rate increases (as evidenced by the 2% water and sewer rate increase effective November 1, 2019).

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$21.3 million. Capital assets decreased \$16.0 million because the increase in accumulated depreciation of \$29.3 million was greater than net additions of \$13.3 million to capital assets during the year.

	2020	2019
Current assets	\$ 10,353,475	\$ 15,459,821
Restricted assets	146,852,418	120,470,845
Capital assets	307,431,511	323,477,120
Other long-term assets	-	3,959,322
Total assets	<u>464,637,404</u>	<u>463,367,108</u>
Deferred refunding charges	3,402,636	3,811,885
Deferred outflows related to pensions	5,077,045	3,374,657
Deferred outflows related to other post employment benefits	2,620,987	826,435
Total deferred outflows of resources	<u>11,100,668</u>	<u>8,012,977</u>
Current liabilities	24,556,428	26,229,750
Long-term liabilities	171,911,109	177,636,907
Total liabilities	<u>196,467,537</u>	<u>203,866,657</u>
Deferred inflows related to pensions	163,373	2,789,146
Deferred inflows related to other post employment benefits	2,349,045	2,619,273
Total deferred inflows of resources	<u>2,512,418</u>	<u>5,408,419</u>
Net investment in capital assets	163,672,219	160,646,640
Restricted for debt service	126,445,455	102,764,470
Unrestricted	(13,359,557)	(1,306,101)
Total net position	<u>\$ 276,758,117</u>	<u>\$ 262,105,009</u>

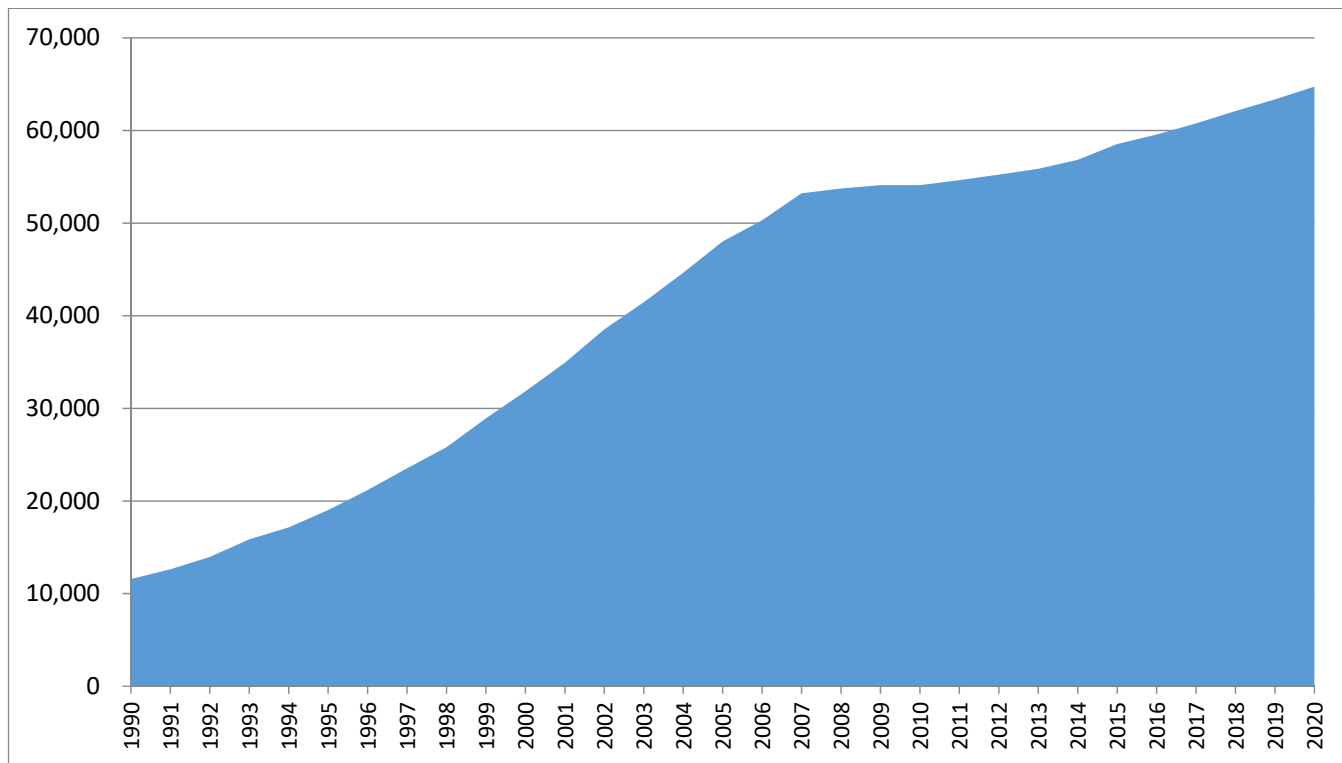
No additional debt was issued during the year and the reduction in long-term liabilities reflects payments made on existing Revenue Bonds and long-term GEFA loans.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

The Authority expands its water and sewer infrastructure in accordance with demand, which is largely predicated on the rate of growth in population in Henry County. The graph below shows the number of Authority water customers from 1990 to 2020. There are significant differences in the pace of customer growth from 1990 through 2020. These differences can be summarized into three categories:

1. 1990 through 2007 – explosive growth, adding an average of 2,450 new customers per year. That equates to an average 9.4% rate of growth per year.
2. 2008 through 2014 – dramatic decrease in the rate of growth as a result of the nation-wide housing slump that occurred during that time. However, an average of 515 new customers per year were still being added during that seven-year window.
3. 2015 through 2020 – moderate growth, adding an average of 1,307 new customers each year, equating to a 2.2% rate of growth.



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 64,740 in 2020. Large tracks of developable land, formerly farmland, located along Interstate 75 (with seven 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.

	2020	2019
Operating revenues:		
Water revenues	\$ 44,036,598	\$ 41,023,897
Sewerage revenue	17,540,975	16,727,091
Connection fees	552,556	566,104
Other fees and charges	1,719,828	2,295,574
Total operating revenues	<u>63,849,957</u>	<u>60,612,666</u>
Operating expenses:		
Water treatment	7,039,358	5,128,871
Water purchase	7,282	120,455
Customer service and connection	3,980,742	3,502,732
Wastewater treatment	7,442,762	5,860,431
Repairs and maintenance	15,490,825	11,281,782
Administrative and engineering	9,514,351	6,406,171
Depreciation	29,503,686	29,534,179
Information technology	2,175,174	1,640,485
Total operating expenses	<u>75,154,180</u>	<u>63,475,106</u>
Operating loss	<u>(11,304,223)</u>	<u>(2,862,440)</u>
Non-operating revenues (expenses):		
Real property taxes	15,735,981	14,894,787
Motor vehicle and other taxes	1,420,927	1,421,916
Interest income	1,778,140	2,370,412
Interest expense and fiscal charges	(6,271,437)	(6,840,284)
Gain on disposal of capital assets	34,701	151,515
Total non-operating revenues, net	<u>12,698,312</u>	<u>11,998,346</u>
Loss before contributions	1,394,089	9,135,906
Capital contributions	<u>13,259,019</u>	<u>8,157,855</u>
Change in net position	14,653,108	17,293,761
Total net position, beginning	<u>262,105,009</u>	<u>244,811,248</u>
Total net position, ending	<u><u>\$ 276,758,117</u></u>	<u><u>\$ 262,105,009</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

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, 2020, are:

- \$12.89 per month base charge (household size meter)
- \$ 4.97 per thousand gallons for the first 6,000 gallons
- \$ 6.76 per thousand gallons for the next 4,000 gallons
- \$ 9.88 per thousand gallons for all usage above 10,000 gallons

Sewerage charges are based on metered water usage. Those sewerage customers who do substantial outdoor irrigation typically have separate irrigation meters. So, sewerage revenue is not as significantly impacted by weather conditions as is water revenue. The Authority added 923 new sewerage customers to the system during 2020. No sewer rate increase was implemented during the fiscal year. Residential sewerage rates at June 30, 2020, are:

- \$12.89 per month base charge
- \$ 4.97 per thousand gallons for the first 6,000 gallons
- \$ 6.76 per thousand gallons for all usage above 10,000 gallons

Approximately 40% 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, 2020, the fee for a standard $\frac{3}{4}$ inch meter is \$330 (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 and the total number of connections in FY2020 were slightly less than the previous year.

Other fees and charges – This line item includes a 10% fee for late payments made by customers, which totaled \$770,022 in FY2020. 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, \$229,729 was collected for that. Another \$52,284 was assessed and collected from industrial customers for non-compliance with our sewer use ordinance (non-compliance fees for FY2020 were less than FY2019 by \$558,535). Bad check fees, damage and tampering fees, plan review fees, fishing permits and various other fees, are also credited to this line.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

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 ten elevated water storage tanks, three ground storage tanks and several booster pump stations. Actual water production (inclusive of water purchased) during FY2020 averaged 16.6 mgd; an increase from the previous year's number of 15.8 mgd. In addition to its finished water production capability at the Authority's two Water Treatment Plants, contracts with neighboring Clayton and DeKalb counties enable the Authority to purchase finished water on an as needed basis. Each year since 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 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 or the next day. The Authority is in a multi-year meter change out program, replacing the older drive-by radio read meters ("AMR") with Advanced Metering Infrastructure ("AMI"). The new AMI meters transmit information to the Authority office (via base station) without the need to send an employee in a truck to the site of the meter. Approximately 42% of the Authority's meters have been changed out to AMI technology, and the remaining 58% of the meters are AMR.

Wastewater treatment – The Authority operates three wastewater treatment plants ("WWTP"). The three plants together treated an average of 7.5 mgd of sewerage during FY2020, which is a slight increase from 7.4 mgd treated the previous year. The combined permitted capacity of these three plants as of June 30, 2020 was 12.3 mgd, however, the collection systems for these three plants are not interconnected. As is typical of sewer systems, the collection systems make maximum use of gravity flow to deliver the sewerage to a wastewater treatment plant at or near the bottom of the respective gravity basin.

Repairs and maintenance – This is comprised of the following:

	<u>2020</u>	<u>2019</u>
Purchasing and inventory	\$ 818,457	\$ 593,593
Vehicle maintenance	455,740	325,800
Building and grounds maintenance	531,373	508,891
Security and maintenance	870,343	652,789
Sewer line repair and maintenance	2,383,622	1,561,891
Water and sewer operations maintenance	4,834,649	3,384,440
Reservoir and grounds	1,435,716	1,142,323
Water line repair and maintenance	4,160,925	3,112,055
Total	<u>\$ 15,490,825</u>	<u>\$ 11,281,782</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

Administration and Engineering – This is comprised of the following:

	<u>2020</u>	<u>2019</u>
Administrative	\$ 1,940,481	\$ 1,357,297
Finance	1,180,807	834,205
Human resources	1,038,635	668,749
Engineering	2,014,422	1,114,331
Inspections	1,114,472	804,389
GIS	1,621,307	1,016,018
Property and liability insurance	498,247	488,705
Bad debt expense	105,980	122,477
Total	<u>\$ 9,514,351</u>	<u>\$ 6,406,171</u>

Depreciation – This is, by far, the Authority's single largest expense line item, accounting for 39.3% of the total operating expenses. The Authority owns over \$791 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.

Real property taxes – The Authority receives a 2 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 2 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 FY2009. The tax digest decreased each fiscal year beginning with FY2010 through FY2013, reflecting lower property valuations. However, since 2013, the Authority has experienced property tax revenue as follows:

<u>Fiscal Year</u>	<u>Amount</u>	<u>% Increase</u>
2014	\$ 9,386,971	
2015	10,509,669	12.0%
2016	11,674,596	11.1%
2017	12,773,628	9.4%
2018	13,597,092	6.4%
2019	14,894,787	9.5%
2020	15,735,981	5.7%

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

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. Motor vehicle and other taxes is comprised of the following:

	2020	2019
Motor Vehicles	\$ 1,037,408	\$ 1,038,731
Intangible	324,171	273,141
N.O.D.s and Mobile Homes	21,240	58,631
Penalties and interest	38,108	51,413
Total	<u>\$ 1,420,927</u>	<u>\$ 1,421,916</u>

Interest Income – Funds are invested as permitted in accordance with Georgia Code Section 36-80-3. Bank charges of \$65,524 were netted on this line against interest earnings of \$1,843,664.

Interest expense and fiscal charges:

	2020	2019
Revenue bond interest expense	\$ 5,369,069	\$ 5,859,981
GEFA interest expense	1,156,935	1,240,114
Amortization of issuance costs	(258,919)	(262,652)
Fiscal agent fees	4,352	2,841
Total	<u>\$ 6,271,437</u>	<u>\$ 6,840,284</u>

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 FY2020, we realized a net gain of \$34,701 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.

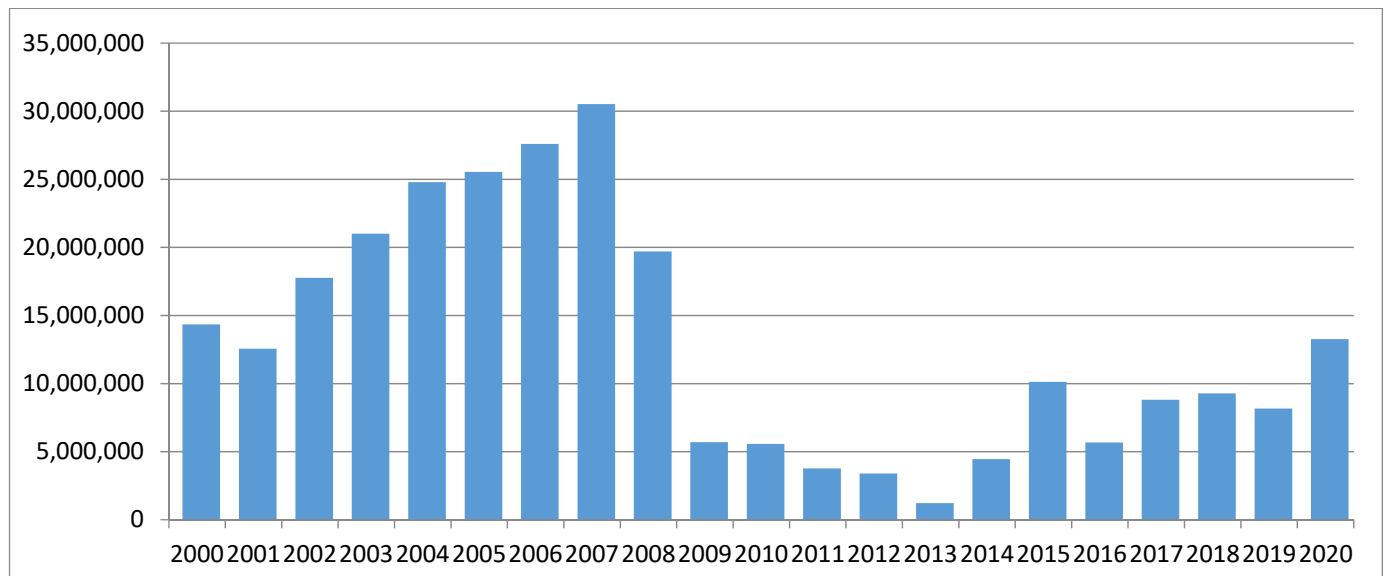
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

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>2020</u>	<u>2019</u>
Impact fees	\$ 5,500,069	\$ 4,046,493
Contributions for project costs	7,758,950	452,646
Contributions in kind	<u>-</u>	<u>3,658,716</u>
Total	<u>\$ 13,259,019</u>	<u>\$ 8,157,855</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 six years reflect an increase in new construction, after six years of continued decline.



The overall financial position of the Authority has improved from the previous year, as evidenced by:

- Increase in total net position of \$15 million
- Net increase in cash of \$22 million
- Net decrease in liabilities of \$7 million

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets: The Authority's investment in capital assets as of June 30, 2020 before accumulated depreciation is \$791,928,079. Net of accumulated depreciation, that number comes to \$307,431,511. 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 10.93 miles of water main and 8.82 miles of sewerage main to the system during FY2020.

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 FY2020. Principal payments of \$2,920,897 on GEFA loans and \$12,565,000 on Revenue Bonds were made in accordance with the debt service schedules.

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

Currently Known Conditions Affecting Future Operations

The Authority has received a Digest Evaluation from the County Tax Commissioner showing Net Tax to the Authority of \$16,703,554, which will be recorded as revenue in the Authority's fiscal year 2021. This is an increase of 6.1%, amounting to an additional \$967,573 from the amount reported to us by the Tax Commissioner a year ago and recorded in these FY2020 Financial Statements. (These numbers are before any write-offs for uncollectable taxes. Write-offs are typically less than 1% - there is no expectation that the write-off will be significantly different in FY2021 from the norm). This is the sixth consecutive year of strong growth in the tax digest.

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
(A Component Unit of Henry County, Georgia)

STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
CURRENT ASSETS	
Cash	\$ 1,891,447
Receivables, net of allowance for uncollectibles:	
Taxes	864,840
Accounts	6,598,343
Inventory	998,845
Restricted assets:	
Cash	13,454,014
Investments	133,398,404
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Total current assets	157,205,893
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CAPITAL ASSETS	
Land	34,968,336
Buildings	16,980,846
Improvements other than buildings	688,620,109
Machinery and equipment	19,608,388
Vehicles	5,569,945
Construction in progress	26,180,455
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	791,928,079
Less accumulated depreciation	484,496,568
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Total capital assets, net of accumulated depreciation	307,431,511
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Total assets	464,637,404
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DEFERRED OUTFLOWS OF RESOURCES	
Deferred refunding charges	3,402,636
Pension	5,077,045
Other post-employment benefits	2,620,987
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Total deferred outflows of resources	11,100,668
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HENRY COUNTY WATER AUTHORITY
(A Component Unit of Henry County, Georgia)

STATEMENT OF NET POSITION
JUNE 30, 2020

LIABILITIES	
CURRENT LIABILITIES	
Payable from current assets:	
Accounts payable	\$ 432,706
Compensated absences payable	1,023,970
Accrued expenses and other liabilities	370,981
Retainage payable	1,546,330
Customer deposits payable	4,785,044
Accrued interest payable	92,049
Notes payable - current	1,495,235
	<u>9,746,315</u>
Payable from restricted assets:	
Revenue bonds payable	12,695,000
Accrued interest payable	2,115,113
	<u>14,810,113</u>
Total current liabilities	<u>24,556,428</u>
LONG-TERM LIABILITIES	
Notes payable	35,687,705
Revenue bonds payable, net	112,081,153
Compensated absences payable	484,709
Total other post-employment benefits liability	18,162,135
Net pension liability	5,495,407
	<u>171,911,109</u>
Total long-term liabilities	<u>196,467,537</u>
Total liabilities	<u>245,023,965</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	163,373
Other post-employment benefits	2,349,045
	<u>2,512,418</u>
Total deferred inflows of resources	<u>2,512,418</u>
NET POSITION	
Net investment in capital assets	163,672,219
Restricted for debt service	126,445,455
Unrestricted	<u>(13,359,557)</u>
Total net position	<u>\$ 276,758,117</u>

See Notes to Financial Statements.

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

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FISCAL YEAR ENDED JUNE 30, 2020

Operating revenues

Charges for services:

Water sales	\$ 44,036,598
Sewer sales	17,540,975
Connection fees	552,556
Other fees and charges	1,719,828
Total operating revenues	<u>63,849,957</u>

Operating expenses

Water treatment	7,039,358
Water purchase	7,282
Customer service and connection	3,980,742
Wastewater treatment	7,442,762
Repairs and maintenance	15,490,825
Administrative and engineering	9,514,351
Depreciation	29,503,686
Information technology	2,175,174
Total operating expenses	<u>75,154,180</u>

Operating loss	<u>(11,304,223)</u>
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Non-operating revenues (expenses)

Real property taxes	15,735,981
Motor vehicle and other taxes	1,420,927
Interest income	1,778,140
Gain on disposal of capital assets	34,701
Interest expense and fiscal charges	(6,271,437)
Total non-operating revenues, net	<u>12,698,312</u>

Income before contributions	1,394,089
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Capital contributions	<u>13,259,019</u>
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Change in net position	14,653,108
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Total net position, beginning of year	<u>262,105,009</u>
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Total net position, end of year	<u><u>\$ 276,758,117</u></u>
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See Notes to Financial Statements.

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

STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 64,639,279
Payments to suppliers	(15,266,554)
Payments to employees	(23,958,899)
Net cash provided by operating activities	<u>25,413,826</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes received	<u>17,037,184</u>
Net cash provided by noncapital financing activities	<u>17,037,184</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Purchases of capital assets	(6,336,486)
Proceeds from the sale of capital assets	34,701
Principal payments on long-term borrowings	(15,485,901)
Interest paid on long-term borrowings	(6,746,887)
Capital contributions	6,137,428
Net cash used in capital and related financing activities	<u>(22,397,145)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>1,778,140</u>
Net cash provided by investing activities	<u>1,778,140</u>

Net increase in cash 21,832,005

Cash:

Beginning	<u>126,911,860</u>
Ending	<u><u>\$ 148,743,865</u></u>

Classified as

Cash	\$ 1,891,447
Restricted assets:	
Cash	13,454,014
Cash equivalents included in investments	133,398,404
	<u><u>\$ 148,743,865</u></u>

(Continued)

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

STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2020

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

Operating loss	\$ (11,304,223)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	29,503,686
Changes in assets and liabilities:	
Decrease in accounts receivable	757,885
Decrease in due from Henry County	31,437
Increase in inventory	(112,820)
Increase in deferred outflows of resources	(3,496,940)
Increase in accounts payable and accrued expenses	10,188
Increase in customer deposits payable	142,912
Increase in net pension liability	9,454,729
Decrease in deferred inflows of resources	(2,896,001)
Increase in total other post-employment benefits obligation	3,322,973
Net cash provided by operating activities	<u><u>\$ 25,413,826</u></u>

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

Capital contributions from developers	\$ 7,121,591
	<u><u>\$ 7,121,591</u></u>

See Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 63,000 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 the 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 the County'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 Governmental Accounting Standards Board ("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 2019, and not collected by June 30, 2020, 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 three items that qualified for reporting in this category for the year ended June 30, 2020. Those items are deferred bond refunding charges, the items related to the changes in the net pension asset and the total Other Post-employment Benefits (“OPEB”) liability 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 a 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 and total other post-employment benefits, as discussed below, the Authority did not have any items that qualified for reporting in this category for the year ended June 30, 2020.

The Authority also has deferred inflows and outflows related to the recording of changes in its net pension liability and total OPEB liability. Certain changes in the net pension liability and total OPEB liability are recognized as pension and OPEB 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 and total OPEB 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 and total OPEB 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 and OPEB 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 and OPEB

For purposes of measuring the net pension liability, total OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension expense and OPEB 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, 2020, are summarized as follows:

As reported in the Statement of Net Position:

Cash	\$ 1,891,447
Restricted:	
Cash	13,454,014
Investments	133,398,404
	<u>\$ 148,743,865</u>
 Cash deposited with financial institutions	 \$ 15,345,461
Cash deposited with Georgia Fund 1	133,398,404
	<u>\$ 148,743,865</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, 2020, the Authority's investment in Georgia Fund 1 was rated AA+ by Standard & Poor's.

At June 30, 2020, the Authority had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	39-day weighted average	\$ 133,398,404
Total		<u>\$ 133,398,404</u>

Georgia Fund 1, created by the Official Code of Georgia Annotated ("O.C.G.A.") §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, bankers' 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 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 the 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, 2020, all of the Authority's funds which were uninsured were collateralized as required by O.C.G.A. §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 O.C.G.A. and GASB.

NOTE 3. RECEIVABLES

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following at June 30, 2020:

Receivables:	
Taxes	\$ 885,643
Accounts	6,741,844
Gross receivables	<u>7,627,487</u>
Less allowance for uncollectibles	(164,304)
Net total receivables	<u><u>\$ 7,463,183</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, 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	27,472,029	4,734,678	-	(6,026,252)	26,180,455
Total	<u>62,440,365</u>	<u>4,734,678</u>	<u>-</u>	<u>(6,026,252)</u>	<u>61,148,791</u>
Capital assets, being depreciated:					
Buildings	16,800,076	180,770	-	-	16,980,846
Improvements other than buildings	675,177,670	7,416,187	-	6,026,252	688,620,109
Machinery and equipment	19,068,871	630,827	(91,310)	-	19,608,388
Vehicles	5,171,473	495,615	(97,143)	-	5,569,945
Total	<u>716,218,090</u>	<u>8,723,399</u>	<u>(188,453)</u>	<u>6,026,252</u>	<u>730,779,288</u>
Less accumulated depreciation for:					
Buildings	(10,342,280)	(772,281)	-	-	(11,114,561)
Improvements other than buildings	(423,992,886)	(27,000,952)	-	-	(450,993,838)
Machinery and equipment	(17,172,228)	(1,187,833)	91,310	-	(18,268,751)
Vehicles	(3,673,941)	(542,620)	97,143	-	(4,119,418)
Total	<u>(455,181,335)</u>	<u>(29,503,686)</u>	<u>188,453</u>	<u>-</u>	<u>(484,496,568)</u>
Total capital assets, being depreciated, net	<u>261,036,755</u>	<u>(20,780,287)</u>	<u>-</u>	<u>6,026,252</u>	<u>246,282,720</u>
Total capital assets, net	<u>\$ 323,477,120</u>	<u>\$ (16,045,609)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,431,511</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bonds	\$ 133,620,000	\$ -	\$ (12,565,000)	\$ 121,055,000	\$ 12,695,000
Plus unamortized premiums	4,391,845	-	(670,692)	3,721,153	-
Less unamortized discounts	(2,523)	-	2,523	-	-
Revenue bonds, net	138,009,322	-	(13,233,169)	124,776,153	12,695,000
Notes payable	40,103,841	-	(2,920,901)	37,182,940	1,495,235
Net pension liability (asset)	(3,959,322)	14,957,514	(5,502,785)	5,495,407	-
Total OPEB liability	14,839,162	3,569,082	(246,109)	18,162,135	-
Compensated absences	1,292,450	1,191,438	(975,209)	1,508,679	1,023,970
Total long-term liabilities	<u>\$ 190,285,453</u>	<u>\$ 19,718,034</u>	<u>\$ (22,878,173)</u>	<u>\$ 187,125,314</u>	<u>\$ 15,214,205</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, 2020, net revenues totaled \$42,669,281 and total debt service related to the revenue bonds totaled \$18,143,210. Amounts pledged equal total debt service for each applicable year. Revenue bonds outstanding at June 30, 2020, are as follows:

Interest Rate	Due Date	
3.00% – 5.25%	2030	\$ 43,710,000
5.00%	2026	29,785,000
2.00% – 5.00%	2030	14,360,000
2.16%	2028	33,200,000
		<u>121,055,000</u>
	Plus unamortized premiums	3,721,153
		<u>\$ 124,776,153</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity are as follows:

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 12,695,000	\$ 5,076,270	\$ 17,771,270
2022	12,930,000	4,634,680	17,564,680
2023	11,175,000	4,179,500	15,354,500
2024	11,540,000	3,734,805	15,274,805
2025	12,025,000	3,294,323	15,319,323
2026 – 2030	60,690,000	8,421,148	69,111,148
Total	<u>\$ 121,055,000</u>	<u>\$ 29,340,726</u>	<u>\$ 150,395,726</u>

Notes Payable

The Authority has also incurred debt to the Georgia Environmental Facilities Authority (“GEFA”) for construction of various water and sewer system projects. These notes are as follows at June 30, 2020:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	
3.00%	20 years	2030	\$ 10,280,081
3.00%	20 years	2030	11,871,708
3.00%	20 years	2032	13,884,053
3.00%	20 years	2032	1,147,098
			<u>\$ 37,182,940</u>

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

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,495,235	\$ 547,376	\$ 2,042,611
2022	3,056,328	1,028,895	4,085,223
2023	3,149,289	935,934	4,085,223
2024	3,244,300	840,923	4,085,223
2025	3,344,436	740,787	4,085,223
2026 – 2030	18,307,663	2,113,450	20,421,113
2031 – 2033	4,585,689	117,272	4,702,961
Total	<u>\$ 37,182,940</u>	<u>\$ 6,324,637</u>	<u>\$ 43,507,577</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN

Plan Description. On January 1, 2004, the Authority established a contributory defined benefit pension 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, 2020, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	63
Inactive plan members entitled to but not receiving benefits	24
Active plan members	243
	<u>330</u>

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, 2020, the active member required contribution rate was 5% and the Authority's contribution rate was 24.29% of annual payroll. Authority contributions to the Plan were \$3,446,068 for the year ended June 30, 2020.

The Authority's net pension liability was measured as of September 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 with updated procedures performed by the actuary to roll forward the total pension liability measured as of September 30, 2019.

The Authority's net pension liability for the year ended June 30, 2020, is as follows:

Total pension liability	\$ 58,176,556
Plan net position	<u>52,681,149</u>
Net pension liability	<u>\$ 5,495,407</u>

Plan net position as a percentage of the total pension liability	90.6%
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NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Asset). 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, 2020, are reflected below:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)	Pension Expense
Beginning Balance	\$ 45,034,120	\$ 48,993,442	\$ (3,959,322)	
Changes for the year:				
Service cost	1,098,505	-	1,098,505	\$ 1,098,505
Interest	3,394,245	-	3,394,245	3,394,245
Differences between expected and actual experience	1,001,746	-	1,001,746	-
Amortization of experience differences	-	-	-	529,156
Assumption changes	1,586,712	-	1,586,712	(1,586,712)
Amortization of assumption changes	-	-	-	99,295
Contributions - employer	-	3,251,345	(3,251,345)	-
Contributions - employee	-	699,792	(699,792)	(699,792)
Net investment income	-	1,551,648	(1,551,648)	(3,754,610)
Amortization of investment earnings differences	-	-	-	(99,079)
Benefit payments, including refunds of employee contributions	(1,752,046)	(1,752,046)	-	-
Administrative expense	-	(63,032)	63,032	63,032
Other	7,813,274	-	7,813,274	7,813,274
Net changes	<u>13,142,436</u>	<u>3,687,707</u>	<u>9,454,729</u>	<u>\$ 6,857,314</u>
Ending Balance	<u>\$ 58,176,556</u>	<u>\$ 52,681,149</u>	<u>\$ 5,495,407</u>	

The required schedule of changes in the Authority's net pension liability (asset) 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, 2020:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension experience differences	\$ 1,864,875	\$ 62,550
Pension assumption changes	1,715,271	-
Pension investment return	-	100,823
Pension contribution subsequent to measurement date	1,496,899	-
Total	<u>\$ 5,077,045</u>	<u>\$ 163,373</u>

Authority contributions subsequent to the measurement date of \$1,496,899 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2021	\$ 432,346
2022	363,815
2023	914,249
2024	966,803
2025	369,780
Thereafter	369,780
Total	<u>\$ 3,416,773</u>

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

Inflation	2.25%
Salary increases	3.00% – 8.50%, including inflation
Investment return	7.375%

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2019.

Cost of living adjustments were assumed to be 2.00%.

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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity	45%	6.41%
International equity	20%	6.96%
Real estate	10%	4.76%
Global fixed income	5%	3.06%
Domestic fixed income	20%	1.96%
Cash	0%	
Total	100%	

* Rates shown are net of the 2.25% assumed rate of inflation.

Discount rate. The discount rate used to measure the total pension liability was 7.375%. 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, 2020, 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 (7.375%) 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 7.375%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1–percentage–point lower (6.375%) or 1–percentage–point higher (8.375%) than the current rate.

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
Authority's net pension liability (asset)	\$ 14,137,105	\$ 5,495,407	\$ (1,637,690)

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, 2020, 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 four prior years.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS

Plan Administration and Benefits

The Authority administers a single-employer defined benefit Post-Retirement Benefit Plan (the “OPEB Plan”). The OPEB Plan is under the direction of the Authority. The Authority provides post-retirement healthcare benefits for certain retirees. The provisions and obligations to contribute are established by the Authority. The requirements are that the employee must retire from the Authority from active service after the age of 55 and the completion of ten years of service. Additionally, the employee’s years of service plus age must equal 75 or greater. The benefits offered 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 and 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. The Authority established and may amend the benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the OPEB Plan.

Membership

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the post-retirement benefit plan as of the latest actuarial valuation at July 1, 2019:

Active members	259
Retired members	<u>43</u>
	<u>302</u>

Contributions

The Authority has elected to fund the OPEB Plan on a “pay as you go” basis. For the year ended June 30, 2020, the Authority contributed \$246,109 for the pay as you go benefits for the OPEB Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability of the Authority

The Authority's total OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019, with the actuary using standard techniques to roll forward the liability to the measurement date.

Actuarial assumptions. The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate:	2.66%
Healthcare Cost Trend Rate:	8.00% graded by 0.50% per year to an ultimate rate of 4.50%
Inflation Rate:	2.75%
Participation rate:	44.00%

Mortality rates were based on the RP-2016 with MP-2017 scale Mortality Table, with separate rates for males and females.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period 2010 – 2014.

Discount rate

The discount rate used to measure the total OPEB liability was 2.66%. This rate was determined using an index rate of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – which was 2.66% as determined by the Bond Buyer 20-Bond GO Index Rate as of June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability of the County

The changes in the total OPEB liability of the Authority for the year ended June 30, 2020, were as follows:

	Total OPEB Liability
Beginning balance	<u>\$ 14,839,162</u>
Changes for the year:	
Service cost	954,105
Interest	550,062
Differences between expected and actual experience	313,674
Assumption changes	1,751,241
Benefit payments	<u>(246,109)</u>
Net change	<u>3,322,973</u>
Ending balance	<u><u>\$ 18,162,135</u></u>

The required schedule of changes in the Authority's total OPEB liability and related ratios immediately following the notes to the financial statements presents multi-year trend information about the total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1–percentage–point lower (1.66%) or 1–percentage–point higher (3.66%) than the current discount rate:

	(1.66%) 1% Decrease	(2.66%) Discount Rate	(3.66%) 1% Increase
Total OPEB liability	<u>\$ 21,839,277</u>	<u>\$ 18,162,135</u>	<u>\$ 15,260,565</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rates:

	(3.50%) 1% Decrease	(4.50%) Discount Rate	(5.50%) 1% Increase
Total OPEB liability	\$ 14,769,189	\$ 18,162,135	\$ 22,704,670

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 revisions 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, 2020, and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Authority recognized OPEB expense of \$1,504,302. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 285,158	\$ 2,007,843
Other changes in assumptions	2,335,829	341,202
Total	<u>\$ 2,620,987</u>	<u>\$ 2,349,045</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2021	\$ 135
2022	135
2023	135
2024	135
2025	135
Thereafter	<u>271,267</u>
Total	<u>\$ 271,942</u>

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Authority has active construction projects as of June 30, 2020. The projects include a wastewater treatment plant expansion, water tank construction, as well as pumping station upgrade. As of June 30, 2020, the Authority has contractual commitments on uncompleted construction contracts of approximately \$2,626,804.

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

(A Component Unit of Henry County, Georgia)

REQUIRED SUPPLEMENTARY INFORMATION

RETIREMENT PLAN FOR THE EMPLOYEES OF HENRY COUNTY WATER AUTHORITY

SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY

AND RELATED RATIOS

FOR THE FISCAL YEAR ENDED JUNE 30,

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 1,098,505	\$ 1,032,427	\$ 1,072,546	\$ 1,000,593	\$ 873,093	\$ 828,707
Interest on total pension liability	3,394,245	3,130,126	2,889,636	2,723,839	2,437,024	2,402,683
Differences between expected and actual experience	1,001,746	938,583	218,837	(187,652)	1,626,538	(279,992)
Changes in assumptions and/or cost method	1,586,712	-	-	-	-	(1,474,753)
Benefit payments, including refunds of employee contributions	(1,752,046)	(1,539,195)	(1,409,873)	(1,385,052)	(1,086,584)	(980,474)
Other	7,813,274	-	710,468	-	-	-
Net change in total pension liability	13,142,436	3,561,941	3,481,614	2,151,728	3,850,071	496,171
Total pension liability - beginning	45,034,120	41,472,179	37,990,565	35,838,837	31,988,766	31,492,595
Total pension liability - ending (a)	58,176,556	45,034,120	41,472,179	37,990,565	35,838,837	31,988,766
Plan fiduciary net position						
Contributions - employer	3,251,345	3,152,054	2,959,374	2,821,460	2,581,723	2,148,491
Contributions - employee	699,792	669,528	645,104	611,151	583,536	554,460
Net investment income	1,551,648	4,305,486	5,386,788	3,381,048	244,742	2,643,980
Benefit payments, including refunds of member contributions	(1,752,046)	(1,539,195)	(1,409,873)	(1,385,052)	(1,086,584)	(980,474)
Administrative expenses	(63,032)	(61,086)	(60,440)	(34,444)	(36,929)	(28,323)
Net change in plan fiduciary net position	3,687,707	6,526,787	7,520,953	5,394,163	2,286,488	4,338,134
Plan fiduciary net position - beginning	48,993,442	42,466,655	34,945,702	29,551,539	27,265,051	22,926,917
Plan fiduciary net position - ending (b)	52,681,149	48,993,442	42,466,655	34,945,702	29,551,539	27,265,051
Authority's net pension liability (asset) - ending (a) - (b)	\$ 5,495,407	\$ (3,959,322)	\$ (994,476)	\$ 3,044,863	\$ 6,287,298	\$ 4,723,715
Plan fiduciary net position as a percentage of the total pension liability	90.6%	108.8%	102.4%	92.0%	82.5%	85.2%
Covered payroll	\$ 14,282,591	\$ 13,183,975	\$ 12,459,878	\$ 12,058,778	\$ 11,570,213	\$ 10,400,334
Net pension liability as a percentage of covered payroll	38.5%	-30.0%	-8.0%	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
(A Component Unit of Henry County, Georgia)

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

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	818,741	\$ 766,256	\$ 800,622	\$ 985,126	\$ 910,825	\$ 1,134,312
Contributions in relation to the actuarially determined contribution	3,446,068	3,229,669	3,135,643	2,963,849	2,865,866	2,557,728
Contribution deficiency (excess)	<u>\$ (2,627,327)</u>	<u>\$ (2,463,413)</u>	<u>\$ (2,335,021)</u>	<u>\$ (1,978,723)</u>	<u>\$ (1,955,041)</u>	<u>\$ (1,423,416)</u>
Covered payroll	\$ 14,186,030	\$ 13,571,798	\$ 13,561,854	\$ 12,058,778	\$ 11,570,213	\$ 10,400,334
Contributions as a percentage of covered payroll	24.29%	23.80%	23.12%	24.58%	24.77%	24.59%

Notes to the Schedule:

(1) Actuarial Assumptions

Valuation Date	January 1, 2020
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	7.38%
Projected Salary Increases	2.25 % plus service based merit increases
Cost of Living Adjustments	2.00% at January 1, 2020, 2.75% at January 1, 2021, and later
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	N/A

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

HENRY COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

OPEB RETIREMENT PLAN

SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY

AND RELATED RATIOS

FOR THE FISCAL YEAR ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 954,105	\$ 967,971	\$ 969,781
Interest on Total OPEB Liability	550,062	600,361	541,931
Changes of assumptions and other inputs	2,064,915	(1,150,353)	(913,077)
Benefit payments	<u>(246,109)</u>	<u>(245,766)</u>	<u>(197,514)</u>
Net change in total OPEB liability	3,322,973	172,213	401,121
 Total OPEB liability - beginning	 <u>14,839,162</u>	 <u>14,666,949</u>	 <u>14,265,828</u>
Total OPEB liability - ending	<u>\$ 18,162,135</u>	<u>\$ 14,839,162</u>	<u>\$ 14,666,949</u>
Covered payroll	\$ 14,186,030	\$ 13,571,798	\$ 13,561,854
Total OPEB liability as a percentage of covered payroll	128.0%	109.3%	108.1%

Notes to the Schedule:

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

The Authority is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

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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 – 47
<i>These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.</i>	
Revenue Capacity.....	48 – 58
<i>These schedules contain information to help the reader assess the Authority's most significant local revenue sources.</i>	
Debt Capacity.....	59 and 60
<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	61 and 62
<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.....	63 – 65
<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

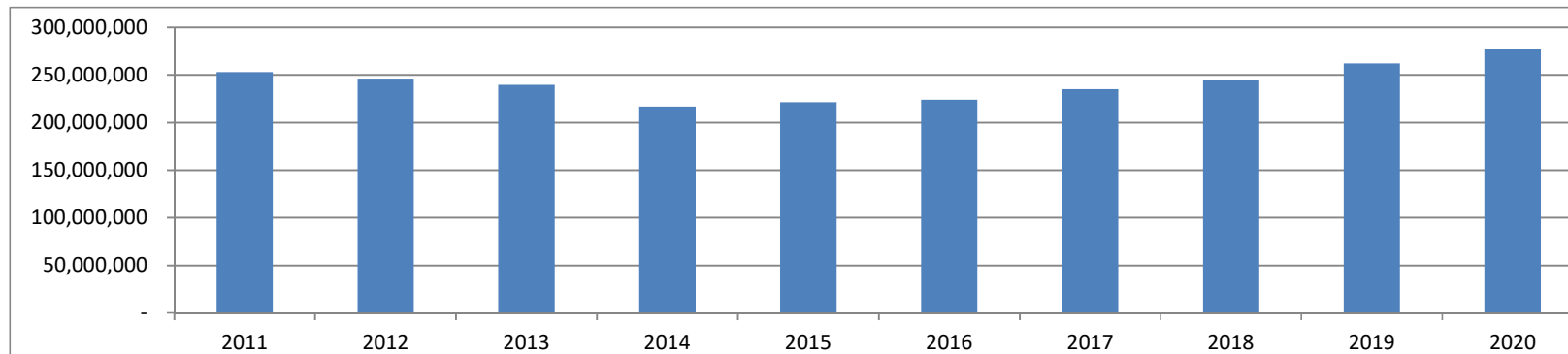
These schedules contain trend information to help the reader understand how the Henry County Water Authority's financial performance and well-being have changed over time.

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

**NET POSITION BY COMPONENT
LAST TEN YEARS**

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net investment in capital assets	\$ 221,738,250	\$ 205,280,042	\$ 200,409,094	\$ 163,916,454	\$ 149,576,330	\$ 139,110,602	\$ 149,506,098	\$ 157,973,622	\$ 160,646,640	\$ 163,672,219
Restricted for:										
Debt service	24,847,227	32,822,755	31,472,197	56,308,020	73,776,950	86,392,853	92,040,942	92,345,098	102,764,470	126,445,455
Unrestricted	6,330,880	8,036,510	7,841,733	(3,273,595)	(2,014,333)	(1,569,678)	(6,400,714)	(5,507,472)	(1,306,101)	(13,359,557)
Total net position	<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>	<u>\$ 244,811,248</u>	<u>\$ 262,105,009</u>	<u>\$ 276,758,117</u>

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



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

CHANGES IN NET POSITION
LAST TEN YEARS

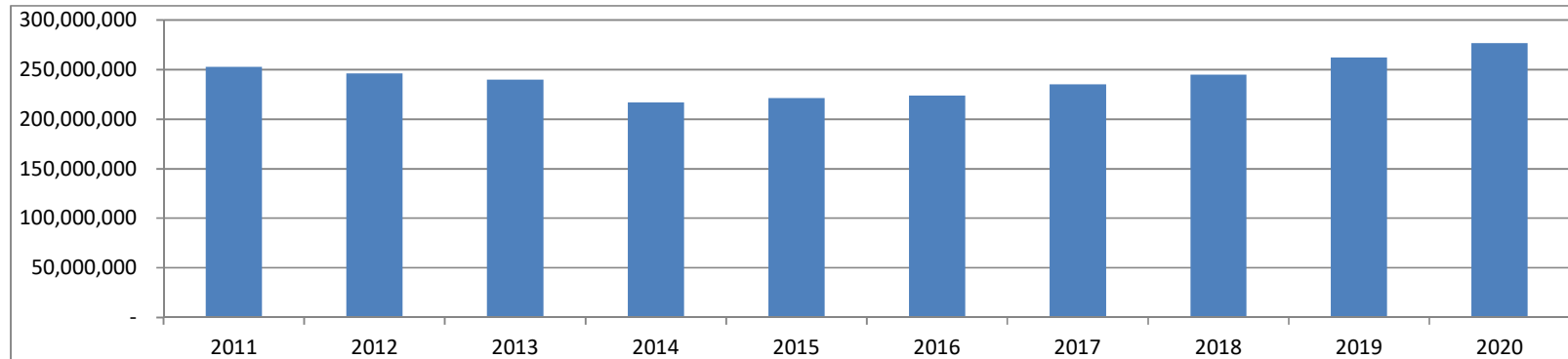
	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenues	\$ 43,595,126	\$ 45,967,528	\$ 46,381,388	\$ 48,489,781	\$ 52,356,053	\$ 54,578,649	\$ 57,347,412	\$ 58,565,973	\$ 60,612,666	\$ 63,849,957
Operating Expenses	56,525,236	54,864,449	54,586,091	72,914,560	61,274,837	61,830,962	61,833,017	61,693,398	63,475,106	75,154,180
Operating Income (Loss)	(12,930,110)	(8,896,921)	(8,204,703)	(24,424,779)	(8,918,784)	(7,252,313)	(4,485,605)	(3,127,425)	(2,862,440)	(11,304,223)
Non-Operating Revenue (Expense)	1,637,472	(1,267,050)	567,767	(2,791,323)	3,179,228	4,170,455	6,892,542	8,980,598	11,998,346	12,698,312
Gain (Loss) Before Contributions	(11,292,638)	(10,163,971)	(7,636,936)	(27,216,102)	(5,739,556)	(3,081,858)	2,406,937	5,853,173	9,135,906	1,394,089
Capital Contributions	3,764,917	3,386,921	1,220,653	4,443,957	10,127,624	5,676,688	8,805,612	9,277,853	8,157,855	13,259,019
Change in Net Position	(7,527,721)	(6,777,050)	(6,416,283)	(22,772,145)	4,388,068	2,594,830	11,212,549	15,131,026	17,293,761	14,653,108
Net Position - Beginning	260,444,078	252,916,357	246,139,307	239,723,024	216,950,879	221,338,947	223,933,777	229,680,222	244,811,248	262,105,009
Net Position - Ending	<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>	<u>\$ 244,811,248</u>	<u>\$ 262,105,009</u>	<u>\$ 276,758,117</u>

NOTE:

Beginning Balance restated in 2014 to implement GASB 65, in 2015 to implement GASB 68, and in 2018 to implement GASB 75.

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

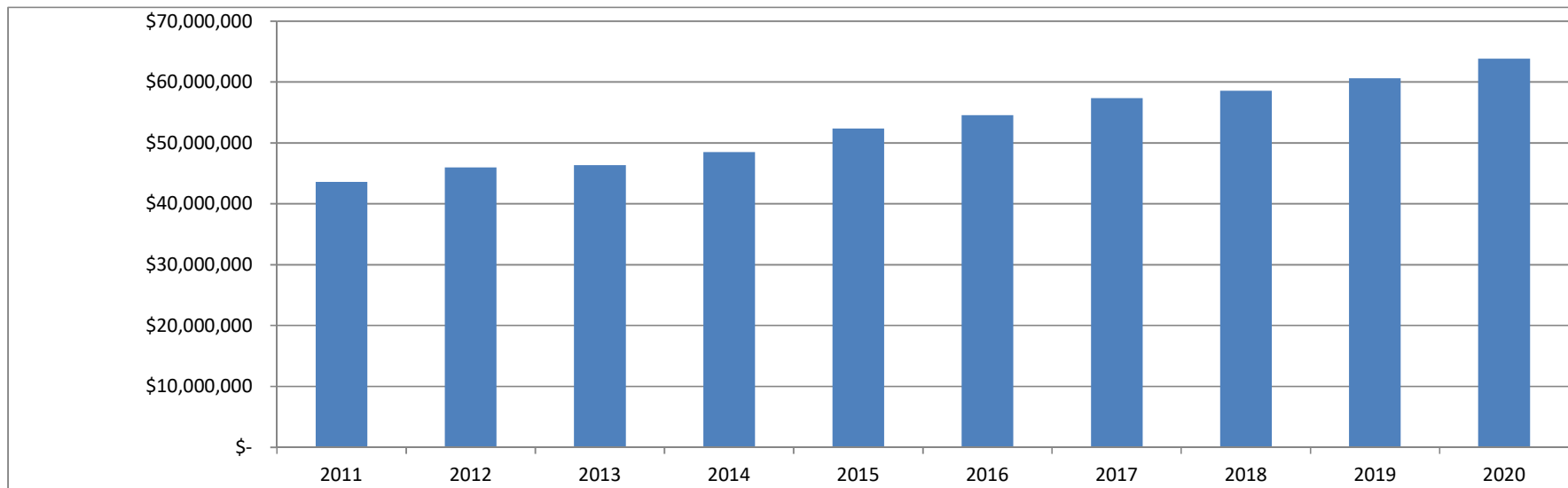
See the Non-Operating Revenues (Expenses) statistical schedule for a breakdown by non-operating revenue (expense) item.



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

**OPERATING REVENUES BY SOURCE
LAST TEN YEARS**

Fiscal Year	Water Revenues	Sewer Revenues	Connection Fees	Other Fees and Charges	Total
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
2018	40,014,846	16,132,156	580,280	1,838,691	58,565,973
2019	41,023,897	16,727,091	566,104	2,295,574	60,612,666
2020	44,036,598	17,540,975	552,556	1,719,828	63,849,957

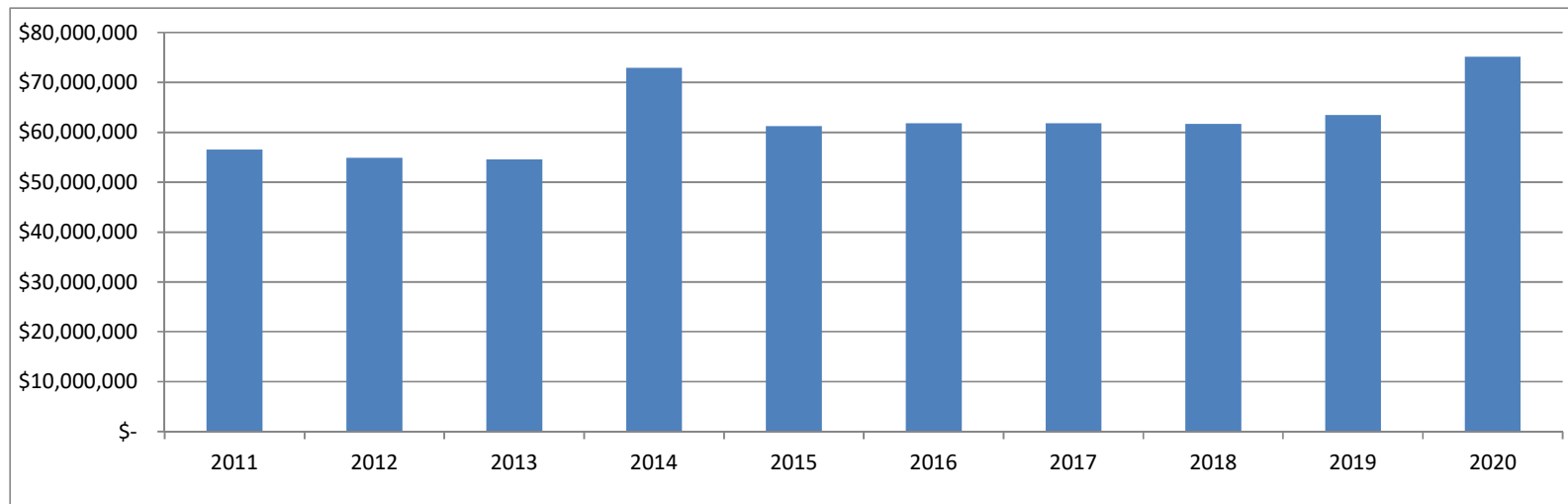


HENRY COUNTY WATER AUTHORITY
(A Component Unit of Henry County, Georgia)

**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
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
2018	4,958,852	134,553	3,294,158	5,509,515	10,626,391	6,154,155	29,408,928	1,606,846	61,693,398
2019	5,128,871	120,455	3,502,732	5,860,431	11,281,782	6,406,171	29,534,179	1,640,485	63,475,106
2020	7,039,358	7,282	3,980,742	7,442,762	15,490,825	9,514,351	29,503,686	2,175,174	75,154,180

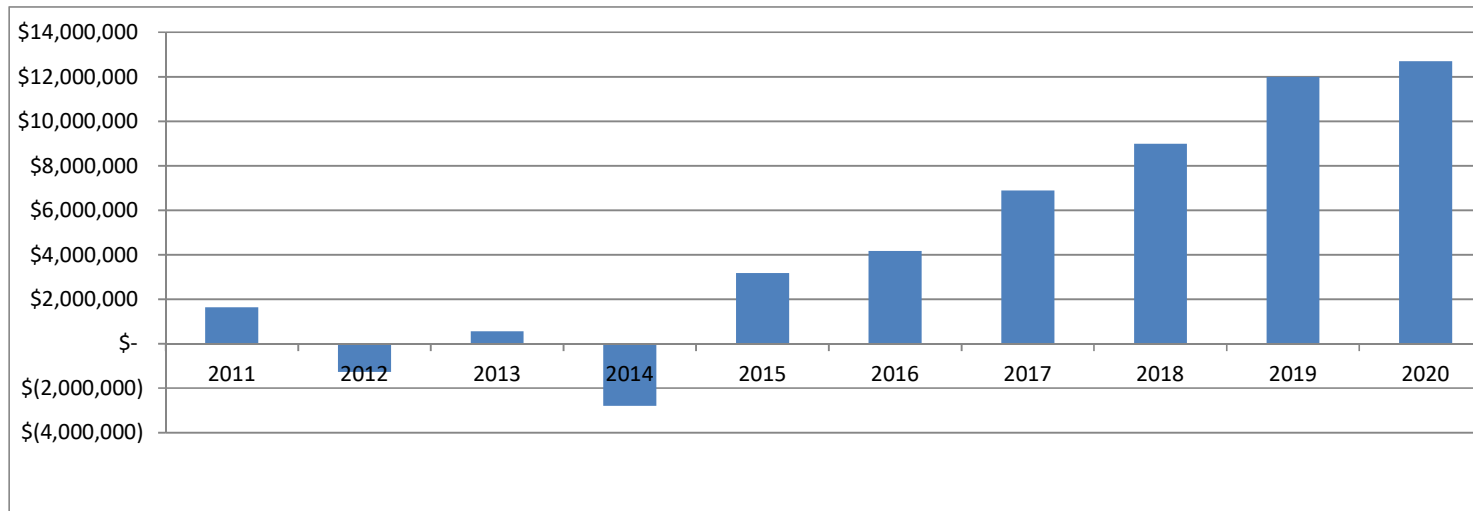
NOTE: Operating expenses for FY 14 were adjusted to reflect the implementation of GASB 68.



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

NON-OPERATING REVENUES (EXPENSES)
LAST TEN YEARS

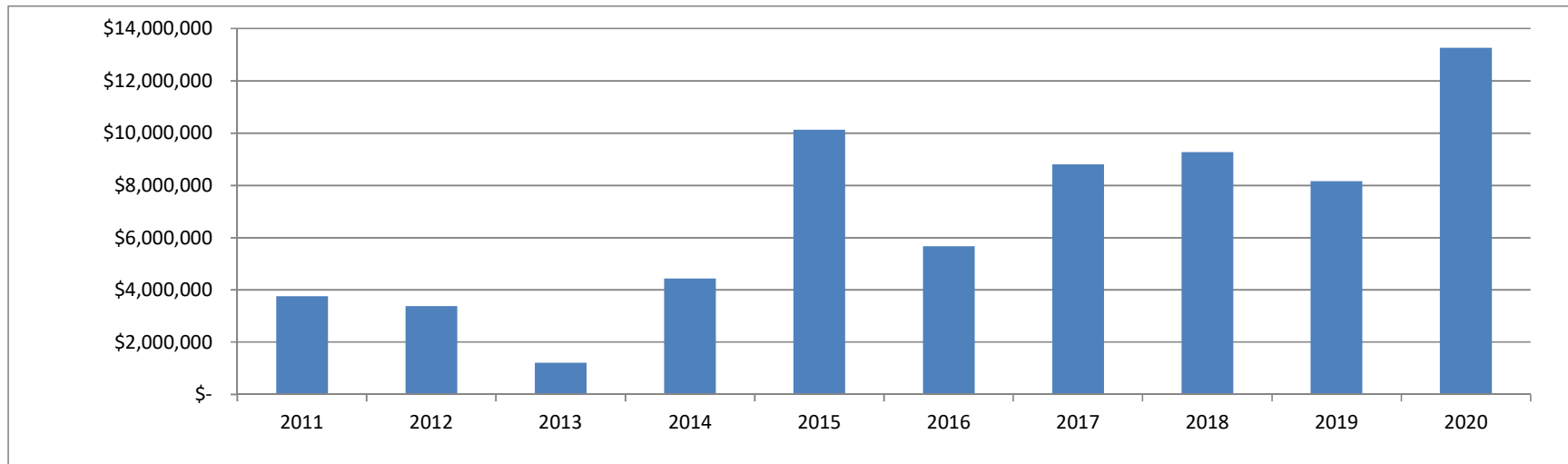
Fiscal Year	Real Property Taxes	Motor Vehicle and Other Taxes	Interest Income	Realized Gains (Losses) on Investments	Interest Expense and Fiscal Charges	Gain (Loss) on Disposal of Capital Assets	Other	Total Non-Operating Revenue (Expense)
2011	\$ 11,537,338	\$ 1,201,397	\$ 93,770	\$ (64,250)	\$ (11,362,704)	\$ -	\$ 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
2018	13,597,092	1,335,999	1,240,907	-	(7,471,327)	277,927	-	8,980,598
2019	14,894,787	1,421,916	2,370,412	-	(6,840,284)	151,515	-	11,998,346
2020	15,735,981	1,420,927	1,778,140	-	(6,271,437)	34,701	-	12,698,312



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

**CAPITAL CONTRIBUTIONS FROM DEVELOPERS AND IMPACT FEES
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Impact Fees</u>	<u>Contributions for Project Improvements</u>	<u>Contributions in Kind</u>	<u>Total</u>
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
2018	4,405,111	4,872,742	-	9,277,853
2019	4,046,492	452,645	3,658,718	8,157,855
2020	5,500,069	7,758,950	-	13,259,019



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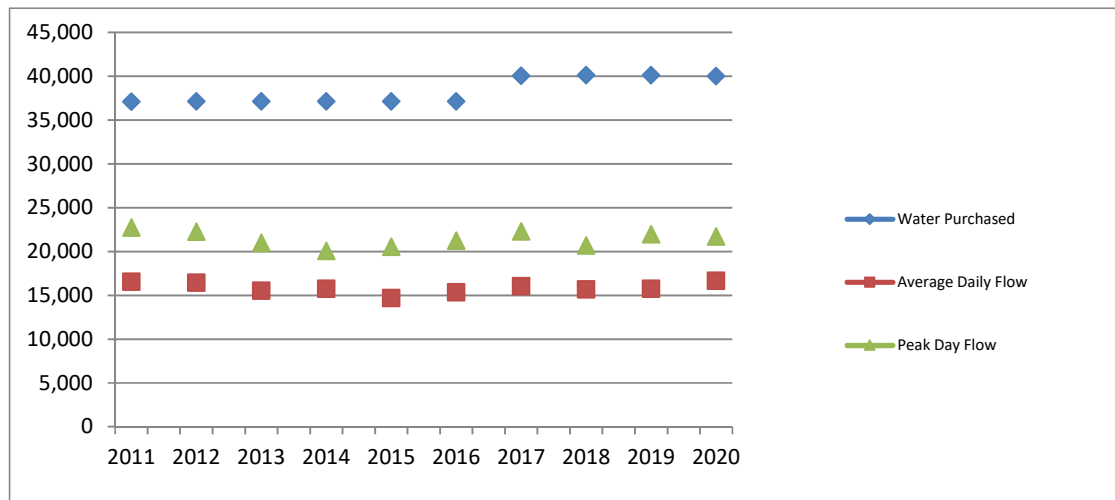
REVENUE CAPACITY

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
(A Component Unit of Henry County, Georgia)

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	16,000	16,000	16,000	16,000
Water Purchased	108	121	135	141	116	110	64	105	129	26
	37,108	37,121	37,135	37,141	37,116	37,110	40,064	40,105	40,129	40,026
 Average daily flow	16,553	16,451	15,533	15,753	14,689	15,366	16,069	15,676	15,756	16,676
Percent of Capacity used	45%	44%	42%	42%	40%	41%	40%	39%	39%	42%
 Avg. Summer Peak Day flow	22,739	22,252	20,978	20,090	20,537	21,248	22,312	20,689	21,978	21,703
Percent of Capacity used	61%	60%	56%	54%	55%	57%	56%	52%	55%	54%



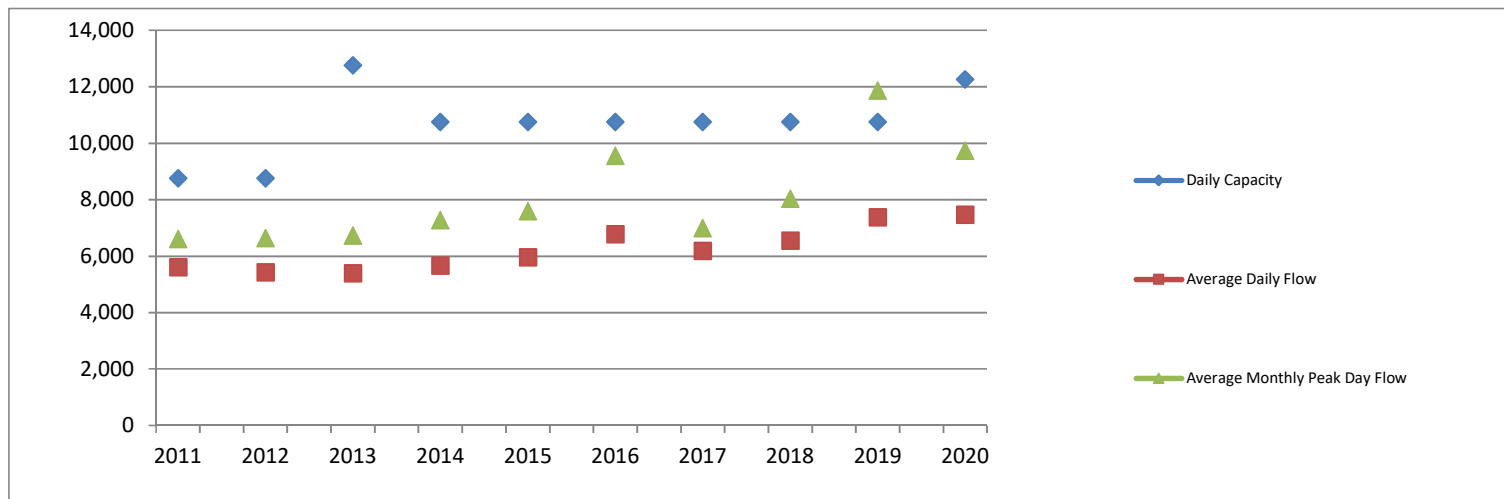
Source: Henry County Water Authority historical financial records

HENRY COUNTY WATER AUTHORITY

(A Component Unit of Henry County, Georgia)

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Permitted Daily Capacity of Sewerage Treatment Plants:										
Springdale sewerage plant	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	3,000
Bear Creek sewerage plant	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Walnut Creek sewerage plant	4,000	4,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Total Permitted Capacity	8,750	8,750	12,750	10,750	10,750	10,750	10,750	10,750	10,750	12,250
 Average daily flow	5,597	5,423	5,389	5,663	5,950	6,765	6,181	6,545	7,374	7,458
Percent of Capacity used	64%	62%	42%	53%	55%	63%	57%	61%	69%	61%
 Avg. Monthly Peak Day flow	6,598	6,634	6,719	7,263	7,583	9,546	6,984	8,026	11,856	9,725
Percent of Capacity used	75%	76%	53%	68%	71%	89%	65%	75%	110%	79%

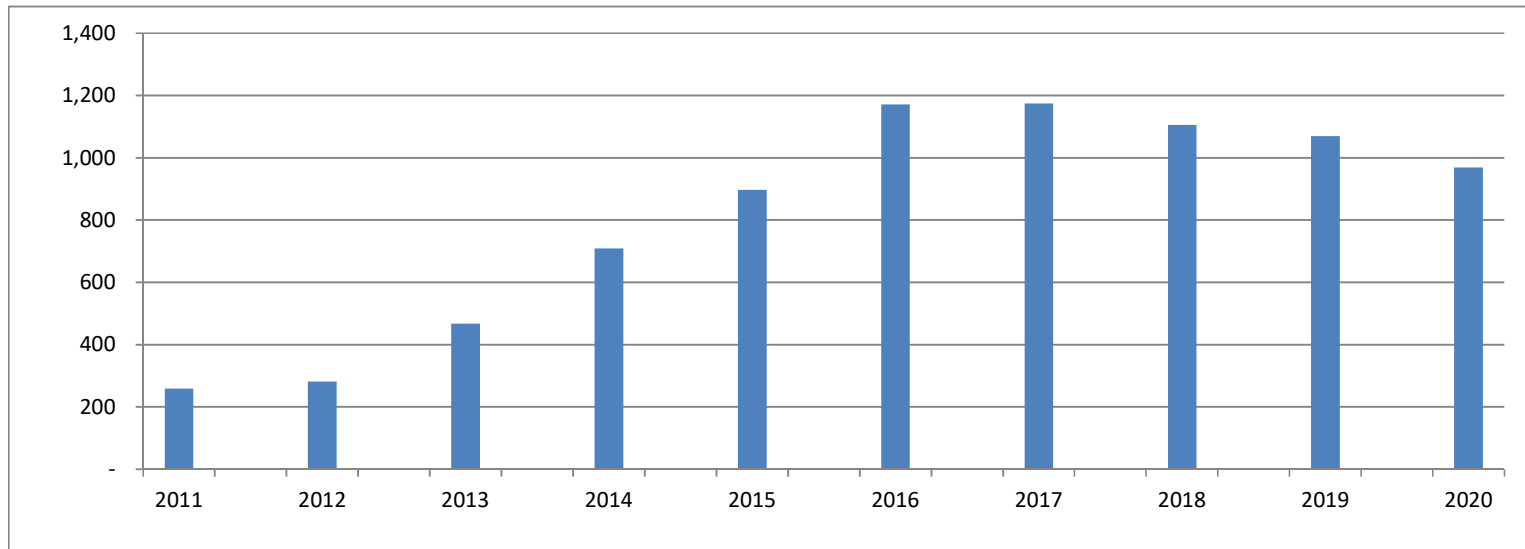


Source: Henry County Water Authority historical financial records

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

NEW WATER METERS ADDED TO THE SYSTEM
LAST TEN FISCAL YEARS

Size of Meter	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
3/4"	243	244	434	666	855	1,132	1,085	1,034	990	893
1"	13	29	25	32	33	27	47	40	54	53
1.5"	-	-	1	2	-	3	-	2	-	-
2"	2	6	7	6	4	6	20	17	16	8
3"	-	-	-	-	-	-	-	-	-	-
4"	-	-	-	1	-	1	-	1	-	-
6"	1	2	1	1	3	1	6	6	4	6
8"	-	1	-	1	2	1	9	1	4	6
10"	-	-	-	-	-	-	8	5	2	3
Total	259	282	468	709	897	1,171	1,175	1,106	1,070	969

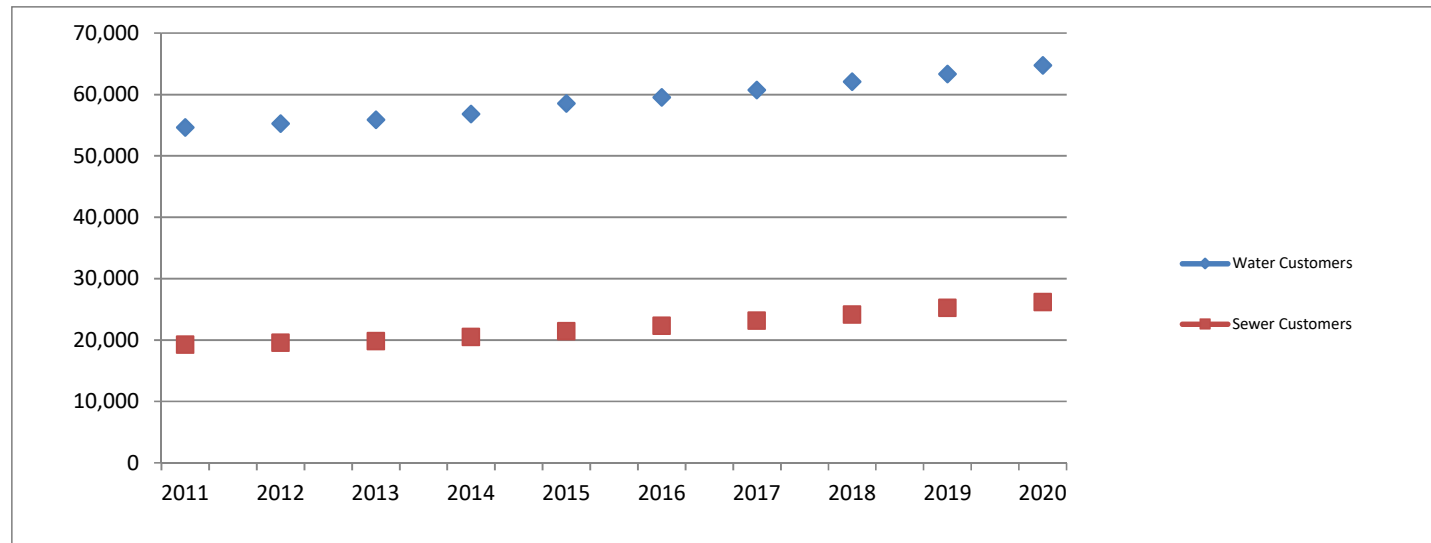


Source: Henry County Water Authority historical financial records

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

**NUMBER OF CUSTOMERS
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Customers										
Residential	52,832	53,396	53,979	54,887	56,577	57,551	58,691	59,922	61,159	62,467
Commercial and Industrial	1,792	1,837	1,877	1,924	1,955	1,988	2,057	2,158	2,189	2,273
Municipal	4	4	4	4	4	4	4	4	4	4
	54,628	55,237	55,860	56,815	58,536	59,543	60,752	62,084	63,352	64,744
Sewerage Customers										
Residential	18,354	18,651	18,907	19,598	20,499	21,396	22,222	23,128	24,185	25,083
Commercial and Industrial	881	900	889	903	915	927	937	1,023	1,042	1,067
Municipal	1	1	0	-	1	1	1	1	-	-
	19,236	19,552	19,796	20,501	21,415	22,324	23,160	24,152	25,227	26,150



Source: Henry County Water Authority historical financial records

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

RESIDENTIAL WATER AND SEWERAGE RATES
LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Water</u>										
Base Charge	10.7	11.24	11.80	12.39	12.39	12.39	12.39	12.64	12.64	12.89
Charge per 1,000 gallons:										
over 3,000 gallons										
-0- to 6,000 gallons	4.05	4.25	4.46	4.68	4.68	4.68	4.77	4.87	4.87	4.97
6,001 to 10,000 gallons	5.50	5.78	6.07	6.37	6.37	6.37	6.50	6.63	6.63	6.76
over 10,000 gallons	8.05	8.45	8.87	9.31	9.31	9.31	9.50	9.69	9.69	9.88
<u>Sewerage</u>										
Base Charge	10.7	11.24	11.80	12.39	12.39	12.39	12.39	12.64	12.64	12.89
Charge per 1,000 gallons:										
over 3,000 gallons										
-0- to 6,000 gallons	4.05	4.25	4.46	4.68	4.68	4.68	4.77	4.87	4.87	4.97
over 6,000 gallons	5.50	5.78	6.07	6.37	6.37	6.37	6.50	6.63	6.63	6.76

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

COMMERCIAL WATER AND SEWERAGE RATES
LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Water</u>										
Base Charge:										
3/4"	10.70	11.24	11.80	12.39	13.01	13.01	13.01	13.27	13.27	13.81
1"	10.70	11.24	11.80	12.39	13.01	13.01	13.01	13.27	13.27	13.54
1.5"	53.54	56.22	59.03	61.98	65.08	65.08	65.08	66.38	66.38	67.71
2"	148.51	155.94	163.74	171.92	180.52	180.52	180.52	184.13	184.13	187.81
3"	278.46	292.38	307.00	322.35	338.47	338.47	338.47	345.24	345.24	352.14
4"	408.41	428.83	450.27	472.78	496.42	496.42	496.42	506.35	506.35	516.48
6"	564.34	592.56	622.19	653.29	685.95	685.95	685.95	699.67	699.67	713.66
8"	698.01	732.90	769.55	808.02	924.21	924.21	924.21	942.67	942.67	961.54
10"	1,084.15	1,138.36	1,195.28	1,255.04	1,317.79	1,317.79	1,317.79	1,344.15	1,344.15	1,371.03
Charge per 1,000 gallons: over 3,000 gallons per 1,000 gallons	5.50	5.78	6.07	6.37	6.69	6.69	6.82	6.96	6.96	7.10
<u>Sewerage</u>										
Base Charge	10.70	11.24	11.80	12.39	13.01	13.01	13.01	13.27	13.27	13.54
Charge per 1,000 gallons: over 3,000 gallons per 1,000 gallons	5.50	5.78	6.07	6.37	6.69	6.69	6.82	6.96	6.96	7.10

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

**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)					
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
2018	4,847,645,599	3,040,284,134	169,265,750	7,105,668	1,502,301,571	6,561,999,580	12.73	16,404,998,950	40
2019	5,260,890,366	4,547,355,794	126,596,220	6,896,749	2,825,608,811	7,116,130,318	12.73	17,790,325,795	40
2020	5,810,657,562	3,654,097,770	104,696,750	7,872,371	2,086,430,196	7,490,894,257	12.73	18,727,235,643	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
(A Component Unit of Henry County, Georgia)

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

	FISCAL YEAR										
	2004	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Henry County rates											
Maintenance and Operations											
Unincorporated	14.13	14.89	18.52	18.71	18.39	17.65	16.45	16.28	16.15	15.95	12.04
Municipal rates											
McDonough (2)	2.77	3.45	4.39	4.39	4.38	4.92	4.56	4.30	4.08	3.81	3.81
LOST Reduction	(2.89)	(3.14)	(4.02)	(4.21)	(4.09)	(3.78)	(3.71)	(3.55)	(3.42)	(3.21)	(3.25)
Police Protection	-	2	1.91	1.94	1.92	1.79	1.89	1.68	1.81	(1.55)	-
Fire Protection	2.39	1.15	1.02	0.68	0.60	0.57	0.56	0.50	0.62	(0.57)	-
Planning and Development (3)	-	0.23	0.14	0.10	0.02	0.01	0.02	-	-	(0.01)	-
Water Authority	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Recreation SSD (4)		-	-	-	-	-	-	-	-	-	0.69
Fire SSD (4)		-	-	-	-	-	-	-	-	-	1.11
Police SSD (4)		-	-	-	-	-	-	-	-	-	1.82
Unincorporated SSD (4)		-	-	-	-	-	-	-	-	-	0.33
Board of Education											
Maintenance and Operations	18.90	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	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63
State of Georgia	0.25	0.25	0.20	0.15	0.10	0.05	-	-	-	-	-
Total Unincorporated	36.45	38.06	40.33	40.28	40.03	39.55	38.36	38.36	38.36	38.36	38.36
Total Municipalities											
McDonough	35.02	38.42	41.65	41.58	41.32	42.1	40.45	40.48	40.01	40.04	38.91
Stockbridge	36.45	38.06	40.33	40.28	40.03	39.55	38.36	38.36	38.36	38.36	38.03
Hampton	34.67	36.35	38.34	38.29	38.04	37.76	36.48	36.68	36.55	36.81	36.21
Locust Grove	34.80	36.11	38.28	38.08	37.83	37.75	36.46	36.68	36.55	36.81	36.21
Total Direct Tax Rate		11.75	14.50	14.50	14.30	13.87	12.73	12.73	12.73	12.73	12.73

Source: Henry County Tax Commissioner

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

(2) In 2019, the City of Stockbridge received a reduction for planning and development services.

(3) In 2020, Fire SSD, Police SSD, Unincorporated SSD and Recreation SSD are now billed in the District that utilize these services.

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

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

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2020 (2019 Digest)			2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Henry Co Development Authority	\$ 121,639,147	1	1.62 %	\$ 16,114,662	9	0.24 %
Georgia Power Company	52,654,267	2	0.70	28,708,336	1	0.43
Luxottica NA Distribution, LLC	145,324,291	3	1.94	-	-	-
US Industrial REIT	26,680,000	4	0.36	20,856,200	6	0.31
CPUS Lamber Farms LP	28,303,480	5	0.38	-	-	-
Norfolk Southern Combined	26,173,666	6	0.35	19,417,984	5	0.29
Big Box Property Owner A, LLC	24,413,640	7	0.33	-	-	-
Kens Food Inc.	33,618,305	8	0.45	22,869,352	8	0.34
Lex Westridge Pkwy LP	21,544,360	9	0.29	-	-	-
Fairdeild McDonough, LLC	19,125,800	10	0.26	-	-	-
Cardinal Health 110, Inc.	-	-	-	47,979,724	3	0.71
Prologis NA2 US, LLC	-	-	-	15,754,800	10	0.23
BellSouth Telecom	-	-	-	19,776,866	4	0.29
Trees of Avalon LLC	-	-	-	17,954,616	7	0.27
Inland Western McDonough	-	-	-	20,719,240	2	0.31
Totals	<u>\$ 499,476,956</u>		<u>6.67 %</u>	<u>\$ 230,151,780</u>		<u>3.42 %</u>

The fiscal year 2019 total taxable assessed value is: \$ 7,490,894,257

The fiscal year 2011 total taxable assessed value is: \$ 6,722,848,575

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
(A Component Unit of Henry County, Georgia)

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
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
2018	244,488,313	238,793,983	97.7	1,333,771	240,127,754	98.2
2019	267,182,391	258,913,367	96.9	2,550,442	261,463,809	97.9
2020	284,195,037	279,539,263	98.4	2,269,603	281,808,566	99.2

Source: Henry County Tax Commissioner

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

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

TEN LARGEST CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO

Water

	2020		2011
Henry County Board of Education	\$ 952,896	Henry County Board of Education	\$ 810,193
City of Hampton	770,147	City of Hampton	599,358
City of Stockbridge	739,103	City of Stockbridge	585,606
Kens Foods Inc.	494,009	Ken's Foods, Inc.	375,701
Piedmont Henry Medical Center	432,581	Henry Medical Center	199,314
City of Locust Grove	295,284	City of McDonough	148,533
City of McDonough	225,400	Connor & Murphy (St Ives)	112,966
Preston Creek Apartments	162,323	Amber Chase Apartments	98,177
K I K (GA) Inc.	150,679	Emprian Waterford Landing, LLC	93,542
DR Horton Inc.	137,871	Atlas Roofing	93,510
	\$ 4,360,293		\$ 3,116,900
% of total Water Revenue	9.9%		9.9%

Sewer

	2020		2011
Henry County Board of Education	\$ 372,345	Henry County Board of Education	\$ 343,670
Ken's Foods, Inc.	359,145	Ken's Foods, Inc.	248,479
Piedmont Henry Medical Center	308,470	Henry Medical Center	138,315
Preston Creek Apartments	143,556	St Ives Crossing Apartments	106,255
Fairfield McDonough LLC	114,744	Empirian Waterford Landing	87,004
DeWafelbakkers	111,687	Trees of Avalon Apartments	86,892
American Homes 4 Rent LLC	107,005	Sable Chase Apartments	85,357
St. Ives, LLC	98,436	Preston Creek Apartments	82,866
Adler Properties LLC	96,462	Amber Chase Apartments	82,564
South Point Retail Partners LLC	87,475	Bridgemill (Saddlecreek) Apartments	79,655
	\$ 1,799,325		\$ 1,341,057
% of total Sewer Revenue	10.3%		12.4%

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
(A Component Unit of Henry County, Georgia)

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

Fiscal Year	Jr. Lien Revenue Bonds	Sr. Lien Revenue Bonds	Total Revenue Bonds	GEFA Notes	Total Outstanding Debt	Percentage of Personal Income	Population	Debt per Capita
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
2018	44,500,000	106,521,223	151,021,223	42,939,596	193,960,819	2.27%	234,800	826
2019	38,900,000	99,109,322	138,009,322	40,103,841	178,113,163	1.97%	240,900	739
2020	33,200,000	91,576,153	124,776,153	37,182,940	161,959,093	N/A	246,800	656

N/A - Not available

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

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

**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		
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	27,456,512	32,399,763	4,930,000	7,407,229	12,337,229	2.55	
2013	46,381,388	77,362	10,623,066	1,516,803	41,839,765	18,867,247	1,430,000	6,246,453	7,676,453	4.06 (1)	
2014	48,489,781	(4,382,806)	10,682,615	2,788,161	30,275,968	31,168,055	9,515,000	7,687,046	17,202,046	0.09 (2) (3)	
2015	52,356,053	76,210 (3)	11,652,217	3,433,352	30,960,248	38,780,180	10,875,000	7,513,966	18,388,966	2.03 (2)	
2016	54,578,649	12,433	12,414,376	3,376,469	32,276,400	40,874,290	11,165,000	7,206,785	18,371,785	2.15	
2017	57,347,412	624,574	14,207,466	5,076,123	32,284,470	46,189,666	11,790,000	6,837,543	18,627,543	2.41	
2018	58,565,973	1,518,834	14,933,091	4,405,111	33,940,927	47,528,775	12,340,000	6,484,758	18,824,758	2.50	
2019	60,612,666	2,521,927	16,316,703	4,046,492	33,940,927	49,556,861	12,565,000	6,061,245	18,626,245	2.66	
2020	63,849,957	1,812,841	17,156,908	5,500,069	45,650,494	42,669,281	12,565,000	5,578,210	18,143,210	2.35	

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.

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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
(A Component Unit of Henry County, Georgia)

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2020			2011		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (1)	Rank	Percentage of Total County Employment (2)
Henry County Board of Education	4,950	1	4.16 %	4573	1	5.22 %
Luxottica Retail Group	2,000	2	1.68	302	10	0.34
Henry County Board of Commissioners	1,818	3	1.53	1,687	2	1.92
Piedmont Henry Medical Center	1,800	4	1.51	-	-	-
Federal Aviation Administration ATC	1,000	5	0.84	612	5	0.70
Phillips Van Heusen	1,000	6	0.84	-	-	-
Carter's, Inc.	635	7	0.53	-	-	-
Home Depot DFC #6777	780	8	0.66	-	-	-
Georgia Power Company	550	9	0.46	563	7	0.64
Ken's Foods, Inc.	500	10	0.42	-	-	-
Henry Medical Center	-	-	-	1,561	3	1.78
Wal-Mart Supercenter	-	-	-	1,055	4	1.20
Briggs & Stratton/fka/Snapper	-	-	-	567	6	0.65
Symcor	-	-	-	500	8	0.57
Southern States, Inc.	-	-	-	350	9	0.40
Totals	<u>15,033</u>		<u>12.63 %</u>	<u>11,770</u>		<u>13.42 %</u>

(1) **Source:** Henry County Development Authority

(2) **Source:** U.S. Bureau of Labor Statistics, Georgia Department of Labor, workforce - 110890 (October 2020)

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

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

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 (3)	School Enrollment (4)	Unemployment Rate (5)
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
2018	234,800	8,540,563	37,821	36.5	42,000	3.5
2019	240,900	9,021,034	39,184	36.7	42,000	3.1
2020	246,800	N/A	N/A	36.9	43,000	6.9

(1) **Source:** ARC Regional Snapshot: 2019 Population Estimates

(2) **Source:** Bureau of Economic Analysis

(3) **Source:** Bureau of Economic Analysis

(4) **Source:** Henry County Board of Education Fast Facts

(5) **Source:** Georgia Department of Labor

N/A - Not available

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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
(A Component Unit of Henry County, Georgia)

FULL-TIME EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Treatment	35	34	25	30	28	28	28	48	30	29
Customer Service and Connection	29	27	28	28	27	29	31	34	38	36
Wastewater Treatment	35	32	31	31	30	31	32	98	32	29
Repairs and Maintenance	84	85	93	86	90	95	97	32	99	98
Administrative, Engineering and Information Technology	38	38	38	40	44	44	46	29	49	54
	<u>221</u>	<u>216</u>	<u>215</u>	<u>215</u>	<u>219</u>	<u>227</u>	<u>234</u>	<u>241</u>	<u>248</u>	<u>246</u>

Source: Henry County Water Authority historical financial records

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

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	-	-	-	-	-	-
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>11,000</u>	<u>11,000</u>	<u>11,000</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	1,200	1,200	1,200	1,200	1,200
Panola	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
S Ola	-	-	-	-	-	-	-	2,000	2,000	2,000
	<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>	<u>8,900</u>	<u>8,900</u>	<u>8,700</u>
Storage at Water Plants:										
Towaliga	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Tussahaw	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	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>
Storage Capacity	<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>	<u>31,400</u>	<u>31,400</u>	<u>31,200</u>

Source: Henry County Water Authority historical financial records

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

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	16,553	16,451	15,553	15,753	14,689	15,366	16,069	15,676	15,756	16,676
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	24,833	24,731	23,833	24,033	22,969	23,646	24,349	23,956	24,036	24,956
Number of days supply	584	586	608	603	631	613	595	605	603	581

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 fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 12, 2020.

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) as a basis for designing 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 first paragraph of this section 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 financial statements. 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The script is cursive and fluid, with the ampersand being a simple cross.

Macon, Georgia
October 12, 2020

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

SCHEDULE OF FINDINGS AND RESPONSES
FISCAL YEAR ENDED JUNE 30, 2020

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

____ Yes X No

Reportable conditions identified not considered
to be material weaknesses?

____ Yes X None Reported

Noncompliance material to financial statements noted?

____ Yes X No

Federal Awards

There was not an audit of major federal award programs as of June 30, 2020 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
(A Component Unit of Henry County, Georgia)

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2020

Not applicable.