



FAYETTE COUNTY WATER SYSTEM
AN ENTERPRISE FUND OF
FAYETTE COUNTY, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2020



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Prepared by the
Fayette County Finance Department

**Fayette County, Georgia
Water System
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**Fayette County, Georgia
Water System
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INTRODUCTORY SECTION

January 22, 2021

Honorable Randy Ognio, Chairman,
Members of the Board of Commissioners,
and the Citizens of Fayette County, Georgia

The Comprehensive Annual Financial Report (CAFR) of the Fayette County Water System, an Enterprise Fund of Fayette County, Georgia for the fiscal year ended June 30, 2020, is hereby submitted. As a means of providing additional financial and operational information about the Water System (the "System"), the County has chosen to prepare this separate financial report, which is published in addition to the County's CAFR, which includes all the different funds it maintains. It is management's belief that the Water System's customers, bond holders, rating agencies and water resource planning entities are better served by a financial report which concentrates specifically on the financial position, operating activities and compliance requirements of the utility itself.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, the System established a comprehensive internal control framework whereby the cost of a control does not exceed the benefits to be derived, as the objective is to provide reasonable, rather than absolute assurance. These internal controls are designed both to protect the government's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the System's financial statements in accordance with generally accepted accounting principles (GAAP). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Fayette County Water System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

The Water System's financial statements have been audited by Nichols, Cauley & Associates, LLC, a firm of licensed Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the System for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (i.e., clean) opinion that the Fayette County Water System's financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section and can be found on pages 17 through 19.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A section. Management's Discussion and Analysis is located in the Financial Section of this report and can be found immediately following the Report of the Independent Auditors on pages 20 through 26.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this letter of transmittal, a list of principal officials, and an organizational chart. The Financial Section includes the Management's Discussion and Analysis; Basic Financial Statements; Required Supplementary Information; Individual Accounts Schedules, as well as the Independent Auditor's Report on these financial statements and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

REPORTING ENTITY

This report includes the accounts of all the Fayette County Water System's operations. The Water System, established in 1965, is an *Enterprise Fund* of Fayette County and serves 31,543 customers in the unincorporated areas of the County and through the County owned distribution systems in Peachtree City, Tyrone, Woolsey and Fayetteville. The Water System also wholesales water to the City of Fayetteville pursuant to a wholesale water contract, which expires in 2034. And by contractual agreement, the County operates the system owned by the Town of Brooks. The Water System Director is responsible for the day-to-day operations of the System.

GOVERNMENT STRUCTURE

Fayette County, established in 1821, is a body corporate and politic organized and existing under the Constitution and the laws of the State of Georgia. Encompassing approximately 199 square miles, it is one of the smaller counties in the State in terms of area. Fayette County is geographically located in the northwestern part of Georgia about 15 miles south of Atlanta city limits and is considered an integral part of the Atlanta Regional Metropolitan area.

The governing authority of Fayette County is a Board of Commissioners consisting of five elected members. The commissioners serve on a part-time basis and are elected to staggered terms of four years. Fayette County holds district voting in four districts with one district electing at-large. Four commissioners are elected by the citizens in their respective district, while the fifth commissioner is elected at-large. At their first meeting each calendar year, the Commission Chairman and Vice-Chairman are selected by the Board.

In their policy making capacity, the Board of Commissioners is authorized to levy taxes; direct and control all property of the County; establish, alter, or abolish roads and bridges; examine, settle and allow claims against the County; examine and audit the accounts of all officers having the care, management, keeping, collection, or disbursement of money belonging to the County; establish the cost of licenses; and make such rules and regulations as necessary for the protection and preservation of health, safety, welfare, and morals. The Board of Commissioners appoints the County Administrator who serves as the County's chief administrative officer. The County Administrator is responsible for the daily operations of all County functions, in accordance with the policies of the Board of Commissioners.

A Water Committee, composed of seven members, meet monthly, to consider matters relevant to the System's operations. Membership includes: three citizens appointed by the Board of Commissioners, the County Administrator, the County Planner, and the Water System Director. The Water System's consulting engineer and county attorney are non-voting members. If he/she so chooses, the County's Board Chairman may serve on the Water Committee, or appoint another Commissioner, as the seventh member. This Committee recommends projects and actions to the Board of Commissioners. The Water Committee is not authorized to implement policy or authorize expenditures.

WATER SYSTEM FACILITIES

When analyzing Fayette County Water System operations, it is helpful to think of the potable water business in terms of its various processes or stages in the delivery of this natural resource as safe drinking water. Basically, System operations can be thought of as three operational components: raw water supply; water treatment and distribution.

In terms of supply, the Water System obtains all its raw water from surface water sources. During the fiscal year ended June 30, 2020, the System has five primary sources of raw water, all located in the County. Two reservoirs, Lake Kedron and Lake Peachtree, are located on Flat Creek. Another reservoir, Lake McIntosh, is located on Line Creek. In addition, the System is permitted to pump from the Flint River to Lake Horton. The following chart summarizes surface water sources, reservoir storage capacities and permitted withdrawal rates.

Water Sources

Source	Location	Local Jurisdiction	Lake Acreage	Withdrawal Permit (Gallons Per Day)	Storage (Gallons)	Treatment Plant
Flat Creek	Lake Peachtree	Peachtree City	250	4 Million*	0.5 Billion	Crosstown WTP
Flat Creek	Lake Kedron	Peachtree City	230		1.9 Billion	Flows to Lake Peachtree
Flint River	Lake Horton	Unincorporated	790	16 Million**	3.5 Billion	Crosstown/S. Fayette WTP
Line Creek	Lake McIntosh	Peachtree City	650	10.4 Million	1.5 Billion	Crosstown WTP
City of Atlanta	Finished Water		-	4 Million***	-	-
Total			1,920	34.4 Million	7.4 Billion	-

* Withdrawal is permitted if mean water level is maintained.

** Withdrawal is permitted from Flint River to Lake Horton when needed and available (Flint River flow exceeds 30 cubic feet per second).

*** Withdrawal is based on an as needed basis.

In providing production flexibility, the raw water stored in Lake Horton can be pumped to either the Crosstown or the South Fayette Water Treatment Plants, as needed. In addition to these raw water sources, the County has an agreement with the City of Atlanta to purchase finished water if needed. The Water System can purchase up to 4 million gallons per day. During the fiscal year ended June 30, 2020 an average of 11,202 gallons per day was purchased from the City of Atlanta.

In looking at production capacity for finished water, as shown in the chart below, the Water System has two facilities available to treat raw water. The Water System pumps the treated water from its two treatment plants to its storage facilities, from which the treated water is then either re-pumped or gravity fed throughout the System's water distribution network.

Production Capacity

Water Treatment Facility	Total Permitted - MGD*	Average Production - MGD	Clear Well Capacity Onsite (Millions)
Crosstown	13.5	5.5	6.0
South Fayette	9.3	3.9	3.0
Total	22.8	9.4	9.0

* Millions of Gallons per Day

Treatment capacity at the Crosstown Plant is about 2.43 times the average production amount for FY2020, and 1.24 times the maximum production level that occurred in a twenty-four-hour period during the fiscal year. A diesel generator is available to provide emergency power to the facility if needed. Construction of the Crosstown Water Treatment Plant was completed in 1986 and improvements were made in 1997.

The South Fayette Plant includes raw water storage for three days of production at maximum treatment permitted flows. This plant has a diesel generator that will provide electricity for full operation. The South Fayette Water Plant was placed into service in July 2001.

In terms of potable water storage in the distribution system, there are four elevated storage tanks that have a total storage capacity of 7 million gallons (see chart below). That storage capacity is slightly less than one day's average usage. These tanks were constructed from 1965-2004 and when added to the onsite storage at each plant give more than one day's demand of storage. These tanks will be regularly maintained for structural integrity and water quality purposes. Repairs identified during inspection will be completed in FY2021. A complete hydraulic water system model is being developed in the 2021 fiscal year to identify operational improvements and to help with the installation of future storage tanks within the distribution system.

Offsite Storage Tanks

Location	Capacity (Gallons)
Peachtree City Tank 2	1,000,000
Crabapple Tank	2,000,000
Ellis Road	2,000,000
Highway 92 North	2,000,000
Total	7,000,000

The distribution system includes 650 miles of water lines of various diameters and materials. To put that number in perspective, that is enough piping to almost reach from Fayetteville, Georgia to Fort Lauderdale, Florida. With the home construction increasing, infrastructure additions for the 2020 fiscal year totaled \$1,751,999. The following tabulation shows water line footage by size, including additions for the fiscal year ended June 30, 2020. For the following table's purpose, any existing piping that is smaller than 6 in. does not carry significant water flows thus they are not reported as part of the distribution system.

The water lines are installed by a contractor selected by low bid and the projects are designed by the Consulting Engineer. The water lines for subdivisions are installed by the developers' contractor with the Water System's inspector handling the inspections. These water lines are contributed to the Water System upon approval of the construction by the Water System Director. The Water System installs some water lines to complete loops or to add additional customers to a continuation of an existing waterline.

Inventory Piping Distribution System

FY2020 Activity

Diameter	Beginning Balance (feet of pipe)	Additions	Retirements	Ending Balance (feet of pipe)
6 in DIP	794,840	40	0	794,880
8 in DIP	1,496,408	24,180	0	1,520,588
8 in C900 PVC	0	225	0	225
10 in DIP	294,861	0	0	294,861
12 in DIP	287,355	220	0	287,575
16 in DIP	156,506	0	0	156,506
18 in DIP	8,390	0	0	8,390
20 in DIP	225,568	0	0	225,568
24 in DIP	106,950	0	0	106,950
30 in DIP	37,802	0	0	37,802
Totals	3,408,680	24,665	0	3,433,345

ECONOMIC CONDITIONS

Environmental Scan: The local economic conditions and operating environment for Fayette County, Georgia are often times directly or indirectly impacted by not only what is occurring in the United States but also globally. Thus, performing a scan of economic environments both nationally and internationally can be helpful in establishing the proper perspective for economic analysis on the local level. Following the COVID-19 pandemic, some of the more important economic metrics regarding financial activity in calendar year 2020 are highlighted in the following bullet points:

- Real gross domestic product (GDP) decreased 31.4 percent in the second quarter;
- Disposable personal income increased 44.3 percent in the second quarter;
- Residential housing starts increased by 3.2 percent over 2019;
- U.S. International Trade Balance deficit increased by 1.7 billion, or 3.3 percent, between June 2019 and June 2020.

Local Economy: Fayette County is strategically located just south of Atlanta near three interstate highways, I-75, I-85 and I-285. It is just a short commute to the City of Atlanta, which is considered the Business Capital of the New South, and Hartsfield-Jackson International Airport, the world's busiest and one of the more significant economic engines for the south side of Atlanta, is located just north of the County.

Fayette County continues to benefit economically by being an integral part of one of the historically top growth areas in the United States. The Metropolitan Atlanta region represents one of the nation's primary transportation and distribution centers as well as being a major financial and consumer services leader. Georgia's geographically central location for domestic distribution, excellent surface transportation system, telecommunications infrastructure and proximity to major consumer markets make the State an excellent base for air cargo operations.

Again, in performing a more localized environmental scan, Fayette County has an outstanding labor force, abundant higher education opportunities, a favorable business climate, a wide range of leisure opportunities and high-quality housing. Each of these factors continues to make Fayette County an attractive place to live, work and play.

Fayette County is home to a highly skilled labor force. The majority of workers in the county are either high school graduates or have obtained their GED or have at least some college training. Figures published by the U.S. Bureau of Labor Statistics indicate that there were 51,483 Fayette County residents that were employed as of June 30, 2020. Many residents commuted outside the County for employment. The two most frequent destinations for Fayette County's work force are Fulton and Clayton Counties. This is no real surprise given that the airport is located mainly in Clayton County and the Central Business District (i.e., Downtown Atlanta) is located in Fulton County.

Statistics from the Georgia Department of Labor indicate that in 2020 there were 3,778 industries located in Fayette County that produced 45,658 jobs. Of that total, 474 industries were labeled as "Goods-Producing" and accounted for 7,735 jobs or 16.9 percent of the total. By far, the largest component was the "Service-Providing" industries. That segment totaled 3,030 firms and represented 32,447 jobs or 71.1 percent of the total. Based on those numbers, it can also be said that Fayette County has a fairly broad industry mix and its economic well-being is not dependent on the success of any one employer or industry.

Prior to the COVID-19 outbreak, Atlanta and the Metro region had significantly enjoyed economic stability. In the past, the Atlanta business community has benefited from several strengths of the region which include having a diverse economic base; experiencing strong in-migration and population growth; serving as a transportation, distribution and cultural center; and offering a business-friendly environment. These factors contributed greatly to economic recovery in the region. The COVID-19 crisis has undoubtedly left a negative impact on not only the local economy but the global economy as a whole. Sadly, one of the obvious effects of the pandemic has been job loss, with low-income employment being impacted the most.

The near-term economic forecast remains strong. As businesses tentatively reopen after imposed lockdowns, we should begin to see a rise in the economy following the great slump. However, the rate of growth is expected to be slow.

The economic outlook for Fayette County remains stable, as a result of prudent planning to eliminate deficit budgeting. This proactive approach has enabled the County to maintain a strong financial position. Property values are rising and there is significant new construction in the county resulting in an increase in the 2020 tax digest of 5.1 percent. One of the benefits of having a skilled work force is that the unemployment rate continues to be below the state average. For June 2020, the rate for Fayette County was 7.1 percent, compared to the state and national average of 8 percent and 11.1 percent, respectively.

The quality and quantity of services provided by the County to its residents are second to none. In Fayette County, one will find one of the highest ranked school systems in Georgia, one of the lowest crime rates in the Metro-Atlanta area, and an efficient County government with one of the lowest millage rates and service costs per capita in the State. Each of these quality of life factors combines to make the County an extremely attractive place in which to reside.

Economic Forecast: Based on the economic information that is currently available, one can make certain projections about the economic conditions that Fayette County will face during its next operating cycle. The more relevant highlights from the economic forecast prepared by The Balance include the following projections:

- Nationwide, unemployment is expected to drop to an average rate of 5.5 percent in 2021 after it peaked at 14.7 percent in April 2020;
- Gross Domestic Product (GDP) growth rate is expected to contract by 3.7 percent in 2020. It may rebound up to a 4.0 percent growth rate in 2021;
- Inflation will average 1.7 percent in 2021.

MAJOR INITIATIVES

The Fayette County Water System continues to implement multi-year capital improvement projects, ensuring delivery of the highest-quality, environmentally compliant drinking water in a cost-effective and efficient manner. Capital infrastructure upgrades continue this year, at both plants. Construction of both the chlorine dioxide feed system and the Zero to Waste/Filter Magic water saving system at the South Fayette Plant continues. Design is ongoing for an upgrade to the hose-less sludge collector systems at both the plants.

The WaterSelector was installed at Lake Horton after the first one was installed at Lake McIntosh. Real-time sensors take varied samples from different depths in the reservoir and select the best water at that time to pump into the water treatment plants. This technology allows operators to know the exact water composition coming into the plant.

Work continues toward preparations for increasing permitted production of the Crosstown Plant. The Interconnectivity Initiative is a five-part task to include analysis of water availability during droughts of record; mapping all distribution infrastructure needed to develop a hydraulic water model that will allow the development of long-term water supply planning and a rate study for sustainable service delivery. The Crosstown Yard Piping project will allow for more efficient delivery of Lake Peachtree raw water to the holding ponds at Crosstown.

The System continues its mission to provide the most efficient and cost-effective infrastructure by expanding its initiative into advanced metering. This smart meter initiative is integral to water conservation, meter reading, billing efficiency, and related customer service functions.

In conjunction with the smart-meter initiative, the Water System continued its partnership with American Rivers on a water conservation program. This program includes coordinating

conservation outreach and water-wise education. Water System staff teamed with the Fayette County Extension Office in creation of a water conservation outreach video accessed by the customers who participated in this program. This will go hand-in-hand with the smart water metering initiative in that it offers customers a way to monitor their water consumption and take steps to reduce that consumption, promoting prolonged conservation.

Fayette County Water System began full implementation of the SEMS Inventory module. SEMS Inventory Management automates the inventory process by setting reorder points and tracking all inventory needs in a single format providing efficiency to inventory processes and parts protection.

As part of the Water System's mission to produce environmentally compliant high-quality drinking water, four Surface Water Withdrawal Permits went through the renewal process. This included rewriting the System's Water Conservation Plan and the Drought Contingency Plans and creating the Water Loss Control Program to meet new state environmental regulations. During this process, staff reduced required biological and stream gauge monitoring requirements and their associated costs.

Significant staffing additions, reorganization and training contributed to improving Water System efficiency while reducing operating costs. The new Water System Engineer position was filled in October 2019. Engineering functions performed in house included drafting and implementing the "Development Standards for Water System Extensions"; Kirkley and Old Norton Road line extension design; project management of South Fayette's new chlorine dioxide generator; design for both water treatment plants; and the Filter Magic Installation at South Fayette. Performing this work in-house versus hiring an outside engineering firm provided substantial savings to the Water System.

Utility Services and Distribution groups were combined into Field Operations. Additional responsibilities added to Field Operations are reservoir management and tank maintenance. Reservoir operations and maintenance activities were transitioned from plant operations to Field Operations to ensure more efficient and compliant management of our reservoir dams. The Field Operations Inspector now performs additional dam inspection and management duties.

ACCOUNTING AND BUDGETARY CONTROLS

Management of the Water System is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the Water System's internal accounting controls adequately safeguard assets and provide reasonable assurance for the proper recording of financial transactions.

The Water System employs an Enterprise Fund concept to account for its operations which are financed and operated in a manner similar to private business enterprises – wherein the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Cash flow budgets are prepared and adopted for the System.

The System maintains an encumbrance accounting system as another means of accomplishing budgetary control. Encumbered amounts at year-end are recorded as a reservation of fund balance and carried forward into the ensuing year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the System continues to meet its responsibility for sound financial management.

CASH MANAGEMENT

Cash temporarily idle during the year was invested in accordance with allowable investments per Georgia law. The System earned interest revenue of \$226,007 on all investments for the fiscal year ended June 30, 2020.

The System's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits are required to be either insured by federal depository insurance or collateralized. At June 30, 2020, all of the System's depositories provided sufficient and/or proper collateralization of the System's deposits.

REPORTING ACHIEVEMENTS AND RECENT AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Water System for its comprehensive annual financial report for the fiscal year ended June 30, 2019. In order to be awarded a Certificate of Achievement, the System 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.

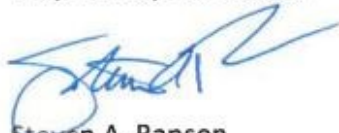
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the Water System and the staff of the County Finance Department. Our sincere appreciation is extended to everyone for the contributions made in the preparation of this report.

We would also like to thank the Board of Commissioners for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner and through whose efforts we have made substantial progress in responding to the extraordinary demands placed upon our community. We believe that the accomplishments that have been identified in this transmittal letter and the accompanying MD&A section clearly indicate that the Board of Commissioners has effectively and efficiently planned and managed the resources that were entrusted to them by the Citizens of the County.

Respectfully submitted,



Steven A. Rapson
County Administrator



Vanessa Tigert
Water System Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Fayette County Water System
Georgia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

**Fayette County, Georgia
List of Principal Officials
June 30, 2020**

Elected County Officers

Board of Commissioners:

District 1 Eric K. Maxwell
District 2, Chairman Randy C. Ognio
District 3 Edward Gibbons, Jr.
District 4 Charles D. Rousseau
District 5-At-Large, Vice-Chair Charles W. Oddo

Clerk of Courts.....Sheila Studdard
Probate Court Judge Ann Jackson
Sheriff..... Barry Babb
Tax Commissioner Kristie King
Superior Court Chief Judge.....Christopher C. Edwards

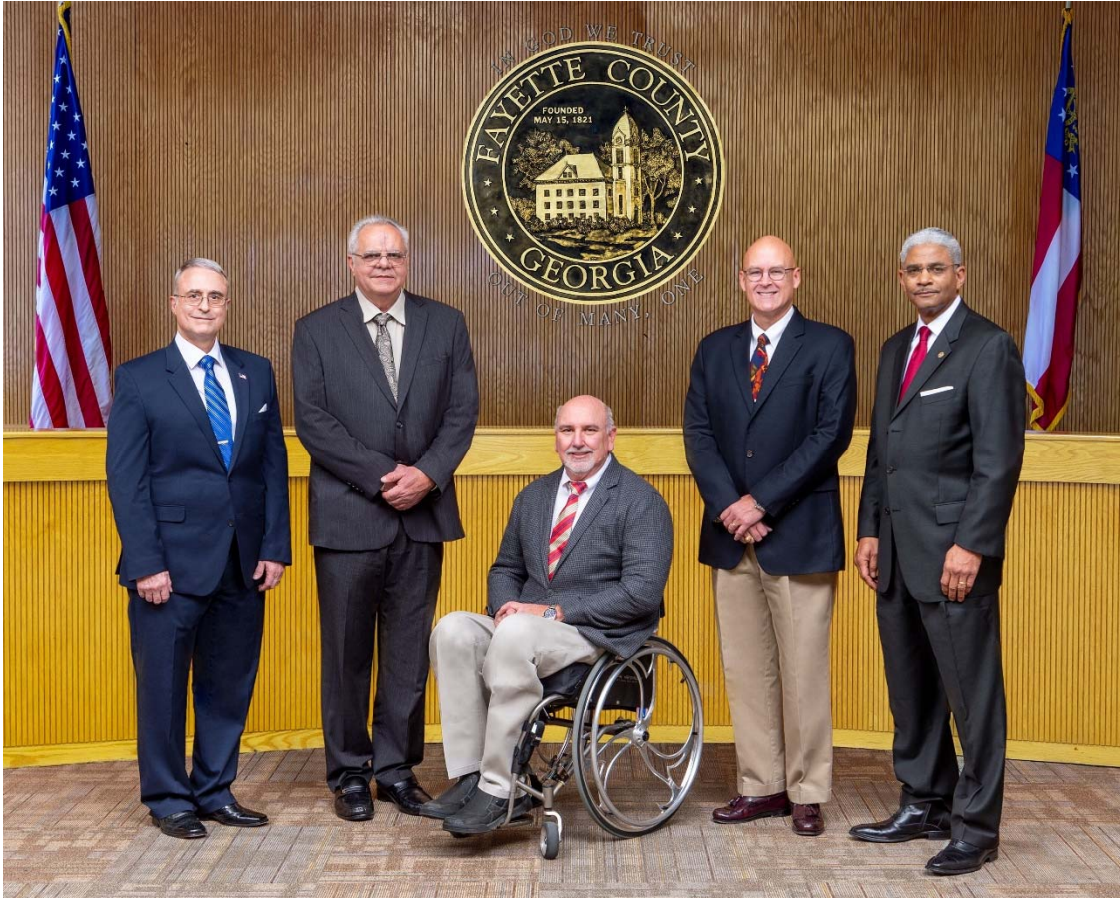
Principal Officials

County Administrator.....Steven A. Rapson, CPA
County Attorney.....Dennis A. Davenport
Chief Financial Officer Sheryl L. Weinmann
County Purchasing Agent Ted Burgess
County Clerk..... Tameca P. White, MBA, CMC
Community Development..... Pete Frisina
911 Communications Center Katy Vogt
Emergency Management.....Captain Michael Singleton
Fire & Emergency Medical Services Chief David Scarbrough
Human Resources Lewis Patterson
Chief Information Officer Phillip Frieder
Library Chris Snell
Parks and Recreation Anita Godbee
Public Works Phil Mallon
Tax Assessor.....Joel T. Benton
Water System..... Vanessa Tigert, Director

Special Services Providers

Auditors.....Nichols, Cauley & Associates, LLC
Bond and Disclosure Counsel.....Murray Barnes Finister LLP
Bond Underwriters.....Stifel, Nicolaus & Company, Inc.
Consulting Engineers..... Jacobs Engineering

**Fayette County, Georgia
Board of Commissioners
June 30, 2020**



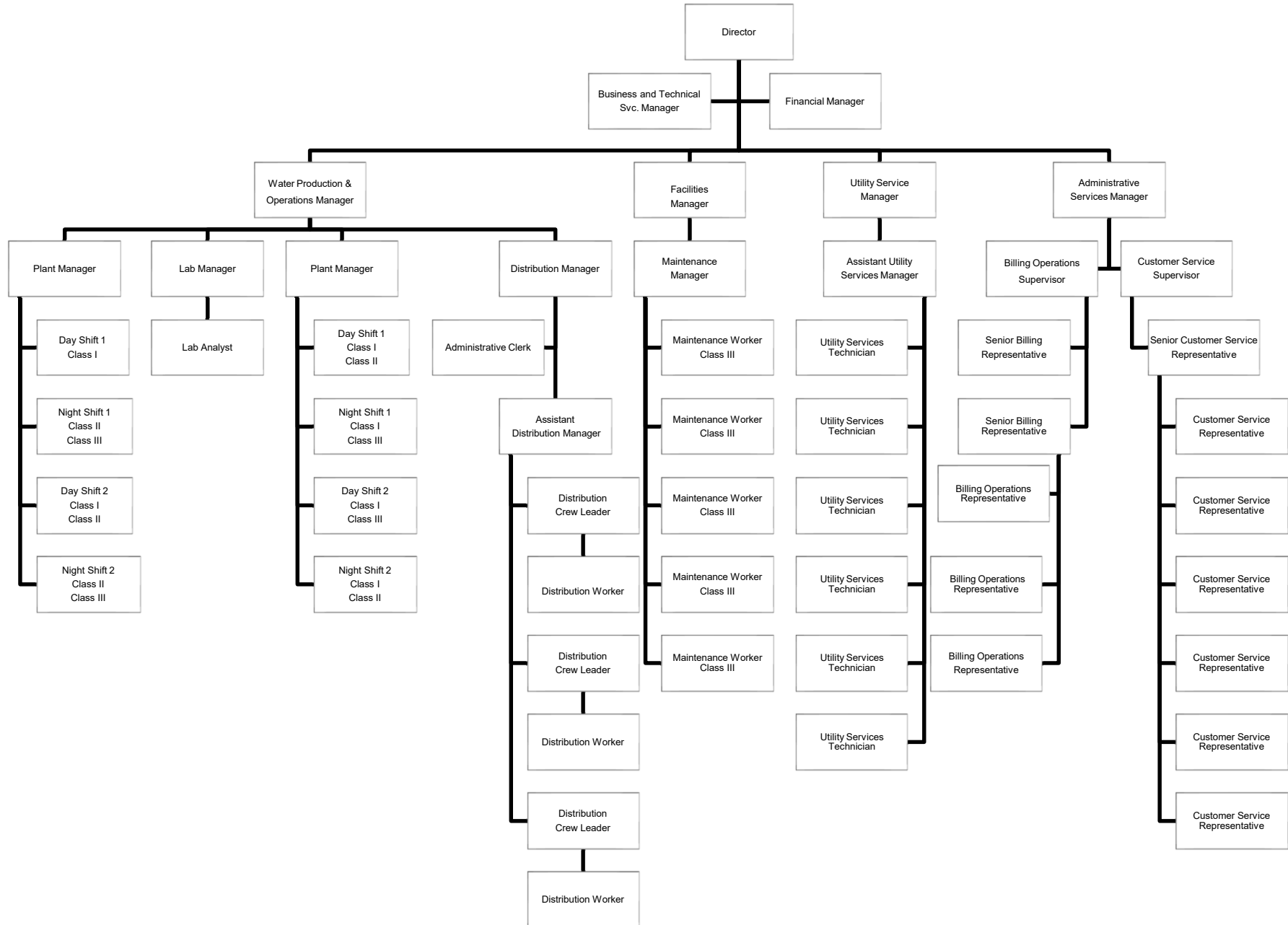
left to right: Charles W. Oddo, Randy C. Ognio, Eric K. Maxwell, Edward Gibbons Jr., Charles D. Rousseau

County Commission Mailing Address:
140 Stonewall Avenue West
Suite 100
Fayetteville, Georgia 30214
Phone: 770.305.5200
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Fayette County Water System



Organizational Chart



Fayette County, Georgia
Map of Metropolitan Atlanta Area
Fiscal Year Ended June 30, 2020



Fayette County



FINANCIAL SECTION



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478-275-1163 FAX 478-275-1178
dublin@nicholscauley.com

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Fayette County, Georgia
Fayetteville, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the Fayette County Water System (the System), an enterprise fund of Fayette County, Georgia (the County) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Fayette County Water System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I. A, the financial statements present only the System and do not purport to, and do not, present fairly the financial position of the County, as of June 30, 2020, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 20 through 26), the Schedule of Proportionate Share of the Net Pension Liability (Asset) (on page 55), the Schedule of Contributions – Pension Plan (on Page 56), the Schedule of Proportionate Share of the Total OPEB Liability (on Page 57) and the Schedule of Contributions – OPEB Plan (on Page 58) be presented to supplement the basic financial statements. Such information, although not 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, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The introductory section, the schedules of individual accounts and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of individual accounts is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of individual accounts 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 express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2021 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Richels, Cauley + Associates, LLC

Dublin, Georgia
January 22, 2021

Fayette County, Georgia
Water System
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

As management of Fayette County, Georgia's Water System, we offer the readers of Fayette County Water System's financial statements this narrative overview and analysis of the financial activities of the Water System (the "System") for the fiscal year ended June 30, 2020. The primary purpose of the ensuing discussion and analysis is to provide our Board of Commissioners, our Water Committee, our customers, our bondholders, the bond rating agencies and the other various users of our Comprehensive Annual Financial Report (CAFR) with additional insight into the financial performance of the Water System and to help place the operational information contained in the basic financial statements in its proper context. We encourage readers to consider the information presented here in conjunction with additional information we have included in our letter of transmittal, which can be found on pages 1 through 11 in the Introductory Section of this report.

Financial Highlights

- The *Assets* of Fayette County, Georgia's Water System exceeded its *Liabilities* at June 30, 2020 by \$88,237,308 (*Net Position*).
- The Water System's *Total Net Position* at June 30, 2020 increased by \$1,558,327 or about 1.80% compared to the previous year's *Total Net Position*. This \$1.56M variance is largely due to:
 - Increase in water sales of \$1.28M
 - Decrease in interest expense of \$186K

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Water System's Basic Financial Statements. The Water System operates as a utility enterprise and presents its financial statements using the *economic resources measurement focus* and the *full accrual basis of accounting*. In layman's terms, this presentation means that financial information is reported using accounting methods similar to those followed by private sector companies. The statements offer both short-term and long-term financial information about the activities of the Fayette County Water System. And to further aid the reader with their analysis and comprehension of the information presented, two years of financial data is often included in the presentations presented in this Management Discussion and Analysis (MD&A) component of the CAFR.

The *Basic Financial Statements* provide information about the Water System's business-type activity; that being the provision of potable water to its customers. The financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

Required Financial Statements for Business-Type Activities

In reporting on the operation of its enterprise fund, the Water System's basic financial statements include a "*Statement of Net Position*"; a "*Statement of Revenues, Expenses and Changes in Net Position*"; and a "*Statement of Cash Flows*". The basic financial statements also include *Notes* that are considered essential to a full understanding of the data that is presented on the face of the Financial Statements. The primary purpose of the *Notes* is to provide additional discussion, enhanced disclosure and tabular presentation of data to further explain information in the Financial Statements, and to provide more detailed data. The *Notes to the Financial Statements* can be found on pages 32 through 54 of this report.

The information contained on the "*Statement of Net Position*" represents all of the Water System's *Assets* and *Liabilities* and provides information about the nature and amounts of investments in resources (assets) and obligation to the System's creditors (liabilities). And in terms of operating results, a "classified" presentation of the financial data is used to show the relative liquidity of the different classes of assets and liabilities. Thus, this statement provides the basis for computing rate of returns, evaluating the capital structure of the System, and assessing the liquidity and financial flexibility of the Water System.

On this first financial statement, the difference between total assets and total liabilities is reported as *Net Position*. To help provide the reader with basic information about the overall liquidity of the Water System, *Net Position* is reported in three categories: 1) *Net Investment in Capital Assets*; 2) *Restricted*; and 3) *Unrestricted*.

All of the current year's revenues and expenses are accounted for in the "*Statement of Revenues, Expenses and Changes in Net Position*". This statement measures the financial success of the Water System's operations over the past year and can be used to determine whether the System has successfully recovered all of its costs through user fees and other charges. It provides the user with basic financial information about the profitability and credit worthiness of the Water System.

The final required financial statement is the "*Statement of Cash Flows*". The primary purpose of this statement is to provide information about the System's cash receipts and cash payments during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash resulting from operating; noncapital financing; capital and related financing; and investing activities. Again, to put it into layman's terms, the purpose of this statement is to tell the user where the Water System's cash came from, what the cash was used for, and by how much the cash balance changed over the course of the fiscal year.

Other Information

In addition to the *Basic Financial Statements* and accompanying *Notes*, this report also presents certain ***Required Supplementary Information*** concerning the County's progress in funding its obligations to provide pension and other postemployment benefits to its employees. *Required Supplementary Information* can be found on pages 55 through 58 of this report.

The Water System also prepares other statements and schedules to provide additional information about its operations and compliance with its bond ordinances. These can be found on pages 59 through 66 of this report. Additional information about the Water System, which may be of interest to the reader, is found in the Statistical Section of this report.

Financial Analysis of the Water System

Analysis of Net Position

As noted earlier, *Net Position* may serve over time as a useful indicator of a government's financial position. In the case of the Water System, *Assets* exceeded *Liabilities* by \$88,237,308 at the close of fiscal year ended June 30, 2020. The condensed financial information for Fayette County, Georgia Water System's Net Position as of June 30, 2020 and 2019 is presented in the following table.

Condensed Statements of Net Position				
			Change From 2019 to 2020	
<u>ASSETS</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Amount</u>	<u>Percent</u>
Current Assets:				
Unrestricted Assets	\$ 2,971,574	\$ 3,246,259	\$ (274,685)	(8.46%)
Restricted Assets	18,162,821	16,939,649	1,223,172	7.22%
Noncurrent Assets -				
Capital Assets (Net)	<u>102,528,545</u>	<u>104,755,234</u>	<u>(2,226,689)</u>	<u>(2.13%)</u>
Total Assets	<u>123,662,940</u>	<u>124,941,142</u>	<u>(1,278,202)</u>	<u>(1.02%)</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>1,757,010</u>	<u>2,135,622</u>	<u>(378,612)</u>	<u>(17.73%)</u>
<u>LIABILITIES</u>				
Current Liabilities	6,491,627	6,425,956	(65,671)	(1.02%)
Noncurrent Liabilities	<u>30,348,539</u>	<u>33,879,282</u>	<u>3,530,743</u>	<u>10.42%</u>
Total Liabilities	<u>36,840,166</u>	<u>40,305,238</u>	<u>3,465,072</u>	<u>8.60%</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>342,476</u>	<u>92,545</u>	<u>249,931</u>	<u>270.06%</u>
<u>NET POSITION</u>				
Net Investment in Capital				
Assets	70,494,125	68,527,736	1,966,389	2.87%
Restricted	22,548,415	21,021,770	1,526,645	7.26%
Unrestricted	<u>(4,805,232)</u>	<u>(2,870,525)</u>	<u>(1,934,707)</u>	<u>67.40%</u>
Total Net Position	<u>\$ 88,237,308</u>	<u>\$ 86,678,981</u>	<u>\$ 1,558,327</u>	<u>1.80%</u>

The tabular information provides a good indication of the capital-intensive nature of operating a water utility. The \$102,528,545 in Capital Assets, Net of Accumulated Depreciation, represents 82.9% of the Water System's Total Assets at June 30, 2020. In addition, it is important to consider that the funds in the Construction Accounts and in the Renewal and Extension Account are restricted for future capital asset purposes.

The decrease in the Capital Assets, Net of Accumulated Depreciation, is due to a \$3.39M increase in assets offset by a \$5.62M increase in depreciation.

Deferred Outflows Related to Pensions decreased by \$131k, while Deferred Inflows Related to Pensions increased by \$246k. These changes were due to increased costs caused by the plan amendment increasing benefits, more unreduced early retirements than expected, and a change in the mortality table.

Noncurrent liabilities decreased by \$3.53M, or 10.42%, due to payments of principal and interest on the Water System's Revenue Bonds. Current liabilities increased by \$65k, due to an increase in unearned revenue, meters and tap fees for meters paid but not installed at June 30, 2020.

The largest portion of the Water System's *Net Position* (i.e., 79.89% of the total) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, plants and infrastructure) less any related debt still outstanding that was used to acquire those assets. In reviewing the other components of the System's *Net Position*, *Restricted Net Position* was \$22,548,415, which translates into roughly 25.55% percent of the total. *Restricted Net Position* represent assets that are restricted by revenue bond ordinances to future debt service (i.e., \$9,027,722), and system renewal and extension and construction (i.e., \$13,520,694) purposes. The *Unrestricted Net Position* decreased from (\$2,870,525) to (\$4,805,232).

Analysis of Changes in Net Position

The following tabular information represents the condensed presentation of revenues, expenses and changes in net assets for the fiscal years ended June 30, 2020 and 2019. For each of the categories, the amount and percentage of change from the previous fiscal year is shown to aid in the analysis of the financial data. Some of the information for the prior fiscal year has been restated so that it is comparable with the presentation of financial information for the current fiscal year.

As indicated by the information in the next table, the Net Position for the fiscal year ended June 30, 2020 increased by \$1,558,327.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET Position				
	For the Fiscal Year Ended		Change From	
	June 30, 2020	June 30, 2019	2019 to 2020	
			Amount	Percent
Operating Revenues:				
Water Sales	\$ 15,591,529	\$ 14,315,965	\$ 1,275,564	8.91%
Other Service Fees and Penalties	<u>1,787,574</u>	<u>1,799,754</u>	<u>(12,180)</u>	<u>(0.68%)</u>
Total Operating Revenues	<u>17,379,103</u>	<u>16,115,719</u>	<u>1,263,384</u>	<u>7.84%</u>
Operating Expenses:				
Operating Expenses	10,891,040	8,784,807	2,106,233	23.98%
Depreciation Expense	<u>5,654,577</u>	<u>5,828,305</u>	<u>(173,728)</u>	<u>(2.98%)</u>
Total Operating Expenses	<u>16,545,617</u>	<u>14,613,112</u>	<u>1,932,505</u>	<u>13.22%</u>
Operating Income	<u>833,486</u>	<u>1,502,607</u>	<u>(669,121)</u>	<u>(44.53%)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental	-	-	-	100.00%
Interest Income	226,007	327,590	(101,583)	(31.01%)
Interest Expense	(1,103,352)	(1,289,042)	185,690	(14.41%)
Loss on the Disposal of Assets	-	13,975	(13,975)	(100.00%)
Other Income (Expense)	<u>(5,109)</u>	<u>(4,808)</u>	<u>(301)</u>	<u>6.26%</u>
Total Expenses and Transfers	<u>(882,454)</u>	<u>(952,285)</u>	<u>69,831</u>	<u>7.33%</u>
Income (Loss) Before Contributions	(48,968)	550,322	(599,290)	108.90%
Capital Contributions	<u>1,607,295</u>	<u>1,367,167</u>	<u>240,128</u>	<u>17.56%</u>
Change in net position	1,558,327	1,917,489	(359,162)	(18.73%)
Net Position, Beginning	<u>86,678,981</u>	<u>84,761,492</u>	<u>1,917,489</u>	<u>2.26%</u>
Net Position, Ending	<u>\$ 88,237,308</u>	<u>\$ 86,678,981</u>	<u>\$ 1,558,327</u>	<u>1.80%</u>

In comparing the operating results between the two fiscal years, the key elements are discussed in the bullet points below:

- Increase in water sales of \$1,275,564 or 8.91%
- Capital Contributions increased \$240k or 17.56%
- Decrease in interest expense of \$186K

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Fayette County Water System's investment in capital assets for its business-type activities as of June 30, 2020, amounts to \$102,528,545 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements other than buildings, machinery and equipment and Construction in progress. The tabular information presented below provides a breakdown of capital asset balances by general classification and activity type as of June 30, 2020 and 2019.

<u>General Classification</u>	Water System	
	<u>FY 2020</u>	<u>FY 2019</u>
Land	\$20,607,035	\$20,607,035
Buildings and Structures	25,934,690	27,996,974
Infrastructure	44,792,189	45,379,616
Improvements Other than Buildings	4,137,116	4,859,121
Machinery and Equipment	3,853,903	3,680,375
Construction in Progress	<u>3,203,612</u>	<u>2,232,113</u>
Total Capital Assets (Net)	<u>\$102,528,545</u>	<u>\$104,755,234</u>

The total net decrease in the System's investment in capital assets for the current fiscal year was \$2,226,689 or 2.13%. Approximately \$3.39M of assets (net of retirements and disposals) were added to the Water System; however, this was offset by net depreciation expense of \$5,618,829.

The major CIP events during the current fiscal year included the following:

- Several CIP projects were completed in FY2020 that totaled \$754,921, included the SEMS Asset Management Systems, Water System Administrative Roof, Old Norton Water Line and the Water Selector located at Lake McIntosh.
- During the fiscal year, additional assets of \$1,752,000, including waterlines and meter installations were added.

Additional information on the Water System's capital assets is provided in Note 5 and can be found on page 42 of this report.

Long-Term Debt. At the end of the current fiscal year, Water System had total bonded debt outstanding of \$31,250,000. This total represents a decrease of \$4,210,000 from the prior year. All of the outstanding bonds are revenue bonds which are secured by specified revenue sources. The bond debt as of June 30, 2020 and 2019 is shown in the following table.

WATER SYSTEM'S OUTSTANDING BOND DEBT		
	<u>FY 2020</u>	<u>FY 2019</u>
Revenue Bonds	\$31,250,000	\$35,460,000

The \$31,250,000 of debt shown above represents Fayette County Water Revenue Bonds which have been issued primarily for the purpose of constructing plants, storage tanks, raw water reservoirs and pipelines for the Water System, and the refunding of previous bond issues. The outstanding bonds are secured by a pledge of and lien on revenues derived by the County from the ownership and operation of the Water System. The Fayette County, Georgia Water Revenue Bonds have received a rating of "Aa2" from Moody's Investors Service and a rating of "AA" from Standard and Poor's. Additional information on Fayette County's long-term debt is provided in Note 6 and can be found on pages 43 through 45 of this report.

Economic Factors

The national and local economies are still improving, but the rate of improvement has slowed. On the national level, the stock market continues to be strong and employment rates are good. Locally, the real estate market is active with continued development and sales. Some important indicators of current economic conditions are:

- Nationwide, unemployment is expected to drop to an average rate of 5.5 percent in 2021 after it peaked at 14.7 percent in April 2020; for June 2020, the unemployment rate for Fayette County was 7.1 percent, compared to the state and national average of 8 percent and 11.1 percent, respectively.
- Gross Domestic Product (GDP) growth rate is expected to contract by 3.7 percent in 2020. It may rebound up to a 4.0 percent growth rate in 2021;
- According to the Georgia Department of Revenue, the Net Maintenance and Operation (M&O) Tax Digest for Fayette County increased by \$449,405,947 or 7.61% from January 1, 2018 to January 1, 2019. The increase from January 1, 2019 to January 1, 2020 was \$321,639,589, or 5.06%.

These economic factors were taken into consideration when preparing the County's budget for the 2021 fiscal year.

Next Year's Budget and Rates

The Water System's operations are funded solely from the fees that it generates providing potable water services to its customers. For the 2021 fiscal year budget, there were no rate adjustments approved for the Water System.

Request for Information

This financial report is designed to provide a general overview of the Water System's finances for all those with an interest in its finances the report is available on the County website www.fayettecountyga.gov. Questions concerning any of the information provided in this report or requests for additional financial information can be obtained by contacting the Finance Department at finance@fayettecountyga.gov or at the following address and telephone number:

Fayette County Finance Department
140 Stonewall Avenue, West, Suite 101
Fayetteville, GA 30214
(770) 305-5413



BASIC FINANCIAL STATEMENTS

**Fayette County, Georgia
Water System
Statement of Net Position
June 30, 2020**

ASSETS

Current assets:

Cash and cash equivalents:

Unrestricted	\$	981,373
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Restricted		18,162,821
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Accounts receivable, net		1,507,543
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Inventories		476,796
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Prepaid items		5,862
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		<hr/> 21,134,395
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Noncurrent assets:

Capital assets:

Nondepreciable		23,810,647
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Depreciable, net		78,717,898
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Total capital assets (net of accumulated depreciation)		<hr/> 102,528,545
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Total assets		<hr/> 123,662,940
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions		761,420
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Deferred outflows related to OPEB		4,548
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Deferred charges on bond refunding		991,042
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Total deferred outflows of resources		<hr/> 1,757,010
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The accompanying notes are an integral part of these financial statements.

Fayette County, Georgia
Water System
Statement of Net Position
June 30, 2020

LIABILITIES

Current liabilities:

Accounts payable	1,518,545
Salaries and benefits payable	109,866
Unearned revenue	324,900
Accrued interest payable	259,981
Compensated absences - current	83,335
Revenue bonds payable - current	4,195,000
	<hr/>
Total current liabilities	6,491,627
	<hr/>

Noncurrent liabilities:

Compensated absences	138,750
Revenue bonds payable (net of discounts and premiums)	28,804,904
Net pension liability	1,349,399
Total OPEB liability	55,486
	<hr/>
Total noncurrent liabilities	30,348,539
	<hr/>
Total liabilities	36,840,166
	<hr/>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	338,067
Deferred inflows related to OPEB	4,409
	<hr/>
Total deferred inflows of resources	342,476
	<hr/>

NET POSITION

Net investment in capital assets	70,494,125
Restricted for:	
Debt service	9,027,721
Renewal and construction	13,520,694
Unrestricted	(4,805,232)
	<hr/>
Total net position	\$ 88,237,308
	<hr/>

The accompanying notes are an integral part of these financial statements.

Fayette County, Georgia
Water System
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

Operating Revenues:

Charges for sales and services:

Water sales	\$ 15,591,529
Meter and service fees	283,255
Penalties	220,011
Municipal accounts handling fees	259,626
Other fees	1,024,682
Total operating revenues	<u>17,379,103</u>

Operating Expenses:

Costs of sales and services	6,867,198
Administration	4,023,842
Depreciation	5,654,577
Total operating expenses	<u>16,545,617</u>

Operating income	<u>833,486</u>
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Nonoperating Revenues (Expenses):

Interest income	226,007
Interest expense	(1,103,352)
Other income (expense)	(5,109)
Total nonoperating revenues (expenses)	<u>(882,454)</u>

Income before contributions	(48,968)
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Capital contributions	<u>1,607,295</u>
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Change in net position	1,558,327
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Total net position - beginning	<u>86,678,981</u>
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Total net position - ending	<u><u>\$ 88,237,308</u></u>
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The accompanying notes are an integral part of these financial statements

Fayette County, Georgia
Water System
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 17,684,520
Payments to vendors and service providers	(5,311,572)
Payments to employees for salaries	(3,169,737)
Payments for employee taxes and benefits	(1,021,023)
Net cash provided by operating activities	<u>8,182,188</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on revenue bonds	(4,195,000)
Interest paid on revenue bonds	(1,178,560)
Acquisition and construction of capital assets	(1,820,593)
Net cash used by capital and related financing activities	<u>(7,194,153)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	<u>226,007</u>
Net cash provided by investing activities	<u>226,007</u>

Net increase in cash and cash equivalents	1,214,042
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Cash and cash equivalents at beginning of year	<u>17,930,152</u>
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Cash and cash equivalents at end of year	<u><u>\$ 19,144,194</u></u>
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Continued on next page

The accompanying notes are an integral part of these financial statements.

Fayette County, Georgia
Water System
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

Reconciliation Of Operating Income To Net
Cash Flows Provided By Operating Activities:

Operating income	\$ <u>833,486</u>
Adjustments to reconcile operating income to	
Net cash provided (used) by operating activities:	
Depreciation expense	5,654,577
Decrease (increase) in:	
Accounts receivable	198,013
Inventory	56,821
Prepaid items	10,721
Deferred outflows of resources	128,572
Increase (decrease) in:	
Accounts payable	(43,844)
Salaries and benefits payable	21,953
Unearned revenue	128,900
Compensated absences	12,530
Net pension liability	941,688
Total OPEB liability	(11,160)
Deferred inflows of resources	<u>249,931</u>
Total adjustments	<u>7,348,702</u>
Net cash provided by operating activities	<u><u>\$ 8,182,188</u></u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Contributions of capital assets	<u><u>\$ 1,607,295</u></u>
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The accompanying notes are an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Fayette County, Georgia Water System have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Fayette County, Georgia (the “County”) was established in 1821 and is a body corporate and politic organized and existing under the Constitution and laws of the State of Georgia. The County operates under a Commission – County Administrator form of government and provides the following services as authorized by its charter: Public Safety, Public Works, Culture, Recreation, Community Services, and other General Government Services.

The governing authority of the County is a Board of Commissioners, consisting of five part-time members, who serve for four-year staggered terms. The Board appoints the County Administrator, who serves as the County’s chief administrative officer. The County Administrator is responsible for the daily operations of all County functions in accordance with the policies of the Board of Commissioners.

The Fayette County Water System (the “Water System”) was established in 1965 and is an Enterprise Fund of the County. It serves 31,543 water customers in the unincorporated County and through the County owned distribution system in the City of Peachtree City and the Towns of Tyrone and Woolsey. By contractual agreement, the County operates the system owned by the Town of Brooks. The Water System also wholesales water to the City of Fayetteville pursuant to an agreement which expires in 2034. The Water System is governed by the Fayette County Board of Commissioners, but the Water System’s Director is responsible for the day-to-day operation.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Water System is one of the Enterprise Funds reported by Fayette, County Georgia which has a number of different funds and fund-types. The County uses an *Enterprise Fund* to record the financial operating activities of the Water System because it operates as a separate utility enterprise. In the field of governmental accounting, the *Enterprise Fund* is used to account for operations that are financed and operated in a manner similar to private business or where the Board of Commissioners has decided that the determination or revenues earned, costs incurred, and/or net income is necessary for management accountability.

As the means of delivering potable water services to its customers, the System utilizes raw water reservoirs, water production plants and a pipeline distribution system. To provide the funds that are necessary to pay for the provision of this utility and the related support services, the Water System charges its customers a monthly user fee based on the amount of water they consume. Because the operations of the Water System closely mirror those of a typical, commercial company, its accounting records reflect a similar approach for measuring its business activity.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accordingly, the accompanying financial statements for the Water System reflect the *economic resources measurement focus* and the *accrual basis of accounting*. Under full accrual accounting, revenues are recorded when earned and expenses are recorded at the time a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Water System's various bond resolutions or ordinances require the establishment of certain accounts which are referred to as "funds". These required accounts are maintained as part of the accounting records and include the Sinking Fund (Debt Service), Construction Fund (Capital Projects), and Renewal and Extension Fund (R&E). These are not "funds" as the term is used in generally accepted accounting principles, but are separate "accounts" used to delineate the accounting and reporting for bond-related money and repayment security requirements. The balances and activity that occur in these various accounts represent specific segments of the enterprise fund as reported in the Water System's basic financial statements. Additional compliance information about these accounts is presented in a separate set of schedules that follow the basic financial statements.

The *Enterprise Fund* used by the Water System to record the financial activity for the Water System distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the System's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The Water System also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Water System's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, cash with fiscal agent, demand deposits, funds on deposit in the Georgia Fund 1 State Investment Pool, and short-term investments with original maturities of three months or less from the date of acquisition.

The statutes of the State of Georgia authorize the County to invest in U.S. Government obligations; U.S. Government agency obligations; State of Georgia obligations; obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investors Service, Inc.; negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association; repurchase agreements when collateralized by U.S. Government or agency obligations; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The local government investment pool, Georgia Fund 1, created by the Official Code of Georgia Annotated (OCGA) § 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. 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 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on a \$1 per share. The pool also adjusts the value of its investments to fair market value at year-end and the County's investment in Georgia Fund 1 is reported at fair value.

The remaining investments are reported at fair value, which is determined using selected bases. Increases and decreases in the fair value during the year are recognized as a component of interest income.

Inventories

Inventories in the Water System enterprise fund are valued at cost, which approximates market value using the first-in, first-out (FIFO) method. Inventories primarily consist of meters, and pipe and fittings intended for use in construction of line extensions and to support the maintenance work on the system.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Financial Statements. Prepaid Items are recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain proceeds of the Water System revenue bonds, as well as certain resources set aside for their payment are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in constructions. The "revenue bond sinking fund" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond debt service reserve" account is used to report resources set aside to subsidize the potential future deficiencies in the revenue bond sinking fund account. The "revenue bond renewal and extension" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Water System as assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are stated at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or do not substantially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

<u>Asset Classification</u>	<u>Years</u>
Buildings and structures	40
Infrastructure	15 - 40
Improvements	10
Machinery and equipment	5 - 20

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as deferred charges, are deferred and amortized over the life of the bonds using the straight-line method, which is not materially different than the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Compensated Absences

System employees are granted vacation, compensatory, holiday, and sick leave in varying amounts. It is the Water System's policy to permit employees to accumulate earned but unused vacation and sick pay benefits up to a specified maximum number of hours. Compensatory and holiday leave is accumulated based on departmental discretion of need.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the event of termination of employment, an employee is paid for accrued annual, compensatory, and holiday leave days. In addition, regular full-time employees hired before March 1, 1998, with three or more years of service who resign in good standing or retire from service with the County may elect to be paid at the rate of \$15 for each day of unused sick leave up to a maximum of \$900. For other employees, the balance is treated as credited service for the defined benefit pension plan. Vacation, compensatory, holiday and termination sick leave pay are accrued when incurred and reported as a fund liability.

Pensions and OPEB

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Water System has three items that qualify for reporting in this category. One item is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The remaining items relate to the Water System's Pension and OPEB Plans. These relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Water System has two items that qualify for reporting in this category. The two items relate to the deferred amounts in the Water System's Pension and OPEB Plans.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Water System will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Water System's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Capital Contributions

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the County has recorded capital contributions received by the Water System enterprise fund as capital contributions. Capital contributions include amounts received from Federal, State and other governments for aid in construction and development of the Water System. Also included are amounts received from real estate sub-dividers for water line extensions built by sub-dividers and contributed to the Water System, both of which are capitalized as part of the water system's capital assets. It also includes amounts received for meter, connection and tap fees from sub-dividers and other customers. The actual cost of meter installations has been capitalized as part of the water distribution system.

Use of Estimates

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

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Water System is required by the County Board of Commissioners to adopt annual operating budgets for its operations and establish billing rates accordingly. The budget is formally adopted through passage of a resolution by the Board of Commissioners. The Water System's Director has the responsibility of administering these programs in accordance with the policies and the annual budget as adopted by the Board of Commissioners.

The Water System budget is prepared on the cash basis (which differs from the accrual basis that is used for financial reporting) and functions as an administrative control over expenditures. Neither the budget resolution nor any bond covenants require that the System report budgetary information in its financial statements.

Debt Service and Sinking Fund Requirements on Water Revenue Bonds

Sinking Fund Requirements - The bond resolutions require the creation and maintenance of a sinking fund that is to be used to pay the principal and interest on the revenue bonds as they become due. The bond resolutions specifically require that monies be deposited monthly into the sinking fund until such time that sufficient funds are on hand to pay the semi-annual interest payments and the bonds as they mature.

During fiscal year ended June 30, 2020, \$5,306,608 was paid from the revenue fund into the sinking fund (including the debt service reserve account) with required debt and interest payments made from the sinking funds when due.

Debt Service Reserve - The bond resolutions require the creation and maintenance of a debt service reserve within the sinking fund. According to the resolutions, monies are to be transferred each month from the revenue fund to the reserve so that the reserve will be fully funded by June 1, 2021. The debt reserve balance at June 30, 2020 is \$5,556,517, the sinking fund balances are \$3,471,204, for a debt service total of \$9,027,721, which is shown as restricted cash.

Renewal and Extension Fund - After the monthly operating and maintenance expenses have been paid and the required debt service transfers have been made, all monies remaining in the revenue fund in excess of a working capital reserve (in an amount not to exceed one month's estimated operating and maintenance expenses) are to be transferred to the renewal and extension fund. The bond resolutions restrict disbursements from this fund to the following:

- a. Paying principal and interest on any revenue bonds falling due when there are insufficient funds in the sinking fund to make the payment;
- b. Emergency expenditures if there are insufficient funds in the revenue fund (operating account);
- c. Replacements, additions, extensions, and improvements to the system in the best interests of the county and bondholders;

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- d. Payments of investment services for the investment of monies held in the renewal and extension fund (renewal and extension account); and
- e. The transfer of moneys, if any required, pursuant to the arbitrage rebate provision of the bond resolution.

Rates and Fee Requirements

In accordance with the bond resolutions, the System's schedule of rates, fees, and charges for services shall be maintained at such a level so as to produce net revenues (after payment of reasonable and necessary costs of operating and maintaining the system) equal to at least 1.20 times the amount required to be paid in to the sinking fund in the current sinking fund year. This ratio is computed annually. For the fiscal year ended June 30, 2020, the System was in compliance with this requirement.

NOTE 3 – CASH AND INVESTMENTS

Demand Deposits at Financial Institutions

Custodial Credit Risk: Custodial credit risk for demand deposits is the risk that, in the event of the failure of a depository financial institution, the County 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. State statutes and our bond resolutions require all deposits and investments (other than federal or state government instruments) be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties or municipalities. As of June 30, 2020, the County had no uncollateralized deposits.

Investments

Credit Risk: Credit risk for investments is the risk that an issuer or other counterparty will not fulfill its obligations. State statutes authorize the County to invest in obligations of the State of Georgia or of other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or a U.S. Government Agency; obligations of any corporation of the U.S. Government; repurchase agreements backed by the U.S. Government or a U.S. Government Agency; prime banker's acceptances that are eligible for purchase by the Federal Reserve bank and have a Letter of Credit rating of A+ or better; the Local Government Investment Pool (Georgia Fund 1); obligations of Other Political Subdivisions of the State of Georgia.

The County's investment policy permits the investment of County funds in the Georgia Fund 1, United States Treasury securities, United States Government Agency securities with the full faith and credit of the United States Government, Federal Instrumentalities (Government Sponsored Enterprises), time deposits (certificates of deposit) and savings accounts of financial institutions that are qualified public depositories, and money market funds.

**Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020**

NOTE 3 – CASH AND INVESTMENTS

One measure of the perceived credit risk of an issuer is the credit rating. The County's investment policy provides strict guidelines and limits investments to highly rated securities with minimum ratings of AAA money market funds, AAA rated agency notes, AAA rated Government Sponsored Enterprises, AAA Federal Deposit Insurance Corp backed notes and U.S. Treasuries.

As a means of reducing the risk associated with counterparties, the County utilizes the Georgia Fund 1 for the majority of its short-term investment needs. Georgia Fund 1, which was created by the Official Code of Georgia Annotated ("OCGA") § 36-83-8, is a stable net asset value investment pool, which follows Standard and Poor's criteria for AAA rated money market funds. However, Georgia Fund 1 operates in a manner consistent with a Rule 20-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. Georgia Fund 1 is not registered with the Securities and Exchange Commission as an investment company. The Georgia Office of the State Treasurer is the regulatory oversight agency of Georgia Fund 1. Georgia Fund 1'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. Georgia Fund 1 distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed on \$1.00 per share. As of June 30, 2020, the County's investment in Georgia Fund 1 was rated AA+ by Standard and Poor's.

Concentration of Credit Risk: An additional dimension of credit risk relates to the amount of investment in any one entity. The greater the reliance on a single investment vehicle or issuer, the greater the concentration of the associated risk becomes for the portfolio. However with that said, the County does not consider having a large percentage of U.S. Government issued or backed investments in the portfolio as increasing its investment risk because of the financial stability of the issuer.

To minimize this component of credit risk, the County's investment policy also provides asset allocation limits for each security type. Issuer limits are provided for each investment type with the exception of U.S. Treasuries which have a 100% permitted allocation. The following guidelines represent maximum limits established for diversification by instrument by the Fayette County Board of Commissioners:

• U.S. Treasury Obligations	100%
• U.S. Government Agency Securities and Securities Issued by Instrumentalities of Government Sponsored Corporations	50%
• Repurchase Agreement	25%
• Prime Banker's Acceptances	10%
• Local Government Investment Pool	100%
• Certificates of Deposit	50%
• Obligations of Other Political Subdivisions of the State of Georgia	25%

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 3 – CASH AND INVESTMENTS

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no specific investment policy in regards to custodial credit risk for investments.

However as part of the County's investment program, a large percentage of the investment portfolio is held by the State of Georgia (i.e., Georgia Fund 1). In addition, the County's externally managed open market security investments are held with a third party custodian in accordance with Georgia Code. The County's investment holdings are designated as assets of the County in separate accounts in the County's name.

Interest Rate Risk: Interest rate risk arises from investments in debt instruments and represents the risk that changes in the interest rate will adversely affect the fair value of an investment. For example, the amount of the loss in the fair value of a fixed-income security increase as the current market interest rate related to the investment rises.

The County employs multiple investment duration and investment management strategies which seek to minimize the County's portfolio interest rate risk. As a means of limiting exposure to fair value losses arising from rising interest rates, the County's Policy limits the investment of operating funds to investments with a stated maturity of no more than 5 years from the date of purchase.

The County maintains liquidity in overnight investment vehicles for short term expenditures and remaining assets are invested in short term securities with maturity limitations and by security type for the entire portfolio. The investment program is designed to diversify and minimize changes in market price as interest rates change.

The County utilizes an external investment manager to actively manage a portion of its investment portfolio. Performance is measured in total return against the 1 - 3 Year U.S. Treasury/Agency benchmark. The County utilizes two investment portfolios with the external manager, an enhanced cash portfolio with a duration of less than a year, and a core portfolio with a duration strategy between 1.5 and 2.0 years. This dual portfolio strategy is structured to manage interest rate volatility. All assets managed by the external manager are held in custody with the Bank of New York in the County's name. As of June 30, 2020, all assets within the externally managed portfolios are rated AAA or better.

Investment cash equivalents for the Water System comprised \$8,755,186, at year end. These cash equivalents, which are shown in the table below, represented monies deposited into the State Investment Pool which is essentially a money market account with one day's liquidity.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 3 – CASH AND INVESTMENTS

With the ability to quickly access these funds should the need arise, the County feels that it has sufficient flexibility to address interest rate risk should the rates suddenly rise since there would be no real exigency to sell any of the longer term investments prior to their actual maturities.

Cash Equivalents:	<u>FAIR VALUE</u>	<u>MATURITIES</u>
Georgia Fund 1 Investment Pool	<u>\$8,755,186</u>	38 Day Weighted Average

NOTE 4 – RECEIVABLES

Trade receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles represents an estimate based on historical collection rates and account balance aging reports.

At year-end, the Water System had approximately \$719,000 in billed customer receivables. In addition, a receivable of approximately \$913,000 was recorded for services rendered at year-end but not yet billed at June 30, 2020. The receivable was computed using the cycle billings sent to customers in July and prorating the charges based on the days applicable to the current period. Accounts receivable is shown net of an allowance for uncollectibles of \$125,000.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the Water System for the fiscal year ended June 30, 2020, was as follows:

	Balance at July 01, 2019	Increases	Decreases	Balance at June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 20,607,035	\$ -	\$ -	\$ 20,607,035
Construction in progress	2,232,113	1,791,212	(819,713)	3,203,612
Total capital assets, not being depreciated	<u>22,839,148</u>	<u>1,791,212</u>	<u>(819,713)</u>	<u>23,810,647</u>
Capital assets being depreciated:				
Buildings and structures	64,617,879	13,958	-	64,631,837
Infrastructure	96,917,750	1,751,999	-	98,669,749
Improvements	17,252,924	-	-	17,252,924
Machinery and equipment	13,316,919	690,432	(35,748)	13,971,603
Total capital assets being depreciated	<u>192,105,472</u>	<u>2,456,389</u>	<u>(35,748)</u>	<u>194,526,113</u>
Less accumulated depreciation for:				
Buildings and structures	(36,620,905)	(2,076,242)	-	(38,697,147)
Infrastructure	(51,538,134)	(2,339,426)	-	(53,877,560)
Improvements	(12,393,803)	(722,005)	-	(13,115,808)
Machinery and equipment	(9,636,544)	(516,904)	35,748	(10,117,700)
Total accumulated depreciation	<u>(110,189,386)</u>	<u>(5,654,577)</u>	<u>35,748</u>	<u>(115,808,215)</u>
Total capital assets being depreciated, net	<u>81,916,086</u>	<u>(3,198,188)</u>	<u>-</u>	<u>78,717,898</u>
Capital assets, net	<u>\$ 104,755,234</u>	<u>\$ (1,406,976)</u>	<u>\$ (819,713)</u>	<u>\$ 102,528,545</u>

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 6 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year end June 30, 2020:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Revenue bonds					
Series 1996A revenue bonds	\$ 70,000	\$ -	\$ (35,000)	\$ 35,000	\$ 35,000
Series 2009 revenue bonds	5,805,000	-	(1,960,000)	3,845,000	880,000
Series 2012A revenue bonds	7,870,000	-	(50,000)	7,820,000	50,000
Series 2012B refunding bonds	5,635,000	-	(1,915,000)	3,720,000	2,015,000
Series 2016 refunding bonds*	16,080,000	-	(250,000)	15,830,000	1,215,000
	35,460,000	-	(4,210,000)	31,250,000	4,195,000
Plus deferred amounts for:					
Bond premiums	2,005,279	-	(255,375)	1,749,904	-
Total revenue bonds	37,465,279	-	(4,465,375)	32,999,904	4,195,000
Compensated absences	209,555	166,514	(153,984)	222,085	83,335
Total	\$ 37,674,834	\$ 166,514	\$ (4,619,359)	\$ 33,221,989	\$ 4,278,335

* Direct placement bonds

Revenue Bonds

As certain construction needs arise that cannot be paid for out of existing cash reserves, the County issues revenue bonds to raise the necessary monies to fund those capital projects. With revenue bonds, the government pledges income derived from the acquired asset to pay debt service. The various bond indentures may contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. Management believes the County is in compliance with all such significant financial limitations and restrictions.

The Water System has pledged future water customer revenues, net of specified operating expenses, to repay \$35.5 million in revenue bonds. Proceeds from the outstanding bonds provided financing for various construction projects and the refunding of prior bonds. These bonds are payable solely from the Water System's customer net revenues and have varying maturity dates through 2030.

Series 1996A Water Revenue Bonds

In January 1997, the County issued \$10,245,000 in Series 1996A Water Revenue Bonds. Depending upon the specific year, the amount maturing ranged from \$25,000 to \$920,000 with the longest maturity being twenty-four years from the date of issuance. The bonds carry interest rates ranging from 3.6% to 5.5% and are due on October 1, 2020. The Series 1996A Bonds were issued for the purpose of refunding the outstanding Series 1986 Bonds and constructing a water tank on Highway 92 North.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 6 – LONG-TERM OBLIGATIONS

Series 2009 Water Revenue Bonds

In August 2009, the County issued \$36,340,000 in Series 2009 Water Revenue Bonds. Depending upon the specific year, the amount maturing ranged from \$85,000 to \$4,415,000 with the longest maturity being roughly twenty years from the date of issuance. The bonds carry interest rates ranging from 2.0% to 5.0% and are due on October 1, 2029. During 2016, the County refunded \$14,855,000 with the issuance of the Series 2016 Water Revenue Refunding Bonds. The Series 2009 Bonds were issued for the purpose of refunding the Series 1998 Revenue Bonds, paying off seven loans from the Georgia Environmental Facilities Authority (GEFA) and providing additional funding for the Lake McIntosh Reservoir Project.

Series 2012A Water Revenue Bonds

In April 2012, the County issued \$8,070,000 in Series 2012A Water Revenue Bonds. Depending upon the specific year, the amount maturing ranged from \$100,000 to \$3,660,000 with the longest maturity being less than thirteen and a half years from the date of issuance. The bonds carry interest rates ranging from 3.0% to 5.0% and are due on October 1, 2025. The Series 2012A Bonds were issued for the purpose of providing funding for the Crosstown Water Treatment Plant Upgrades, the South Fayette Water Treatment Plant Upgrades and the associated engineering and program management costs.

Series 2012B Water Revenue Bonds

In July 2012, the County issued \$15,590,000 in Series 2012B Water Revenue Refunding Bonds. Depending upon the specific year, the amount maturing ranged from \$45,000 to \$2,015,000 with the longest maturity being less than thirteen and a half years from the date of issuance. The bonds carry interest rates ranging from 3.0% to 5.0% and are due on October 1, 2025. The Series 2012B Bonds were issued for the purpose of refunding the Series 2002 Bonds.

Series 2016 Water Revenue Refunding Bonds (Direct Placement)

In May 2016, the County issued \$16,635,000 in Series 2016 Water Revenue Refunding Bonds. The transaction was awarded to Stifel, Nicolaus & Company, Inc. (as the placement agent) and DNT Asset Trust (as the purchaser of the bonds). Depending upon the specific year, the amount maturing ranged from \$70,000 to \$4,615,000 with the longest maturity being less than thirteen and a half years (i.e., October 1, 2029) from the date of issuance. Interest rates for the various maturities are 2.08%. The refunding resulted in an economic gain (difference between present values of the debt service payment on the old and new debt) of \$981,099 and a book loss of \$1,111,567 that will be amortized as an adjustment of interest expense over the remaining 12 years of the refunding bonds. The Series 2016 Bonds were issued for the purpose of refunding a portion of the Series 2009 Bonds.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 6 – LONG-TERM OBLIGATIONS

Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2020, are as follows:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2021	\$ 4,195,000	\$ 972,441
2022	4,620,000	797,893
2023	4,710,000	658,298
2024	4,870,000	516,438
2025	4,970,000	318,157
2026 - 2030	7,885,000	352,413
	<u>\$ 31,250,000</u>	<u>\$ 3,615,640</u>

NOTE 7 – PENSION PLAN

The Fayette County Defined Benefit Plan

The County, as authorized by the County Commission, has established a defined benefit pension plan, The Fayette County Defined Benefit Plan (the Plan). Employees are eligible for the plan if they are at least 18 years old and work a minimum of 30 hours per week. Participation in the defined benefit plan begins upon employment. Participants are vested after 5 years. Employees hired after December 31, 2013 can choose to participate in the Plan or in the Defined Contribution Plan. The County's pension plan, a cost-sharing multiple employer defined benefit plan, is administered through the Association County Commissioners of Georgia Third Restated Defined Benefit Plan (the "ACCG Plan"), an cost-sharing multiple-employer pension plan administered by GEBCorp and affiliated with the Association County Commissioners of Georgia (ACCG). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries.

Benefits vest after 5 years. Participants may retire at normal retirement, which is the later of 65, or 5 years of vesting service. Early retirement eligibility is the later of age 55 or 10 years of vesting service. The benefit is as follows:

- 1.50% of average annual compensation multiplied by years of credited service (not to exceed 30) if employment commencement date is prior to January 1, 2014.
- 1.25% of average annual compensation multiplied by years of credited service (not to exceed 30) if employment commencement date is on or after January 1, 2014.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 7 – PENSION PLAN

Average annual compensation is defined as the highest average of the participant's compensation over sixty consecutive months during the ten years preceding the Participant's date of retirement or other termination if employment commencement date is prior to January 1, 2014. If the employee commencement date is on or after January 1, 2014, average annual compensation is defined as the highest average of the participant's compensation over eight-four consecutive months during the ten plan years preceding the participants date of retirement or other termination.

Contributions - The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of the ACCG Plan has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The actuarial recommended contribution rate for 2020 for the Water System was 6.8% of payroll. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Water System's contributions totaled \$31,576 for the year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the Water System reported a liability of \$1,349,399 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of January 1, 2019. An expected total pension liability as of December 31, 2019 was determined using standard roll-forward techniques. The Water System's proportion of the net pension liability was based on contributions during the fiscal year ended June 30, 2020. At June 30 2020, the Employer's proportion was 9.5377%, which was a decrease of 0.4865% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Water System recognized pension expense of \$1,349,893. At June 30, 2020, the Water Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 260,281	\$ 69,975
Changes of assumptions	485,743	-
Net difference between projected and actual earnings on pension plan investments	-	268,092
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	15,396	-
	<u>\$ 761,420</u>	<u>\$ 338,067</u>

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 7 – PENSION PLAN

The Water System's contributions subsequent to the measurement date of \$15,396 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 119,597
2022	114,467
2023	184,199
2024	(14,301)
2025	3,995
Thereafter	-

Actuarial Assumptions - The total pension liability in the January 1, 2019 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	1.5% - 3.5% based on age
Investment rate of return	7.00% per year

The mortality table was changed in 2019 from RP-2000 mortality table projected with scale AA to 2018 to the Pub-2010 Amount weighted mortality table with a blend of 50% of the General Employees Table and 50% of the Public Safety Employees with Scale AA to 2019. The table was changed to adopt the mortality tables developed specifically for governmental employees by the Society of Actuaries which were released late in 2018. The tables were projected to 2019 to reflect the mortality rates in Georgia are in the highest quartile in the nation. The actuarial assumptions used in the January 1, 2019 valuation were based on the results of a February 2014 actuarial experience study.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 7 – PENSION PLAN

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The major asset classes are summarized in the following table:

Asset class	Target allocation
Fixed Income	30.00%
Large Cap Equities	30.00%
Mid Cap Equities	5.00%
Small Cap Equities	5.00%
REIT Equities	5.00%
International Equities	15.00%
Multi Cap Equities	5.00%
Global Allocation Equities	5.00%
	<u>100.00%</u>

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportional Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability (asset) of the County, calculated using the discount rate of 7.00 percent, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	<u>\$ 2,270,762</u>	<u>\$ 1,349,399</u>	<u>\$ 590,320</u>

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 7 – PENSION PLAN

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 December 31, 2019 and the current sharing pattern of costs between employer and employee.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description. The County provides funding for certain healthcare-related benefits for retired early-out employees under a cost-sharing multiple-employer defined benefit OPEB plan. The County allows future retirees who have reached the age of 55 and have been employed with the County for 25 consecutive years to participate in the County's plan up until the age at which they are eligible for Medicare. Such retirees must pay the full cost of the plan, and no spouses or dependents are allowed coverage on such plan. The County has the authority to establish and amend the plan provisions. Separate financial statements are not prepared for the OPEB plan.

Benefits Provided. Continued healthcare benefits in the form of single coverage will be paid fully by the County from the Major Medical Self-Insurance Fund retired early-out retirees. This benefit is limited to a period which is the shorter of (a) ten years or (b) the length of time it takes for the employee to reach the age at which they become eligible for Medicare benefits. For future employees not eligible, the option to stay on the County's plans, at the retiree's cost, until the attainment of the age at which they become eligible for Medicare.

Contributions: The OPEB Plan is funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur.

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

At June 30, 2020, the Water System reported a liability of \$55,486 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2020, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2020. The Water Fund's proportion of the total OPEB liability was based on contributions during the fiscal year ended June 30, 2020. At June 30, 2020, the Water System's proportion was 8.7564%, which was a decrease of 0.7349% from its proportion measured as of June 30, 2019.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the year ended June 30, 2020, the Water System recognized OPEB expense of \$5,210. At June 30, 2020, the Water System reported deferred outflows of resources or deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,409
Changes of assumptions	4,548	-
	<u>\$ 4,548</u>	<u>\$ 4,409</u>

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

Year ended June 30:

2021	\$ 40
2022	40
2023	40
2024	40
2025	40
Thereafter	(61)

Actuarial Assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.50%
Salary increases	3.00%, average, including inflation
Discount rate	2.45%
Investment rate of return	7.00% per year
Healthcare cost trend rates	7.00% in the first year, trending down to 4.04% over 55 years. Applies to calendar years.

Mortality rates were based on the RPH-2014 mortality table (headcount weighted), adjusted to 2006, total dataset, fully generational with mortality improvement scale MP-2019.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Discount Rate. The discount rate used to measure the total OPEB liability is 2.45%. The County's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Sensitivity of the Water System's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following presents the Water System's proportionate share of the total OPEB liability, as well as the Water System's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.45 percent) or 1-percentage point higher (3.45 percent) than the current discount rate:

	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability	<u>\$ 59,685</u>	<u>\$ 55,486</u>	<u>\$ 51,503</u>

Sensitivity of the Water System's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the Water System's proportionate share of the total OPEB liability, as well as what the Water System's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.00%)	Current Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB liability	<u>\$ 49,450</u>	<u>\$ 55,486</u>	<u>\$ 62,860</u>

NOTE 9 – DEFINED CONTRIBUTION PLAN

In conjunction with the defined benefit plan, the County offers a defined contribution plan administered by Mass Mutual. The 401(a) pension plan is a defined contribution plan that covers substantially all full time County employees. Under the current provisions, the County will match contributions made by an employee to the deferred compensation plan on a 1-for-2 basis up to a maximum contribution by the County of 2.5%. Contributions are calculated and made on a biweekly payroll basis. During the fiscal year, employees contributed \$125,306 to the defined contribution plan and the Water System contributed \$47,091 in matching funds. The Board of Commissioners establishes matching percentages.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS

The “*Net investment in capital assets*” reported on the statement of net position as of June 30, 2020 is as follows:

Cost of capital assets	\$ 218,336,760
Less accumulated depreciation	<u>(115,808,215)</u>
Book value	102,528,545
Deferred charges on bond refunding	991,042
Less Retainage payable	(25,558)
Less capital related debt	(31,250,000)
Less unamortized bond premiums	<u>(1,749,904)</u>
Net investment in capital assets	<u><u>\$ 70,494,125</u></u>

NOTE 11 – RISK MANAGEMENT

As mentioned in Note 1. A., the System is an *Enterprise Fund* of Fayette County, Georgia and, accordingly, the information contained within this section is shown for the County as a whole.

Fayette County, Georgia is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. Settled claims have not exceeded purchased commercial insurance coverage in any of the past three years.

The County established a limited risk management program for workers’ compensation during the 1988 fiscal year. The purpose of the Worker’s Compensation Self-Insurance Internal Service Fund is to pay workers’ compensation claims from accumulated assets of the fund and minimize the total cost of workers’ compensation insurance to the County. Specific and aggregate excess insurance is provided through a private insurance carrier.

The County initiated its Dental Self-Insurance Internal Service Fund in the 1991 fiscal year. The purpose of this fund was to pay claims for employees for certain health care expenses incurred up to a maximum of \$1,000 per covered individual. Claims are handled by a third party administrator as of June 1, 2005.

The County initiated its Vision reimbursement plan in the 1997 fiscal year. Employees are reimbursed up to \$300 per year per covered individual for out of pocket expenses associated with vision care.

Fayette County established its Major Medical Self-Insurance Internal Service Fund in the 1991 fiscal year, and on June 1, 2002 became fully insured. In June of 2010, the County reinstated its self-insurance program for this risk.

Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020

NOTE 11 – RISK MANAGEMENT

All funds of the County participate in these programs and make payments to these Internal Service Funds based on actuarial estimates of the amounts needed to pay prior and current year claims, claim reserves, and administrative costs of the programs. The total claims liability of \$685,241 reported at June 30, 2020, is based on requirements of Governmental Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Liabilities also include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Changes in the balances of claims liabilities during the past two fiscal years for each of the three self-insurance programs and the total amounts are as follows:

	Unpaid Claims At Beginning Of Fiscal Year	Incurred Claims (Including Any IBNRs)	Claim Payments	Unpaid Claims At End Of Fiscal Year
Workers Compensation Claims:				
Fiscal Year Ended June 30, 2020	\$ 8,443	\$ 341,848	\$ (344,915)	\$ 5,376
Fiscal Year Ended June 30, 2019	36,404	846,882	(874,843)	8,443
Dental and Vision Claims				
Fiscal Year Ended June 30, 2020	1,707	505,983	(505,236)	2,454
Fiscal Year Ended June 30, 2019	4,618	544,153	(547,064)	1,707
Major Medical Claims				
Fiscal Year Ended June 30, 2020	675,091	7,928,762	(8,238,770)	365,083
Fiscal Year Ended June 30, 2019	845,030	7,550,394	(7,720,333)	675,091
Total Claims				
Fiscal Year Ended June 30, 2020	685,241	8,776,593	(9,088,921)	372,913
Fiscal Year Ended June 30, 2019	886,052	8,941,429	(9,142,240)	685,241

**Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2020**

NOTE 12 – CONTINGENCIES

Litigation

The County is a defendant in various litigations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Grants

The County participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the County's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County anticipates such amounts, if any, will be immaterial.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a corona virus (COVID-19) a pandemic. The recently declared pandemic could adversely impact the County's future financial results, especially if the community is negatively impacted by the decrease in economic activity caused by the virus. Such potential impact is unknown at this time.



REQUIRED SUPPLEMENTARY INFORMATION

**FAYETTE COUNTY WATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
YEAR ENDED JUNE 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	9.5377%	10.0242%	9.9115%	9.1225%	9.3620%	10.2800%
Proportionate share of the net pension liability (asset)	\$ 1,349,399	\$ 407,711	\$ (304,290)	\$ (114,720)	\$ (107,563)	\$ (773,050)
Covered payroll	\$ 2,260,239	\$ 2,386,011	\$ 2,388,955	\$ 2,360,491	\$ 2,413,996	\$ 2,765,138
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	59.70%	17.09%	-12.74%	-4.86%	-4.46%	-27.96%
Plan fiduciary net position as a percentage of the total pension liability (asset)	91.91%	91.91%	106.61%	72.34%	76.20%	77.99%

Notes to the Schedule:

This schedule will present 10 years of information once its accumulated.

**FAYETTE COUNTY WATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION PLAN
YEAR ENDED JUNE 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 31,796	\$ 30,404	\$ 32,211	\$ 31,154	\$ 1,965	\$ 17,508
Contributions in relation to the actuarially determined contribution	<u>31,576</u>	<u>32,195</u>	<u>32,254</u>	<u>30,368</u>	<u>38,780</u>	<u>18,856</u>
Contribution deficiency (excess)	<u>\$ 220</u>	<u>\$ (1,791)</u>	<u>\$ (43)</u>	<u>\$ 786</u>	<u>\$ (36,815)</u>	<u>\$ (1,348)</u>
Covered payroll	\$ 2,265,225	\$ 2,401,053	\$ 2,476,804	\$ 2,356,366	\$ 2,466,104	\$ 2,679,536
Contributions as a percentage of covered payroll	1.39%	1.34%	1.30%	1.29%	1.57%	0.70%

Notes to Schedule

Note: Schedule is intended to show information for the last 10 years. Additional years will be displayed as they become available.

**FAYETTE COUNTY WATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
YEAR ENDED JUNE 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the total OPEB liability	8.7564%	9.4913%	9.4564%
Proportionate share of the total OPEB liability	\$ 55,486	\$ 66,646	\$ 70,513
Covered payroll	\$ 3,233,933	\$ 3,146,247	\$ 2,388,955
Proportionate share of the total OPEB liability as a percentage of its covered payroll	1.72%	2.12%	2.95%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Notes to the Schedule:

This schedule will present 10 years of information once its accumulated.

**FAYETTE COUNTY WATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB PLAN
YEAR ENDED JUNE 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ --	\$ --	\$ --
Contributions in relation to the actuarially determined contribution	<u>--</u>	<u>--</u>	<u>--</u>
Contribution deficiency (excess)	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>
Covered payroll	\$ 3,233,933	\$ 3,146,247	\$ 2,388,955
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

Notes to Schedule

Note: Schedule is intended to show information for the last 10 years. Additional years will be displayed as they become available.



SCHEDULE OF INDIVIDUAL ACCOUNTS

Fayette County, Georgia
Water System
Schedule of Operating Expenses By Organizational Unit
Costs of Sales and Services
For the Fiscal Year Ended June 30, 2020

	Crosstown <u>Water Plant</u>	South Fayette <u>Water Plant</u>	Water <u>Purchases</u>	Water <u>Maintenance</u>	Plant <u>Laboratory</u>	<u>Distribution</u>	Utility <u>Services</u>	Total Costs Of Sales And Services
Operating Expenses:								
Salaries	\$ 470,143	\$ 461,604	\$ -	\$ 156,542	\$ 114,415	\$ 389,710	\$ 420,275	\$ 2,012,689
Fringe benefits	310,620	315,473	-	100,973	82,262	275,756	334,561	1,419,645
Professional services	7,662	2,123	-	-	347,143	31,741	21,577	410,246
Repairs and maintenance	82,324	96,292	-	-	-	1,071,276	5,557	1,255,449
Rents	2,463	125	-	-	-	-	-	2,588
Telecommunications	5,378	8,537	-	-	-	1,320	-	15,235
Postage	44	-	-	-	-	-	-	44
Other services, travel and fees	5,808	2,930	-	-	1,429	2,217	2,123	14,507
Supplies	40,685	35,427	-	-	18,035	11,173	3,098	108,418
Chemicals	334,653	197,001	-	-	-	-	-	531,654
Utilities	718,527	287,172	-	-	-	11,957	-	1,017,656
Gasoline	4,072	143	-	-	-	24,841	-	29,056
Instructional materials	-	-	-	-	365	-	-	365
Water purchases	-	-	20,224	-	-	-	-	20,224
Tools and uniforms	5,280	1,515	-	-	389	(7,952)	3,517	2,749
Equipment purchases	2,139	9,655	-	-	-	14,879	-	26,673
	<u>\$ 1,989,798</u>	<u>\$ 1,417,997</u>	<u>\$ 20,224</u>	<u>\$ 257,515</u>	<u>\$ 564,038</u>	<u>\$ 1,826,918</u>	<u>\$ 790,708</u>	<u>\$ 6,867,198</u>

Fayette County, Georgia
Water System
Schedule of Operating Expenses By Organizational Unit
Administration
For the Fiscal Year Ended June 30, 2020

	<u>Administration</u>	<u>Customer Services</u>	<u>Utility Billing</u>	<u>Water Marshals</u>	<u>Total Administration</u>
Operating Expenses:					
Salaries	\$ 444,517	\$ 276,426	\$ 240,889	\$ 228,645	\$ 1,190,477
Fringe benefits	340,906	187,968	176,196	206,393	911,463
Professional services	197,551	-	-	739	198,290
Repairs and maintenance	208,257	-	-	7,078	215,335
Leak protection program	202,605	-	-	-	202,605
Rents	13,071	-	-	-	13,071
Insurance	87,956	-	-	-	87,956
Telecommunications	26,965	-	-	3,279	30,244
Postage	114,409	-	-	-	114,409
Other services, travel and fees	45,268	-	-	2,317	47,585
Supplies	64,171	-	-	1,704	65,875
Utilities	23,887	-	-	-	23,887
Gasoline	14,369	-	-	10,783	25,152
Instructional materials	147	-	-	-	147
Tools and uniforms	2,203	-	-	250	2,453
Equipment purchases	18,060	-	-	5,116	23,176
Bad debt expense	-	-	21,496	-	21,496
Indirect cost overhead	850,221	-	-	-	850,221
	<u>\$ 2,654,563</u>	<u>\$ 464,394</u>	<u>\$ 438,581</u>	<u>\$ 466,304</u>	<u>\$ 4,023,842</u>

Fayette County, Georgia
Water System
Construction Accounts
Comments
For The Fiscal Year Ended June 30, 2020

Under the terms of the various bond resolutions, the County must create a special fund (account) designated as the "Construction Account" for each issue that represents new money from the bond proceeds (i.e., not a refunding issue). All moneys on deposit and securities held in these accounts are subject to lien and charge in favor of the holders of the bonds issued and are held for the security of the bondholders until paid out for authorized construction projects or debt service in certain circumstances.

Moneys in these accounts must be applied toward the payment of the costs of adding to, extending, improving and equipping the System, substantially in accordance with the Engineering Report that was prepared for the project(s) to be funded. Any funds remaining in the Construction Fund after completion of the System improvements contemplated by the Bond resolution must be withdrawn from the account and deposited into the Sinking Fund.

Moneys in the Construction Fund not presently needed for the payment of current obligations during the course of construction shall be invested and reinvested only in such securities as provided for in Section 36-93-7 of the Official Code of Georgia Annotated (OCGA), as amended.

Fayette County, Georgia
Water System
Construction Accounts
Schedule of Restricted Assets and Related Payables
June 30, 2020

Current assets:

 Restricted assets:

Cash and cash equivalents	<u>\$ 379,914</u>
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Current liabilities payable from
restricted assets:

Accounts payable	<u>\$ 21,728</u>
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Fayette County, Georgia
Water System
Construction Accounts
Schedule of Changes in Restricted Assets
For the Fiscal Year Ended June 30, 2020

Beginning balance, July 1, 2019	<u>\$ 498,274</u>
Increases:	
Interest earned	<u>820</u>
Decreases:	
Capital outlay expenditures	<u>(119,180)</u>
Ending balance, June 30, 2020	<u><u>\$ 379,914</u></u>

Fayette County, Georgia
Water System
Renewal and Extension Account
Comments
For The Fiscal Year Ended June 30, 2020

The various bond resolutions require the creation of an account designated as the "Fayette County Water System Renewal and Extension Fund" which is to be held separate and apart from its other funds. The purpose of the fund is to serve as a repository for net revenues generated from the operations of the water utility and not needed for debt service or working capital.

The resolutions require monthly transfers into this account of any net revenues remaining after the required monthly transfers to the Debt Service Fund. However, the amount to be transferred is to be reduced by a working capital reserve to be determined by the chief fiscal officer of the County. The working capital reserve should represent an amount not greater than one month's estimated operating and maintenance costs.

Disbursements made from the Renewal and Extension Fund are restricted to payment for:

- a) Interest and principal on the bonds in the event that sufficient moneys are not available in the Bond Sinking Fund;
- b) An emergency having a major effect on the System;
- c) Making replacements, additions, extensions and improvements to the System and acquiring equipment deemed reasonable, necessary and in the best interest of the System and bondholders;
- d) Charges for investment services; and
- e) Transfer of moneys pursuant to the arbitrage rebate provisions of the Bond Resolution.

Fayette County, Georgia
Water System
Renewal and Extension Account
Schedule of Restricted Assets and Related Payables
June 30, 2020

Current assets:

 Restricted assets:

Cash and cash equivalents	<u>\$ 8,755,186</u>
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Current liabilities payable from
restricted assets:

Accounts payable	<u>\$ 215,227</u>
------------------	---------------------------

Fayette County, Georgia
Water System
Renewal and Extension Account
Schedule of Changes in Restricted Assets
For the Fiscal Year Ended June 30, 2020

Beginning balance, July 1, 2019	<u>\$ 7,351,663</u>
Increases:	
Interest earned	126,718
Transfers from Water System revenue fund	<u>2,776,805</u>
Total increases	2,903,523
Decreases:	
Water System Reimbursement to Concentration	<u>(1,500,000)</u>
Ending balance, June 30, 2020	<u><u>\$ 8,755,186</u></u>

**Fayette County, Georgia
Water System
Sinking Fund Accounts
Comments
For The Fiscal Year Ended June 30, 2020**

The various bond resolutions require the creation of accounts designated as the "Fayette County Water System Sinking Fund" for the purpose of receiving and disbursing funds for principal and interest on the revenue bonds and for maintaining designated reserves.

The resolutions require substantially equal monthly transfers into these accounts which are sufficient to pay the principal of and interest on the revenue bonds as they become due and payable.

In addition, the monthly transfers into this account shall be sufficient to create and maintain a reserve in an amount equal to the highest debt service due in any future period by June 1, 2021.

Disbursements made from the Sinking Fund are restricted to payment for:

- a) Interest on the bonds;
- b) Principal on the bonds;
- c) Optional redemption of the bonds prior to maturity;
- d) Purchase of bonds in the open market at a price not to exceed the authorized call price for such issue;
- e) Paying agent fees;
- f) Charges for investment services; and
- g) Transfer of excess moneys in the Sinking Fund to the Revenue Fund.

Fayette County, Georgia
Water System
Sinking Fund Accounts
Schedule of Restricted Assets and Related Payables
June 30, 2020

Current assets:

 Restricted assets:

Cash and cash equivalents	<u><u>\$ 9,027,721</u></u>
---------------------------	----------------------------

Current liabilities payable from
restricted assets:

Accrued interest, due October 1	\$ 259,981
Current portion of principal	<u>4,195,000</u>
Total current liabilities payable from restricted assets	<u><u>\$ 4,454,981</u></u>

Note: All outstanding revenue bonds issued 1996 through 2016 rank on a parity with each other and have as security for their payment a first lien on the "net revenues" of the Water System.

Fayette County, Georgia
Water System
Sinking Fund Accounts
Schedule of Changes in Restricted Assets
For the Fiscal Year Ended June 30, 2020

Beginning balance, July 1, 2019	<u>\$ 9,089,712</u>
Increases:	
Interest earned	98,469
Transfers From Water System Revenue Fund	<u>5,207,992</u>
Total increases	<u>5,306,461</u>
Decreases:	
Revenue bond interest paid	(1,158,452)
Revenue bond principal paid	<u>(4,210,000)</u>
Total decreases	<u>(5,368,452)</u>
Ending balance, June 30, 2020	<u><u>\$ 9,027,721</u></u>



STATISTICAL SECTION

FAYETTE COUNTY WATER SYSTEM STATISTICAL SECTION

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

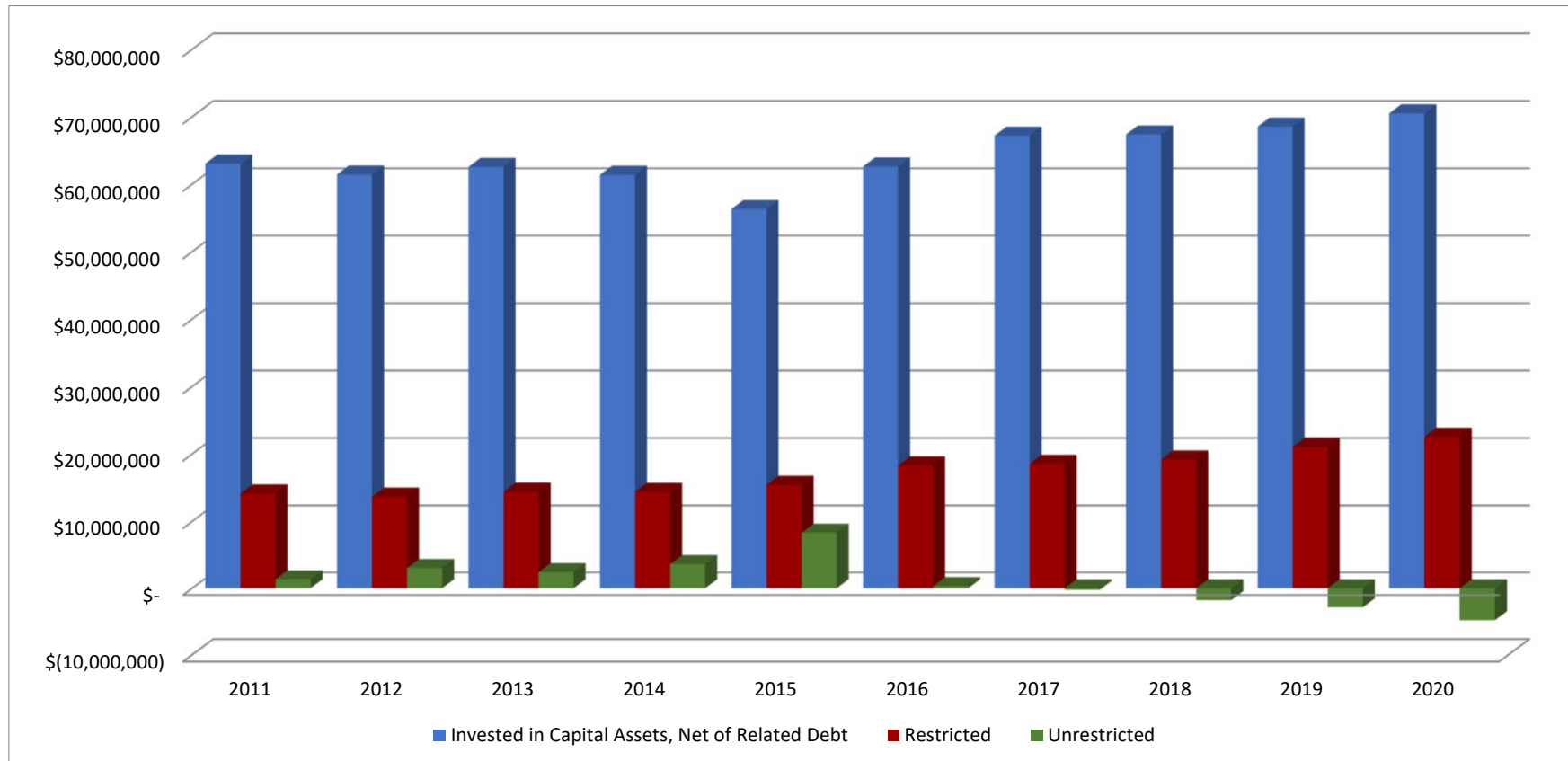
<u>Section Contents</u>	<u>Page</u>
<i>Financial Trends:</i> These schedules contain trend information to help the reader understand how the Water System's financial performance and well-being have changed over time.	67
<i>Revenue Capacity:</i> These schedules contain information to help the reader assess the Water System's most significant revenue sources. The data gives insight into those factors that could affect the System's ability to generate its user service charges.	70
<i>Debt Capacity:</i> These schedules present information to help the reader assess the affordability of the Water System's current levels of outstanding debt and the government's ability to issue additional debt in the future.	76
<i>Demographic and Economic Information:</i> These schedules offer demographic and economic indicators to help the reader understand the socioeconomic environment within which the Water System's financial activities take place and help to make comparisons over time and with other entities.	78
<i>Operating Information:</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	80

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**Fayette County Water System
Net Position By Component
Last Ten Fiscal Years**

Business-Type Activities

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net Investment in Capital Assets	\$ 63,058,811	\$ 61,432,912	\$ 62,558,616	\$ 61,382,854	\$ 56,314,710	\$ 62,610,973	\$ 67,192,871	\$ 67,376,464	\$ 68,527,736	\$ 70,494,125
Restricted	14,127,960	13,655,049	14,380,299	14,375,769	15,410,942	18,295,821	18,532,120	19,173,457	21,021,770	22,548,415
Unrestricted	<u>1,340,904</u>	<u>3,024,701</u>	<u>2,415,512</u>	<u>3,611,972</u>	<u>8,314,934</u>	<u>321,213</u>	<u>(234,413)</u>	<u>(1,788,429)</u>	<u>(2,870,525)</u>	<u>(4,805,232)</u>
Total Water System Net Position	<u>\$ 78,527,675</u>	<u>\$ 78,112,662</u>	<u>\$ 79,354,427</u>	<u>\$ 79,370,595</u>	<u>\$ 80,040,586</u>	<u>\$ 81,228,007</u>	<u>\$ 85,490,578</u>	<u>\$ 84,761,492</u>	<u>\$ 86,678,981</u>	<u>\$ 88,237,308</u>

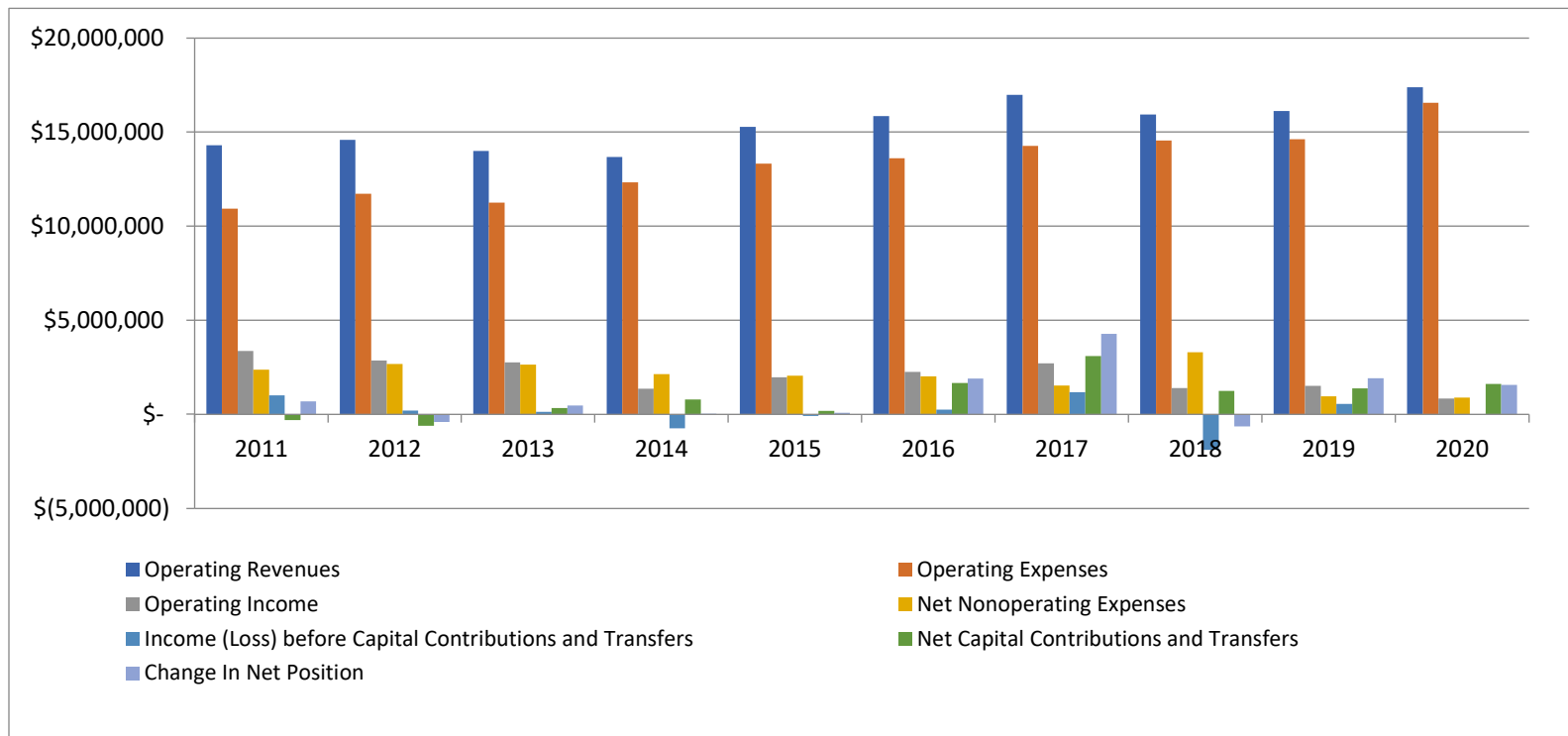


**Fayette County Water System
Changes in Net Position
Last Ten Fiscal Years**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Revenues:										
Water Sales	\$ 13,840,504	\$ 14,018,626	\$ 13,340,217	\$ 13,035,194	\$ 13,744,778	\$ 14,161,581	\$ 15,197,389	\$ 14,139,742	\$ 14,315,965	\$ 15,591,529
Penalties	151,792	244,060	232,073	231,014	231,636	225,751	239,415	246,403	236,946	220,011
Other Service Charges and Fees	<u>296,771</u>	<u>308,180</u>	<u>417,599</u>	<u>409,088</u>	<u>1,295,323</u>	<u>1,459,658</u>	<u>1,525,938</u>	<u>1,545,701</u>	<u>1,562,808</u>	<u>1,567,563</u>
Total Operating Revenues	<u>14,289,067</u>	<u>14,570,866</u>	<u>13,989,889</u>	<u>13,675,296</u>	<u>15,271,737</u>	<u>15,846,990</u>	<u>16,962,742</u>	<u>15,931,846</u>	<u>16,115,719</u>	<u>17,379,103</u>
Operating Expenses:										
Water Production Cost	3,271,187	3,488,903	3,341,944	3,428,530	4,531,130	4,556,315	4,645,936	5,540,277	5,793,542	6,867,198
Personal Services	1,746,004	1,851,230	1,613,606	1,873,658	1,528,292	1,853,921	1,873,571	1,403,147	1,483,041	2,101,940
Contractual Services	1,223,910	847,320	1,644,914	774,466	631,911	965,090	1,358,586	906,641	717,081	909,495
Other Operating Expenses	180,389	1,168,325	225,941	798,644	1,282,812	706,424	758,830	791,610	774,295	990,911
Amortization Expense	92,783	-	-	-	-	-	-	-	-	-
Bad Debt Expense	44,734	39,115	30,294	28,839	31,935	25,963	21,021	20,791	16,848	21,496
Depreciation Expense	<u>4,368,612</u>	<u>4,316,293</u>	<u>4,382,984</u>	<u>5,409,847</u>	<u>5,311,187</u>	<u>5,489,061</u>	<u>5,603,404</u>	<u>5,875,550</u>	<u>5,828,305</u>	<u>5,654,577</u>
Total Operating Expenses	<u>10,927,619</u>	<u>11,711,186</u>	<u>11,239,683</u>	<u>12,313,984</u>	<u>13,317,267</u>	<u>13,596,774</u>	<u>14,261,348</u>	<u>14,538,016</u>	<u>14,613,112</u>	<u>16,545,616</u>
Operating Income	<u>3,361,448</u>	<u>2,859,680</u>	<u>2,750,206</u>	<u>1,361,312</u>	<u>1,954,470</u>	<u>2,250,216</u>	<u>2,701,394</u>	<u>1,393,830</u>	<u>1,502,607</u>	<u>833,486</u>
Nonoperating Revenues (Expenses):										
Intergovernmental	-	-	-	-	-	-	-	(2,000,000)	-	-
Interest Income	3,748	10,372	14,911	10,356	13,417	19,052	59,869	172,020	327,590	226,007
Interest Expense	(2,408,479)	(2,446,816)	(2,578,311)	(2,290,757)	(2,184,478)	(1,878,711)	(1,615,692)	(1,444,834)	(1,289,042)	(1,103,352)
Gain (Loss) on Disposal of Capital Assets	-	(188,858)	19,620	8,521	(13,027)	(1,425)	32,010	(10,058)	13,975	-
Miscellaneous Revenues	43,536	-	-	150,681	142,538	(145,063)	(3,950)	(4,624)	(4,808)	(5,109)
Amortization Expense	-	(39,950)	(85,663)	-	-	-	-	-	-	-
Nonoperating Revenues (Expenses)	<u>(2,361,195)</u>	<u>(2,665,252)</u>	<u>(2,629,443)</u>	<u>(2,121,199)</u>	<u>(2,041,550)</u>	<u>(2,006,147)</u>	<u>(1,527,763)</u>	<u>(3,287,496)</u>	<u>(952,285)</u>	<u>(882,454)</u>
Income (Loss) Before Capital Contributions And Transfers	<u>1,000,253</u>	<u>194,428</u>	<u>120,763</u>	<u>(759,887)</u>	<u>(87,080)</u>	<u>244,069</u>	<u>1,173,631</u>	<u>(1,893,666)</u>	<u>550,322</u>	<u>(48,968)</u>
Capital Contributions and Transfers:										
Capital Contributions	379,232	91,344	332,659	776,055	167,928	1,656,881	3,088,940	1,242,681	1,367,167	1,607,295
Transfers In	-	-	-	-	-	-	-	-	-	-
Transfers Out	<u>(700,785)</u>	<u>(700,785)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Capital Contributions and Transfers	<u>(321,553)</u>	<u>(609,441)</u>	<u>332,659</u>	<u>776,055</u>	<u>167,928</u>	<u>1,656,881</u>	<u>3,088,940</u>	<u>1,242,681</u>	<u>1,367,167</u>	<u>1,607,295</u>
Changes in Net Position	<u>\$ 678,700</u>	<u>\$ (415,013)</u>	<u>\$ 453,422</u>	<u>\$ 16,168</u>	<u>\$ 80,848</u>	<u>\$ 1,900,950</u>	<u>\$ 4,262,571</u>	<u>\$ (650,985)</u>	<u>\$ 1,917,489</u>	<u>\$ 1,558,327</u>

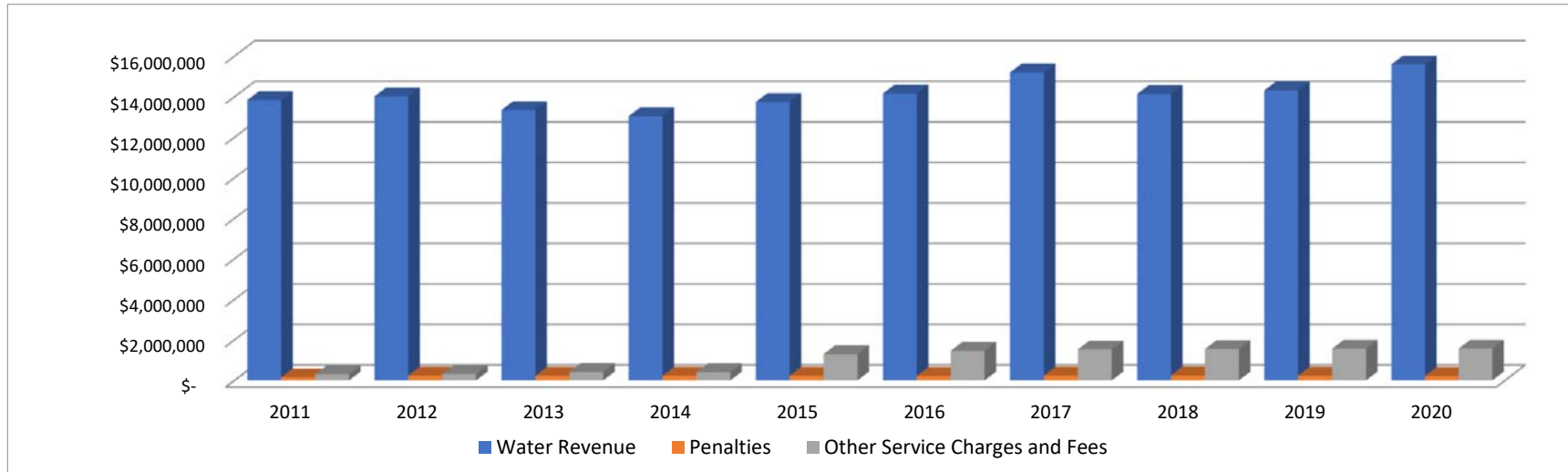
**Fayette County Water System
Changes in Net Position
Last Ten Fiscal Years**

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Net Nonoperating Expenses	Income (Loss) before Capital Contributions and Transfers	Net Capital Contributions and Transfers	Change In Net Position
2011	\$ 14,289,067	\$ 10,927,619	\$ 3,361,448	\$ 2,361,195	\$ 1,000,253	\$ (321,553)	\$ 678,700
2012	14,570,866	11,711,186	2,859,680	2,665,252	194,428	(609,441)	(415,013)
2013	13,989,889	11,239,683	2,750,206	2,629,443	120,763	332,659	453,422
2014	13,675,296	12,313,984	1,361,312	2,121,199	(759,887)	776,055	16,168
2015	15,271,737	13,317,267	1,954,470	2,041,550	(87,080)	167,928	80,848
2016	15,846,990	13,596,774	2,250,216	2,006,147	244,069	1,656,881	1,900,949
2017	16,962,742	14,261,348	2,701,394	1,527,763	1,173,631	3,088,940	4,262,571
2018	15,931,846	14,538,016	1,393,830	3,287,496	(1,893,666)	1,242,681	(650,985)
2019	16,115,719	14,613,112	1,502,607	952,285	550,322	1,367,167	1,917,489
2020	17,379,103	16,545,617	833,486	882,454	(48,968)	1,607,295	1,558,327



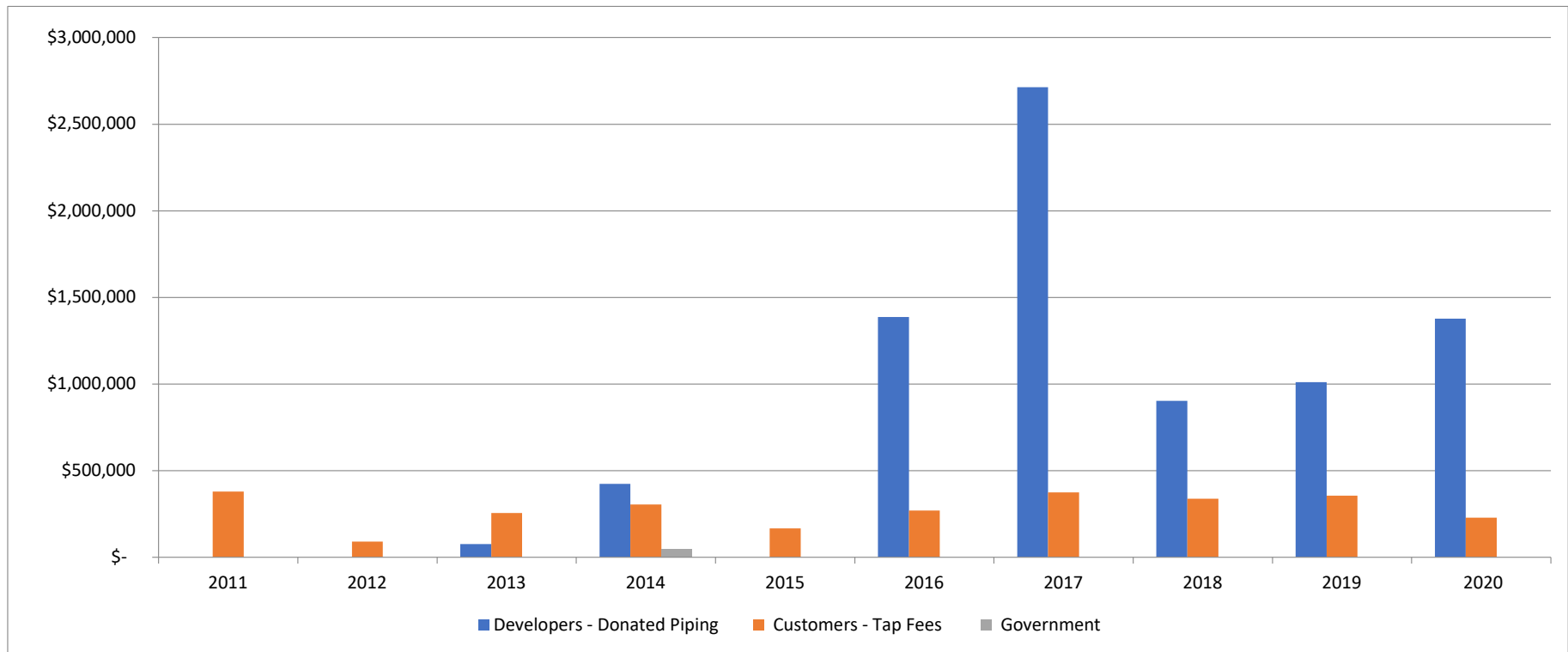
**Fayette County Water System
Operating Revenues By Source
Last Ten Fiscal Years**

<u>Operating Revenues</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Water Revenues	\$ 13,840,504	\$ 14,018,626	\$ 13,340,217	\$ 13,035,194	\$ 13,744,778	\$ 14,161,581	\$ 15,197,389	\$ 14,139,742	\$ 14,315,965	\$ 15,591,529
Penalties	151,792	244,060	232,073	231,014	231,636	225,751	239,415	246,403	236,946	220,011
Other Service Charges and Fees	296,771	308,180	417,599	409,088	1,295,323	1,459,658	1,525,938	1,545,701	1,562,808	1,567,563
Total Operating Revenues	<u>\$ 14,289,067</u>	<u>\$ 14,570,866</u>	<u>\$ 13,989,889</u>	<u>\$ 13,675,296</u>	<u>\$ 15,271,737</u>	<u>\$ 15,846,990</u>	<u>\$ 16,962,742</u>	<u>\$ 15,931,846</u>	<u>\$ 16,115,719</u>	<u>\$ 17,379,103</u>



**Fayette County Water System
Capital Contributions by Source
Last Ten Fiscal Years**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Developers	\$ -	\$ -	\$ 76,572	\$ 424,505	\$ -	\$ 1,387,083	\$ 2,713,594	\$ 903,726	\$ 1,011,093	\$ 1,377,618
Customers	379,232	91,344	256,087	305,136	167,928	269,798	375,346	338,955	356,074	229,677
Government	-	-	-	46,414	-	-	-	-	-	-
Total Capital Contributions	\$ 379,232	\$ 91,344	\$ 332,659	\$ 776,055	\$ 167,928	\$ 1,656,881	\$ 3,088,940	\$ 1,242,681	\$ 1,367,167	\$ 1,607,295



Note: The impact of the "bursting of the housing bubble" on revenues can be seen in the amounts for the fiscal years after 2007

**Fayette County Water System
Schedule of Monthly Minimum Charges
Fiscal Year Ended June 30, 2020**

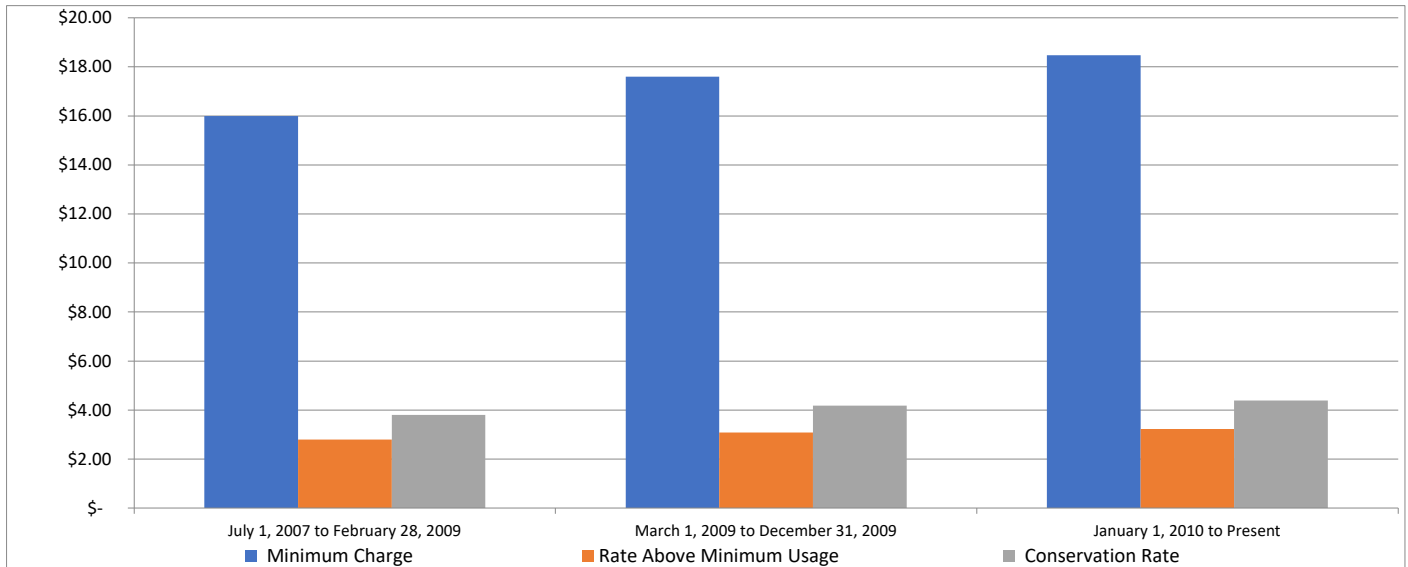
<u>Water Meter Size</u>	<u>Monthly Minimum Charges</u>	
3/4"	\$18.48	(1)
1"	\$18.48	
1 1/2"	\$17.33	
2"	\$23.10	
3"	\$28.88	
4"	\$34.65	
6"	\$40.43	
8"	\$46.20	

Monthly service charges for water service generally consist of a monthly demand charge (i.e., a monthly minimum charge) based on the size of the customer's water meter as shown in the table above. Conceptually from a rate setting point of view, this service charge component represents the recovery of those costs incurred by the Water System to create the necessary plant production and distribution capacity associated with that particular size meter. In addition to the Monthly Minimum Charge, a volume charge is applied to the actual monthly water consumption for each customer. Again conceptually, this element of the total bill represents the recovery of those operating costs incurred to treat and distribute the amount of water that is actually consumed.

Note (1): For the 3/4" meter size, which are predominantly residential customers, the monthly minimum charge includes the first 2,000 gallons of water usage.

**Fayette County Water System
Water Rates
Last Ten Fiscal Years**

Period Covered			Water Rates		
From		To	Minimum or Rate for First 2,000 Gallons Consumed	Rate per Thousand Gallons Usage Over 2,000	Conservation Over 19,999 Gallon Rate
July 1, 2007	-	February 28, 2009	\$16.00	\$2.80	\$3.80
March 1, 2009	-	December 31, 2009	\$17.60	\$3.08	\$4.18
January 1, 2010	-	June 30, 2020	\$18.48	\$3.23	\$4.39



Effective January 1, 2010:

Conservation Rates apply to Residential and Irrigation Meters - $\frac{3}{4}$ " & 1" meters; \$18.48 for the first 2,000 gallons; \$3.23 per thousand gallons for the next 17,999 gallons; \$4.39 per thousand for water usage 20,000 gallons and over.

Conservation Rates apply to Residential and Irrigation Larger Size Meters - 1 $\frac{1}{2}$ ", 2", 3", and 4" meters have a base rate depending on the size meter installed; water used is \$3.23 per thousand for the first 19,999; then \$4.39 per thousand thereafter.

Water Rates for businesses and commercial accounts – Minimum bill of \$18.48 for the first 2,000 gallons; \$3.23 per 1,000 gallons thereafter for $\frac{3}{4}$ " meter – larger meters have a base rate, plus \$3.23 per 1,000 gallons used.

Source: Fayette County Water System

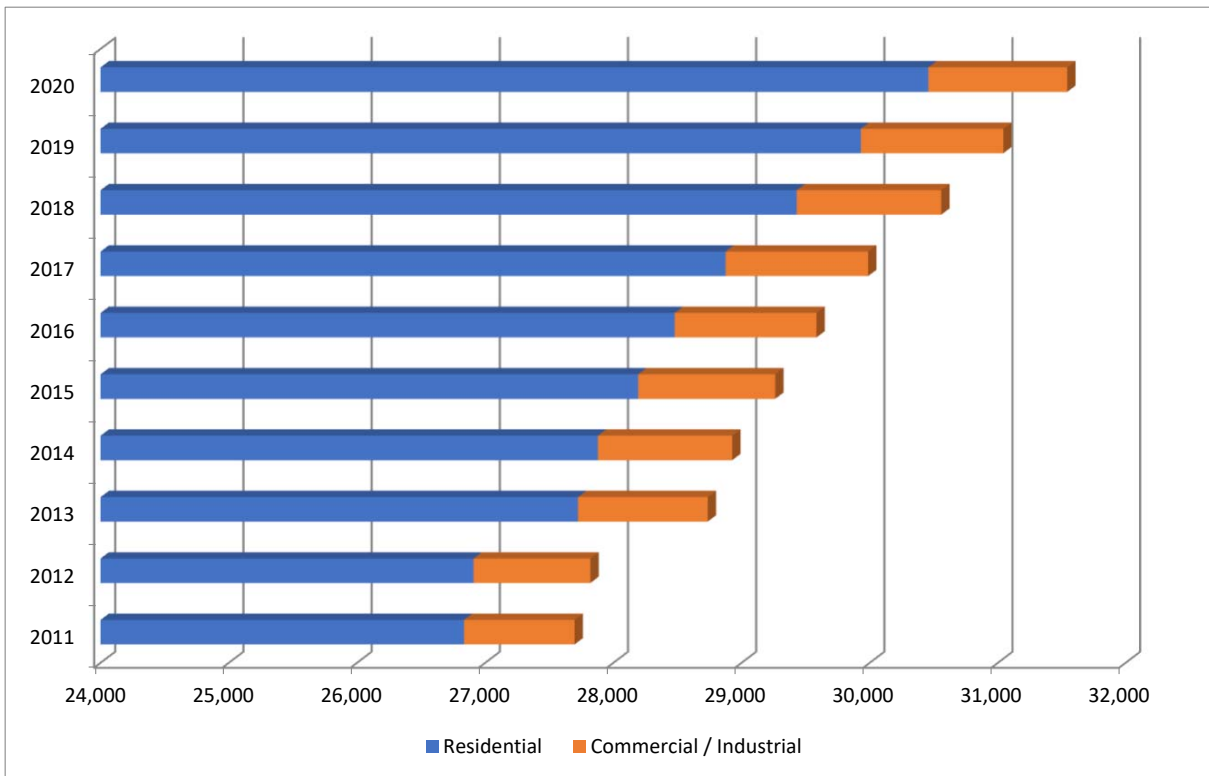
**Fayette County Water System
Number of Water Customers by Type
Last Ten Fiscal Years**

Fiscal Year	(1) Residential	(2) Commercial / Industrial	Total Customers	Annual Change	
				Amount	Percent
2011	26,835	863	27,698	205	0.75%
2012	26,910	911	27,821	123	0.44%
2013	27,725	1,011	28,736	915	3.29%
2014	27,880	1,047	28,927	191	0.66%
2015	28,194	1,069	29,263	336	1.16%
2016	28,479	1,106	29,585	322	1.10%
2017	28,876	1,112	29,988	403	1.36%
2018	29,432	1,126	30,558	570	1.90%
2019	29,931	1,111	31,042	484	1.58%
2020	30,458	1,085	31,543	501	1.61%

Note (1): Includes apartment complexes served by a single connection.

Note (2): Includes governmental customers.

Source: Fayette County Water System



**Fayette County Water System
Top Ten Water Customers
Current Year and Nine Years Ago**

<u>Water Customer</u>	<u>Gallons Metered</u>	Fiscal Year 2020			Fiscal Year 2011		
		<u>Water Sales Revenue</u>	<u>Rank</u>	<u>Percent of Total Water Revenues</u>	<u>Water Sales Revenue</u>	<u>Rank</u>	<u>Percent of Total Water Revenues</u>
(1) City of Fayetteville	241,420,221	\$ 589,051	1	3.78%	350,068	1	2.53%
(2) Piedmont Healthcare	39,682,600	129,011	2	0.83%	153,116	2	1.11%
Fayette County Board of Education	28,104,505	101,189	3	0.65%	152,956	3	1.11%
Bo Trammell	17,685,630	57,610	4	0.37%	42,078	10	0.30%
Fayette County BOC	17,433,060	67,482	5	0.43%	76,335	4	0.55%
(3) Inland Southern Mgt	14,820,240	48,840	6	0.31%	-		N/A
(4) VR Balmoral Holding, LP	14,849,520	48,518	7	0.31%	-		N/A
KRC Property Management	14,043,500	46,400	8	0.30%	-		N/A
Hoshizaki America	13,723,430	44,881	9	0.29%	46,969	6	0.37%
Universal Environmental Services	12,069,000	39,676	10	0.25%	-		N/A
Fund IV PTC LLC	-	-		N/A	49,275	5	0.36%
Summit Properties	-	-		N/A	46,835	7	0.34%
PT Parkway Partners	-	-		N/A	43,193	8	0.31%
THI III Pt Lessee LLC	-	-		N/A	43,005	9	0.31%
Sub-Total (Ten Largest Customers)	413,831,706	\$ 1,172,658		7.52%	\$ 1,003,830		7.28%
Other Customers		14,418,871		92.48%	12,836,674		92.72%
Total Water Sales Revenue		<u>\$ 15,591,529</u>		<u>100.00%</u>	<u>\$ 13,840,504</u>		<u>100.00%</u>

Source: Fayette County Water System

Note (1): Wholesale customer agreement to provide water.

Note (2): Piedmont Fayette Hospital, formerly Fayette Community Hospital

Note (3): Inland Southern Mgt, formerly Inland South Management

Note (4): VR Balmoral Holding, LP formerly Balmoral Group

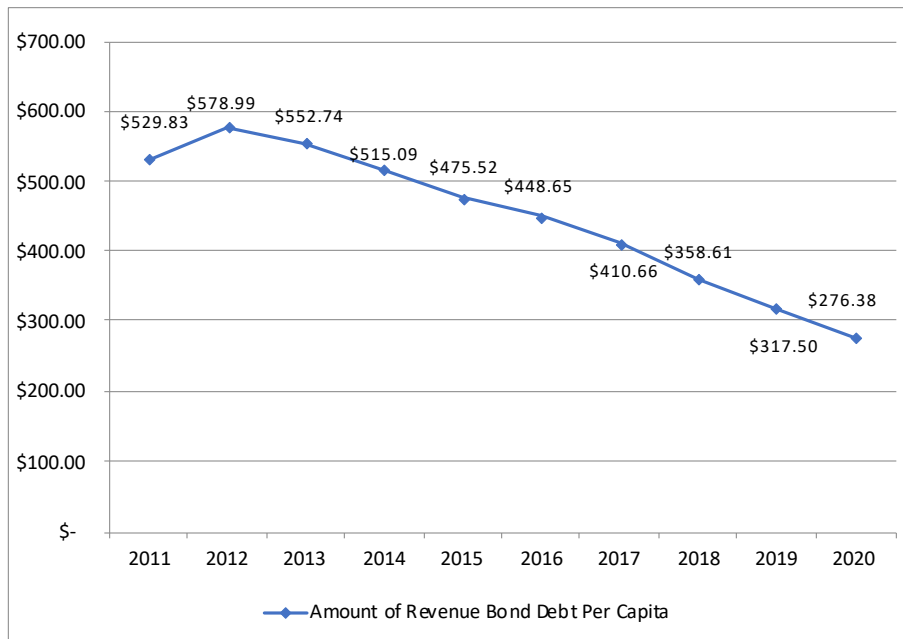
Fayette County Water System
Ratio of Revenue Bond Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Revenue Bonds Outstanding</u>	<u>Amount of Bond Debt Per Capita (2)</u>	<u>Debt As A Percentage of Personal Income (1)</u>
2011	\$ 56,462,192	\$ 529.83	1.22%
2012	62,405,466	578.99	1.30%
2013	59,432,952	552.74	1.17%
2014	55,817,664	515.09	1.06%
2015	52,147,368	475.52	0.89%
2016	49,671,340	448.65	0.83%
2017	45,840,998	410.66	0.72%
2018	41,670,644	358.61	0.61%
2019	37,465,279	317.50	0.52%
2020	32,999,904	276.38	0.43%

(1) Source: The Bureau of Economic Analysis, U.S. Department of Commerce

Note: The issuance of \$36,340,000 in Series 2009 bonds significantly increased the per capita metric for FY 2010.

(2) Atlanta Regional Commission



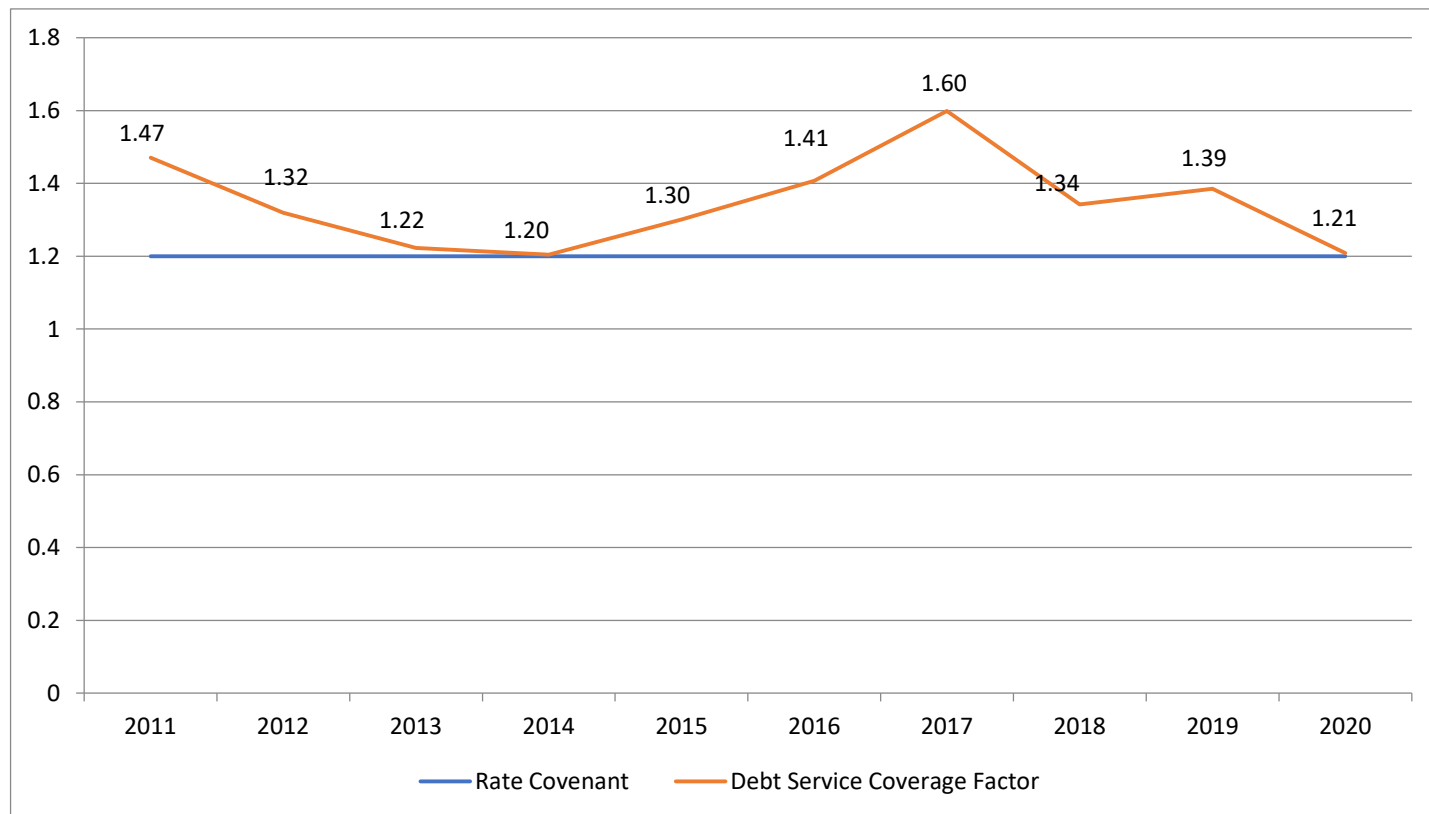
Fayette County Water System
Debt Service Coverage Factor for Revenue Bonds
Last Ten Fiscal Years

Fiscal Year	(1) Gross Revenues	(2) Reasonable And Necessary Operating Costs	(3) Net Revenues Available For Debt Service	Revenue Bond Debt Service Payments	Debt Service Coverage Factor
2011	\$ 14,289,067	\$ 6,466,224	\$ 7,822,843	\$ 5,320,501	1.47
2012	14,570,866	7,394,893	7,175,973	5,440,539	1.32
2013	13,989,889	6,856,699	7,133,190	5,833,311	1.22
2014	13,675,296	6,904,137	6,771,159	5,622,275	1.20
2015	15,271,737	8,006,080	7,265,657	5,583,888	1.30
2016	15,846,990	8,107,713	7,739,277	5,499,625	1.41
2017	16,962,742	8,657,944	8,304,798	5,194,642	1.60
2018	15,931,846	8,662,466	7,269,380	5,416,994	1.34
2019	16,115,719	8,784,808	7,330,912	5,290,975	1.39
2020	17,379,103	10,891,040	6,488,063	5,368,452	1.21

Note (1): "Gross Revenues" amount represents Operating Revenues for the Water System which excludes interest income on Construction Accounts and tap fees.

Note (2): "Reasonable and Necessary Operating Costs" represents the Operating Expenses of the Water System less the non-cash items of depreciation and amortization expense.

Note (3): Represents income before depreciation, and nonoperating revenues and expenses.



**Fayette County, Georgia
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	(1) County-Wide Population	(2) (amounts in thousand \$) Personal Income	(2) Per Capita Personal Income	(3) Median Age	(4) Public School Enrollment	(5) Unemployment Rate
2011	106,567	\$ 4,614,827	\$ 43,215	42	21,683	9.0%
2012	107,784	4,792,110	44,460	43	21,120	7.3%
2013	107,524	5,097,304	47,406	43	20,506	7.0%
2014	108,365	5,246,261	48,413	42	20,301	7.1%
2015	109,664	5,872,326	53,548	43	20,243	6.0%
2016	110,714	6,018,520	54,361	43	20,242	4.7%
2017	111,627	6,335,845	56,759	43	20,238	4.9%
2018	116,200	6,785,085	60,286	43	20,104	3.5%
2019	118,000	7,206,314	63,515	42	20,520	3.5%
2020	119,400	7,719,618	67,467	42	20,590	4.7%

(1) Source: Atlanta Regional Commission

(2) Source: The Bureau of Economic Analysis

(3) Source: United States Census

(4) Source: Fayette County Board of Education

(5) Source: Homefacts for 2019

*Population source changed from The Bureau of Economic Analysis to Atlanta Regional Commission in 2018

* Unemployment Rate source changed from Homefacts in 2019

Fayette County, Georgia
Principal Employers
Current Year and Nine Years Ago

	2020			2011		
	Employees	Rank	Percentage of Total County Employment (1)	Employees	Rank	Percentage of Total County Employment
Private Employer						
Piedmont Fayette Hospital	2,000	1	3.45%	1,435	1	3.14%
Panasonic Automotive Systems Co.	800	2	1.38%	460	5	1.01%
Cooper Lighting Solutions	650	3	1.12%	550	3	1.20%
Hoshizaki America Inc.	570	4	0.98%	500	4	1.09%
Walmart SuperCenter	427	5	0.74%			
WalMart	400	6	0.69%			
Cornerstone Building Brands Inc.	250	7	0.43%			
Gerresheimer Peachtree City LP	250	8	0.43%			
Condor Health Lafayette	210	9	0.36%			
Publix	200	10	0.35%			
NCR				850	2	1.86%
World Airways				275	6	0.60%
APAC - Georgia				200	7	0.44%
FAA Tracon				190	8	0.42%
Alenco, Inc				181	9	0.40%
Avery Dennison				180	10	0.39%
Total	5,757		9.94%	4,821		10.53%

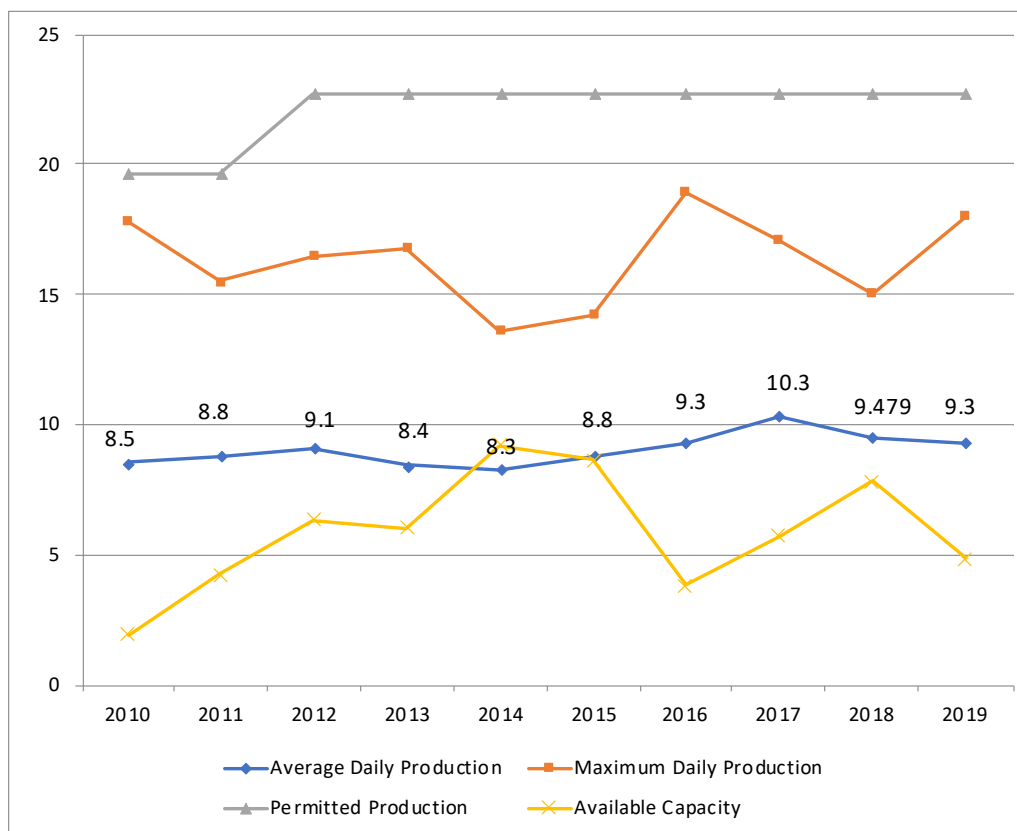
Source: Fayette County Development Authority
(1) Calculated using Total Labor Force

Fayette County Water System
Daily Water Demand and Plant Production Capacity
Last Ten Fiscal Years

Fiscal Year	Water Demand (MGD)		Water Plant Rated Production Capacity	Available Capacity
	Average Daily	Maximum Daily		
2011	8.8	15.5	19.7	4.2
2012	9.1	16.5	22.8	6.3
2013	8.4	16.8	22.8	6.0
2014	8.3	13.6	22.8	9.2
2015	8.8	14.2	22.8	8.6
2016	9.3	19.0	22.8	3.8
2017	10.3	17.1	22.8	5.7
2018	9.5	15.0	22.8	7.8
2019	9.3	18.0	22.8	4.8
2020	9.9	17.6	22.8	5.2

Note 1: Water Demand represents water produced by the System.

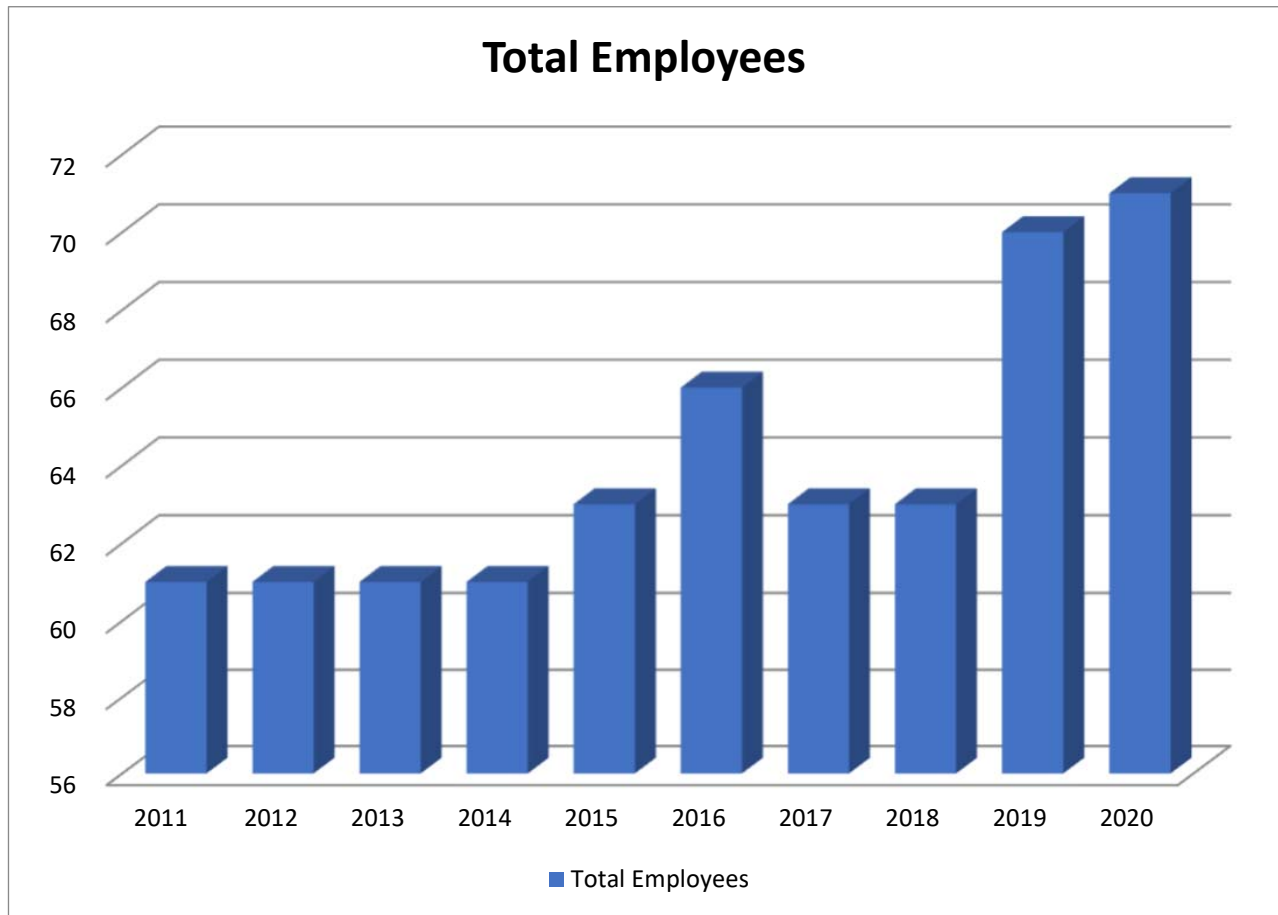
Note 2: Information is presented in Million Gallons Per Day (MGD) units.



Fayette County Water System
Full-Time Equivalent Water System Employees By Function
Last Ten Fiscal Years

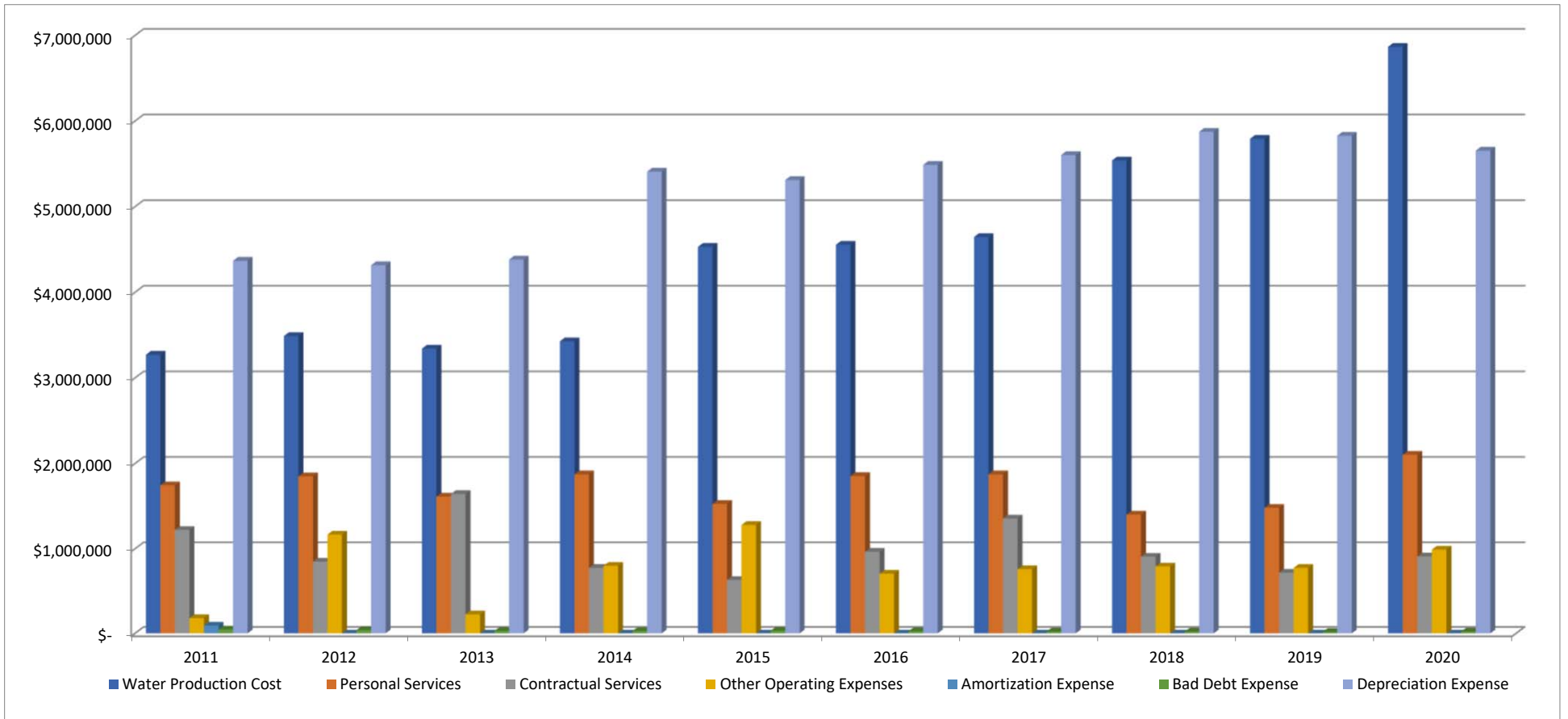
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Water System Operations:										
Water Plant Operators	27	28	28	28	25	25	24	24	25	26
Distribution	10	8	8	8	8	10	7	8	11	11
Utility Services	-	-	-	-	-	-	9	9	9	9
Total Water	<u>37</u>	<u>36</u>	<u>36</u>	<u>36</u>	<u>33</u>	<u>35</u>	<u>40</u>	<u>41</u>	<u>45</u>	<u>46</u>
Administration:										
Director, Customer Service, Billing	19	21	22	21	23	24	19	18	21	21
Meter Readers	5	4	3	3	3	3	-	-	-	-
Marshals	-	-	-	1	4	4	4	4	4	4
Total Administration	<u>24</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>30</u>	<u>31</u>	<u>23</u>	<u>22</u>	<u>25</u>	<u>25</u>
Total Water System Employees	<u>61</u>	<u>61</u>	<u>61</u>	<u>61</u>	<u>63</u>	<u>66</u>	<u>63</u>	<u>63</u>	<u>70</u>	<u>71</u>

Source: Fayette County Finance Department



**Fayette County Water System
Operating Expenses by Type
Last Ten Fiscal Years**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Production Cost	\$ 3,271,187	\$ 3,488,903	\$ 3,341,944	\$ 3,428,530	\$ 4,531,130	\$ 4,556,315	\$ 4,645,936	\$ 5,540,277	\$ 5,793,542	\$ 6,867,198
Personal Services	1,746,004	1,851,230	1,613,606	1,873,658	1,528,292	1,853,921	1,873,571	1,403,147	1,483,041	2,101,940
Contractual Services	1,223,910	847,320	1,644,914	774,466	631,911	965,090	1,358,586	906,641	717,081	909,495
Other Operating Expenses	180,389	1,168,325	225,941	798,644	1,282,812	706,424	758,830	791,610	774,295	990,911
Amortization Expense	92,783	-	-	-	-	-	-	-	-	-
Bad Debt Expense	44,734	39,115	30,294	28,839	31,935	25,963	21,021	20,791	16,848	21,496
Depreciation Expense	4,368,612	4,316,293	4,382,984	5,409,847	5,311,187	5,489,061	5,603,404	5,875,550	5,828,305	5,654,577
Total Operating Expenses	\$ 10,927,619	\$ 11,711,186	\$ 11,239,683	\$ 12,313,984	\$ 13,317,267	\$ 13,596,774	\$ 14,261,348	\$ 14,538,016	\$ 14,613,112	\$ 16,545,617



Fayette County, Georgia
Schedule of Insurance Coverages
June 30, 2020

<u>Property Coverages</u>	<u>Amount In Force</u>
Property (1)	\$ 149,598,584
Other Equipment	43,624,653
Flood and Earthquake	5,000,000

Note (1): Includes real and personal property,
and boiler and machinery coverage.

<u>Liability Coverages</u>	<u>Liability Limits</u>	
	<u>Each Occurrence</u>	<u>Aggregate</u>
General Liability	\$ 2,000,000	\$ 3,000,000
Automobile Liability	1,000,000	None
Law Enforcement Liability	2,000,000	2,000,000
Public Officials' Liability	2,000,000	2,000,000

Other Coverages

The County requires payment and performance surety bonds and builders' risk insurance of all contractors and subcontractors involved in construction activities. Surety bonds have to be issued by surety firms listed on the U.S. Treasury approved list and builders' risk insurance has to be in the amount of the contract sum.

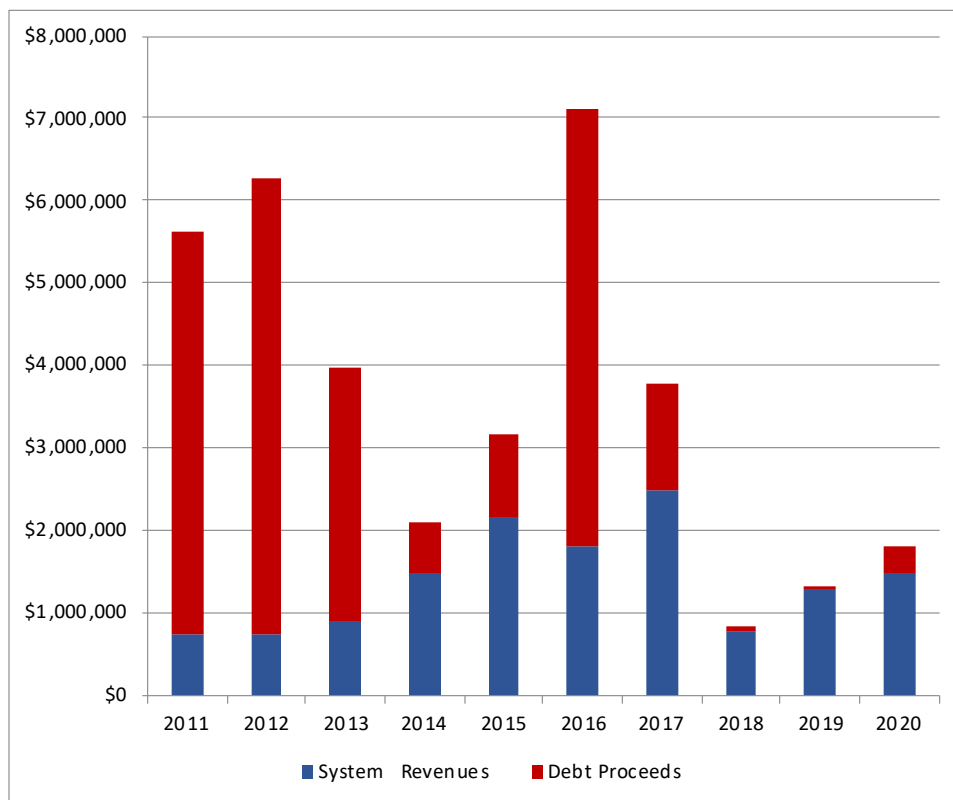
Self-Insured Risks

The County is partially self-insured for certain risks such as medical and workers' compensation claims. Additional information on the management of these risks is contained in the Notes to the Financial Statements.

Source: Certificate of Liability Insurance, APEX Insurance Agency, LLC

Fayette County, Georgia
Funding Sources of Capital Improvements
Last Ten Fiscal Years

Fiscal Year	Total Costs of Capital Improvements	Funding Sources	
		System	Debt Proceeds
		Revenues	And Interest Income
2011	\$ 5,630,218	\$ 715,848	\$ 4,914,370
2012	6,268,001	728,793	5,539,208
2013	3,974,588	894,835	3,079,752
2014	2,085,510	1,477,142	608,368
2015	3,165,069	2,145,236	1,019,832
2016	7,095,867	1,793,514	5,302,353
2017	3,774,713	2,467,116	1,307,597
2018	812,120	759,026	53,095
2019	1,298,698	1,281,968	16,730
2020	1,791,214	1,476,718	314,496



**Fayette County Water System
Operating and Capital Indicators
Last Ten Fiscal Years**

<u>Indicator:</u>	For the Fiscal Year Ended June 30, 2020									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Water Storage Capacity (Million Gallons)	16.25	16.25	16.25	16.25	16.25	16.25	16.25	16.25	16.25	16.25
Water Production Plants	2	2	2	2	2	2	2	2	2	2
Water Distribution System (Miles of Pipe)	618	618	619	620	623	629	638	642	646	650
Water Customers	27,698	27,821	28,736	28,927	29,263	29,585	29,988	30,558	31,042	31,543
Average Water Production (Million Gallons per Day)	8.8	9.1	8.4	8.3	8.8	9.3	10.3	9.5	9.3	9.9
Maximum Water Production (Million Gallons per Day)	15.5	16.5	16.8	13.6	14.2	19.0	17.1	15.0	18.0	17.6
Permitted Water Production (Million Gallons per Day):										
Crosstown Plant	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
South Fayette Plant	6.2	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3

Source: Provided by the Fayette County Water System