HENRY COUNTY WATER & SEWERAGE AUTHORITY

HCWSA

A Component Unit of Henry County, GA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2011

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2011

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INTRODUCTORY SECTION

Henry County
Water & Sewerage Authority
1695 Hwy 20, West, McDonough, GA 30253 (770) 957-6659 phone, (678) 583-2431 fax

December 13, 2011

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Henry County Water and Sewerage Authority for the fiscal year ended June 30, 2011. This report is the responsibility of the management of the Henry County Water and Sewerage Authority (HCWSA), and was prepared in accordance with Generally Accepted Accounting Principles and in conformance with current accounting and financial reporting requirements and principles promulgated by the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations and cash flows of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

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

The firm of Mauldin and Jenkins, LLC, Certified Public Accountants, conducted an independent audit on these financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. As a result of the audit, Mauldin and Jenkins issued an unqualified (clean) opinion on the financial statements of the Authority for the year ending June 30, 2011. 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 HCWSA

General

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

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

It was necessary for HCWSA to purchase large tracts of land and develop its own reservoirs for source of water, as no available streams or lakes provided adequate supply. HCWSA has developed five reservoirs, covering a combined total of 3,138 acres of water surface area, and holding approximately 18.1 billion gallons of water. With an average day finished water demand in Henry County of approximately 16.6 million gallons per day (MGD) during FY 2011, the reservoirs provide a 584 day supply of raw water after the downstream release requirement. This provides more than enough supply to weather an extended period of drought.

The reservoirs are at the south end of the County, and water is pumped significant distances across Henry County's 331 square miles. Over 1,400 miles of water mains have been constructed, making service available to most of the county, and serving over 54,000 customer water connections. Additionally, 29.5 million gallons of potable water can be stored in 9 elevated tanks, 4 ground water storage tanks plus the clear wells at the water plants.

The sewer system, while serving some of the higher density areas in the county, is not as extensive as the water system. HCWSA currently serves over 19,000 customer sewer connections with approximately 445 miles of sewer mains, 30 sewerage lift stations and 4 waste water treatment plants. Currently, the Authority's total permitted sewerage treatment capacity is 8.75 MGD. The expansion of the Walnut Creek facility, which is nearing completion, will bring the total treatment capacity up to 12.75 MGD. The average flow to the Authority's wastewater treatment plants during FY2011 was 5.6 MGD.

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

The service area for HCWSA is Henry County. A few customers in neighboring counties are also served, where subdivisions or drainage basins cross county lines. Henry County is located in the north central portion of the State of Georgia approximately 25 miles southeast of the City of Atlanta. Henry County is bordered on the north by DeKalb County, on the west by Clayton County, on the south by Spalding and Butts Counties, and on the east by Newton and Rockdale Counties. There are four municipalities within Henry County: Stockbridge, McDonough, Hampton, and Locust Grove. Each municipality operates its own water and sewerage system. However, HCWSA does supply most of the water requirements needed by Stockbridge and Hampton and some of the water requirements for McDonough and Locust Grove.

Governance

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

Accounting and Financial Reporting

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

Budgetary Controls

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

Other Relevant Information

General

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

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

The Authority's Tussahaw Water Treatment Plant won the 'Water Plant of the Year' award during 2011 in the large utility category from the Georgia Association of Water Professionals (GAWP). The Authority's Indian Creek Wastewater Treatment Plant won the 2011 'Wastewater Plant of the Year' award. GAWP presented the Authority with the 'Water Treatment Laboratory of the Year' award and the 'Wastewater Treatment Laboratory of the Year' award as well. The Authority also won the 'Water Distribution System of the Year' award and came very close to winning the 'Wastewater System' award, grading out in the 92nd percentile. The 'Public Education Program of the Year' award and the GAWP 'Certificate of Distinguished Achievement' for the annual Water Quality Report were also given to the Authority. It is highly unusual for a single Water Utility to receive this many awards, as well as the diversity of the awards, in one year. This veritable treasure trove of awards achieved in virtually all areas of the Authority operations

reflects the Authority's commitment to excellence. Additionally, the Authority is one of only 21 Water Utilities in Georgia to achieve the 'WaterFirst Community' designation from the Georgia Department of Community Affairs.

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

Current economic environment

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

Then, in 2007, the rate of customer growth began to slow. Whereas prior the 2007 a 10% annual growth rate was common, in recent years the growth rate has been less than 1%. This was due primarily to two things that have played a significant role in shaping the current economic environment for the Authority. These two things are 1) the national economic downturn; and 2) water conservation.

National Economic Downturn - Prior to the national economic downturn, Henry County was one of the fastest growing counties in the United States. And as you would expect in a rapidly growing county, one of Henry County's biggest economic engines was the housing industry. The Authority typically set more than 3,000 meters at newly constructed homes annually. During our fiscal year ending June 30, 2007, the economic downturn became evident in Henry County. During that year, only 2,011 new meters were set, and the numbers have trailed off dramatically from that during the subsequent four years. During FY 2011, only 259 new meters were set. The Authority has seen a significant reduction in connection fees and property tax revenue as a result of the economic downturn.

Water Conservation - The concept of water conservation took hold in our State, and in particular in the metro Atlanta area, for a couple of reasons:

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

2. *Tri-State Water Dispute* - The States of Georgia, Florida and Alabama are currently engaged in a dispute over use of the water in Lakes Lanier and Allatoona, and the Chattahoochee River. These are the primary sources of drinking water for the metro Atlanta area. The State of Georgia realized the need to exercise good stewardship of these water resources and be able to demonstrate that they are doing so to our neighboring States. Henry County is not dependant on these water sources, as over 99% of the water supply of Henry County comes from reservoirs developed by the Authority in the southern part of Henry

County. The Authority only purchases a small amount of water (less than 1%) from neighboring DeKalb County (DeKalb draws water from the Chattahoochee River) to serve a small high elevation area in the north part of Henry County. Nonetheless, Henry County is part of the metro Atlanta area and is thus included in water conservation regulations.

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

Outlook

The Authority's policy is to budget in a conservative fashion- actual revenues typically exceed projected revenues and actual expenditures typically are less than budgeted amounts. This policy provided the Authority some cushion at the outset of the current economic conditions. As the economic downturn and water conservation took hold, the Authority decided to take steps to ensure continued financial stability, knowing that growth in some revenue sources would not be as we have seen in past years, and other revenue sources would actually decrease significantly. Cost control measures the Authority has taken since 2007 such as: postponing projects; limiting new hiring; limited or no pay increases; centralizing purchasing; extending the life of vehicles and other equipment; etc, have positioned the Authority well to navigate financial challenges caused by the economic downturn and water conservation. In other words, the Authority has taken the right steps to adjust to the new economic environment.

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

Long Term Financial Considerations

The Authority is currently making monthly draws from the Georgia Environmental Facilities Authority (GEFA) on a State Revolving Fund (SRF) Loan for the expansion of Walnut Creek Wastewater Treatment Plant. The Authority anticipates borrowing a total of $41.3 million for this project. Annual debt service will be approximately $2.8 million. The expansion will double the capacity of the Walnut Creek plant, thus positioning the Authority well to accommodate future growth in a wide area of Henry County.

Property tax revenue for FY 2011 was 12.9% less than FY 2010. The Authority has projected a 6.6% reduction for property tax revenue in the FY2012 Budget. The approved tax digest numbers, received in September 2011, indicate that the Authority's projection is on target. The Authority plans to continue to project property tax revenue in a conservative fashion, as it is unknown at this time whether property values on the tax digest may decrease further.

Major Initiatives

The Authority revised its long term capital improvement plan downward during the year, reflective of an anticipated slower pace of development. The Plan lists projects totaling more than $569 million (not adjusted for inflation), through the year 2035. Authority staff carefully evaluates on-going and upcoming projects on a monthly basis. The

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

Construction continued on the expansion of Walnut Creek Wastewater Treatment Plant to increase its sewerage treatment capacity from 4 MGD to 8 MGD. At the time of this writing, the construction is drawing close to completion. This plant, located in the eastern part of the county, is our largest sewerage treatment plant. The total cost of the expansion is $44,700,000.

The Authority has constructed approximately 4.7 miles of 24" ductile iron water transmission main in the southern part of Henry County at a total cost of approximately $2.6 million. This is the first section of an 11 mile water transmission main that, when complete, will enable the Tussahaw Water Treatment Plant to transmit water to the entire county. The Authority anticipates beginning construction on the remaining 6.3 miles by January, 2012. The Authority has set aside money for completion of this additional construction, so it will be financed without debt.

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial Reporting to Henry County Water and Sewerage Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the first year that the City Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

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

Respectfully submitted,

Lindy D. Farmer, Jr.
General Manager

Roderick Burch, CPA
Finance Director

Henry County Water and Sewerage Authority
Listing of Principal Officers

HCWSA Board Members

Jimmy Carter

Rick Jeffares

Kirk Emerson

Al Smith

Jim Lenahan

General Manager

Lindy D. Farmer, Jr., General Manager

Kimberly Turner Osborne, Clerk

Management Team

Gary Mayo - Deputy General Manager, Division Manager of Operations

Roderick Burch - Chief Financial Officer, Division Manager of Administration

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

Tony Carnell - Division Manager of Engineering & Inspections

Joy Colantoni - Manager, Finance

Allan Branan - Manager, Inspections

James Whitaker - Manager, Information Technology

Ray Novotny - Manager, Customer Service

David Hood - Manager, Purchasing & Inventory

Phil Turner - Manager, Fleet & Building Maintenance

Jason Jeffares - Manager, Water Pollution Control

Mike Craig - Manager, Industrial Monitoring

Chuck McCarter - Manager, Reservoirs & Land Management

Scott Harrison - Manager, Operations

Allen Rape - Manager, GIS

Consultants and Professional Services

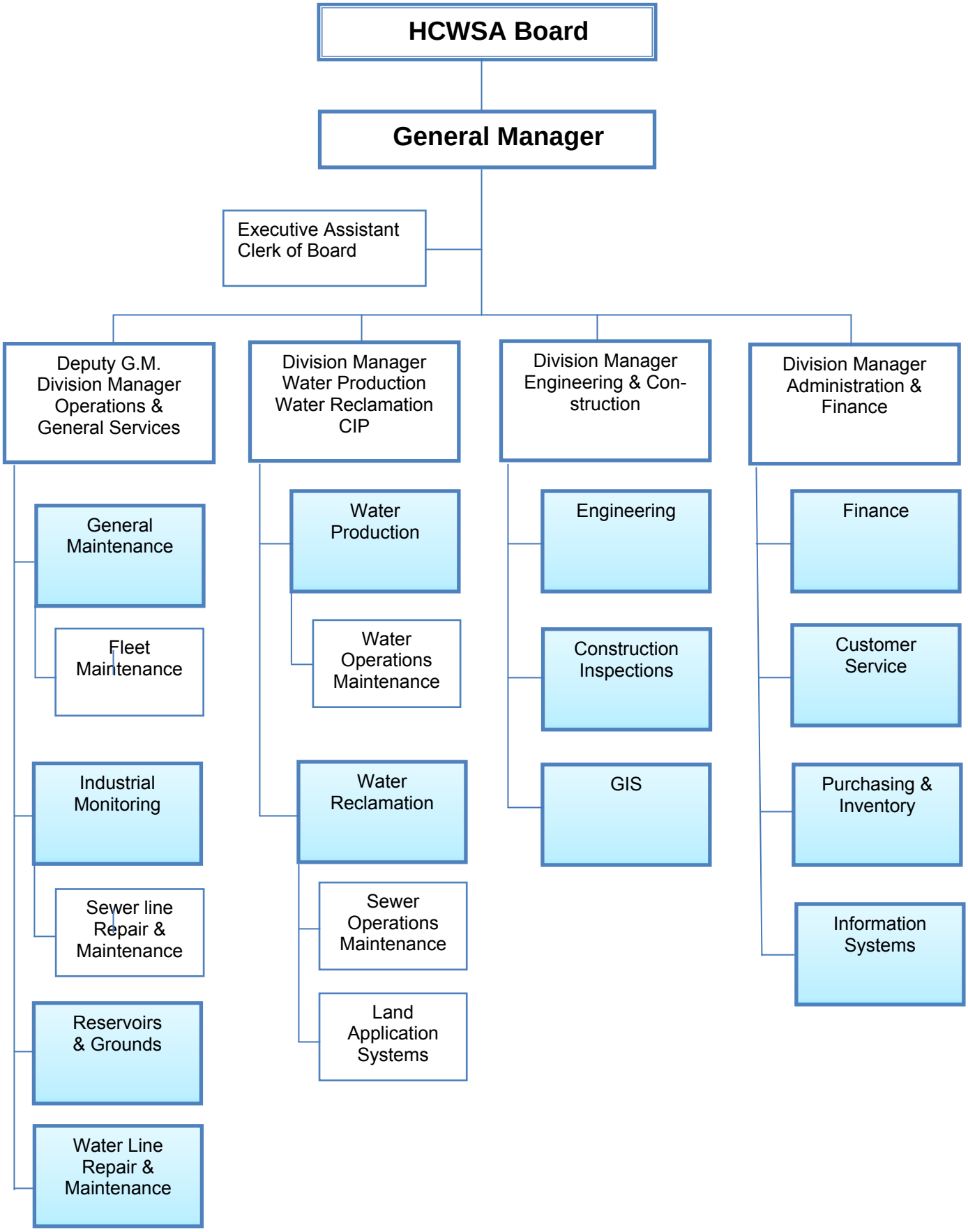
Legal Counsel:

Smith, Welch, Webb & White, McDonough, Georgia

Auditors:

Mauldin & Jenkins, LLC, Macon, Georgia

Henry County Water and Sewerage Authority Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Henry County Water & Sewerage Authority Georgia

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

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

President

Executive Director

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the **Henry County Water and Sewerage Authority** (the "Authority"), a component unit of Henry County, Georgia, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis (on pages 3 through 11) and the Defined Benefit Pension Plan Schedule of Funding Progress (on page 33) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Mauldin & Jenkins, LLC

Macon, Georgia
December 13, 2011

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Henry County Water and Sewerage Authority ("Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements.

Proprietary Fund Accounting and Reporting

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

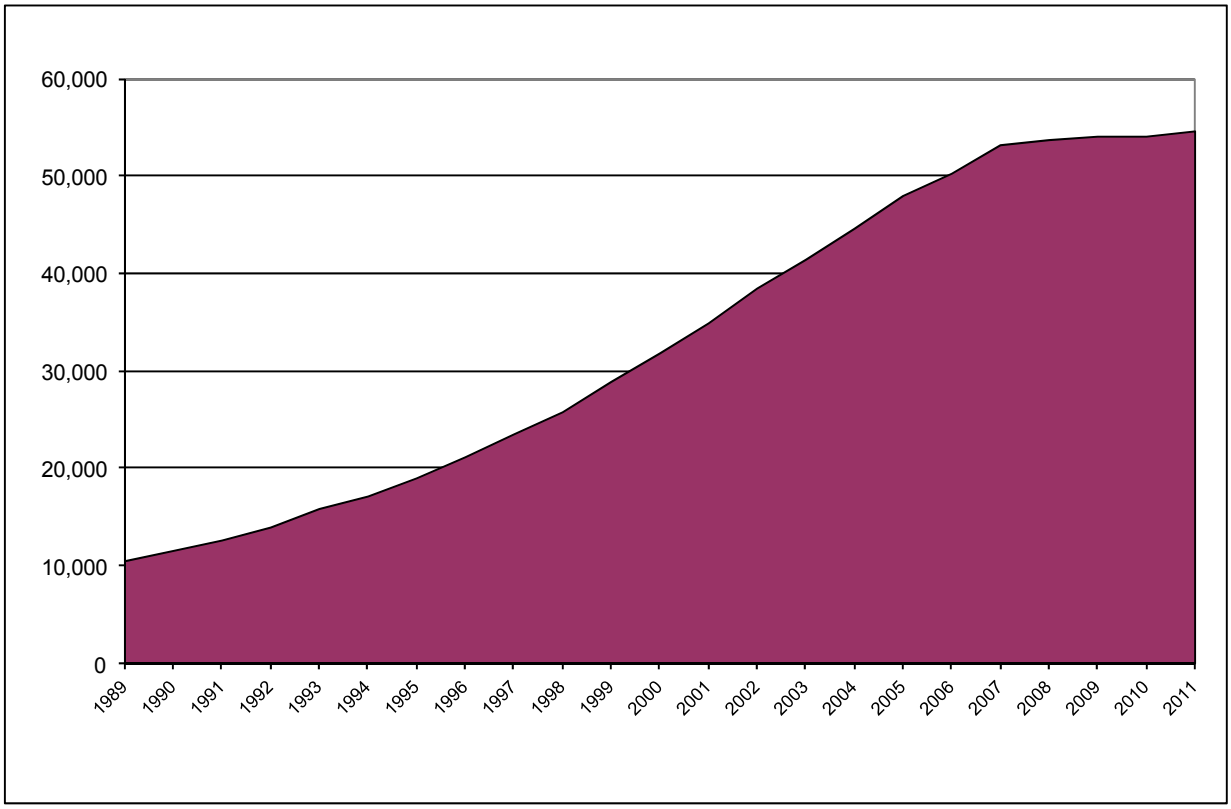
Overview of the Financial Statements

Net Assets: The following table reflects the overall financial condition of the Authority as of the last two fiscal years. Current plus restricted assets increased from the prior year by $4.9 million. Fixed and other long-term assets actually decreased because the increase in accumulated depreciation of $27.8 million was greater than the $18.3 million increase in capital assets before depreciation. The increase in long term liabilities is principally attributable to additional funds borrowed from the Georgia Environmental Finance Authority to finance the expansion of two wastewater treatment plants.

	2011	2010
Current assets	**$ 8,676,897**	$ 8,596,843
Restricted assets	**63,847,810**	59,001,036
Capital assets	**467,735,427**	477,226,112
Other long-term assets	**8,130,352**	7,905,097
Total assets	**548,390,486**	552,729,088
Current liabilities	**21,408,966**	22,576,295
Long-term liabilities	**274,065,163**	269,708,715
Total liabilities	**295,474,129**	292,285,010
Invested in capital assets, net of related debt	**221,738,250**	238,506,575
Restricted for debt service	**24,847,227**	16,931,449
Unrestricted	**6,330,880**	5,006,054
total net assets	**$ 252,916,357**	$ 260,444,078

Financial Statements (Continued)

The expansion of the Authority's water and sewer infrastructure has been driven by the explosive rate of growth in population in Henry County. The graph below shows the number of Authority water customers from 1989 to 2011. The pace of the increase has leveled off over the last four years with the current economic downturn. Long range projections indicate that the overall trend in growth will accelerate from the current status, although the rate of growth is not expected to be as rapid as in years prior to 2007. However, even an annual growth rate of less than half that of years prior to 2007 still results in a substantial customer increase.



The Authority carries a significant amount of debt relative to net assets. This was necessary in order to construct system improvements needed for the pre-2007 rapidly increasing customer base. The number of water customers connected to the Authority's system increased from 10,493 in 1989 to 54,628 in 2011. The history of growth in Henry County prior to the economic downturn, the vast amount of developable land and the water resources available in Henry County, together with a prime location along Interstate 75 just south of Atlanta and the Atlanta airport strongly suggests an increased pace in the rate of growth in the future.

Financial Statements (Continued)

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

	2011	2010
Operating revenues:		
Water revenues	$ 31,451,080	$ 28,832,018
Sewerage revenue	10,813,428	10,074,148
Connection fees	104,255	100,740
Other fees and charges	1,226,363	955,006
Total operating revenues	43,595,126	39,961,912
Operating expenses:		
Water treatment	5,662,739	5,428,943
Water purchase	80,322	80,644
Customer service and connection	3,104,957	3,372,801
Waste water treatment	4,713,624	4,625,639
Repairs and maintenance	8,869,625	8,747,513
Administrative and engineering	5,042,610	5,693,885
Depreciation	27,840,646	26,634,341
Information technology	1,210,713	1,228,873
Total operating expenses	56,525,236	55,812,639
Operating loss	(12,930,110)	(15,850,727)
Non-operating revenues (expenses):		
Real property taxes	11,537,338	13,440,290
Motor vehicle and other taxes	1,201,397	1,190,644
Interest income	93,770	337,658
Realized loss on investments	(64,250)	(295,152)
Interest expense and fiscal charges	(11,362,704)	(10,767,833)
Gain on disposal of capital assts	-	5,102
Other	231,921	149,646
Total non-operating revenues, net	1,637,472	4,060,355
Loss before contributions	(11,292,638)	(11,790,372)
Capital contributions	3,764,917	5,568,774
Change in net assets	(7,527,721)	(6,221,598)
Total net assets, beginning	260,444,078	266,665,676
Total net assets, ending	$ 252,916,357	$ 260,444,078

Financial Statements (Continued)

Water revenues - An additional 332 million gallons of water was sold in 2011 vs. the previous year. This, along with the 5% across the board rate increase accounts for the 9.1% increase in water revenue. All water is metered and sold at a monthly base charge plus a usage rate per thousand gallons. The rates in place at June 30, 2011, are:

$10.70 per month base charge (household size meter)
$4.05 per thousand gallons for the first 6,000 gallons
$5.50 per thousand gallons for the next 4,000 gallons
$8.05 per thousand gallons for all usage above 10,000 gallons.

Sewerage charges are based on metered water usage. The rates in place at June 30, 2011, are:

$10.70 per month base charge
$4.05 per thousand gallons for the first 6,000 gallons
$5.50 per thousand gallons for all usage above 10,000 gallons

Approximately ⅓ of the Authority's water customers are also sewer customers. However, this percentage is growing as Henry County transforms to a more urbanized county, and most new subdivisions and commercial developments require public sewer. Even though the customer growth rate has flattened over the last three years, revenue from sewerage fees has continued to increase from year to year: 7.7% in 2009; 9.6% in 2010, and 7.3% in 2011.

Connection fees - A connection fee, approximating the cost of the water meter equipment, is required for all new connections onto the system. The current charge for a standard ¾ inch meter is $240 (the charge is more for larger meters). In addition, if the Authority is required to tap into the water main and run the service line to the meter, the Authority charges a fee to recover the cost for doing so. Connection fees from both residential and commercial connections continued as last year to reflect a weak economy indicated by decreased construction of new houses and commercial development.

Other fees and charges - In October, 2009, the Authority began charging a 10% fee for late payments, which accounts for the increase on this line. Therefore, FY2010 reflects 9 months of fee collections whereas FY 2011 reflects a full 12 months. A fee is also required to restore service to customers who have had their water service cut off for non-payment. Bad check fees, plan review fees and various other engineering fees, and fishing permits are also credited to this line item.

Water treatment & water purchase - This is the cost to operate the Authority's two water treatment plants, having a permitted capacity totaling 37 million gallons per day (mgd), plus nine elevated water storage tanks, four ground storage tanks and booster pump stations. Actual water production during FY 2011 averaged 16.6 million gallons per day (mgd). In addition to its finished water production capability, contracts with neighboring Clayton and DeKalb counties enable the Authority to purchase finished water on an as needed basis. In fiscal year 2011, the Authority produced more than 99% of its total water requirements and purchased less than 1%.

Financial Statements (Continued)

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

Wastewater treatment - This is the cost to operate four wastewater treatment plants. These four plants together treated an average of 5.6 mgd of sewerage per day during FY 2011.

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

	2011	2010	Difference
Purchasing and inventory	**$ 482,068**	$ 485,582	$ (3,514)
Vehicle maintenance	**830,553**	840,412	(9,859)
Security & maintenance	**482,837**	465,314	17,523
Sewer line repair & maintenance	**2,691,271**	2,590,670	100,601
Industrial monitoring	**439,933**	438,388	1,545
Reservoir and grounds	**929,703**	900,038	29,665
Water line repair & maintenance	**3,013,260**	3,027,109	(13,849)
Total	**$ 8,869,625**	$ 8,747,513	$ 122,112

Administration and Engineering - This line item includes Administration, Finance, Human Resources, Engineering and bad debt write-offs. The significant decrease in this line is due primarily to reductions in Engineering and Inspections. Given current economic conditions, new construction and development is occurring at a much slower pace. Thus there are fewer plans to review and less need for inspections. Positions in these areas were not filled as they became vacant, and some employees were transferred to other Departments.

Depreciation - This is the Authority's single largest expense line item. It continues to grow each year as the Authority continues to complete large construction projects and bring them on line. Capital assets, before depreciation, increased by more than $18.3 million from June 30, 2010 to June 30, 2011.

Financial Statements (Continued)

Real property taxes - The Authority receives a two-mill tax levy on all taxable property within the boundaries of Henry County. The Joint Resolutions of Henry County and the Authority to issue Revenue Bonds contains a covenant to levy the two mill tax until all Revenue Bonds are paid in full, or provision is made therefore. The final maturity on currently outstanding Revenue Bonds is Feb 1, 2030. Henry County has seen substantial increases in the tax digest from year to year. However, the tax digest has actually decreased, reflecting lower property valuations, for the last two consecutive years.

Motor vehicle and other taxes - These taxes, like Real property taxes, are part of the two mill tax levy that is required to be collected by the Joint Revenue Bond Resolution mentioned above. The decrease in motor vehicle taxes would seem to reflect an older average vehicle age which would result in less tax, and only a modest increase in the total number of vehicles.

Interest Income - Funds are invested as permitted in accordance with Georgia Code Section 36-80-3. As interest rates have continued to drastically decrease, so has our Interest Income.

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

Interest expense and fiscal charges:

	2011	2010
Revenue bonds interest expense	**$ 7,519,354**	$ 7,734,710
GEFA interest expense	**3,663,712**	2,672,006
Amortization of issuance costs	**176,487**	358,027
Fiscal agent fees	**3,151**	3,090
Total	**$ 11,362,704**	$ 10,767,833

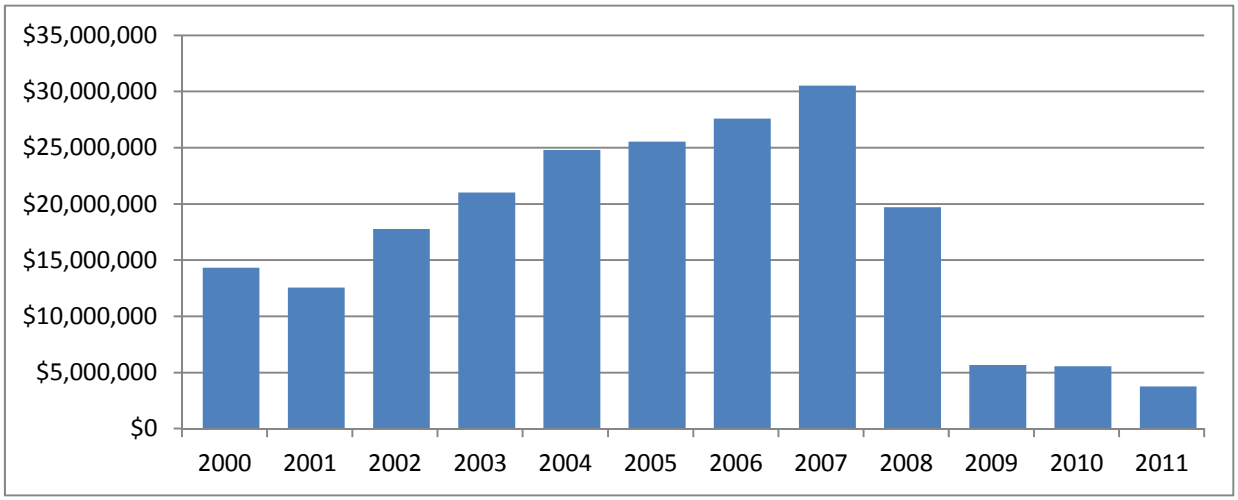
Financial Statements (Continued)

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

Capital Contributions consists of the items listed in the table below. The Authority assesses Impact Fees designed to recover a fair proportionate share of the costs of system improvements needed to serve new growth and development. Anyone subscribing for initial use of water services pays $700 per equivalent dwelling unit (EDU), and anyone initially connecting onto the sewer system pays $2,900 per EDU. The Authority defines one EDU to be 300 gallons per household per day. Contributions for project costs are paid to the Authority to cover the expense of improvements made to serve specific developments. Contributions in kind represent the value of assets deeded over to the Authority by developers.

	2011	2010
Impact fees	**$ 952,480**	$ 1,357,251
Contributions for project costs	**1,489,253**	2,029,146
Contributions in kind	**1,323,184**	2,182,377
Total	**$ 3,764,917**	$ 5,568,774

As the graph below shows, capital contributions in recent years have decreased significantly from the high of $30.5 million reached in 2007, reflecting a steep decline in the construction of new houses and commercial development.



Capital Asset and Debt Administration

Capital Assets: The Authority's investment in capital assets as of June 30, 2011 amounts to $467,735,427 net of accumulated depreciation. (Refer to Note 4 on pg. 23) This investment in capital assets includes land and easements, 5 reservoirs, buildings, two water treatment plants, water storage tanks, wastewater treatment plants, system improvements, construction in progress, vehicles and equipment. The Authority has scaled back on its aggressive capital improvement program because of the relatively flat population growth over the last three years. Authority personnel closely monitor demand at water and wastewater treatment plants, as well as private development plan submittals, and are prepared to accelerate the capital improvement program as needed to serve the needs of projected future growth.

During FY2011, an additional 7.1 miles of water lines and 0.2 miles of sewer lines were added to the Authority's system. Other significant capital events during the current fiscal year included the following:

- Completed water and sewer line extensions, rehabilitation and relocation projects totaling $3.5 million
- Identified optimal locations for future elevated and ground storage water tanks and purchased the land at each site
- Completed phase one of Tussahaw Recreation area on an island in Tussahaw Reservoir ($1.6 million)
- Continued construction of Walnut Creek Water Reclamation Facility ($12.0 million spent in FY2011)

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 Finance Authority (GEFA).

During the year, the Authority made construction draws of $12,995,437 on GEFA loan # CWSRF 08-001 (part 2) for the expansion of Walnut Creek Water Reclamation Facility. The balance of the loan at June 30, 2011 was $19,338,859. The maximum amount that can be drawn on this loan is $21,342,866. The loan carries a 3% interest rate and repayment of the loan will be made in monthly amounts over 20 years beginning one month after completion of the project, currently estimated to be December, 2011. (Refer to Note 5 on pg. 24)

In February, 2011 the Authority entered into an agreement with GEFA to borrow $2,652,000 on GEFA loan #DWSRF 10-025, to construct a project known as Tussahaw Transmission Main consisting of approximately 4.7 miles of 24" ductile iron water main in the south part of Henry County. The loan carries a 3% interest rate and a 2% closing cost. The amount actually drawn on the loan during the year was $2,168,731. Repayment of the loan will be made in monthly amounts over 20 years beginning one month after completion of the project, currently estimated to be November, 2011. Prior to repayment, the loan balance will be reduced by 30% in accordance with GEFA's principal forgiveness program.

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

Currently Known Conditions Affecting Future Operations

In October, 2011 a Resolution was passed authorizing the issuance, in one or more series, of 2011 Bonds in an amount not to exceed $39,960,000 for the purpose of refunding a portion of the 2002A Bonds. The sole purpose of the 2011 Bonds is to reduce debt service payments. The Resolution specifies that in order to issue the 2011 Bonds, a net present value savings of at least 3.5% must be achieved, and the maturities must match maturities of the 2002A Bonds. The 2011 Bonds have been validated, but as of the date of this writing, have not been issued. The Authority is now prepared to issue the 2011 Bonds when market conditions are favorable to enable the Authority to achieve the desired savings.

Real property tax and other tax revenue in FY 2011 were 1.9% less than the previous year. Real property tax and other tax revenue in FY 2011 were 12.9% less than FY 2010. The Authority anticipates a decrease in FY 2012 of 6.6% from FY 2011 and has budgeted accordingly. These decreases are due to reduced values on the Tax Digest. It is currently unknown whether this downward trend will continue any further.

Further Information

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS	
CURRENT ASSETS	
Cash	$ 1,282,153
Receivables, net of allowance for uncollectibles:	
Taxes	752,317
Accounts	5,992,851
Inventory	621,891
Prepaid expenses	27,685
Restricted assets:	
Cash	45,960,534
Investments	17,887,276
Total current assets	72,524,707
NON-CURRENT ASSETS	
Capital assets:	
Land	35,495,474
Buildings	13,171,941
Improvements other than buildings	590,676,758
Machinery and equipment	7,869,488
Vehicles	3,709,102
Construction in progress	51,259,097
	702,181,860
Less accumulated depreciation	234,446,433
Total capital assets, net of accumulated depreciation	467,735,427
Other assets:	
Deferred charges	4,265,994
Other non-current assets	3,864,358
Total non-current assets	475,865,779
Total assets	548,390,486

See Notes to Financial Statements.

LIABILITIES		
CURRENT LIABILITIES		
Payable from current assets:		
Accounts payable	$	1,726,244
Compensated absences payable		664,354
Accrued expenses and other liabilities		543,637
Retainage payable		1,507,920
Customer deposits payable		2,027,952
Accrued interest payable		391,421
Notes payable - current		6,531,093
		13,392,621
Payable from restricted assets:		
Revenue bonds payable		4,930,000
Accrued interest payable		3,086,345
		8,016,345
Total current liabilities		21,408,966
LONG-TERM LIABILITIES		
Notes payable		129,303,431
Revenue bonds payable, net		140,755,470
Compensated absences payable		278,314
OPEB obligation		3,727,948
Total long-term liabilities		274,065,163
Total liabilities		295,474,129
NET ASSETS		
Invested in capital assets, net of related debt		221,738,250
Restricted for debt service		24,847,227
Unrestricted		6,330,880
Total net assets	$	252,916,357

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2011

Operating revenues:	
Charges for services:	
Water sales	$ 31,451,080
Sewer sales	10,813,428
Connection fees	104,255
Other fees and charges	1,226,363
Total operating revenues	43,595,126
Operating expenses:	
Water treatment	5,662,739
Water purchase	80,322
Customer service and connection	3,104,957
Waste water treatment	4,713,624
Repairs and maintenance	8,869,625
Administrative and engineering	5,042,610
Depreciation	27,840,646
Information technology	1,210,713
Total operating expenses	56,525,236
Operating loss	(12,930,110)
Non-operating revenues (expenses):	
Real property taxes	11,537,338
Motor vehicle and other taxes	1,201,397
Interest income	93,770
Realized loss on investments	(64,250)
Interest expense and fiscal charges	(11,362,704)
Insurance recoveries and other revenues	231,921
Total non-operating revenues, net	1,637,472
Loss before contributions	(11,292,638)
Capital contributions	3,764,917
Change in net assets	(7,527,721)
Total net assets, beginning	260,444,078
Total net assets, ending	$ 252,916,357

See Notes to Financial Statements.

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	43,442,237
Payments to suppliers		(25,372,601)
Payments to employees		(4,400,765)
Net cash provided by operating activities		13,668,871
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes received		12,946,666
Insurance recoveries and other non-operating revenue		231,921
Net cash provided by noncapital financing activities		13,178,587
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets		(17,026,777)
Proceeds from long-term borrowings		14,491,688
Principal payments on long-term borrowings		(10,514,987)
GEFA loan closing costs		(53,040)
Interest paid on long-term borrowings		(11,088,675)
Capital contributions		2,441,733
Net cash used in capital and related financing activities		(21,750,058)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment maturity		6,425,000
Interest received		194,810
Net cash provided by investing activities		6,619,810
Net increase in cash		11,717,210
Cash:		
Beginning		53,412,753
Ending	$	65,129,963
Classified as:		
Cash	$	1,282,153
Restricted assets:		
Cash		45,960,534
Cash equivalents included in investments		17,887,276
	$	65,129,963

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$	(12,930,110)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation		27,840,646
Changes in assets and liabilities:		
Increase in accounts receivable		(180,644)
Decrease in due from Henry County		27,755
Decrease in inventory		172,050
Increase in prepaid expenses		(27,000)
Increase in other noncurrent assets		(425,203)
Decrease in accounts payable and accrued expenses		(2,454,378)
Increase in customer deposits payable		374,479
Increase in OPEB obligation		1,302,299
Decrease in other non-current liabilities		(31,023)
Net cash provided by operating activities	$	13,668,871

SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions from developers	$	1,323,184
Realized loss on investments		(64,250)
	$	1,258,934

See Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Henry County Water and Sewerage Authority (the "Authority"), a body politic, was duly created under the Acts of the General Assembly of the State of Georgia on March 28, 1961. The Authority was created to provide water and related services throughout Henry County, Georgia (the "County"). The Authority currently serves approximately 56,000 customers in the City of McDonough and Henry County, Georgia. Related services include waste treatment, maintenance of water and sewer lines and installation of new water and sewer lines. The Authority is governed by a board of directors, which are appointed by Henry County. The County is obligated for the debt of the Authority, and therefore, a financial burden exists.

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

Fund Accounting:

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

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

Measurement Focus:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting:

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

Basis of Presentation:

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

Management Estimates:

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

Revenues:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments:

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

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

Investments are stated at fair value.

Customer Accounts Receivable:

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

Property Taxes Receivable:

Property taxes levied by the County in September 2010, and not collected by June 30, 2011, are recorded as receivables, net of estimated uncollectibles.

Inventories:

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

Restricted Assets:

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

Bond Premium, Discount and Issuance Cost:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Refunding Charges:

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

Capital Assets:

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

Asset	Years
Land Improvements	10
Buildings	10 - 50
Infrastructure	10 - 50
Machinery and Equipment	3 - 50

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

Capital Contributions:

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

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2011, are summarized as follows:

As reported in the Statement of Net Assets:		
Cash	$	1,282,153
Restricted:		
Cash		45,960,534
Investments		17,887,276
	$	65,129,963
Cash deposited with financial institutions	$	47,242,687
Cash deposited with Georgia Fund 1		17,887,276
	$	65,129,963

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, 2011, the Authority's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's.

At June 30, 2011, the Authority had the following investments:

Investment	Maturities	Fair Value	
Georgia Fund 1	59 day weighted average	$	17,887,276
Total		$	17,887,276

The reporting of investments at fair value in accordance with GASB Statement No. 31 for the year ended June 30, 2011, resulted in a realized loss of $64,250.

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

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on $1.00 per share.

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

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2011, all the Authority's funds which were uninsured were collateralized as required by the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c) and as defined by GASB pronouncements.

NOTE 3. RECEIVABLES

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following at June 30, 2011:

Receivables:		
Taxes	$	773,120
Accounts		6,693,413
Gross receivables		7,466,533
Less allowance for uncollectibles		(721,365)
Net total receivables	$	6,745,168

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 35,463,906	$ 31,568	$ -	$ -	$ 35,495,474
Construction in progress	40,561,945	16,835,835	-	(6,138,683)	51,259,097
Total	76,025,851	16,867,403	-	(6,138,683)	86,754,571
Capital assets, being depreciated:					
Buildings	8,380,082	-	-	4,791,859	13,171,941
Improvements other than buildings	589,030,903	1,323,184	-	322,671	590,676,758
Machinery and equipment	7,213,246	67,362	(435,273)	1,024,153	7,869,488
Vehicles	3,634,167	92,012	(17,077)	-	3,709,102
Total	608,258,398	1,482,558	(452,350)	6,138,683	615,427,289
Less accumulated depreciation for:					
Buildings	(3,509,330)	(582,666)	-	(319,348)	(4,411,344)
Improvements other than buildings	(193,387,229)	(26,187,272)	-	319,348	(219,255,153)
Machinery and equipment	(6,701,144)	(962,649)	435,273	-	(7,228,520)
Vehicles	(3,460,434)	(108,059)	17,077	-	(3,551,416)
Total	(207,058,137)	(27,840,646)	452,350	-	(234,446,433)
Total capital assets, being depreciated, net	401,200,261	(26,358,088)	-	6,138,683	380,980,856
Total capital assets, net	$ 477,226,112	$ (9,490,685)	$ -	$ -	$ 467,735,427

NOTE 5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 146,850,000	$ -	$ (4,890,000)	$ 141,960,000	$ 4,930,000
Plus unamortized premiums	10,165,958	-	(617,721)	9,548,237	
Less unamortized discounts	(142,186)	-	14,837	(127,349)	
Less unamortized deferred charges	(6,221,801)	-	526,383	(5,695,418)	
Revenue bonds, net	150,651,971	-	(4,966,501)	145,685,470	
Notes payable	126,967,301	14,491,688	(5,624,465)	135,834,524	6,531,093
OPEB obligation	2,425,649	1,302,299	-	3,727,948	84,840
Compensated absences	883,995	691,389	(632,716)	942,668	664,354
Total long-term liabilities	$ 280,928,916	$ 16,485,376	$ (11,223,682)	$ 286,190,610	$ 12,210,287

Revenue Bonds:

The County issues bonds which pledge Authority revenues derived from the operation of capital assets to pay debt service. Revenue bonds outstanding at June 30, 2011 are as follows:

Interest Rate	Due Date	
5.00%	2012	$ 2,665,000
3.75%-6.15%	2020	12,355,000
4.90%-6.00%	2020	8,665,000
2.00%-5.38%	2030	41,165,000
3.00%-5.25%	2030	47,325,000
5.00%	2026	29,785,000
		141,960,000
	Plus unamortized premiums	9,548,237
	Less unamortized discounts	(127,349)
	Less unamortized deffered charges - refunding	(5,695,418)
		$ 145,685,470

NOTE 5. LONG-TERM DEBT (CONTINUED)

Revenue Bonds: (Continued)

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2012	$ 4,930,000	$ 7,407,229	$ 12,337,229
2013	5,045,000	7,177,044	12,222,044
2014	5,330,000	6,910,016	12,240,016
2015	5,605,000	6,629,114	12,234,114
2016	5,890,000	6,334,203	12,224,203
2017-2021	33,010,000	26,532,388	59,542,388
2022-2026	39,805,000	17,159,588	56,964,588
2027-2031	42,345,000	5,608,425	47,953,425
Total	$ 141,960,000	$ 83,758,007	$ 225,718,007

Notes Payable:

The Authority has also incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewer system projects. Included with these notes are two construction line of credit agreements for $23,199,250 of which $20,856,971 had been drawn as of June 30, 2011. These notes are as follows at June 30, 2011:

Interest Rate	Term	Due Date	
3.70%	20 years	2021	$ 9,345,113
3.49%	20 years	2022	13,222,522
3.00%	20 years	2026	33,298,403
3.00%	20 years	2027	22,120,633
3.00%	20 years	2028	17,166,526
3.00%	20 years	2030	19,824,356
3.00%	20 years	2033	19,338,859
3.00%	20 years	2032	1,518,112
			$ 135,834,524

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable: (Continued)

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

	Principal	Interest	Total
Fiscal year ending June 30,			
2012	$ 5,924,746	$ 3,496,701	$ 9,421,447
2013	6,121,106	3,300,341	9,421,447
2014	6,315,543	3,105,904	9,421,447
2015	6,519,041	2,902,406	9,421,447
2016	6,726,867	2,694,581	9,421,448
2017-2021	37,046,044	10,061,191	47,107,235
2022-2026	31,220,877	4,605,870	35,826,747
2027-2031	15,103,329	738,920	15,842,249
Total	$ 114,977,553	$ 30,905,914	$ 145,883,467

The above debt service requirements to maturity table does not include provision for the construction line of credit agreements for $23,199,250 of which $20,856,971 had been drawn as of June 30, 2011. This note payable is in the draw down phase as of June 30, 2011, and repayment will be determined when construction is complete and all draws have been made.

NOTE 6. DEFINED BENEFIT PENSION PLAN

Plan Description

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

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy

The Authority is required to contribute an actuarially determined amount annually to The Plan's trust. The contribution amount is determined using actuarial methods and assumptions approved by The Segal Company Plan trustees and intended to satisfy the minimum contribution requirements as set forth in the State of Georgia statutes. Plan participants are required to contribute a percentage of their compensation to the plan. The required contribution percentage at June 30, 2011, was 5%.

Annual Pension Cost

The Authority's annual pension cost and net pension obligation for the pension plan for the plan year ended June 30, 2011 are as follows:

Derivation of Net Pension Obligation		2011
Annual Pension Cost for Fiscal Year	$	1,298,844
Actual Contributions to Plan for Fiscal Year		1,724,047
Increase in Net Pension Asset		(425,203)
Net Pension Asset as of June 30, 2010		(3,439,155)
Net Pension Asset as of June 30, 2011	$	(3,864,358)

Basis of Valuation	
Current Valuation Date	January 1, 2011
Annual Return on Invested Plan Assets	7.75%
Projected Annual Salary Increases	3.50% Plus Age and Service Based Merit Increases
Expected Annual Inflation	3.50%
Actuarial Value of Assets	Market Value
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Closed Level Dollar for Remaining Unfunded Liability
Remaining Amortization Period	30

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Annual Pension Cost (Continued)

Trend Information for The Plan

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

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfinded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfinded Actuarial Accrued Liability as A Percentage of Covered Payroll
12/31/2010	$ 14,049,501	$ 21,619,929	$ 7,570,428	65.0%	$ 10,346,469	73.2%

The required schedule of funding progress included in the Required Supplementary Information presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2010.

NOTE 7. COMMITMENTS AND CONTINGENCIES

In addition to the liabilities enumerated in the statement of net assets at June 30, 2011, the Authority has contractual commitments on uncompleted construction contracts of approximately $3,874,699.

NOTE 8. RISK MANAGEMENT

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

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

NOTE 9. SUBSEQUENT EVENT

In October, 2011, a Resolution was passed authorizing the issuance, in one or more series, of 2011 Bonds in an amount not to exceed $39,960,000 for the purpose of refunding a portion of the 2002A Bonds. The sole purpose of the 2011 Bonds is to reduce debt service payments. The Resolution specifies that in order to issue the 2011 Bonds, a net present value savings of at least 3.5% must be achieved, and the maturities must match maturities of the 2002A Bonds. The 2011 Bonds have been validated, but as of the date of this writing, have not been issued. The Authority is now prepared to issue the 2011 Bonds when market conditions are favorable to enable the Authority to achieve the desired savings.

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

Plan Description

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

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

General

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

Retirement Options/Benefit Provisions

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

Eligibility

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

Fund Membership

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Plan as of July 1, 2010.

Active participants	224
Retirees and beneficiaries	9
Total	233

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Contributions

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

Fiscal Year	Annual OPEB Cost	Actual County Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
2009	$ 1,292,062	$ 64,106	4.96%	$ 1,227,956
2010	1,286,743	77,667	6.04%	2,425,649
2011	1,387,139	84,840	6.12%	3,727,948

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

Annual required contribution	$ 1,409,624
Interest from net OPEB obligarion	140,204
Adjustment of net OPEB asset	(162,689)
Annual OPEB cost	1,387,139
Actual contribution to the plan	(84,840)
Increase in net OPEB asset	1,302,299
Net OPEB obligation as of July 1, 2010	2,425,649
Net OPEB obligation as of June 30, 2011	$ 3,727,948

As of the most recent valuation date, July 1, 2010, the funded status of the OPEB Plan was as follows:

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percent of Covered Payroll
6/30/2011	$ -	$ 8,483,104	$ 8,483,104	0%	$ 10,518,867	80.6%

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2010. Assumptions used in the July 1, 2010, actuarial valuation include:

Actuarial Assumptions:	
Mortality	RP-2000 Combined Healthy Mortality Table, separate for males and females.
Discount rate for benefit obligations	5.78% per year
Healthcare cost trend rates:	
Medical	9.0% graded by .5% per year to ultimate rate of 5.0%
Dental	9.0% graded by .5% per year to ultimate rate of 5.0%
Withdrawal	Various by age
Disability	None
Retirement rates by age:	
55	20%
56-61	10%
62	30%
63-64	10%
65	100%
Martial Status	80% of retirees are assumed to be married at retirement
Age difference of spouses	Males are assumed to be 3 years older than females
Plan participation	100% of future eligible retirees are assumed to elect coverage for themselves and their spouses.
Per capita claims cost	Gross per capital claims costs were developed from current premium equivalent rates, age adjusting using normative data and industry standard methodology, in accordance with the applicable Actuarial Standards of Practice.
Annual per capita retiree contributions:	
Medical (Multi-Choice Plan)	
Single	$450
Retiree and spouse	$1,350
Dental	
Single	$ -
Retiree and spouse	N/A
Retiree contribution increases	Retiree contributions are assumed to increase at the same rates as incurred medical or dental claims.
Medicare coordination	At 65 coverage assumed to be secondary to Medicare

REQUIRED SUPPLEMENTARY INFORMATION

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

DEFINED BENEFIT PENSION PLAN
SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percent of Covered Payroll
12/31/2004	$ 1,590,442	$ 6,258,410	$ 4,667,968	25.4%	$ 6,216,734	75.1%
12/31/2005	2,813,334	7,655,401	4,842,067	36.7%	7,173,951	67.5%
12/31/2006	4,571,740	8,299,064	3,657,324	55.6%	7,867,202	46.5%
12/31/2007	6,818,481	12,134,018	5,315,537	56.2%	8,955,377	59.4%
12/31/2008	8,697,588	14,612,339	5,914,751	59.5%	10,144,460	58.3%
12/31/2009	11,295,607	17,180,226	5,884,619	65.7%	10,685,904	55.1%
12/31/2010	14,049,501	21,619,929	7,570,428	65.0%	10,346,469	73.2%

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

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents **Page**

Financial Trends ..... **35 - 41**

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

Revenue Capacity ..... **42 - 48**

These schedules contain information to help the reader assess the Authority's most significant local revenue sources.

Debt Capacity ..... **49 - 51**

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.

Demographic and Economic Information ..... **52 - 59**

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

Operating Information ..... **60 - 63**

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.

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

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

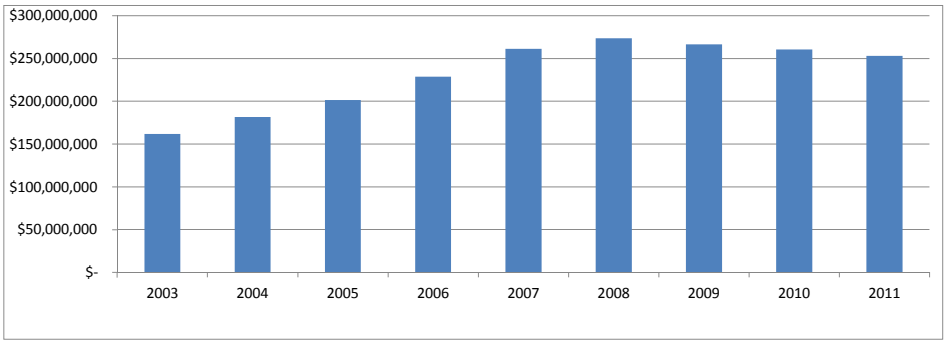
FINANCIAL TRENDS

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

NET ASSETS BY COMPONENT
LAST NINE YEARS

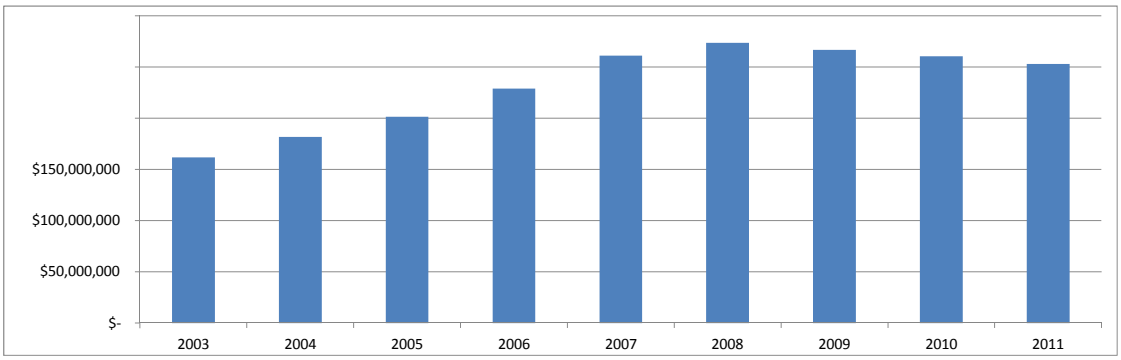
	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Invested in capital assets, net of related debt	$ 144,234,549	$ 168,957,755	$ 188,105,036	$ 210,147,676	$ 198,056,873	$ 220,786,750	$ 228,664,267	$ 238,506,575	$ 221,738,250
Restricted for:									
Debt service	18,626,333	18,123,265	14,341,645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



HENRY COUNTY WATER AND SEWERAGE AUTHORITY

CHANGES IN NET ASSETS
LAST NINE YEARS

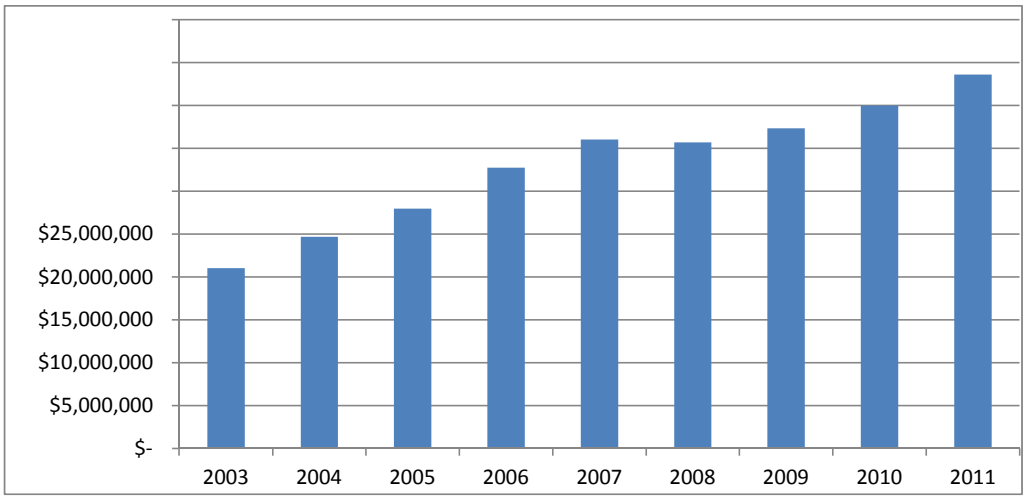
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating Revenues	$ 21,033,029	$ 24,688,337	$ 27,950,479	$ 32,733,003	$ 36,018,346	$ 35,702,127	$ 37,346,288	$ 39,961,912	$ 43,595,126
Operating Expenses	26,786,158	30,087,110	33,927,525	36,852,752	41,664,705	48,950,470	54,755,618	55,812,639	56,525,236
Operating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



HENRY COUNTY WATER AND SEWERAGE AUTHORITY

OPERATING REVENUES BY SOURCE
LAST NINE YEARS

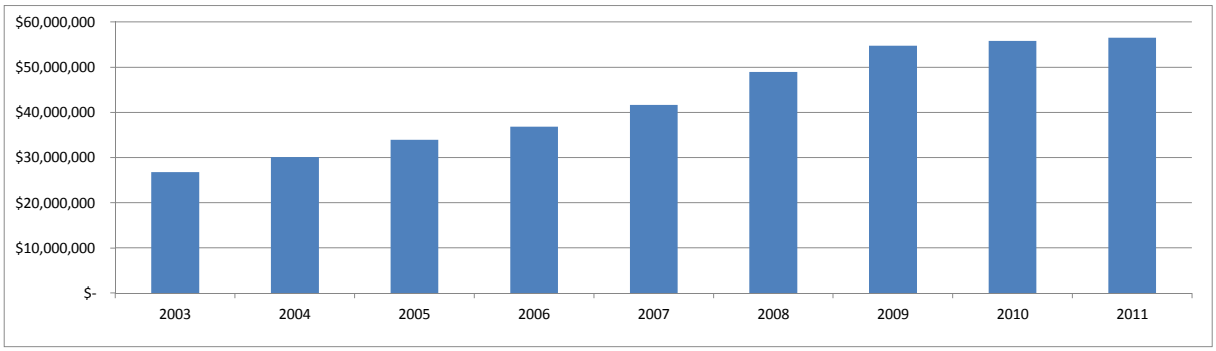
Fiscal Year	Water Revenues	Sewer Revenues	Connection Fees	Other Fees and Charges	Total
2003	$ 15,910,366	$ 4,168,853	$ 812,905	$ 140,905	$ 21,033,029
2004	18,639,668	4,829,134	804,997	414,538	24,688,337
2005	20,852,083	5,956,110	687,316	454,970	27,950,479
2006	24,496,078	7,113,762	771,385	351,778	32,733,003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



HENRY COUNTY WATER AND SEWERAGE AUTHORITY

OPERATING EXPENSES BY FUNCTION
LAST NINE YEARS

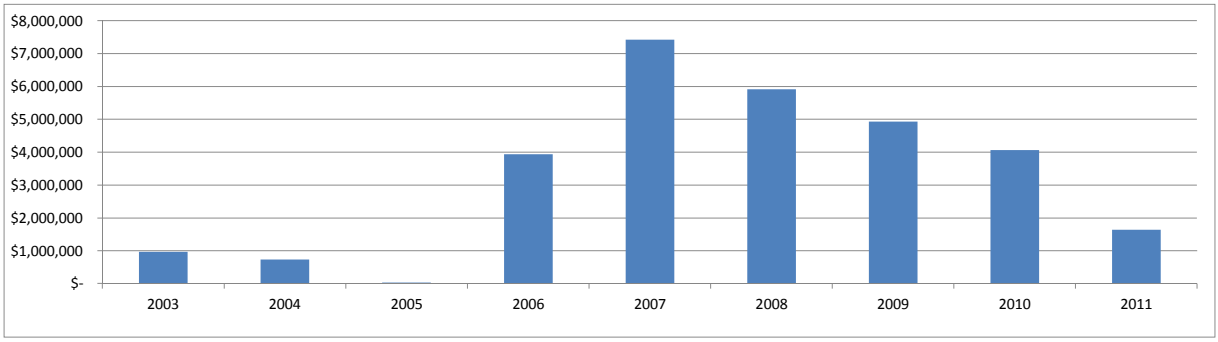
Fiscal Year	Water Treatment	Water Purchase	Customer Service and Connection	Waste Water Treatment	Repairs and Maintenance	Administrative and Engineering	Depreciation	Information Technology	Total Operating Expenses
2003	$ 2,152,403	$ 713,266	$ 1,168,195	$ 2,696,773	$ 4,016,206	$ 3,821,826	$ 11,331,559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



HENRY COUNTY WATER AND SEWERAGE AUTHORITY

NON-OPERATING REVENUES (EXPENSES)
LAST NINE YEARS

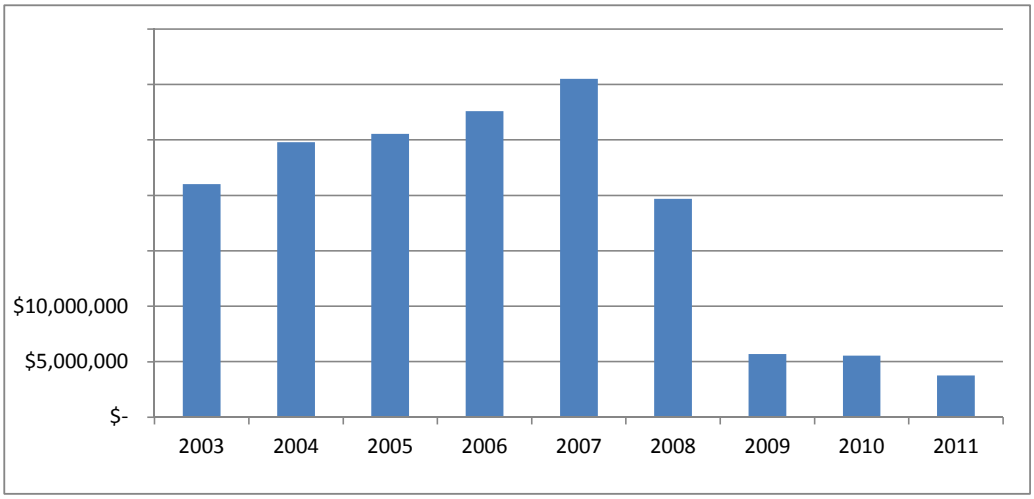
Fiscal Year	Real Property Taxes	Motor Vehicle and Other Taxes	Interest Income	Realized Gains (Losses) on Investments	Interest Expense and Fiscal Charges	Gains (Losses) on Disposal of Capital Assets	Other	Total Non-Operating Expenses
2003	$ 7,487,870	$ 848,562	$ 1,574,038	$ 347,348	$ (10,171,684)	$ 115,023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



HENRY COUNTY WATER AND SEWERAGE AUTHORITY

CAPITAL CONTRIBUTIONS FROM DEVELOPERS AND IMPACT FEES
LAST NINE YEARS

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



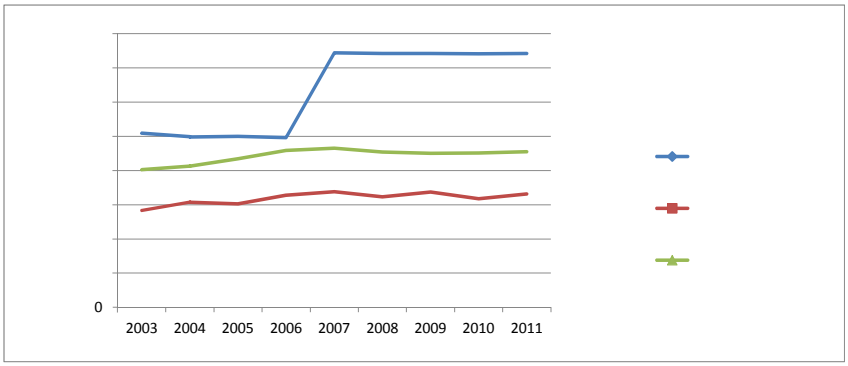
REVENUE CAPACITY

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

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

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

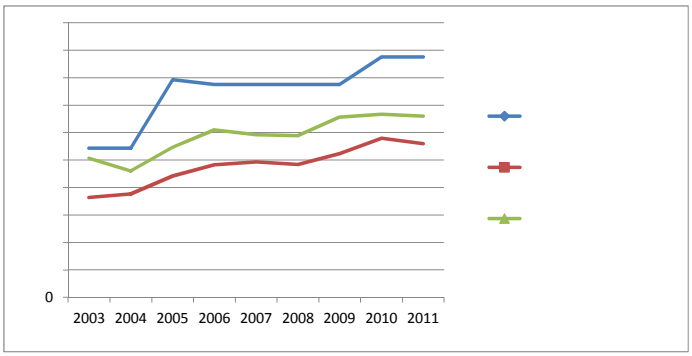


Source: Henry County Water & Sewerage Authority historical financial records

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

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

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

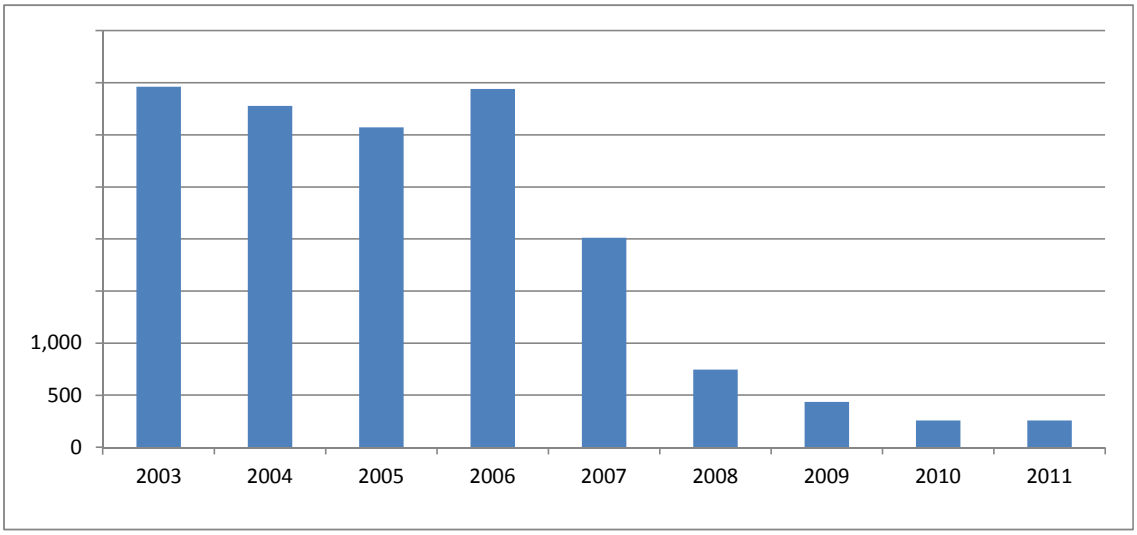


Source: Henry County Water & Sewerage Authority historical financial records

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

NEW WATER METERS ADDED TO THE SYSTEM
LAST NINE FISCAL YEARS

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

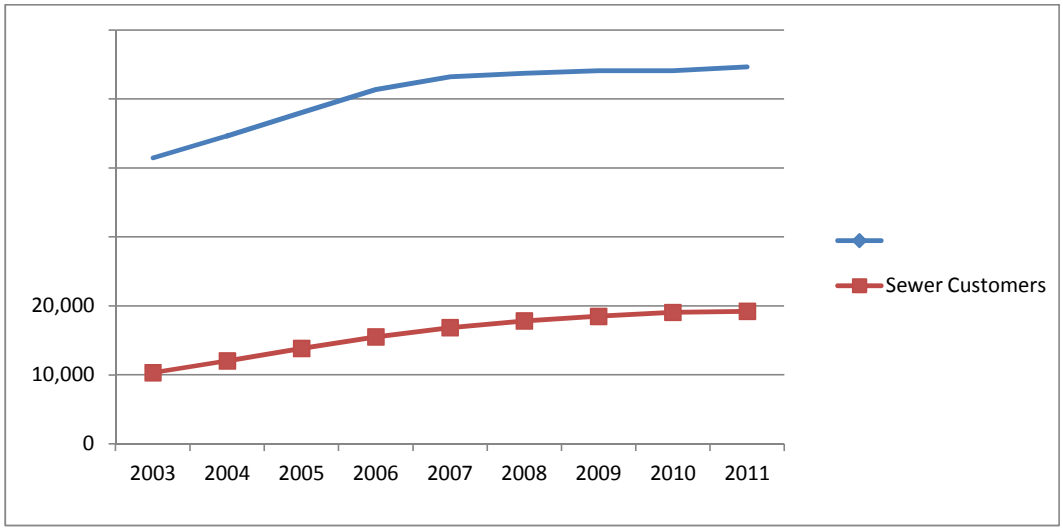


Source: Henry County Water & Sewerage Authority historical financial records

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

NUMBER OF CUSTOMERS
LAST NINE FISCAL YEARS

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



Source: Henry County Water & Sewerage Authority historical financial records

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

RESIDENTIAL WATER AND SEWERAGE RATES
LAST NINE FISCAL YEARS

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

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

COMMERCIAL WATER AND SEWERAGE RATES
LAST NINE FISCAL YEARS

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

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

DEBT CAPACITY

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

OUTSTANDING DEBT BY TYPE
LAST NINE YEARS

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

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

PLEDGED REVENUE COVERAGE
LAST NINE YEARS

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

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

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)					
2002	2,476,793,288	1,259,409,347	347,111,730	14,977,146	665,724,101	3,432,567,410	11.81	8,581,418,525	40%
2003	2,788,093,657	1,355,253,002	381,641,030	13,923,808	703,336,212	3,835,575,285	11.69	9,588,938,213	40%
2004	3,176,393,257	1,514,744,199	406,978,890	12,301,259	777,838,655	4,332,578,950	11.74	10,831,447,375	40%
2005	3,549,801,966	1,620,263,499	423,649,350	11,087,769	890,036,158	4,714,766,426	12.04	11,786,916,065	40%
2006	4,030,385,731	1,711,614,189	426,951,430	15,233,252	1,060,592,258	5,123,592,344	11.24	12,808,980,860	40%
2007	4,500,677,025	1,848,100,687	428,347,920	13,425,953	1,156,212,229	5,634,339,356	11.20	14,085,848,390	40%
2008	4,949,730,447	2,053,935,438	474,676,980	13,876,885	1,279,630,190	6,212,589,560	11.20	15,531,473,900	40%
2009	5,139,260,358	2,452,100,370	504,161,380	8,800,752	1,343,128,210	6,761,194,650	10.97	16,902,986,625	40%
2010	5,100,209,854	2,444,597,311	521,749,210	10,237,167	1,355,121,921	6,721,671,621	10.97	16,804,179,053	40%
2011	4,148,277,699	2,295,735,115	450,888,710	10,241,711	1,195,578,627	5,709,564,608	11.75	14,273,911,520	40%

Source: Henry County Tax Commissioner

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

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

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

	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Henry County rates										
Maintenance & Operations										
Unincorporated	11.81	14.25	14.13	14.06	14.13	14.13	14.37	13.89	13.71	14.89
Insurance Reduction (1)	-	-	-	-	-	-	-	-	-	-
Municipal rates										
McDonough (2)	3.00	2.84	2.77	2.71	2.56	2.51	2.45	2.59	2.59	3.45
Stockbridge	-	-	-	-	-	-	-	-	-	-
Hampton	-	-	-	-	-	-	-	-	-	-
Locust Grove	-	-	-	-	-	-	-	-	-	-
LOST Reduction	(3.02)	(3.01)	(2.89)	(2.82)	(2.89)	(2.93)	(3.17)	(2.92)	(2.92)	(3.14)
Police Protection	-	-	-	-	-	-	-	-	-	1.72
Fire Protection	2.50	2.56	2.39	2.02	1.18	1.21	1.16	1.22	1.22	1.15
Planning & Development	-	-	-	-	0.02	-	-	-	-	0.23
Water Authority	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Hospital Authority	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Board of Education										
Maintenance & Operations	17.15	17.65	18.90	18.90	19.40	20.00	20.00	20.00	20.00	20.00
Debt Service	3.06	3.06	3.06	3.06	3.06	3.06	3.06	3.06	3.06	3.06
State of Georgia	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Total Unincorporated	34.75	35.20	36.45	36.45	36.95	37.51	37.51	37.28	37.28	38.06
Total Municipalities (3)										
McDonough	33.44	33.33	35.02	35.33	37.03	37.48	37.58	38.14	38.14	38.42
Stockbridge	34.75	35.04	36.45	36.45	36.95	37.47	37.51	37.02	37.02	38.06
Hampton	32.97	33.38	34.67	34.67	35.65	36.23	36.29	36.17	36.17	36.35
Locust Grove	33.10	33.47	34.80	34.80	35.67	35.69	36.29	35.87	35.87	36.11

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

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO

	2011			2001		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Georgia Power Company	$ 28,708,336	1	0.43 %	$ -		- %
Inland Western McDonough	20,719,240	2	0.31	-		-
Cardinal Health 110, INC	47,979,724	3	0.71	-		-
Bellsouth Telecomm	19,776,866	4	0.29	-		-
Norfolk Southern Combined	19,417,984	5	0.29	-		-
US Industrial Reit II	20,856,200	6	0.31	-		-
Trees of Avalon LLC	17,954,616	7	0.27	-		-
Kens Foods, INC	22,869,352	8	0.34	-		-
Henry Co Development Authority	16,114,662	9	0.24	-		-
Prologis NA2 US LLC	15,754,800	10	0.23	-		-
Goodyear Tire & Rubber	-		-	45,835,283	1	1.61
Toys 'R Us -Distribution	-		-	37,691,444	2	1.32
Amazon.com	-		-	29,001,500	3	1.02
Snapper	-		-	25,330,415	4	0.89
Atlanta Motor Speedway	-		-	23,113,579	5	0.81
Nestle	-		-	21,396,085	6	0.75
Bellsouth	-		-	18,668,496	7	0.65
Killearn Properties	-		-	16,718,887	8	0.59
Georgia Power	-		-	13,190,383	9	0.46
Norfolk Southern	-		-	11,141,673	10	0.39
Totals	$ 230,151,780		3.42 %	$ 242,087,745		8.48 %

The fiscal year 2011 total taxable assessed value is: 6,722,848,575
The fiscal year 2001 total taxable assessed value is: 2,853,164,273

Source: Henry County Tax Commissioner

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	$ 103,739,072	98,638,535	95.1 %	$ 4,167,615	102,806,150	99.1 %
2003	114,849,885	110,386,263	96.1	5,631,895	116,018,158	101.0
2004	127,299,079	124,071,710	97.5	5,890,088	129,961,798	102.1
2005	149,456,772	139,171,748	93.1	5,222,567	144,394,315	96.6
2006	167,000,428	163,055,967	97.6	3,270,634	166,326,601	99.6
2007	189,356,554	183,717,413	97.0	4,286,214	188,003,627	99.3
2008	209,079,707	198,038,407	94.7	5,750,090	203,788,497	97.5
2009	224,099,576	211,348,395	94.3	9,633,458	220,981,853	98.6
2010	232,661,093	220,510,188	94.8	12,162,480	232,672,668	100.0
2011	205,764,434	193,893,667	94.2	11,764,074	205,657,741	99.9

Source: Henry County Tax Commissioner

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

TEN LARGEST CUSTOMERS
CURRENT YEAR AND EIGHT YEARS AGO

Water

	2011		2003
Board of Education	$ 810,193	Board of Education	$ 283,091
City of Hampton	599,358	City of Stockbridge	363,871
City of Stockbridge	585,606	City of Hampton	254,377
Ken's Foods, Inc	375,701	Henry Medical Center	136,553
Henry Medical Center	199,314	Ken's Foods, Inc	113,371
City of McDonough	148,533	City of Locust Grove	88,449
Connor & Murphy (St Ives)	112,966	Atlas Roofing	75,647
Amber Chase Apts	98,177	Preston Creek Apts	63,341
Empirian Waterford Landing, LLC	93,542	Bridgemill (Saddlecreek) Apts	57,599
Atlas Roofing	93,510	Hudson Bridge Apts	53,674
	$ 3,116,900		**$ 1,489,973**
% of total Water Revenue	**9.9%**		**9.4%**

Sewer

	2011		2004
Board of Education	$ 343,670	City of Hampton	$ 106,819
Ken's Foods, Inc	248,479	Ken's Foods, Inc	106,338
Henry Medical Center	138,315	Board of Education	98,700
St Ives Crossing Apts	106,255	Henry Medical Center	72,493
Empirian Waterford Landing	87,004	Bridgemill (Saddlecreek) Apts	51,960
Trees of Avalon Apts	86,892	Hudson Bridge Apts	51,179
Sable Chase Apts	85,357	St Ives Crossing Apts	42,999
Preston Creek Apts	82,866	Baptist Inn	39,226
Amber Chase Apts	82,564	Sable Chase Apts	39,054
Bridgemill (Saddlecreek) Apts	79,655	Preston Creek Apts	37,586
	$ **1,341,057**		$ **646,354**
% of total Sewer Revenue	**12.4%**		**15.5%**

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

PRINCIPAL EMPLOYERS
CURRENT YEAR AND TWELVE YEARS AGO

	2011			1999		
Taxpayer	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (3)	Rank	Percentage of Total County Employment (2)
Henry County Board of Education	4573	1	5.22 %	2400	1	3.91 %
Henry County Board of Commissioners	1687	2	1.92	830	4	1.35
Henry Medical Center	1561	3	1.78	850	3	1.38
Wal-Mart Supercenter	1055	4	1.20	550	5	0.90
Federal Aviation Administration	612	5	0.70	-		-
Briggs & Stratton/fka/Snapper	567	6	0.65	-		-
Georgia Power Company	563	7	0.64	-		-
Symcor	500	8	0.57	-		-
Southern States, Inc	350	9	0.40	-		-
Luxottica Retail Group	302	10	0.34	-		-
Toys R Us	-		-	1000	2	1.63
Ford Motor Company	-		-	350	6	0.57
Dowling Textile Mfg. Co.	-		-	300	7	0.49
Smead Manufacturing	-		-	280	8	0.46
Pep Boys	-		-	270	9	0.44
NEC Technologies	-		-	250	10	0.41
Totals	11,770		13.42 %	7080		11.53 %

(1) Source: Henry County Development Authority
(2) Source: U.S. Bureau of Labor Statistics - Henry County Employment 61,412 (1999) 87,677 (2011)
(3) Source: Hospital Authority of Henry County Revenue Certificates Series 1999

NOTE: Information on principal employers was not readily available for fiscal year 2000 - 2002.

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population (1)	Personal Income (Amounts Expressed in Thousands) (1)	Per Capita Personal Income (1)	Median Age (3)	School Enrollment (4)	Unemployment Rate (2)
2002	140,137	$ 3,777,793	26,958	33.4	25,479	3.9 %
2003	150,165	3,974,626	26,468	33.4	27,744	4.3
2004	158,939	4,276,616	26,907	33.4	29,912	4.0
2005	168,204	4,512,290	26,826	33.4	32,413	5.1
2006	177,436	4,768,767	26,950	33.4	37,350	4.4
2007	186,308	5,031,049	27,082	33.4	38,969	4.4
2008	195,623	5,282,602	27,004	33.4	38,421	5.9
2009	201,343	5,546,732	22,945	33.4	40,370	10.1
2010	194,400	6,360,121	43,600	33.4	40,791	10.0
2011	207,800	6,678,127	46,818	31	40,951	10.9

Source: Henry County, Georgia

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

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

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

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

NOTE: 2008, 2009, and 2010 population, per capita, and personal income are estimates based on past regional trends
NOTE: 2008, 2009, and 2010 school enrollment is based on 9th month of the school year.

OPERATING INFORMATION

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

FULL TIME EMPLOYEES BY FUNCTION
LAST NINE FISCAL YEARS

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

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ground level tanks:									
Hwy 81	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Hampton	300	300	300	300	300	300	300	300	300
East Lake	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
	6,300	6,300	6,300	11,300	11,300	11,300	11,300	11,300	11,300
Elevated tanks:									
Patillo	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
Mt Olive	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
Hudson Bridge	500	500	500	500	500	500	500	500	500
Fairview	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Panola	200	200	200	200	200	200	200	200	200
Kelly Road			500	500	500	500	500	500	500
N E				1,000	1,000	1,000	1,000	1,000	1,000
	5,200	5,200	5,700	6,700	6,700	6,700	6,700	6,700	6,700
Storage at Water Plants:									
Towaliga	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
	5,500	5,500	5,500	5,500	11,500	11,500	11,500	11,500	11,500
Total Water Tank Storage Capacity	**17,000**	**17,000**	**17,500**	**23,500**	**29,500**	**29,500**	**29,500**	**29,500**	**29,500**

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

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

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

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

SINGLE AUDIT SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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

We have audited the basic financial statements of the Henry County Water and Sewerage Authority (the "Authority"), a component unit of Henry County, Georgia, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated December 13, 2011.

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 13, 2011

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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

Compliance

We have audited the compliance of the Henry County Water and Sewerage Authority (the "Authority"), a component unit of Henry County, Georgia with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 13, 2011

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Grant Program	CFDA #	Grant I.D.	Expenditures
FEDERAL AWARD PROGRAMS			
U.S. Environmental Protection Agency			
Pass Through Program - Georgia Environmental Facilities Authority:			
Funds under the Clean Water Act of 1994	66.458	CWSRF 08-001	$ 12,995,437
Funds under the Clean Water Act of 1994	66.458	CWSRF 10-025	2,168,731
Total Federal Awards			$ 15,164,168

Note A - Basis of Presentation

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

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	____ yes __X__ no
Reportable conditions identified not considered to be material weaknesses?	____ yes __X__ none reported
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	____ yes __X__ no
Reportable conditions identified not considered to be material weaknesses?	____ yes __X__ none reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	____ yes __X__ no

Identification of major program:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$454,925
Auditee qualified as low-risk auditee?	__X__ yes ____ no

HENRY COUNTY WATER AND SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported