



Fayette
COUNTY

"WHERE QUALITY
IS A LIFESTYLE"

**FAYETTE COUNTY WATER SYSTEM
AN ENTERPRISE FUND OF
FAYETTE COUNTY, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended
June 30, 2016



Fayette
COUNTY

"WHERE QUALITY
IS A LIFESTYLE"

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2016

Prepared by the
Fayette County Finance Department



Fayette
COUNTY

"WHERE QUALITY
IS A LIFESTYLE"

INTRODUCTORY SECTION

This Section Contains the Following Subsections:

TABLE OF CONTENTS

LETTER OF TRANSMITTAL

CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING

LIST OF PRINCIPAL OFFICIALS

ORGANIZATIONAL CHART

MAP

**Fayette County, Georgia
Water System
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i - ii
Letter of Transmittal.....	1 - 11
GFOA Certificate of Achievement for Excellence in Financial Reporting	12
List of Principal Officials	13 - 14
Organizational Chart.....	15
Map.....	16
FINANCIAL SECTION	
Independent Auditor's Report	17 - 19
Management's Discussion and Analysis (MD&A)	20 - 27
Basic Financial Statements:	
Proprietary Fund Financial Statements:	
Statement of Net Position	28 - 29
Statement of Revenues, Expenses and Changes in Net Position	30
Statement of Cash Flows	31 - 32
Notes to the Financial Statements	33 - 61
Required Supplementary Information:	
Schedule of Funding Progress	62
Schedule of Changes in the County's Net Pension Liability and Related Ratios	63
Schedule of County Contributions.....	64
Schedule of Individual Accounts:	
Schedule of Operating Expenses by Organizational Unit:	
Costs of Sales and Services	65
Administration	66
Construction Accounts:	
Schedule of Restricted Assets and Related Payables	68
Schedule of Changes in Restricted Assets	69
Renewal and Extension Account:	
Schedule of Restricted Assets and Related Payables	71
Schedule of Changes in Restricted Assets	72
Sinking Fund Accounts:	
Schedule of Restricted Assets and Related Payables	74
Schedule of Changes in Restricted Assets	75

**Fayette County, Georgia
Water System
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

TABLE OF CONTENTS

	<u>Page Number</u>
STATISTICAL SECTION	
Financial Trends:	
Net Position by Component	77
Changes in Net Position.....	78 – 79
Revenue Capacity:	
Operating Revenues by Source	80
Capital Contributions by Source	81
Schedule of Monthly Minimum Charges.....	82
Water Rates	83
Number of Water Customers by Type.....	84
Top Ten Water Customers.....	85
Debt Capacity:	
Ratio of Revenue Bond Debt Outstanding	86
Debt Service Coverage Factor for Revenue Bonds.....	87
Demographic and Economic Information:	
Demographic and Economic Statistics	88
Principal Employers	89
Operating Information:	
Daily Water Demand and Plant Production Capacity	90
Full-Time Equivalent Water System Employees by Function	91
Operating Expenses by Type	92
Schedule of Insurance Coverages.....	93
Funding Sources of Capital Improvements	94
Operating and Capital Indicators.....	95



"WHERE QUALITY
IS A LIFESTYLE"

December 28, 2016

Honorable Charles Oddo, 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, 2016, 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 Water System has 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 County'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 various funds, account groups, and component units of Fayette County, Georgia. All disclosures necessary to enable the reader to gain an understanding of the County 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 Fayette County, Georgia for the fiscal year ended June 30, 2016, 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, 2016, 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 27.

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; Individual Account 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 approximately 29,585 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, which was established in 1821, is a body corporate and politic organized and existing under the Constitution and the laws of the State of Georgia. Encompassing only about 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 the city limits of Atlanta and is considered an integral part of the Metro Atlanta 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; fill vacancies in County offices unless others are empowered to do so; 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.

There is also a Water Committee composed of six up to seven members who meet twice monthly to consider matters relevant to the Water System's operations. Membership includes two citizens appointed by the Board of Commissioners, the County Administrator, the County Planner, and the Water System Director. The Water System's consulting engineer is a non-voting member. The County's Board Chairman may serve on the Water Committee as the seventh member if he so chooses. This Committee recommends projects and actions to the Board of Commissioners. The Water Committee has no authority to implement policy or authorize expenditures.

WATER SYSTEM FACILITIES

When analyzing the operations of the Fayette County Water System, it is helpful to think of the potable water business in terms of its various processes or stages in the delivery of this critical natural resource. Basically, the Water System can be thought of in terms of three operational components. Those are 1) the adequacy of the raw water supply, 2) the capacity of the treatment facilities and 3) the efficiency of the distribution system.

In terms of supply, the Water System obtains the majority of its raw water from surface water sources. During the fiscal year ended June 30, 2016, the System had six primary sources of raw water; all of which are located in the County. It has two reservoirs located on Flat Creek, one reservoir on Horton Creek and a fourth reservoir, Lake McIntosh, which was completed in 2013 with the addition of a boat dock and ramp and a playground. In addition, there are surface water flows available from Whitewater Creek and the Flint River.

Lake Peachtree, which was formed from the impoundment of Flat Creek, is a 250-acre lake located within the City of Peachtree City. The County has an agreement with Peachtree City (continuing through 2034) which allows the Water System to withdraw up to 4.0 million gallons per day if the mean water level is maintained. The raw water stored at this location is pumped to the Crosstown Water Treatment Plant (WTP). Also located on Flat Creek, Lake Kedron is a 230-acre reservoir constructed to provide additional raw water storage of approximately 1.9 billion gallons. With its location being further upstream, Lake Kedron's outflow back into Flat Creek is regulated to help maintain the water level in Lake Peachtree.

Lake Horton is a 790-acre reservoir located in the southern part of the County with a permit to withdraw up to 16-18 million gallons per day. This impoundment has a storage capacity of approximately 3.5 billion gallons. When needed and available, flows from the Flint River can be pumped for storage into Lake Horton. The System has a permit to withdraw up to 16 million gallons a day when the Flint River flow exceeds 30 cubic feet per second. In providing a lot of 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.

Another source of raw water is Lake McIntosh located on Line Creek. The Water System is able to draw up to 10.4 million gallons per day from this source to be processed at the Crosstown Water Treatment Plant. Similarly, the System has a permit to withdraw up to 2 million gallons per day from Whitewater Creek at Starr's Mill. Again from a flexibility perspective, the raw water from this source can be pumped to Lake Horton for storage or directly to the Crosstown Water Treatment Plant 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, 2016, an average of 70,669 gallons per day was purchased from the City of Atlanta. The Water System also has a permit to operate four wells; Willowbend, Kiwanis Field, Hill Road and the Loghouse well. None of these wells were used during this fiscal year.

In looking at production capacity for finished water, the Water System has two facilities available to treat the raw water. The Crosstown Water Treatment Plant is permitted for 13.5 million gallons per day (MGD) and the South Fayette Water Plant is permitted for 9.3 million gallons daily. The total treatment capacity of 22.8 MGD is about 2.5 times the average production amount for FY 2016 and 1.2 times the maximum production level that occurred in a twenty-four hour period during the fiscal year. 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.

Construction of the Crosstown Water Treatment Plant was completed in 1986 and additional improvements were made in 1994. During the 2016 fiscal year, the average production of treated water was 5.0 MGD. The potable water storage for the Crosstown Plant consists of two clearwells totaling 6 million gallons. A diesel generator is available to provide emergency power to the facility if needed.

The South Fayette Water Treatment Plant went into service in July 2001. The average production for this facility in FY 2016 was 4.3 MGD. The South Fayette Plant includes a raw water storage pond for three days of production, a diesel generator that will provide electricity for full operation and a 3 million gallon clearwell.

In terms of finished water storage for the distribution system, there are five elevated tanks with a total capacity 7.25 million gallons. That storage capacity is slightly less than one day's average usage. These storage tanks located on higher elevations throughout the County were constructed between 1965 and 2004, and are in good condition.

The distribution system includes 629 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 2016 fiscal year totaled \$2,476,349. The following tabulation shows water line footage by size, including additions for the fiscal year ended June 30, 2016. For this table's purpose, any existing piping that is smaller than 6" does not carry significant water flows thus they are not reported as part of the distribution system.

INVENTORY OF PIPING DISTRIBUTION SYSTEM				
<u>Pipe Size</u>	<u>Beginning Balance</u>	<u>FY 2016 Activity</u>		<u>Ending Balance</u>
		<u>Additions</u>	<u>Deletions</u>	
30"	37,802	--	--	37,802
24"	106,950	--	--	106,950
20"	222,803	2,765	--	225,568
18"	8,390	--	--	8,390
16"	149,906	6,600	--	156,506
12"	278,229	--	--	278,229
10"	293,401	--	--	293,401
8"	1,400,734	23,647	--	1,424,381
6"	<u>788,966</u>	<u>824</u>	<u>--</u>	<u>789,790</u>
Totals	<u>3,287,181</u>	<u>33,836</u>	<u>--</u>	<u>3,321,017</u>

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.

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 scan of economic environments both nationally and internationally can be helpful in establishing the proper perspective for economic analysis on the local level. Some of the more important economic metrics in regards to financial activity in the third quarter of calendar year 2016 are highlighted in the following bullet points:

- Real gross domestic product (GDP) increased 4.6 percent in the third quarter of 2016;
- Retail sales increased 4.3 percent for 2016. This indicates a continued growth in the broader economy since consumer spending on goods accounts for approximately 70% of GDP;
- Residential housing starts increased by 6% over 2015;
- U.S. International Trade Balance deficit decreased 2.5 percent from 2015.

Local Economy: Fayette County is strategically located just south of Atlanta in close proximity to 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 General Education Development (GED) or have at least some college training. Numbers for 2015 as published by the Georgia Department of Labor indicate that there were 51,619 employed residents in Fayette County. Of that number, 43.9 percent worked at jobs located in the County. Conversely, that means that 56.1 percent commuted outside the County for employment. The two most frequent destinations for Fayette County's work force were 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 2015, there were 3,762 industries located in Fayette County that produced 41,244 jobs. Of that total, 504 industries were labeled as "Goods Producing" and accounted for 6,574 jobs or 15.9 percent of the total. By far, the largest component was the "Service Providing" industries. That segment totaled 2,966 firms and represented 29,413 jobs or 71.3 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.

Atlanta and the Metro region have significantly regained 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. Unemployment is down. New construction has grown contributing to increased tax collections.

Forecasts predict continued favorable changes in economic indicators such as GDP, job growth and home starts. Consumer spending is predicted to grow in pace with the economy with few consumers stretching beyond their incomes. However, as income rises, spending rises at a comparable rate.

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 2016 tax digest of 5.7 percent. One of the benefits of having a skilled work force is that the unemployment rate continues to keep pace with the state average. For June 2016, the rate for Fayette County was 5.2 percent compared to the State average of 5.1 percent and the national average of 4.9 percent.

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, the lowest crime rate 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 combine 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 Kiplinger's include the following projections:

- Unemployment gradually declines from 4.9 percent in 2016 to about 4.6 percent by the end of 2017;
- Growth in retail sales of 3.7 percent in 2017;
- Single-family housing starts increase 11 percent in 2017 as compared to a 9 percent increase in 2016.

MAJOR INITIATIVES

As a member of the Metropolitan North Georgia Water Planning District (MNGWPD), the County took a major step during the 2012 fiscal year in protecting the water quality of the surface water which is the primary source for our drinking water. On January 1, 2012, the County created a new Stormwater Utility to help ensure compliance with stricter federal and state water quality standards. Using a new dedicated source of funding for this purpose (i.e., a stormwater fee based on the amount of impervious surface located on a property), the County will be able to ensure that stormwater management devices are designed and working properly. In terms of basic surface delivery, it will provide preventative maintenance and repairs of all stormwater structures within the right-of-way and all pipes directly connected to the right-of-way. This action will help protect the quality of surface water which is the major source of raw water for the Water System.

Fayette County continues to strategically position itself for future growth and the maintenance of the current quality of life of our citizens. With the population of the Metropolitan Atlanta Statistical Area approaching 5.7 million and the local area experiencing drought-like conditions in the recent past, the availability of potable water is becoming one of the most important attributes affecting growth patterns in the future. Where businesses decide to locate in the future could be determined by the availability of this precious resource. During 2013, the County completed the construction of Lake McIntosh which is a 650-acre raw water reservoir located on Line Creek which borders Fayette and Coweta Counties. The total raw water reserves should be sufficient to meet our customers' potable water needs for years to come. The Environmental Protection Division (EPD) has issued to the County a surface water withdrawal permit to withdraw water from Lake McIntosh at a withdrawal rate of 10.4 million gallons per day.

The Fayette County Water System has completed significant infrastructure related capital enhancements this past year. The installation of a liquid lime feed system and actuators at Lake Horton are online and are providing operators with new tools to better deliver and treat water at both treatment plants. There are eight new filters in operation at the Crosstown WTP with all new controls, valves and actuators which allows for efficient treatment of water. A test of the new filter technology is being conducted. It is anticipated that an increase in treatment capacity will come from the state after the pilot test is complete. The current permit capacity is

for 13.5 MGD. The new permitted capacity of 22.5 MGD is anticipated. This is over a 60% increase in production. The new filters, not only, will have the ability to treat more water per square foot, but will also include a new state of the art back wash program minimizing wasted water during the back wash process. A new carbon feed system has been installed at the head of the treatment train to produce optimum water quality in regard to taste and odor. Additional treatment processes are in place that will enhance water quality and provide a safer work environment for the operators.

In the upcoming years, the distribution system will be focused on the distribution system which will include major renovations to water lines and storage tanks. A full system hydraulic model will be completed which will allow the operations group to model different scenarios to handle challenges of water delivery in the system. The County also conducted the largest dredging project at Lake Peachtree to improve storage and water quality and improved U.S. Geological Survey (USGS) monitoring to allow better management of raw water reservoirs

Customer service included implementation of a Leak Protection Program to assist homeowners' repair service lines on their property; Citizen Self-Serve, an online tool for customers to access their account online; implemented a Facebook page and continue to improve outreach efforts to customers.

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 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 \$19,052 on all investments for the fiscal year ended June 30, 2016.

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, 2016, 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, 2015. 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.

The Water System also received the Gold Award for 100% compliance in both Water Treatment Plants and Distribution.

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 each individual for the contributions made in the preparation of this report.

We would also like to thank the Chairman and members of 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,

A handwritten signature in blue ink, appearing to read "Steven A. Rapson", with a long horizontal flourish extending to the right.

Steven A. Rapson
County Administrator

A handwritten signature in blue ink, appearing to read "Mary S. Parrott", written in a cursive style.

Mary S. Parrott
Chief Financial Officer



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, 2015

Executive Director/CEO

**Fayette County, Georgia
List of Principal Officials
June 30, 2016**

Elected County Officers

Board of Commissioners:

District 5 –At-Large, Chairman Charles W. Oddo
District 2, Vice Chair Randy Ognio
District 1 David Barlow
District 3 Steve Brown
District 4 Charles D. Rousseau

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

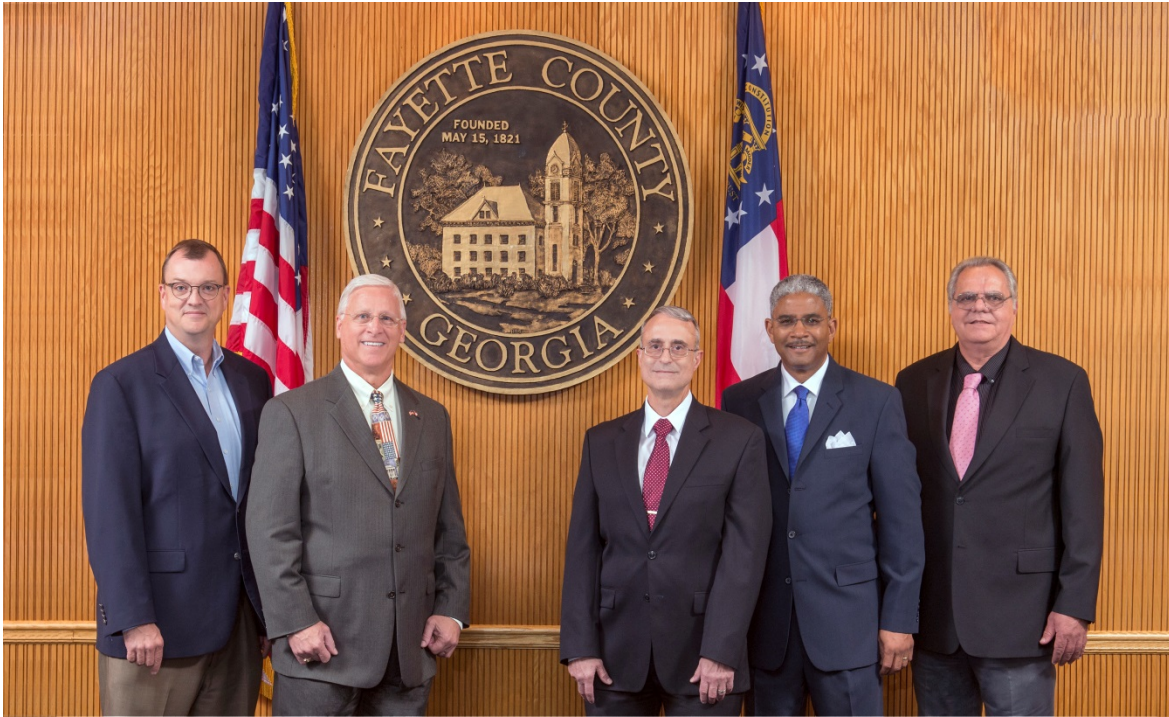
Principal Officials

County Administrator.....Steven A. Rapson, CPA
County Attorney..... Dennis Davenport
Chief Financial Officer Mary S. Parrott, CPA
County Purchasing Agent Ted Burgess
County Clerk..... Floyd Jones
Community Development..... Pete Frisina
E911 Communications Center..... Bernard Brown
Emergency Management.....Captain Michael Singleton
Fire & Emergency Medical Services Chief David Scarbrough
Human Resources Lewis Patterson
Chief Information OfficerPhillip Frieder
Library Chris Snell
Parks and Recreation Anita Godbee
Public Works Phil Mallon
Tax Assessor.....Joel T. Benton
Water System..... Lee Pope

Special Services Providers

Auditors.....Nichols, Cauley & Associates, LLC
Bond and Disclosure Counsel.....McKenna Long & Aldridge LLP
Bond Underwriters..... Merchant Capital
Consulting Engineers.....CH2MHill

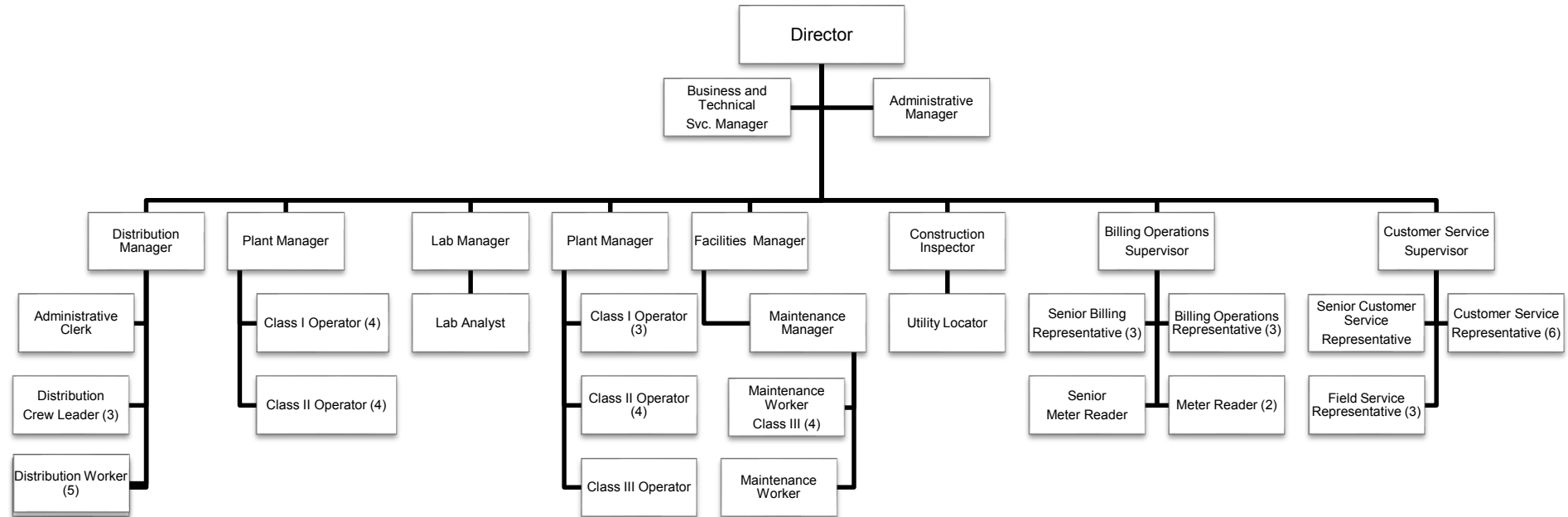
**Fayette County, Georgia
Board of Commissioners
Fiscal Year Ended June 30, 2016**



left to right: Steve Brown, David Barlow, Charles Oddo, Charles Rousseau, Randy Ognio

County Commission Mailing Address:
140 Stonewall Avenue West
Suite 100
Fayetteville, Georgia 30214
Phone: 770.305.5200
Fax: 770.305.5210

Organizational Chart



Fayette County, Georgia
Map of Metropolitan Atlanta Area
Fiscal Year Ended June 30, 2016



Fayette County



Fayette
COUNTY

"WHERE QUALITY
IS A LIFESTYLE"

FINANCIAL SECTION

This Section Contains the Following Subsections:

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS AND SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF INDIVIDUAL ACCOUNTS



NICHOLS, CAULEY & ASSOCIATES, LLC

1300 Bellevue Avenue
Dublin, Georgia 31021
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, 2016, 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.

As discussed in Note I, 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, 2016, and the changes in financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 System'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, 2016, 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.

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 27), the Schedule of Funding Progress (on page 62), the Schedule of Changes in the County's Net Pension Liability and Related Ratios (on page 63) and the Schedule of County Contributions (on page 64) 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 schedule of individual accounts, introductory section and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule 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 schedule 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 December 28, 2016 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.

Richards, Caulley & Associates, LLC

Atlanta, Georgia
December 28, 2016

Fayette County, Georgia
Water System
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

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, 2016. 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* and *Deferred Outflows of Resources* of Fayette County, Georgia's Water System exceeded its *Liabilities* at June 30, 2016 by \$81,228,007 (*Net Position*). Of this amount, \$321,213 (*Unrestricted Net Assets*) can be used to meet the System's ongoing obligations to its customers and creditors.
- The Water System's *Total Net Position* at June 30, 2016 increased by \$1,900,950 or about 2.4% compared to the previous year's restated balance.

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 33 through 61 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 62 through 64 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 65 through 75 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 Assets

As noted earlier, *Net Assets* may serve over time as a useful indicator of a government's financial position. In the case of the Water System, *Assets* and *Deferred Outflows of Resources* exceeded *Liabilities* by \$81,228,007 at the close of the most recent fiscal year. The condensed financial information for Fayette County, Georgia Water System's Net Position as of June 30, 2016 and 2015 is presented in the following table.

Condensed Statements of Net Position				
			Change From 2015 to 2016	
ASSETS	June 30, 2016	June 30, 2015	Amount	Percent
Current Assets:				
Unrestricted Assets	\$ 6,786,873	\$ 4,543,194	\$ 2,243,679	49.39%
Restricted Assets	14,108,205	22,006,629	(7,898,424)	(35.89%)
Noncurrent Assets -				
Capital Assets (Net)	110,306,446	106,722,458	3,583,988	3.36%
Other Assets -				
Net Pension Asset	107,563	773,050	(665,487)	(86.09%)
Total Assets	131,309,087	134,045,331	(2,736,244)	(2.04%)
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	573,427	16,834	556,593	
Deferred Charges on Bond Refunding	1,975,867	1,026,091	949,776	92.56%
Total Deferred Outflows of Resources	2,549,294	1,042,925	1,506,369	144.44%
Total Assets and Deferred Outflows of Resources	133,858,381	135,088,256	(1,229,875)	(0.91%)
LIABILITIES				
Current Liabilities	6,387,688	6,862,764	475,076	6.92%
Noncurrent Liabilities	46,242,686	48,898,435	2,655,749	5.43%
Total Liabilities	52,630,374	55,761,199	3,130,825	5.61%
NET POSITION				
Net Investment in Capital				
Assets	62,610,973	55,601,181	7,009,792	12.61%
Restricted	18,295,821	15,410,942	2,884,879	18.72%
Unrestricted	321,213	8,314,934	(7,993,721)	(96.14%)
Total Net Position, as Restated	\$ 81,228,007	\$ 79,327,057	\$ 1,900,950	2.40%

The tabular information provides a good indication of the capital intensive nature of operating a water utility. The \$110,306,446 in Capital Assets, Net of Accumulated Depreciation, represents more than 84.0% of the Water System's Total Assets at June 30, 2016. 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 largest portion of the Water System's *Net Position* (i.e., 77.1% 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 Assets*, *Restricted Net Assets* were \$18,295,821 which translates into roughly 22.5 percent of the total. *Restricted Net Assets* represent assets that are restricted by revenue bond ordinances to future debt service (i.e., \$8,742,170), and system renewal and extension and construction (i.e., \$9,553,651) purposes.

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, 2016 and 2015. 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 table, the Net Position for the fiscal year ended June 30, 2016 increased by \$1,900,950. These most recent operating results compare more favorably with the prior year when Net position increased by only \$80,848.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET Position				
	For the Fiscal Year Ended		Change From	
	<u>30-Jun-16</u>	<u>30-Jun-15</u>	<u>Amount</u>	<u>Percent</u>
Operating Revenues:				
Water Sales	\$ 14,161,581	\$ 13,744,779	\$ 416,802	3.03%
Other Service Fees and Penalties	<u>1,685,409</u>	<u>1,526,958</u>	<u>158,451</u>	<u>10.38%</u>
Total Revenues and Contributions	<u>15,846,990</u>	<u>15,271,737</u>	<u>575,253</u>	<u>3.77%</u>
Expenses and Transfers:				
Operating Expenses	8,107,713	8,006,080	101,633	1.27%
Depreciation Expense	<u>5,489,061</u>	<u>5,311,187</u>	<u>177,874</u>	<u>3.35%</u>
	<u>13,596,774</u>	<u>13,317,267</u>	<u>279,507</u>	<u>2.10%</u>
Operating Income	<u>2,250,216</u>	<u>1,954,470</u>	<u>295,746</u>	<u>15.13%</u>
Nonoperating Revenues (Expenses):				
Interest Income	19,052	13,417	5,635	42.00%
Interest Expense	(1,878,711)	(2,184,478)	305,767	(14.00%)
Loss on the Disposal of Assets	(1,425)	(13,027)	11,602	(89.06%)
Other Income (Expense)	<u>(145,063)</u>	<u>142,538</u>	<u>(287,601)</u>	<u>(201.77%)</u>
Total Expenses and Transfers	<u>(2,006,147)</u>	<u>(2,041,550)</u>	<u>35,403</u>	<u>1.73%</u>
Loss Before Contributions	244,069	(87,080)	331,149	380.28%
Capital Contributions	<u>1,656,881</u>	<u>167,928</u>	<u>1,488,953</u>	<u>886.66%</u>
Change in net position	1,900,950	80,848	1,820,102	2251.26%
Prior period adjustment	-	(713,529)	713,529	(100.00%)
Net Position, Beginning as Restated	<u>79,327,057</u>	<u>79,959,738</u>	<u>(632,681)</u>	<u>(0.79%)</u>
Net Position, Ending	<u>\$ 81,228,007</u>	<u>\$ 79,327,057</u>	<u>\$ 1,900,950</u>	<u>2.40%</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 by \$416,802 or 3.03% indicates a slight increase in water usage by the customers and a slight increase (i.e. 322 or 1.10%) in the number of customers during fiscal year ended June 30, 2016.
- Increase in other services fees of \$158,451 or 10.38% is due in part to the implementation of the Leak Protection Service Charges (\$902,593 collected during FY2016)
- Capital Contributions increased by \$1,488,953 in the 2016 fiscal year due to an increase in contributed capital for waterline extensions.

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, 2016, amounts to \$110,306,446 (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, 2016 and 2015.

Capital Assets (net of depreciation)

<u>General Classification</u>	Water System	
	<u>FY 2016</u>	<u>FY 2015</u>
Land	\$20,607,035	\$20,583,285
Buildings and Structures	28,138,582	30,242,086
Infrastructure*	45,431,920	45,358,838
Improvements Other than Buildings	6,835,345	5,299,756
Machinery and Equipment	2,222,168	2,235,738
Construction in Progress	<u>7,071,396</u>	<u>3,002,755</u>
Total Capital Assets (Net)	<u>\$110,306,446</u>	<u>\$106,722,458</u>
* As restated		

The total increase in the System's investment in capital assets for the current fiscal year was \$3,853,988 or 3.36%. The major components of this increase were a result of construction in progress for the upgrade to the water plants and line extensions for the fiscal year which were offset by depreciation expense in the amount of \$5,489,061.

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

- System Upgrades were undertaken during the year which included expenses for the Crosstown Water Treatment Plant and South Fayette Water Plant chemical and filter modifications. FY 2016 expenses were \$4,882,116.
- Lake Peachtree Dredging Project expenses were in the amount of \$906,100.
- A variety of water line extensions and water line relocations were undertaken during the year. At the close of the fiscal year, construction in progress for the various projects totaled \$536,444.
- During the year, assets capitalized totaled \$5,004,408 which included the Lake Peachtree Dredging project, and various waterline extensions and meter installations.

Additional information on the Water System's capital assets is provided in Note III.B. and can be found on page 47 of this report.

Long-Term Debt. At the end of the current fiscal year, Water System had total bonded debt outstanding of \$46,900,000. This total represents a decrease of \$1,625,000 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, 2016 and 2015 is shown in the following table.

WATER SYSTEM'S OUTSTANDING BOND DEBT		
	FY 2016	FY 2015
Revenue Bonds	\$46,900,000	\$48,525,000

The \$46,900,000 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.

In May, 2016, the County refunded \$14,855,000 in Series 2009 Water Revenue Bonds and issued \$16,635,000 in Series 2016 Water Revenue Bonds. This refunding resulted in a net present value savings in debt service of approximately \$861,641 over the life of the bonds.

Additional information on Fayette County's long-term debt is provided in Note III. D. and can be found on pages 48 through 51 of this report.

Economic Factors

National and local economies continue to show signs of stabilized growth. On the national level, the stock market is 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:

- U.S. Department of Labor statistics indicate that the unemployment rate for the United States in June 2016 was 4.9 percent which represented a decrease of 0.4 percent from the June 2015 rate of 5.3 percent. Similarly, the jobless rate for the State of Georgia in June 2016 was 5.1 percent which was down 0.7 percent from the previous June. Fayette County's unemployment rate was 5.2 percent which is slightly above both the state and the national average.
- The Consumer Price Index (CPI) has increased by 0.9 percent from June 2015 to June 2016 according to the Bureau of Labor Statistics.
- According to the Georgia Department of Revenue, the Net Maintenance and Operation (M&O) Tax Digest for Fayette County increased by \$145,412,768 or 8.3 percent from January 1, 2014 to January 1, 2015. The increase from January 1, 2015 to January 1, 2016 was \$109,330,151 or 5.7 percent.

These economic factors were taken into consideration when preparing the County's budget for the 2017 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 2017 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



Fayette
COUNTY

"WHERE QUALITY
IS A LIFESTYLE"

BASIC FINANCIAL STATEMENTS

Fayette County, Georgia
Water System
Statement of Net Position
June 30, 2016

ASSETS

Current assets:

Cash and cash equivalents:

Unrestricted	\$ 4,373,247
Restricted	14,225,307
Accounts receivable, net of allowance	1,825,946
Inventories	441,550
Prepaid items	29,028

Total current assets	20,895,078
----------------------	------------

Noncurrent assets:

Capital assets:

Land	20,607,035
Construction in progress	7,071,396
Buildings and structures	58,485,148
Infrastructure	90,038,995
Improvements	17,039,782
Machinery and equipment	10,799,069
Less: accumulated depreciation	(93,734,979)

Total capital assets (net of accumulated depreciation)	110,306,446
---	-------------

Other assets -

Net pension asset	107,563
-------------------	---------

Total noncurrent assets	110,414,009
-------------------------	-------------

Total assets	131,309,087
--------------	-------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	573,427
Deferred charges on bond refunding	1,975,867

Total deferred outflows of resources	2,549,294
--------------------------------------	-----------

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

Fayette County, Georgia
Water System
Statement of Net Position
June 30, 2016

LIABILITIES

Current liabilities:

Accounts payable	2,101,968
Salaries and benefits payable	180,570
Early termination benefits	21,581
Compensated absences	47,258
Unearned revenue	87,900
Accrued interest payable	373,411
Revenue bonds payable - current	<u>3,575,000</u>
Total current liabilities	<u>6,387,688</u>

Noncurrent liabilities:

Compensated absences	128,780
Early termination benefits	17,566
Bonds payable (net of discounts and premiums)	<u>46,096,340</u>

Total noncurrent liabilities	<u>46,242,686</u>
------------------------------	-------------------

Total liabilities	<u>52,630,374</u>
-------------------	-------------------

NET POSITION

Net investment in capital assets	62,610,973
Restricted for:	
Debt service	8,742,170
Renewal and construction	9,553,651
Unrestricted	<u>321,213</u>
Total net position	<u><u>\$ 81,228,007</u></u>

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, 2016

Operating Revenues:

Charges for sales and services:

Water sales	\$ 14,161,581
Meter and service fees	198,752
Penalties	225,751
Municipal accounts handling fees	242,239
Other fees	1,018,667
Total operating revenues	<u>15,846,990</u>

Operating Expenses:

Costs of sales and services	4,556,315
Administration	3,551,398
Depreciation	5,489,061
Total operating expenses	<u>13,596,774</u>

Operating income	<u>2,250,216</u>
------------------	------------------

Nonoperating Revenues (Expenses):

Interest income	19,052
Interest expense	(1,878,711)
Loss on disposal of capital assets	(1,425)
Other income (expense)	(145,063)
Total nonoperating revenues (expenses)	<u>(2,006,147)</u>

Loss before contributions	244,069
---------------------------	---------

Capital contributions	<u>1,656,881</u>
-----------------------	------------------

Change in net position	1,900,950
------------------------	-----------

Total net position - beginning, as restated	<u>79,327,057</u>
---	-------------------

Total net position - ending	<u><u>\$ 81,228,007</u></u>
-----------------------------	-----------------------------

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 16,143,587
Payments to suppliers	(5,789,512)
Payments to employees	(3,317,036)
Net cash provided by operating activities	<u>7,037,039</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from issuance of revenue bonds	16,635,000
Principal paid on revenue bonds	(18,260,000)
Interest paid on revenue bonds	(3,835,794)
Bond issuance costs	(145,063)
Acquisition and construction of capital assets	(7,417,593)
Net cash used by capital and related financing activities:	<u>(13,023,450)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	<u>19,052</u>
Net cash provided by investing activities	<u>19,052</u>

Net decrease in cash and cash equivalents	(5,967,359)
---	-------------

Cash and cash equivalents at beginning of year	<u>24,565,913</u>
--	-------------------

Cash and cash equivalents at end of year	<u><u>\$ 18,598,554</u></u>
--	-----------------------------

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, 2016

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

Operating income	<u>\$ 2,250,216</u>
Adjustments to reconcile operating income to	
Net cash provided by operating activities:	
Depreciation expense	5,489,061
Decrease (increase) in assets:	
Accounts receivable	(286,597)
Inventory	(31,630)
Prepaid items	5,613
Pension related items	108,894
Increase (decrease) in liabilities:	
Accounts payable	(528,965)
Salaries and benefits payable	8,851
Compensated absences	(4,174)
Early termination benefits	15,770
Unearned revenue	<u>10,000</u>
Total adjustments	<u>4,786,823</u>
Net cash provided by operating activities	<u><u>\$ 7,037,039</u></u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Contributions of capital assets	<u><u>\$ 1,656,881</u></u>
---------------------------------	----------------------------

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



Fayette
COUNTY

"WHERE QUALITY
IS A LIFESTYLE"

NOTES TO THE FINANCIAL STATEMENTS

**Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2016**

NOTE INDEX

- I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 - A. Reporting Entity
 - B. Measurement Focus, Basis of Accounting and Financial Statement Presentation
 - C. Assets, Liabilities and Equity

- II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
 - A. Budgetary Information
 - B. Debt Service and Sinking Fund Requirements on Water Revenue Bonds

- III. DETAILED NOTES
 - A. Cash, Cash Equivalents and Investments
 - B. Capital Assets
 - C. Interfund Receivables, Payables and Transfers
 - D. Long-Term Obligations

- IV. OTHER INFORMATION
 - A. Risk Management
 - B. Other Post-Employment Benefits (OPEB)
 - C. Employees' Pension Plan
 - D. Defined Contribution Plan
 - E. Contingent Liabilities
 - F. Capital Contributions
 - G. Prior Period Adjustment

**Fayette County, Georgia
Water System
Notes to the Financial Statements
June 30, 2016**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 approximately 29,000 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. And 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.

The financial statements of the Fayette County, Georgia Water System have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard – setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the System are described below.

B. 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 of 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. And 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.

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.

C. Assets, Liabilities and Equity

1. Deposits and Investments

The Water System's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, funds on deposit in the Georgia Fund 1 State Investment Pool, and other short-term investments with original maturities of three months or less from the date of acquisition. For the Statement of Cash Flows, the System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The statutes of the State of Georgia authorize the Water System 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.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the County reports investments at fair value. Money market investments and those investments, which had a remaining maturity at the time of purchase of one year or less are recorded at amortized cost or cost plus accrued interest, which approximates fair value.

Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAM rated money market funds and is regulated by the State Treasurer of the State of Georgia. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on a \$1.00 per share. Due to the nature of the accounts, no amounts in this fund are categorized from an investment risk perspective.

The fair value of all other investments was calculated using quoted market prices because these prices have been determined to be the most reliable and verifiable and are the most understood by investors, creditors and other users of financial information.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivable/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

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 \$928,000 in billed customer receivables. In addition, a receivable of \$1,024,000 was recorded for services rendered at year-end but not yet billed at June 30, 2016. 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.

3. Inventories and Prepaid Items

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

Prepaid items represent payments made to vendors for which the benefits are applicable to future accounting periods. Prepaids are recorded using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

4. 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.

5. Capital Assets

Capital assets are reported in the financial statements at cost or estimated historical cost if purchased or constructed. Capital assets include property, plant and equipment. Capital assets, other than infrastructure 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. Donated capital assets are recorded at estimated fair value at the date of donation. 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, including infrastructure assets, are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets are depreciated 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:	
Computer equipment	5
Office equipment	5
Vehicles	7 - 15

6. 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.

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.

7. Long-Term Obligations

Long-term debt and other obligations financed by the Water System are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes result in a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The Water System has two items that qualify for reporting in this category. The first item is the deferred charge on refunding reported in the government-wide statement of net position. 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 or refunding debt. The other four items relate to the County's pension. Experience losses result from periodic studies by the County's actuary, which adjust the net pension asset for actual experience for certain trend information that was previously assumed, for example the assumed date of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. Changes in actuarial assumptions, which adjust the net pension asset, are also recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The net difference between projected and actual earnings on pension plan investments is deferred and amortized against pension expense over a five year period, resulting in recognition as a deferred outflow of resources. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the County's net pension asset are reported as deferred outflows of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Water System does not have any items that qualify for reporting in this category.

9. 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.

10. Net Position

Equity for the Propriety Fund Financial Statement is classified as Net Position. Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment amount also is adjusted by any deferred bond premiums, discounts or refunding amounts. Net position is reported

as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The Water System applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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.

B. Debt Service and Sinking Fund Requirements on Water Revenue Bonds

1. 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, 2016, \$5,537,641 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.

2. 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, 2016 is \$5,525,194, the sinking fund balances are \$3,216,976, for a debt service total of \$8,742,170, which is shown as restricted cash.

3. 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;
- 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.

4. 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 cost 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, 2016, the System was in compliance with this requirement.

NOTE III. DETAILED NOTES

A. Cash, Cash Equivalents and Investments

As mentioned in Note 1. A., the Water System is an Enterprise Fund of Fayette County, Georgia and, accordingly, the information concerning cash, cash equivalents and investments is for the County since the Water System funds are only one segment of the total. This presentation is required in order to properly disclose the various risks associated with these assets.

1. Summary of Cash, Cash Equivalents and Investments

A summary of cash, cash equivalents and investments for Fayette County, Georgia as of June 30, 2016 is detailed in the following tabular information:

Balances per Statement of Net Position:

Unrestricted

Cash and cash equivalents - Primary Government	\$ 34,472,348
Cash and cash equivalents - Development Authority	284,903
Cash and cash equivalents - Public Health	784,951
Investments - Primary Government	58,701,823
Investments - Public Health	680,096

Restricted:

Cash and cash equivalents - Primary Government	14,963,517
Cash and cash equivalents - Development Authority	640,545

Balances per Statement of Fiduciary Assets and Liabilities:

Cash - Agency Funds	6,182,553
Total cash, cash equivalents and investments	<u>\$ 116,710,736</u>

In the following table, those cash, cash equivalents and investments are summarized by general custodial classification:

	Primary Government	Agency Funds	Development Authority	Public Health Funds	Total by Classification
Cash and cash equivalents:					
Cash on hand	\$ 2,000	\$ -	\$ -	\$ -	\$ 2,000
Cash held by fiscal agent	191,035	-	-	-	191,035
Demand deposits at financial institutions	30,374,062	6,182,553	925,448	784,951	38,267,014
Georgia Fund 1 Investment Pool	18,868,768	-	-	-	18,868,768
Total cash and cash equivalents	49,435,865	6,182,553	925,448	784,951	57,328,817
Investments:					
Certificates of Deposit	-	-	-	680,096	680,096
BNY Mellon Investments	58,701,823	-	-	-	58,701,823
	<u>\$ 108,137,688</u>	<u>\$ 6,182,553</u>	<u>\$ 925,448</u>	<u>\$ 1,465,047</u>	<u>\$ 116,710,736</u>

2. 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, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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.

Primary Government and Agency Funds: At June 30, 2016, the carrying amount of the Primary Government's demand deposits was \$30,374,062 and the bank balances totaled \$31,586,274. The Agency Funds' accounts had a carrying value of \$6,182,553 and a bank balance of \$5,916,093. All of the County's deposits were covered either by FDIC coverage or collateralized with securities held by the County's agent in the County's name. The collateral pledged by the banks' trust department in the County's name is composed of various bonds of the U.S. Government Agencies and bonds of public authorities, counties and municipalities of the State of Georgia.

3. 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 (LGIP); obligations of Other Political Subdivisions of the State of Georgia; and time deposits and savings deposits of banks organized under the laws of Georgia or the U.S. Government and operating in 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.

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, agency notes, Government Sponsored Enterprises, Federal Deposit Insurance Corporation backed notes and U.S. Treasuries.

As a means of reducing the risk associated with counterparties, the County utilizes the State Investment Pool 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.

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 risks 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%

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 investments 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, 2016, all assets within the externally managed portfolios are rated AA or better.

As indicated in the earlier tabular information, investment cash equivalents comprised \$18,868,768 or about 24.09% of the total investment balance of \$77,570,591 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. 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:	FAIR VALUE	MATURITIES
Georgia Fund 1 Investment Pool	<u>\$18,868,768</u>	42 Day Weighted Average

At June 30, 2016, the County had \$58,701,823 in investments that are not considered cash equivalents by the County because of their longer maturity dates and the fact that these monies are invested over the long-term for the County by an external money manager. The chart below presents the fair value for each security type and maturity distribution for the investments, totaling \$58,701,823 as of June 30, 2016.

Type of Investment	Rating	Investment Maturities (in Years)				Fair Value
		Less than 1	1-5 Years	6-10 Years	More than 10	
US Treasuries	AA+	\$ 7,039,681	\$ 21,260,668	\$ -	\$ -	\$ 28,300,349
Government Bonds	A-1+	3,104,973	-	-	-	3,104,973
Government Bonds	AA	231,720	-	-	-	231,720
Government Bonds	AA+	7,000,386	19,376,806	687,589	-	27,064,781
		<u>\$ 17,376,760</u>	<u>\$ 40,637,474</u>	<u>\$ 687,589</u>	<u>\$ -</u>	<u>\$ 58,701,823</u>

Fair Value Measurements: The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the exchange price that would be received for an asset (exit price) in the principal or most advantageous market for a asset in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets that the County has the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset in active markets, as well as inputs that are observable for the asset (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset which are typically based on the County's own assumptions, as there is little, if any, related market activity.

The County has the following recurring financial measurements as of June 30, 2016:

Investment	Level 1	Level 2	Level 3	Fair Value
US Treasuries	\$ 28,300,349	\$ -	\$ -	\$ 28,300,349
Government Bonds	-	30,401,474	-	\$ 30,401,474
	<u>\$ 28,300,349</u>	<u>\$ 30,401,474</u>	<u>\$ -</u>	<u>\$ 58,701,823</u>

US Treasuries classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments. The investments in Government Bonds classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

(This page is continued on the subsequent page)

B. Capital Assets

Capital assets for the Water System for the fiscal year ended June 30, 2016, are shown in the following tabulation. The table contains a breakdown of the capital assets utilized in the operations of the Water System by general asset classification and the associated accumulated depreciation. The tabular information also shows the activity that occurred with each asset class during the 2016 fiscal year.

	Beginning Balances (as restated)	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 20,583,285	\$ 23,750	\$ -	\$ 20,607,035
Construction in progress	3,002,755	7,095,867	(3,027,226)	7,071,396
Total capital assets, not being depreciated	23,586,040	7,119,617	(3,027,226)	27,678,431
Capital assets being depreciated:				
Buildings and structures	58,478,900	6,518	(270)	58,485,148
Infrastructure	87,563,508	2,476,349	(862)	90,038,995
Improvements	14,967,654	2,072,475	(347)	17,039,782
Machinery and equipment	10,450,827	425,316	(77,074)	10,799,069
Total capital assets being depreciated	171,460,889	4,980,658	(78,553)	176,362,994
Less accumulated depreciation for:				
Buildings and structures	(28,236,814)	(2,110,022)	270	(30,346,566)
Infrastructure	(42,204,670)	(2,403,267)	862	(44,607,075)
Improvements	(9,667,898)	(536,886)	347	(10,204,437)
Machinery and equipment	(8,215,089)	(438,886)	77,074	(8,576,901)
Total accumulated depreciation	(88,324,471)	(5,489,061)	78,553	(93,734,979)
Total capital assets being depreciated, net	83,136,418	(508,403)	-	82,628,015
Capital assets, net	<u>\$ 106,722,458</u>	<u>\$ 6,611,214</u>	<u>\$ (3,027,226)</u>	<u>\$ 110,306,446</u>

C. Interfund Receivables, Payables and Transfers

The purpose of interfund receivables and payables is to meet temporary cash flow requirements and timing differences between receiving and recognizing certain revenues. At June 30, 2016, there were no interfund receivables or payables. There were also no transfers to or from the Water System during the fiscal year ended June 30, 2016.

(This page is continued on the subsequent page)

D. Long-Term Obligations

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.

1. Water Revenue Bonds

The Water System has pledged future water customer revenues, net of specified operating expenses, to repay \$46.9 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.

As a general rule, annual principal and interest payments on the bonds have been scheduled so that total debt service amount is fairly consistent from one year to the next. By design, the total annual debt service payment is in the range of \$5.5 million for the next several years. The total principal and interest remaining to be paid on the bonds is \$56,118,600. Principal and interest paid on outstanding bonds in the current year was \$5,499,625 and "net revenues" as defined by the bond ordinance were \$7,160,002.

a) 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 (i.e., October 1, 2020) from the date of issuance. Interest rates for the various maturities ranged from 3.6% to 5.5%. After redeeming the \$30,000 in bonds that mature on October 1, 2016, there will remain a balance of \$135,000 outstanding on this series.

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.

b) 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 (i.e., October 1, 2029) from the date of issuance. Interest rates for the various maturities ranged from 2.0% to 5.0%. During 2016, the County refunded \$14,855,000 with the issuance of the Series 2016 Water Revenue Refunding Bonds. After redeeming the \$1,750,000 in bonds that mature on October 1, 2016, there will remain a balance of \$9,450,000 outstanding on this series.

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.

c) 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 (i.e., October 1, 2025) from the date of issuance. Interest rates for the various maturities ranged from 3.0% to 5.0%. After redeeming the \$50,000 in bonds that mature on October 1, 2016, there will remain a balance of \$7,970,000 outstanding on this series. 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.

d) 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 (i.e., October 1, 2025) from the date of issuance. Interest rates for the various maturities ranged from 3.0% to 5.0%. After redeeming the \$1,675,000 in bonds that mature on October 1, 2016, there will remain a balance of \$9,205,000 outstanding on this series. The Series 2012B Bonds were issued for the purpose of refunding the Series 2002 Bonds.

e) Series 2016 Water Revenue Refunding Bonds

In May 2016, the County issued \$16,635,000 in Series 2016 Water Revenue Refunding 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, 2025) from the date of issuance. Interest rates for the various maturities are 2.08%. After redeeming the \$70,000 in bonds that mature on October 1, 2016, there will remain a balance of \$16,565,000 outstanding on this series. The Series 2016 Bonds were issued for the purpose of refunding a portion of the Series 2009 Bonds.

f) Schedule of Revenue Bond Activity

The following includes a summary of Water System revenue bond transactions for the fiscal year ended June 30, 2016:

<u>Revenue Bond Issues</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>
Series 1996A	\$ 190,000	\$ -	\$ 25,000	\$ 165,000	\$ 30,000
Series 2009	27,770,000	-	16,570,000	11,200,000	1,750,000
Series 2012A	8,070,000	-	50,000	8,020,000	50,000
Series 2012B	12,495,000		1,615,000	10,880,000	1,675,000
Series 2016	-	16,635,000	-	16,635,000	70,000
Total revenue bonds	48,525,000	16,635,000	18,260,000	46,900,000	<u>\$ 3,575,000</u>
<u>Plus Deferred Amounts for:</u>					
Bond discounts /					
Premiums (net)	3,622,368	-	851,028	2,771,340	
Net revenue bonds	<u>\$ 52,147,368</u>	<u>\$16,635,000</u>	<u>\$19,111,028</u>	<u>\$ 49,671,340</u>	

g) Schedule of Future Debt Service Payments

At June 30, 2016, the County was obligated to make payments of principal and interest on its outstanding water revenue bond debt as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 3,575,000	\$ 1,601,540	\$ 5,176,540
2018	3,915,000	1,501,994	5,416,994
2019	3,950,000	1,340,975	5,290,975
2020	4,210,000	1,158,452	5,368,452
2021	4,195,000	972,441	5,167,441
2022-2026	22,325,000	2,445,910	24,770,910
2027-2030	4,730,000	197,288	4,927,288
	<u>\$ 46,900,000</u>	<u>\$ 9,218,600</u>	<u>\$ 56,118,600</u>

Early Termination Benefits: In response to the rising cost of personnel and budgetary concerns over falling revenues due to a declining real property tax digest, the County completed an early retirement incentive program prior to the end of the 2012 fiscal year. To be eligible for the early termination benefit, an employee had to be at least 55 years of age and have a minimum of 20 years of service with the County. Out of the 44 employees that met the criteria, 32 chose to accept the retirement package and their employment with the County was terminated on June 30, 2012.

As an incentive to retire early, these employees receive health coverage until age 65, are credited with an additional five years of service and were given an unreduced retirement benefit due to their age. The net present value of the estimated future health coverage benefit is \$358,783 with \$90,086 due in the 2016 fiscal year. As determined by the defined benefit plan's actuary, the estimated additional pension liability associated with the early termination program was \$2,880,000. In keeping with the Board's Resolution for the program dated March 22, 2012 and its commitment to not adversely impact future operating budgets, this amount was deposited by the County into the Defined Benefit Pension Plan on October 26, 2012.

Changes in Long-Term Obligations:

The following tabular information is a reconciliation of long-term debt disclosures presented above to amounts reported in the Statement of Net Position:

	Balance July 1, 2015	Additions	Reduction	Balance June 30, 2016	Current Portion
Revenue bonds	\$ 48,525,000	\$16,635,000	\$ 18,260,000	\$ 46,900,000	\$ 3,575,000
Plus deferred amounts for:					
Bond discounts / premiums (net)	3,622,368	-	851,028	2,771,340	-
Total revenue bonds payable	52,147,368	16,635,000	19,111,028	49,671,340	3,575,000
Compensated absences	160,755	62,842	47,559	176,038	47,258
Early termination benefits	19,587	39,888	20,328	39,147	21,581
Business-Type Activities noncurrent liabilities	<u>\$ 52,327,710</u>	<u>\$16,737,730</u>	<u>\$ 19,178,915</u>	<u>\$ 49,886,525</u>	<u>\$ 3,643,839</u>

NOTE IV. – OTHER INFORMATION

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.

A. Risk Management

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. Claims are handled by a third party administrator as of June 1, 2005.

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.

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 \$581,751 reported at June 30, 2016, 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, 2016	\$ 68,919	\$ 1,033,575	\$ 921,439	\$ 181,055
Fiscal Year Ended June 30, 2015	49,396	652,508	632,985	68,919
Dental and Vision Claims				
Fiscal Year Ended June 30, 2016	4,083	493,764	494,205	3,642
Fiscal Year Ended June 30, 2015	4,735	456,146	456,798	4,083
Major Medical Claims				
Fiscal Year Ended June 30, 2016	291,162	6,702,934	6,597,042	397,054
Fiscal Year Ended June 30, 2015	573,933	4,684,174	4,966,945	291,162
Total Claims				
Fiscal Year Ended June 30, 2016	364,164	8,230,273	8,012,686	581,751
Fiscal Year Ended June 30, 2015	628,064	5,792,828	6,056,728	364,164

B. Other Post Employment Benefits (OPEB)

Plan Description. In addition to providing pension benefits, the County provides funding for certain health care related benefits for retired employees under a single-employer defined benefit OPEB plan. Only existing retirees participating in the plan are eligible. Future retirees are not eligible for coverage. Continued health care benefits in the form of single coverage will be paid fully by the County from the Major Medical Self-Insurance Fund. 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. The County has the authority to establish and amend the plan provisions. Separate financial statements are not prepared for the OPEB plan.

Retired employees also have the option to pay the contribution to cover their spouse and dependents under the plan.

Funding Policy. At June 30, 2016, the County had 14 employees receiving medical insurance coverage under the plan. The County has not advance funded or established a funding methodology for the annual OPEB costs or net OPEB obligations but finances the plan on a pay-as-you-go basis. The plan is administered by the County. For the year ended June 30, 2016, the County paid an estimated \$112,178 for this benefit.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer which is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years. The following table shows the calculation of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the County's net OPEB obligation for the fiscal year ended June 30, 2016:

Normal cost - Unit Credit Method	\$ -
Amortization of unfunded actuarial accrued liability (UAAL)	477,383
ARC	<u>477,383</u>
Interest on net OPEB obligation	18,877
Adjustment to annual required contribution	<u>(633,513)</u>
Annual OPEB cost (expense)	(137,253)
Contributions made	<u>(112,178)</u>
Increase in net OPEB obligation	(249,431)
Net OPEB obligation - beginning of the year	<u>1,238,640</u>
Net OPEB obligation - end of the year	<u><u>\$ 989,209</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the Net OPEB obligation for the three most recent fiscal years are shown in the following table.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual County Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ (137,253)	\$ 112,178	-81.73%	\$ 989,209
June 30, 2015	226,722	121,354	53.53%	1,238,640
June 30, 2014	226,546	115,915	51.17%	1,133,272

Funding Status and Funding Progress. The funded status of the Health Plan as of June 30, 2016:

Actuarial accrued liability (AAL) - Unit Credit	\$ 834,575
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 834,575</u>
Funded ratio (actuarial value of plan assets / AAL)	0.0%
Covered payroll	\$ -
UAAL as a percentage of covered payroll	n/a

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality and the healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB 45 requires that the schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of the Health Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. The basis for projections of benefits for financial reporting purposes is the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The County's actuarial valuation information is as follows:

Current valuation date:	July 1, 2016
Actuarial cost method:	Unprojected Unit credit method
Amortization method:	Closed
Initial Amortization period:	30
Remaining amortization period:	2
Asset valuation method:	Not applicable
Actuarial assumptions:	
Investment rate of return	Not applicable
Healthcare cost trend rate	

	<u>Medical</u>	<u>Pharmacy</u>
2017	8.00%	10.00%
2018	7.50%	8.00%
2019	7.00%	6.00%
2020	6.50%	5.80%
2021	6.40%	5.40%
2022	6.30%	4.60%

Discount rate	1.5240%
Inflation Assumption	1.5% (Included in above trend rates)

C. Employees' Pension Plan

Fayette County ACCG Pension Plan

In the fiscal year 2010, the County established a hybrid retirement plan for employees. The plan consists of a defined benefit and a defined contribution component. 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.

The County sponsors the Association County Commissioners of Georgia (ACCG) Restated Pension Plan for Fayette County Employees (The Plan), which is a defined benefit pension plan. The plan provides retirement, disability and death benefits to plan participants and beneficiaries. The Plan, through execution of the adoption agreement, is affiliated with the Association County Commissioners of Georgia Third Restated Defined Benefit Plan (the ACCG Plan), an agent multiple-employer pension plan, administered by the Government Employee Benefits Corporation (GEBCorp). The ACCG, in its role as the Plan Sponsor, has the sole authority to amend the provisions of the ACCG Plan, as provided in Section 19.03 of the ACCG Plan document.

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.

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.

Plan Membership – As of January 1, 2015, the date of the most recent actuarial valuation, the Plan's membership consisted of the following:

Membership	
Retirees, beneficiaries and disabled receiving benefits	64
Terminated plan participants entitled to but not yet receiving benefits	105
Active employees participating in the plan	<u>573</u>
Total	<u><u>742</u></u>

Contributions - The County is required to contribute an actuarially determined amount annually to the Plan's trust. The contribution amount is determined using actuarial methods and assumptions approved by the ACCG Board of Trustees and must satisfy the minimum contribution requirement contained in the State of Georgia statutes. The actuarial recommended contribution based on the January 1, 2016 valuation was \$341,514.

Net Pension Liability – The County's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015.

The total pension liability in the January 1, 2015 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	2.0% - 4.5% based on age
Investment rate of return	7.50 percent

Mortality rates were based on the RP-2000 Combined Mortality Table.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period of January 1, 2014 to December 31, 2014.

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	Long-term expected real rate of return*
Fixed income	30%	6.78%
Large Cap Equities	30%	9.77%
International Equities	15%	7.48%
Other equities	20%	9.23%
Real estate	5%	10.63%

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate - The discount rate used to measure the total pension liability was 7.50 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.

(This page is continued on the subsequent page)

Changes in the Net Pension Liability of the County – The Changes in the components of the net pension liability of the County for the year ended June 30, 2016, were as follows:

	Schedule of Changes in Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2014	<u>\$ 34,087,162</u>	<u>\$ 41,607,102</u>	<u>\$ (7,519,940)</u>
Changes for the year:			
Service cost	868,884	-	868,884
Interest	2,508,554	-	2,508,554
Differences between expected and actual experience	1,295,636	-	1,295,636
Assumption Change	2,754,753	-	2,754,753
Contributions - County	-	350,141	(350,141)
Contributions - Employees	-	673,346	(673,346)
Net investment income	-	341,826	(341,826)
Benefit Payments	(1,279,559)	(1,279,559)	-
Administrative expense	-	(112,787)	112,787
Other	-	(195,463)	195,463
Net changes	<u>6,148,268</u>	<u>(222,496)</u>	<u>6,370,764</u>
Balance, December 31, 2015	<u>\$ 40,235,430</u>	<u>\$ 41,384,606</u>	<u>\$ (1,149,176)</u>

The required schedule of changes in the County's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to 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 of the County, calculated using the discount rate of 7.50 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
County's Net Pension Liability (Asset)	<u>\$ 5,300,107</u>	<u>\$ (1,149,176)</u>	<u>\$ (6,423,982)</u>

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, 2015 and the current sharing pattern of costs between employer and employee.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2016, the County recognized pension expense (benefit) of (\$408,159). At June 30, 2016, the County 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	\$ 2,368,269	\$ -
Changes of assumptions	2,448,669	-
Net difference between projected and actual earnings on pension plan investments	1,151,676	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	157,741	-
	<u>\$ 6,126,355</u>	<u>\$ -</u>

The County's contributions subsequent to the measurement date of \$157,741 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, 2017. 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:

2017	\$ 1,042,111
2018	1,042,111
2019	1,042,111
2020	1,042,112
2021	450,044
Thereafter	1,350,125

Water System: During the fiscal year ended June 30, 2016, the Water System contributed its pro rata share of the contributions made to the pension plan. At June 30, 2016, a pro rata portion of the net pension asset and the deferred outflows of resources related to pensions was \$107,563 and \$573,427, respectively.

D. 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 \$1,542,821 to the defined contribution plan and the County contributed \$588,092 in matching funds. The Board of Commissioners establishes matching percentages.

E. Contingent Liabilities

The County has participated in a number of grant programs funded by certain Federal and State agencies. Several of these programs are subject to program compliance audits and reviews by the grantor, some of which have not been concluded. Accordingly, the County's compliance with applicable grant requirements may be established at some future date. That amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts to be immaterial based upon previous experience. 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 counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

F. 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 revenue. 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.

G. Prior Period Adjustment

The County has determined that a restatement of the beginning net position of the Business-Type Activities and the Water System Fund is required to adjust beginning net position to properly record depreciation on Water Meters purchased in FY2002 and FY2005. The meters were incorrectly capitalized with a useful life of 40 years. Management determined the beginning accumulated depreciation should be adjusted to properly record the assets with the appropriate useful life. This adjustment resulted in a change to the beginning net position for Business-Type Activities and the Water System Fund are as follows:

	Water Fund
Net Position, as previously reported	\$ 80,040,586
Adjustment of beginning accumulated depreciation of water meters purchased in FY2002 and FY2005	(713,529)
Net Position, as restated	<u>\$ 79,327,057</u>



Fayette
COUNTY

"WHERE QUALITY
IS A LIFESTYLE"

REQUIRED SUPPLEMENTARY INFORMATION

**FAYETTE COUNTY WATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Fayette County OPEB Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a) / c]
1/1/2009	\$ -	\$ 1,451,450	\$ 1,451,450	0.00%	\$ 32,700,000	4.44%
1/1/2011	-	2,197,298	2,197,298	0.00%	32,500,000	6.76%
6/30/2013	-	1,918,628	1,918,628	0.00%	-	0.00%
6/30/2016	-	834,575	834,575	0.00%	-	0.00%

The assumptions used in the preparation of the above schedule are disclosed in Note IV.B to the financial statements.

FAYETTE COUNTY WATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY
AND RELATED RATIOS

	2016	2015
Total pension liability		
Service cost	\$ 868,884	\$ 921,991
Interest	2,556,537	2,386,445
Changes of benefit terms	--	--
Differences between expected and actual experience	--	--
Changes of assumptions	2,754,753	--
Benefit payments	(1,327,542)	--
Experience loss	1,295,636	(1,040,539)
Net change in total pension liability	6,148,268	2,267,897
Total pension liability-beginning	34,087,162	31,819,265
Total pension liability-ending (a)	\$ 40,235,430	\$ 34,087,162
Plan fiduciary net position		
Contributions-employer	\$ 350,141	\$ 183,425
Contributions-employee	673,346	2,530,040
Net investment income	341,826	2,872,411
Benefit payments	(1,140,530)	(1,002,929)
Employee contribution refunds	(139,029)	(214,263)
Administrative expense	(112,787)	(114,168)
Other	(195,463)	(197,640)
Net change in plan fiduciary net position	(222,496)	4,056,876
Plan fiduciary net position-beginning	41,607,102	37,550,226
Plan fiduciary net position-ending (b)	\$ 41,384,606	\$ 41,607,102
County's net pension liability (asset) - ending (a) - (b)	\$ (1,149,176)	\$ (7,519,940)
Plan fiduciary net position as a percentage of the total pension liability	102.86%	122.06%
Covered-employee payroll	\$ 26,898,226	\$ 29,389,328
County's net pension liability (asset) as a percentage of covered-employee payroll	-4.27%	-25.59%

Notes to the Schedule:

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

**FAYETTE COUNTY WATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COUNTY CONTRIBUTIONS**

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 20,994	\$ 170,313
Contributions in relation to the actuarially determined contribution	<u>350,141</u>	<u>183,425</u>
Contribution deficiency (excess)	<u>\$ (329,147)</u>	<u>\$ (13,112)</u>
Covered-employee payroll	\$ 25,785,049	\$ 26,898,226
Contributions as a percentage of covered- employee payroll	1.36%	0.68%

Notes to Schedule

Valuation Date:	January 1, 2016
Actuarial cost method	Entry Age Normal
Asset valuation method	Smoothed market value with a 5-year smoothing period
Inflation	3.00%
Salary increases	2.0% - 4.5% based on age
Investment rate of return	7.50% net pension plan investment expense, including inflation
Retirement age	65
Mortality	Mortality rates were used on RP-2000 Combined Mortality Table
Other Information:	This schedule is presented to illustrate the requirement to show information for 10 years. However, a full 10-year trend is not available. The Actuarially determined contribution rate was determined as of January 1, 2016, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2016.



Fayette
COUNTY

"WHERE QUALITY
IS A LIFESTYLE"

SCHEDULE OF INDIVIDUAL ACCOUNTS

Fayette County, Georgia
Water System
Costs of Sales and Services
Schedule of Operating Expenses By Organizational Unit
For the Fiscal Year Ended June 30, 2016

	<u>Crosstown</u>	<u>South</u>	<u>Water</u>	<u>Water</u>	<u>Plant</u>		<u>Total Costs</u>
	<u>Water Plant</u>	<u>Fayette</u>	<u>Purchases</u>	<u>Maintenance</u>	<u>Laboratory</u>	<u>Distribution</u>	<u>Of Sales</u>
		<u>Water Plant</u>					<u>And Services</u>
Operating Expenses:							
Salaries	\$ 332,840	\$ 507,269	\$ -	\$ 256,679	\$ 108,798	\$ 342,036	\$ 1,547,622
Fringe Benefits	117,358	153,693	-	87,326	22,617	111,131	492,125
Professional Services	-	-	-	-	307,465	-	307,465
Repairs and Maintenance	168,567	76,677	-	-	9,275	252,854	507,373
Rents	5,050	444	-	-	-	82	5,576
Telecommunications	2,988	3,581	-	-	-	-	6,569
Other Services, Travel and Fees	7,079	4,820	-	-	1,418	2,099	15,416
Supplies	46,070	37,712	-	-	15,040	34,135	132,957
Chemicals	281,379	162,266	-	-	-	-	443,645
Utilities	637,130	262,890	-	-	-	8,638	908,658
Gasoline	1,740	2,752	-	-	-	19,919	24,411
Water Purchases	-	-	92,848	-	-	-	92,848
Tools and Uniforms	9,875	8,312	-	-	-	12,911	31,098
Equipment Purchases	2,192	2,143	-	-	-	36,217	40,552
	<u>\$ 1,612,268</u>	<u>\$ 1,222,559</u>	<u>\$ 92,848</u>	<u>\$ 344,005</u>	<u>\$ 464,613</u>	<u>\$ 820,022</u>	<u>\$ 4,556,315</u>

Fayette County, Georgia
Water System
Administration
Schedule of Operating Expenses By Organizational Unit
For the Fiscal Year Ended June 30, 2016

	<u>Administration</u>	<u>Customer Services</u>	<u>Utility Billing</u>	<u>Water Marshals</u>	<u>Total Administration</u>
Operating Expenses:					
Salaries	\$ 391,176	\$ 427,902	\$ 376,146	\$ 201,165	\$ 1,396,389
Fringe Benefits	120,957	128,278	134,492	73,804	457,531
Professional Services	280,459	-	-	-	280,459
Repairs and Maintenance	217,894	-	-	7,943	225,837
Leak Protection Program	132,427	-	-	-	132,427
Rents	12,522	-	-	-	12,522
Insurance	91,389	-	-	-	91,389
Telecommunications	18,070	-	-	2,580	20,650
Postage	138,875	-	-	-	138,875
Other Services, Travel and Fees	61,795	-	-	1,135	62,930
Supplies	59,224	-	-	2,719	61,943
Utilities	24,362	-	-	-	24,362
Gasoline	21,170	-	-	9,987	31,157
Instructional Materials	750	-	-	-	750
Tools and Uniforms	10,027	-	-	350	10,377
Equipment Purchases	9,505	-	-	-	9,505
Bad Debt Expense	-	-	25,963	-	25,963
Indirect Cost Overhead	568,332	-	-	-	568,332
	<u>\$ 2,158,934</u>	<u>\$ 556,180</u>	<u>\$ 536,601</u>	<u>\$ 299,683</u>	<u>\$ 3,551,398</u>

Fayette County, Georgia
Water System
Construction Accounts
Comments
For The Fiscal Year Ended June 30, 2016

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, 2016

Current Assets:

 Restricted Assets:

Cash and Cash Equivalents	<u>\$ 2,742,781</u>
---------------------------	---------------------

Current Liabilities Payable From

 Restricted Assets:

Accounts Payable	<u>420,237</u>
------------------	----------------

 Total Current Liabilities Payable

From Restricted Assets	<u>\$ 420,237</u>
------------------------	-------------------

Fayette County, Georgia
Water System
Construction Accounts
Schedule of Changes in Restricted Assets
For the Fiscal Year Ended June 30, 2016

Beginning Balance, July 1, 2015	<u>\$ 7,480,203</u>
Increases:	
Interest Earned	<u>1,165</u>
Total Increases	<u>1,165</u>
Decreases:	
Capital Outlay Expenditures	<u>4,738,587</u>
Total Decreases	<u>4,738,587</u>
Ending Balance, June 30, 2016	<u><u>\$ 2,742,781</u></u>

Fayette County, Georgia
Water System
Renewal and Extension Account
Comments
For The Fiscal Year Ended June 30, 2016

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, 2016

Current Assets:

 Restricted Assets:

Cash and Cash Equivalents	<u>\$ 2,740,356</u>
---------------------------	------------------------

Current Liabilities Payable From

 Restricted Assets:

Accounts Payable	<u>136,321</u>
------------------	----------------

 Total Current Liabilities Payable

From Restricted Assets	<u>\$ 136,321</u>
------------------------	----------------------

**Fayette County, Georgia
Water System
Renewal and Extension Account
Schedule of Changes in Restricted Assets
For the Fiscal Year Ended June 30, 2016**

Beginning Balance, July 1, 2015	<u>\$ 5,716,706</u>
Increases:	
Interest Earned	16,967
Transfers From Water System Lake Peachtree Dredging Account	5,227
Transfers From Water System Revenue Fund	<u>1,327,957</u>
Total Increases	<u>1,350,151</u>
Decreases:	
Capital Outlay Expenditures	<u>4,326,501</u>
Total Decreases	<u>4,326,501</u>
Ending Balance, June 30, 2016	<u><u>\$ 2,740,356</u></u>

**Fayette County, Georgia
Water System
Sinking Fund Accounts
Comments
For The Fiscal Year Ended June 30, 2016**

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, 2016

Current Assets:

 Restricted Assets:

Cash and Cash Equivalents	\$ 8,742,170
---------------------------	--------------

Current Liabilities Payable From

 Restricted Assets:

Accrued Interest, due October 1	\$ 373,411
---------------------------------	------------

Current Portion of Principal	<u>3,575,000</u>
------------------------------	------------------

Total Current Liabilities Payable	
From Restricted Assets	<u>\$ 3,948,411</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, 2016**

Beginning Balance, July 1, 2015	<u>\$ 8,807,288</u>
Increases:	
Interest Earned	800
Proceeds from issuance	5,715
Transfers From Water System Revenue Fund	<u>5,537,640</u>
Total Increases	<u>5,544,155</u>
Decreases:	
Revenue Bond Interest Paid	2,204,273
Revenue Bond Principal Paid	<u>3,405,000</u>
Total Decreases	<u>5,609,273</u>
Ending Balance, June 30, 2016	<u><u>\$ 8,742,169</u></u>



Fayette
COUNTY

"WHERE QUALITY
IS A LIFESTYLE"

STATISTICAL SECTION

**FAYETTE COUNTY WATER SYSTEM
STATISTICAL SECTION**

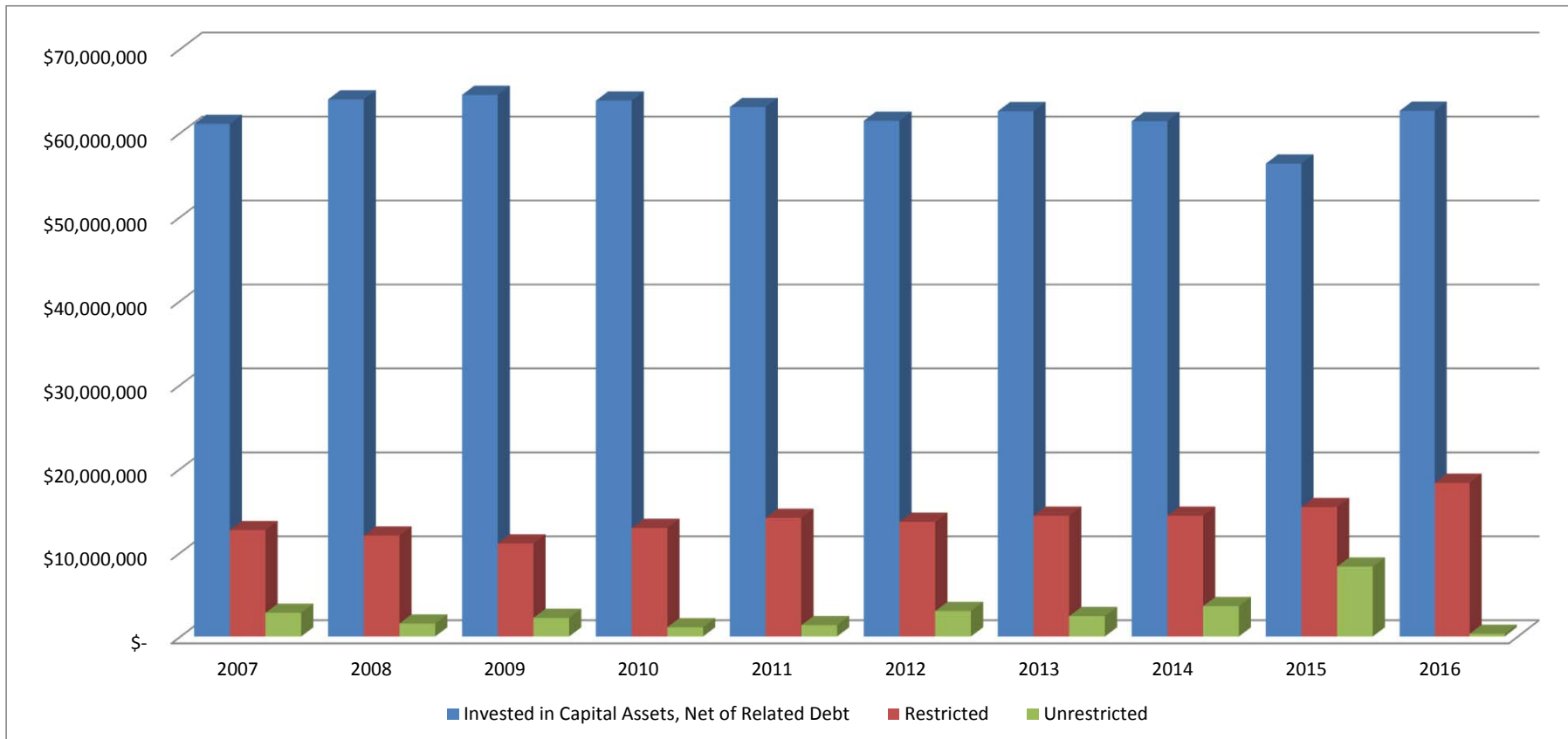
This part of the System's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Water System's overall financial health.

<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.	77
<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.	80
<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.	86
<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.	88
<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.	90

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**

<u>Business-Type Activities</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net Investment in Capital Assets	\$ 61,041,585	\$ 63,968,356	\$ 64,504,239	\$ 63,830,796	\$ 63,058,811	\$ 61,432,912	\$ 62,558,616	\$ 61,382,854	\$ 56,314,710	\$ 62,610,973
Restricted	12,661,526	12,010,175	11,084,372	12,918,243	14,127,960	13,655,049	14,380,299	14,375,769	15,410,942	18,295,821
Unrestricted	2,810,800	1,542,944	2,216,145	1,099,936	1,340,904	3,024,701	2,415,512	3,611,972	8,314,934	321,213
 Total Water System Net Position	 <u>\$ 76,513,911</u>	 <u>\$ 77,521,475</u>	 <u>\$ 77,804,756</u>	 <u>\$ 77,848,975</u>	 <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>

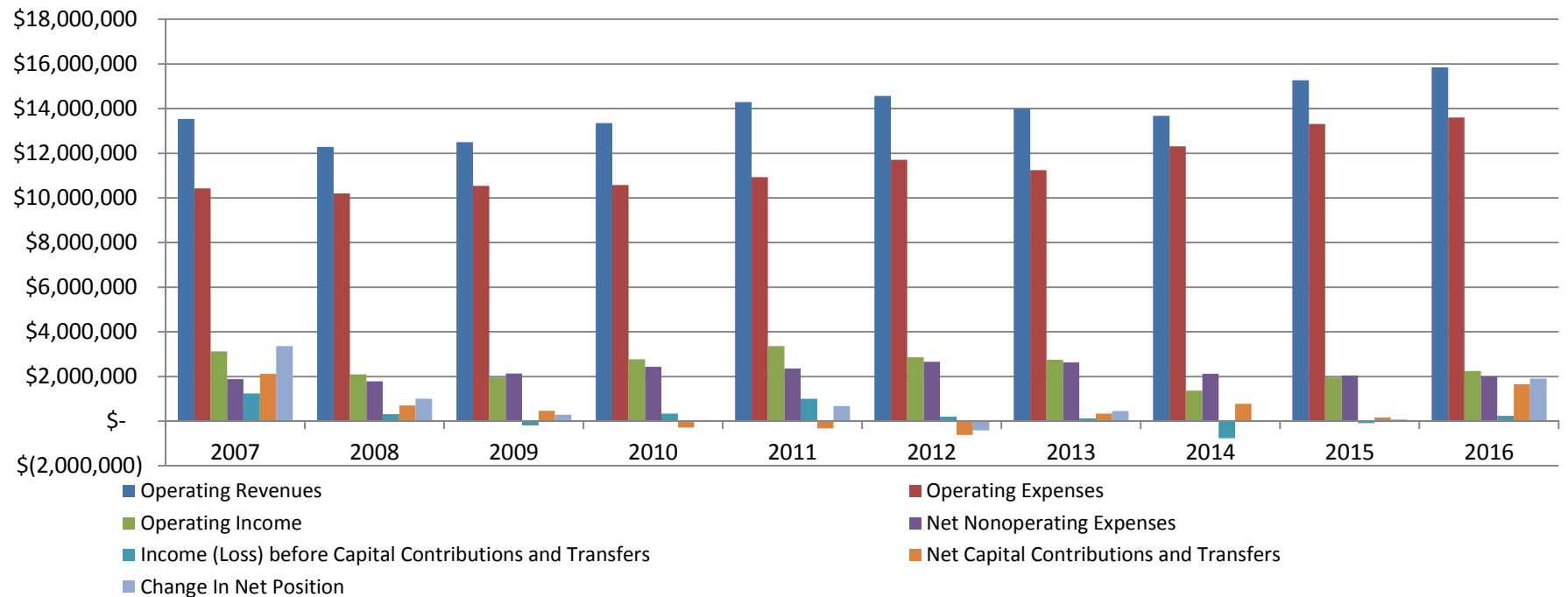


**Fayette County Water System
Changes in Net Position
Last Ten Fiscal Years**

	For the Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenues:										
Water Sales	\$ 13,191,189	\$ 11,938,823	\$ 12,163,599	\$ 12,999,361	\$ 13,840,504	\$ 14,018,626	\$ 13,340,217	\$ 13,035,194	\$ 13,744,778	\$ 14,161,581
Penalties	128,756	120,392	117,358	133,420	151,792	244,060	232,073	231,014	231,636	225,751
Other Service Charges and Fees	223,044	226,313	210,350	211,473	296,771	308,180	417,599	409,088	1,295,323	1,459,658
Total Operating Revenues	<u>\$ 13,542,989</u>	<u>\$ 12,285,528</u>	<u>\$ 12,491,307</u>	<u>\$ 13,344,254</u>	<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>
Operating Expenses:										
Personal Services	\$ 1,602,174	\$ 1,710,130	\$ 1,806,405	\$ 1,766,810	\$ 1,746,004	\$ 1,851,230	\$ 1,613,606	\$ 1,873,658	\$ 1,528,292	\$ 1,853,921
Contractual Services	1,419,059	1,061,562	822,475	940,003	1,223,910	847,320	1,644,914	774,466	631,911	965,090
Other Operating Expenses	68,168	167,972	172,347	183,370	180,389	1,168,325	225,941	798,644	1,282,812	706,426
Water Production Cost	2,724,874	2,790,778	3,178,617	3,170,673	3,271,187	3,488,903	3,341,944	3,428,530	4,531,130	4,556,313
Amortization Expense	65,625	62,665	59,391	102,623	92,783	-	-	-	-	-
Depreciation Expense	4,541,532	4,403,435	4,435,950	4,408,176	4,368,612	4,316,293	4,382,984	5,409,847	5,311,187	5,489,061
Bad Debt Expense	-	-	65,205	-	44,734	39,115	30,294	28,839	31,935	25,963
Total Operating Expenses	<u>\$ 10,421,432</u>	<u>\$ 10,196,542</u>	<u>\$ 10,540,390</u>	<u>\$ 10,571,655</u>	<u>\$ 10,927,619</u>	<u>\$ 11,711,186</u>	<u>\$ 11,239,684</u>	<u>\$ 12,313,984</u>	<u>\$ 13,317,267</u>	<u>\$ 13,596,774</u>
Operating Income	<u>\$ 3,121,557</u>	<u>\$ 2,088,986</u>	<u>\$ 1,950,917</u>	<u>\$ 2,772,599</u>	<u>\$ 3,361,448</u>	<u>\$ 2,859,680</u>	<u>\$ 2,750,205</u>	<u>\$ 1,361,312</u>	<u>\$ 1,954,470</u>	<u>\$ 2,250,216</u>
Nonoperating Revenues (Expenses):										
Interest Income	\$ 702,605	\$ 543,666	\$ 124,700	\$ 28,079	\$ 3,748	\$ 10,372	\$ 14,911	\$ 10,356	\$ 13,417	\$ 19,052
Gain (Loss) on Disposal of Capital Assets	-	4,770	2,605	2,327	-	(188,858)	19,620	8,521	(13,027)	(1,425)
Miscellaneous Revenues	26,836	110,963	86,641	43,144	43,536	-	-	150,681	142,538	(145,063)
Amortization Expense	-	-	-	-	-	(39,950)	(85,663)	-	-	-
Interest Expense	(2,614,861)	(2,438,760)	(2,350,523)	(2,511,508)	(2,408,479)	(2,446,816)	(2,578,311)	(2,290,757)	(2,184,478)	(1,878,711)
Nonoperating Revenues (Expenses)	<u>\$ (1,885,420)</u>	<u>\$ (1,779,361)</u>	<u>\$ (2,136,577)</u>	<u>\$ (2,437,958)</u>	<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>
Income (Loss) Before Capital Contributions And Transfers	<u>\$ 1,236,137</u>	<u>\$ 309,625</u>	<u>\$ (185,660)</u>	<u>\$ 334,641</u>	<u>\$ 1,000,253</u>	<u>\$ 194,428</u>	<u>\$ 120,762</u>	<u>\$ (759,887)</u>	<u>\$ (87,080)</u>	<u>\$ 244,066.53</u>
Capital Contributions and Transfers:										
Capital Contributions	\$ 2,708,273	\$ 1,294,879	\$ 1,096,917	\$ 418,363	\$ 379,232	\$ 91,344	\$ 332,659	\$ 776,055	\$ 167,928	\$ 1,656,881
Transfers In	-	-	-	-	-	-	-	-	-	-
Transfers Out	(586,721)	(596,940)	(627,976)	(708,785)	(700,785)	(700,785)	-	-	-	-
Net Capital Contributions and Transfers	<u>\$ 2,121,552</u>	<u>\$ 697,939</u>	<u>\$ 468,941</u>	<u>\$ (290,422)</u>	<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>
Changes in Net Position	<u>\$ 3,357,689</u>	<u>\$ 1,007,564</u>	<u>\$ 283,281</u>	<u>\$ 44,219</u>	<u>\$ 678,700</u>	<u>\$ (415,013)</u>	<u>\$ 453,421</u>	<u>\$ 16,168</u>	<u>\$ 80,848</u>	<u>\$ 1,900,948</u>

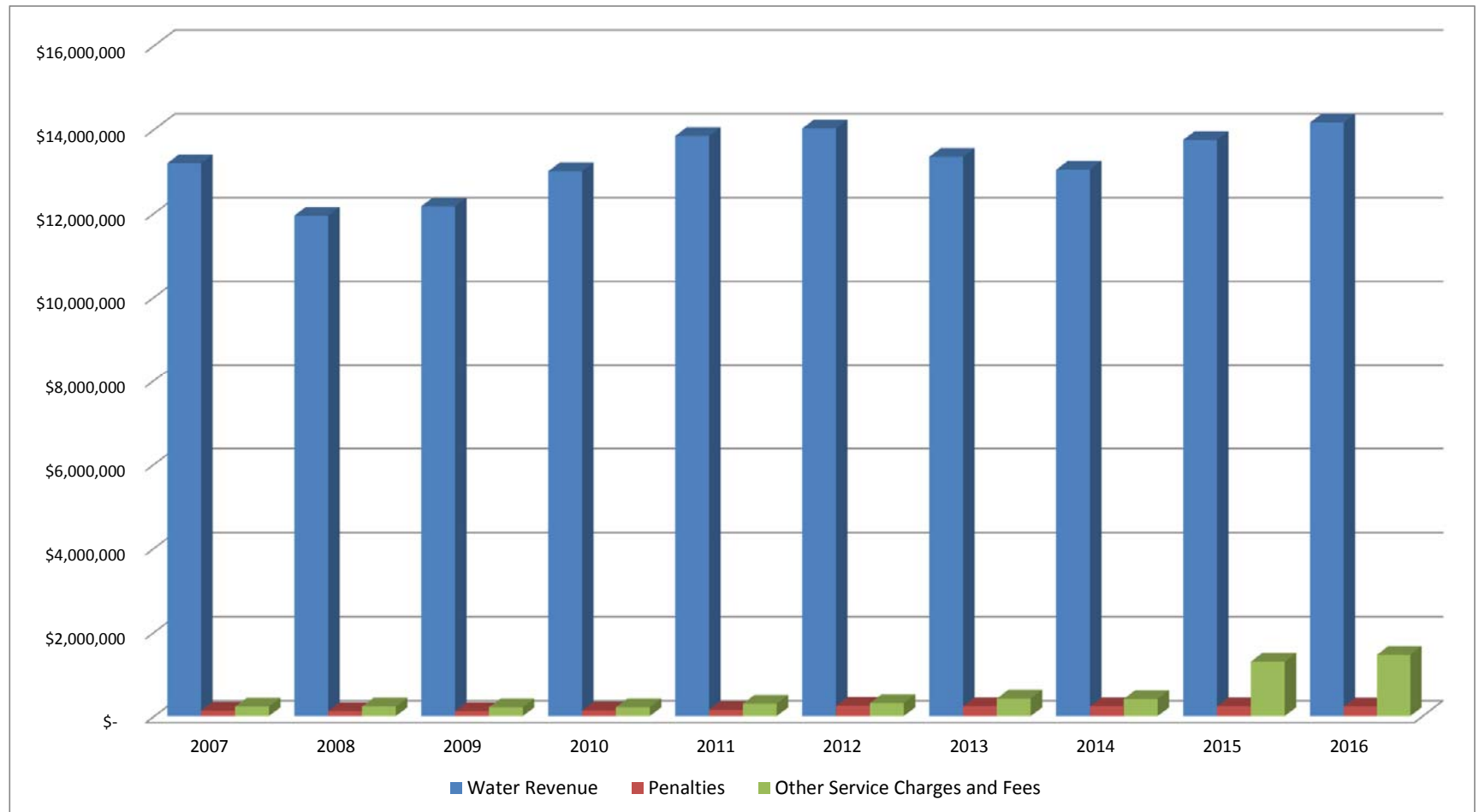
Fayette County Water System
Changes in Net Position
Last Ten Fiscal Years

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
2007	\$ 13,542,989	\$ 10,421,432	\$ 3,121,557	\$ 1,885,420	\$ 1,236,137	\$ 2,121,552	\$ 3,357,689
2008	12,285,528	10,196,542	2,088,986	1,779,360	309,626	697,939	1,007,565
2009	12,491,307	10,540,390	1,950,917	2,136,577	(185,660)	468,941	283,281
2010	13,344,254	10,571,655	2,772,599	2,437,958	334,641	(290,422)	44,219
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	11,239,684	2,750,205	2,629,443	120,762	332,659	453,421
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	244,067	1,656,881	1,900,948



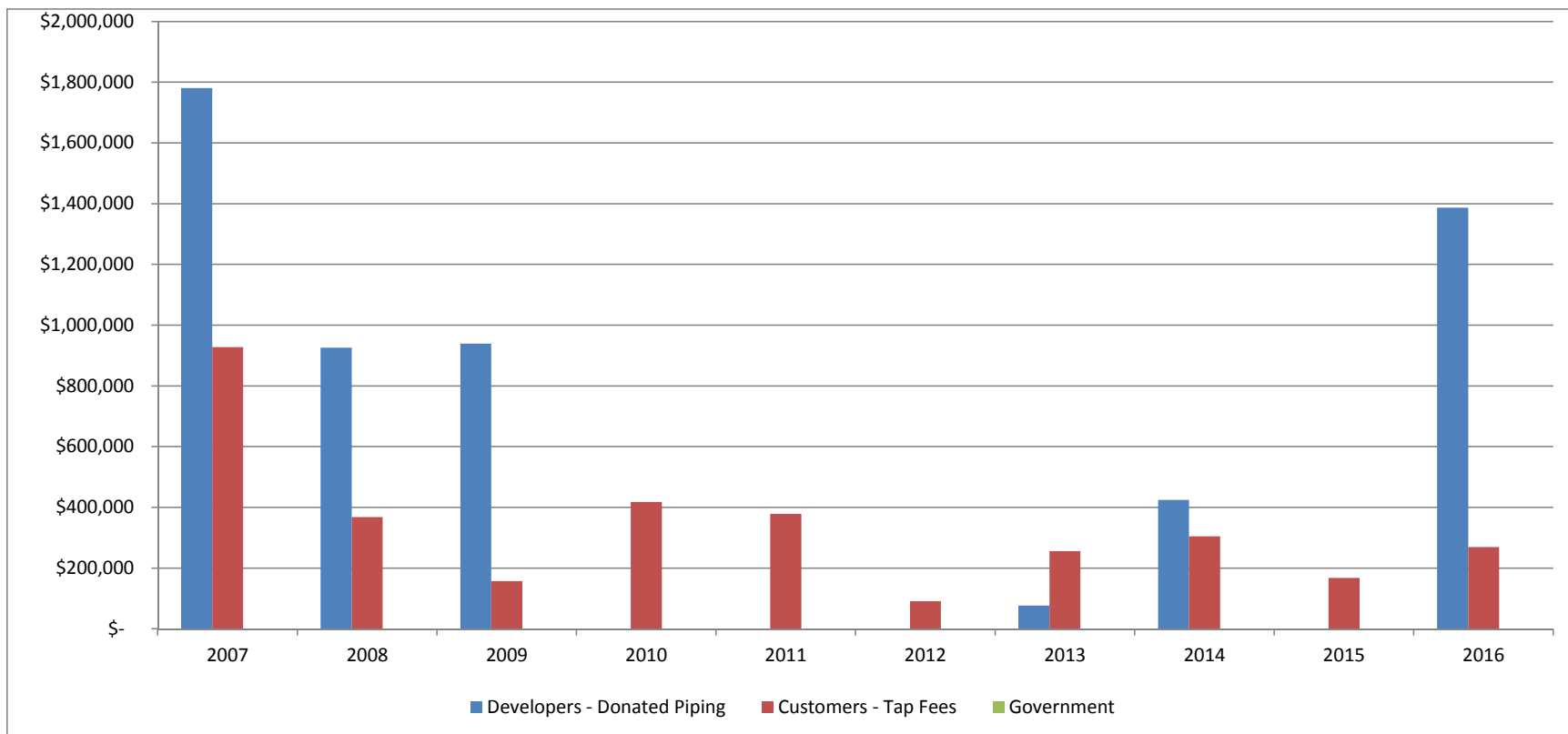
**Fayette County Water System
Operating Revenues By Source
Last Ten Fiscal Years**

<u>Operating Revenues</u>	For the Fiscal Year Ended June 30,									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Water Revenues	\$ 13,191,189	\$ 11,938,823	\$ 12,163,599	\$ 12,999,361	\$ 13,840,504	\$ 14,018,626	\$ 13,340,217	\$ 13,035,194	\$ 13,744,778	\$ 14,161,580
Penalties	128,756	120,392	117,358	133,420	151,792	244,060	232,073	231,014	231,636	225,751
Other Service Charges and Fees	223,044	226,313	210,350	211,473	296,771	308,180	417,599	409,088	1,295,323	1,459,659
Total Operating Revenues	<u>\$ 13,542,989</u>	<u>\$ 12,285,528</u>	<u>\$ 12,491,307</u>	<u>\$ 13,344,254</u>	<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>



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

	For the Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Developers	\$ 1,780,637	\$ 926,381	\$ 939,130	\$ -	\$ -	\$ -	\$ 76,572	\$ 424,505	\$ -	\$ 1,387,083
Customers	927,636	368,498	157,787	418,363	379,232	91,344	256,087	305,136	167,928	269,798
Government	-	-	-	-	-	-	-	46,414	-	-
Total Capital Contributions	\$ 2,708,273	\$ 1,294,879	\$ 1,096,917	\$ 418,363	\$ 379,232	\$ 91,344	\$ 332,659	\$ 776,055	\$ 167,928	\$ 1,656,881



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, 2016**

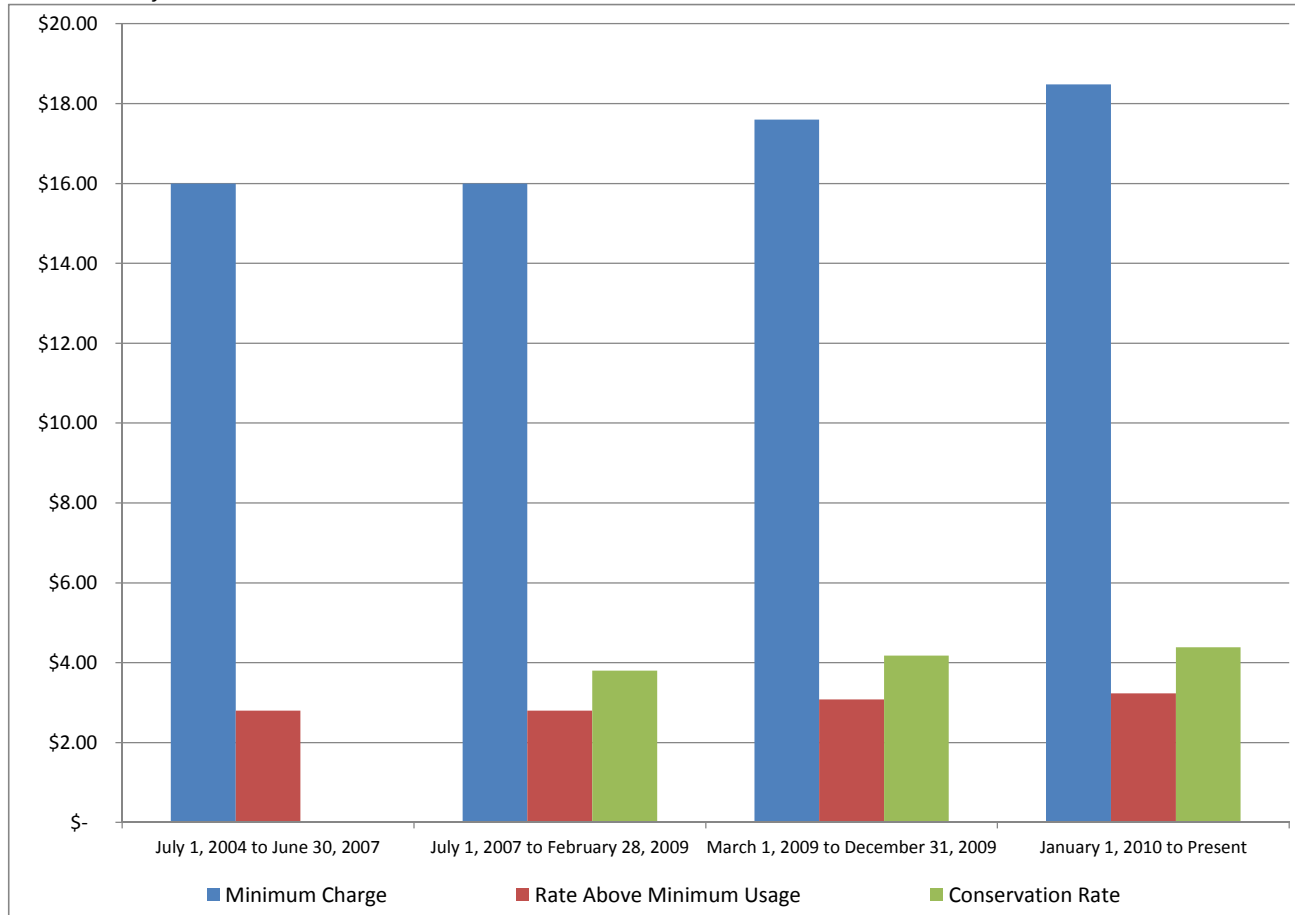
<u>Water Meter Size</u>	<u>Monthly Minimum Charges</u>	
3/4"	\$18.48	(1)
1"	\$18.48	
1 1/2"	\$17.33	
2"	\$23.10	
3"	\$28.88	
4"	\$34.65	
6"	\$40.43	
8"	\$46.20	

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		
		Minimum or Rate for First 2,000 Gallons Consumed	Rate per Thousand Gallons Usage Over 2,000	Conservation Over 19,999 Gallon Rate
From	To			
July 1, 2004	- June 30, 2007	\$16.00	\$2.80	\$0.00
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, 2016	\$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.

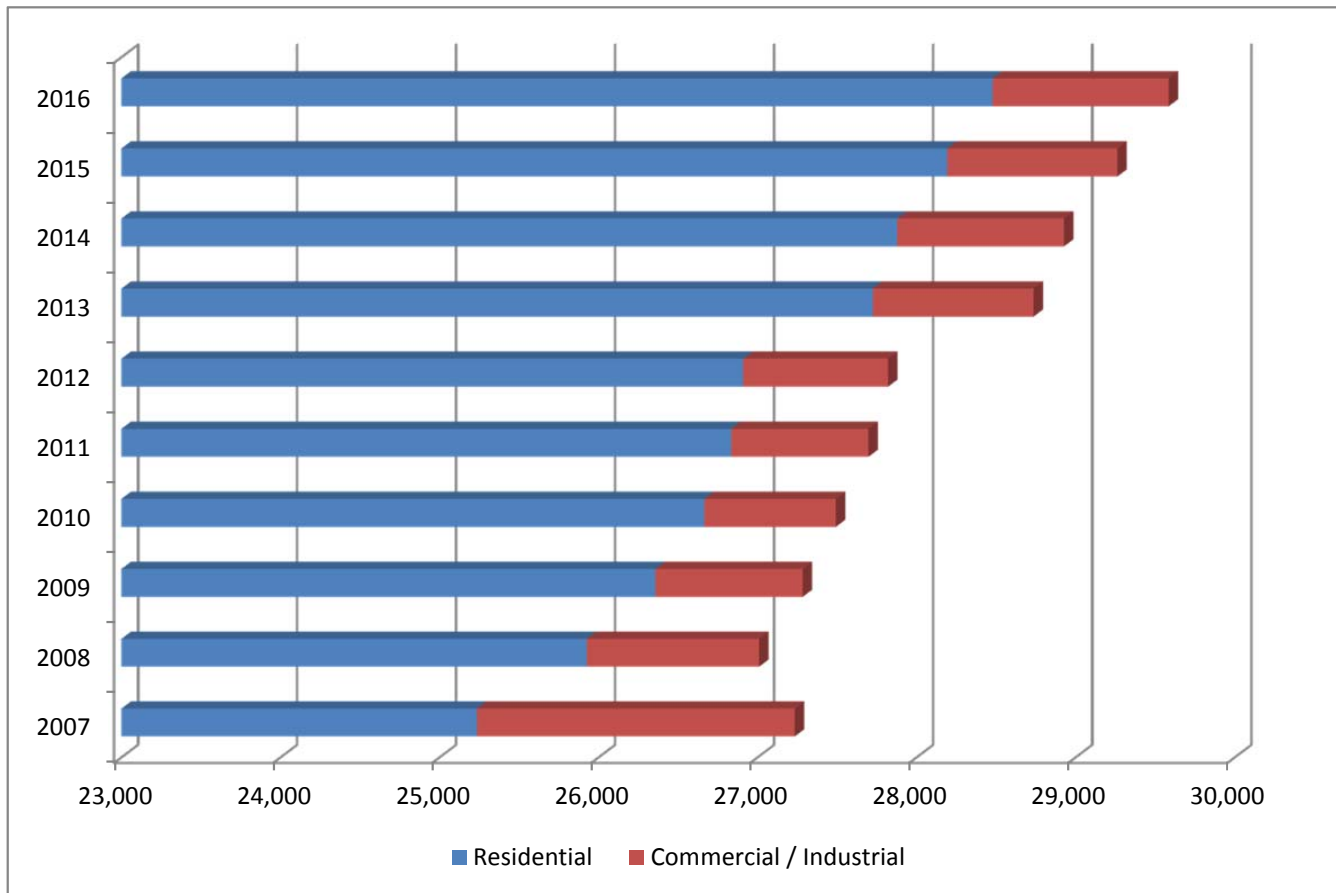
**Fayette County Water System
Number of Water Customers by Type
Last Ten Fiscal Years**

Fiscal Year	(1) Residential	(2) Commercial / Industrial	Total Customers	Annual Change	
				Amount	Percent
2007	25,236	1,998	27,234	299	5.19%
2008	25,927	1,083	27,010	(224)	-0.82%
2009	26,359	925	27,284	274	1.01%
2010	26,666	827	27,493	209	0.77%
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%

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

Note (2): Includes governmental customers.

Note: The decrease in customers in FY 2008 was due to the housing bubble.



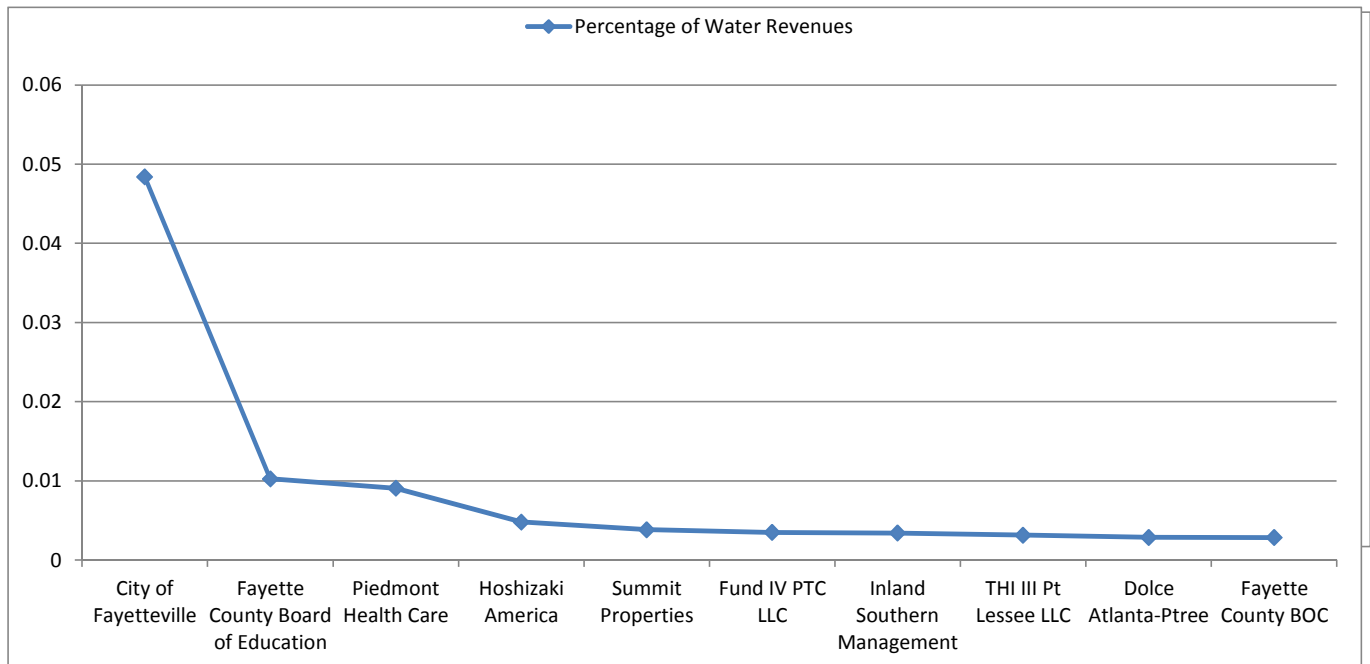
**Fayette County Water System
Top Ten Water Customers
Current Year and Ten Years Ago**

Water Customer	Gallons Metered	Fiscal Year 2016			Fiscal Year 2006		
		Water Sales Revenue	Rank	Percent of Total Water Revenues	Water Sales Revenue	Rank	Percent of Total Water Revenues
(1) City of Fayetteville	267,903,900	\$ 661,350	1	4.67%	\$ -		N/A
Fayette County Board of Education	39,821,714	139,701	2	0.99%	-		0.00%
(2) Piedmont Healthcare	37,855,600	122,689	3	0.87%	61,125	2	0.52%
Hoshizaki America	21,583,650	70,270	4	0.50%	36,669	8	0.31%
Summit Properties	16,449,780	54,242	5	0.42%	-		N/A
Fund IV PTC LLC	15,879,370	54,508	6	0.38%			
Inland Southern Management	13,989,840	46,158	7	0.33%	-		N/A
THI III Pt Lessee LLC	13,126,460	42,953	8	0.30%	69,436	1	0.59%
Dolce Atlanta-Ptree	11,868,170	38,889	9	0.27%			
Fayette County BOC	11,796,280	39,835	10	0.28%			
Bo Trammell (Shiloh Mobile Home Pk)					51,424	3	0.43%
Harmony Village	-	-		N/A	21,760	10	0.18%
Balmoral Group	-	-		N/A	39,878	5	0.34%
City of Fayetteville (Hwy 54)	-	-		N/A	27,815	7	0.24%
City of Fayetteville (Callaway Road)	-	-		N/A	25,787	9	0.22%
MWL peachtree LTD	-	-		N/A	39,618	6	0.33%
Marrott Corporation	-	-		N/A	41,556	4	0.35%
Sub-Total (Ten Largest Customers)	450,274,764	\$ 1,270,593		8.97%	\$ 415,068		3.51%
Other Customers		12,890,988		91.03%	11,416,102		96.49%
Total Water Sales Revenue		\$ 14,161,581		100.00%	\$ 11,831,170		100.00%

Source: Fayette County Water System

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

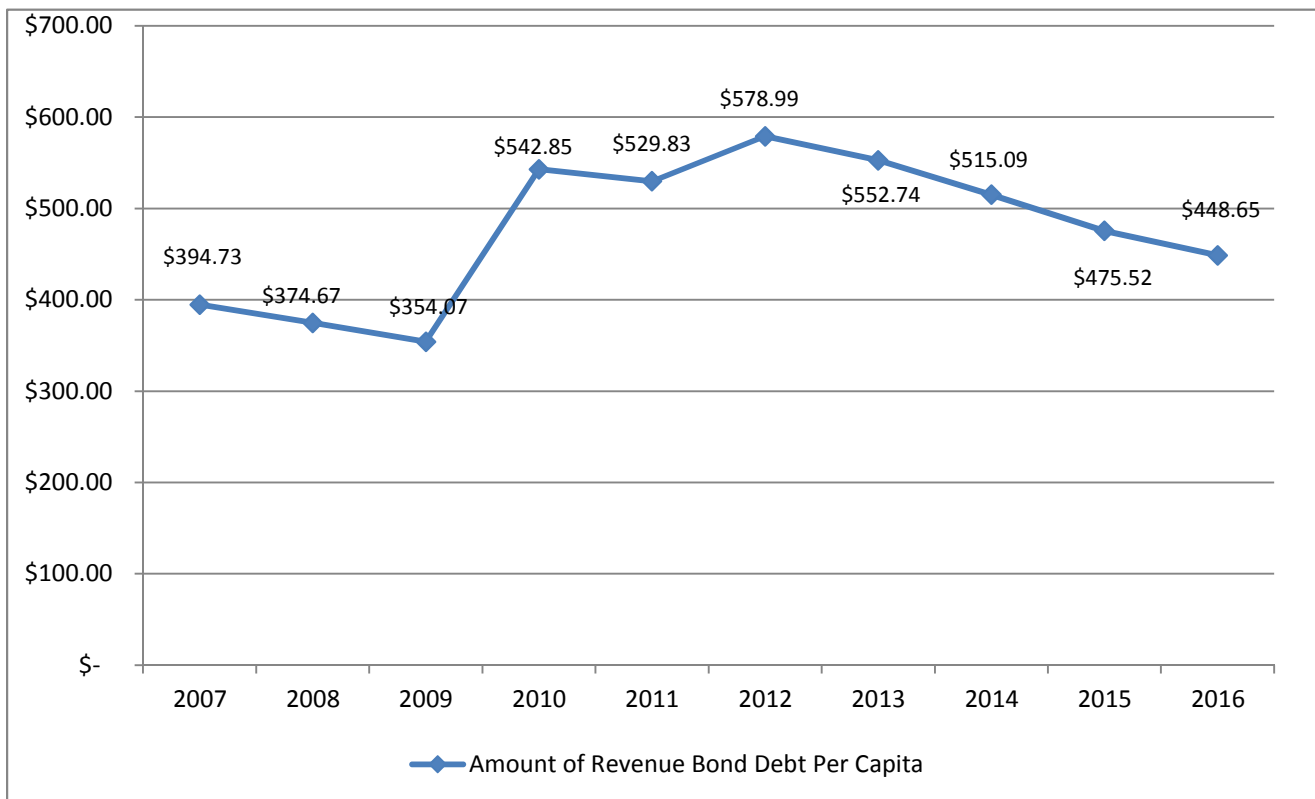
Note (2): Piedmont Healthcare, formerly Fayette Community Hospital



**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 (1)</u>	<u>Debt As A Percentage of Personal Income (1)</u>
2007	\$ 41,150,000	394.73	0.97%
2008	39,490,000	374.67	0.93%
2009	37,760,000	354.07	0.84%
2010	57,970,000	542.85	1.20%
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%

(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.



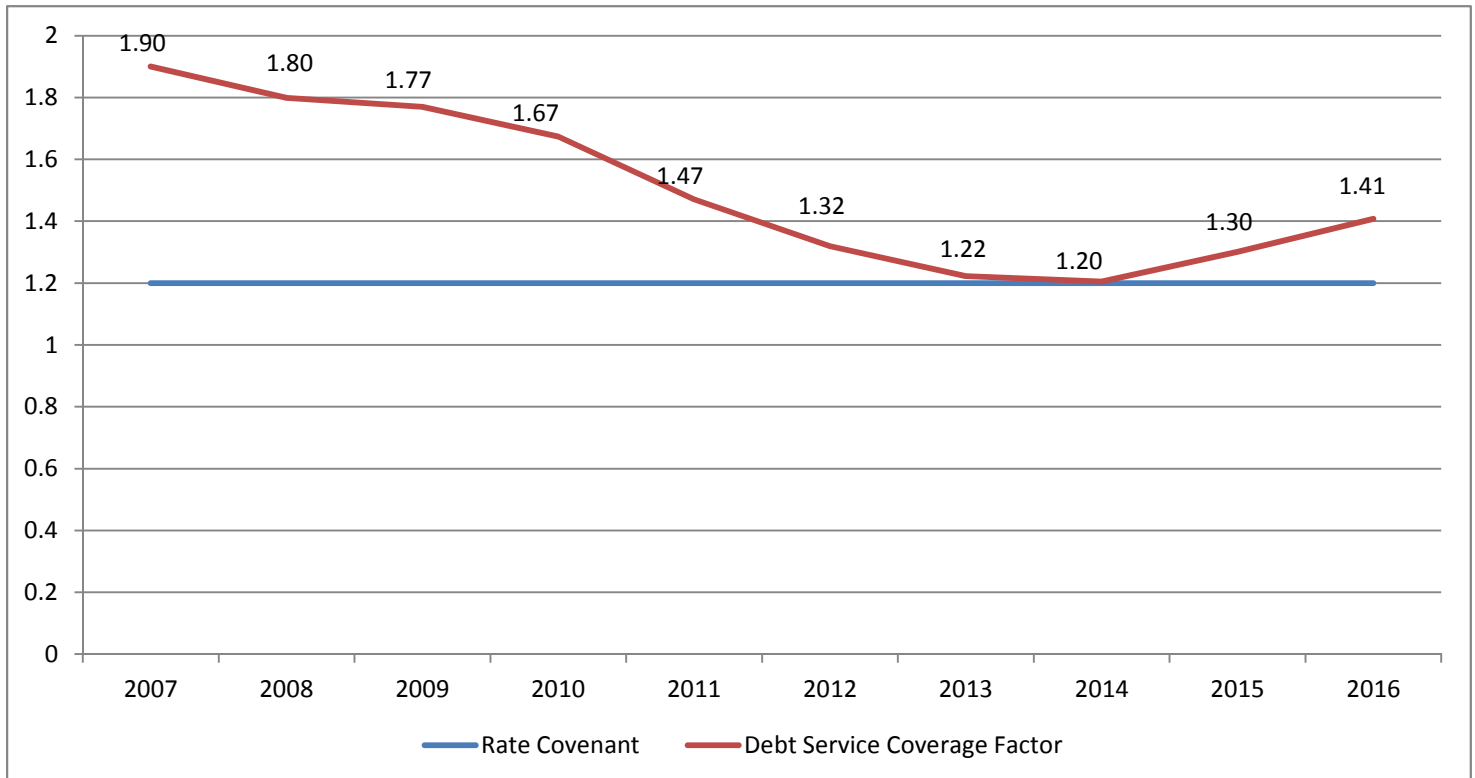
**Fayette County Water System
Debt Service Coverage Factor for Revenue Bonds
Last Ten Fiscal Years**

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
2007	\$ 13,542,989	\$ 5,814,275	\$ 7,728,714	\$ 3,644,350	2.12
2008	12,285,528	5,730,442	6,555,086	3,645,225	1.80
2009	12,491,307	6,045,049	6,446,258	3,641,311	1.77
2010	13,344,254	6,060,856	7,283,398	4,351,288	1.67
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	6,856,700	7,133,189	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

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

<u>Fiscal Year</u>	<u>(1) County-Wide Population</u>	<u>(2) (amounts in thousand \$) Personal Income</u>	<u>(2) Per Capita Personal Income</u>	<u>(3) Median Age</u>	<u>(4) Public School Enrollment</u>	<u>(5) Unemployment Rate</u>
2007	104,248	\$ 4,259,600	\$ 40,860	40	22,291	4.0%
2008	105,400	4,266,407	40,691	40	22,367	5.4%
2009	106,465	4,484,620	42,384	40	22,108	5.7%
2010	106,788	4,838,366	45,474	42	22,047	7.9%
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%

(1) Source: United States Census

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

(3) Source: United States Census

(4) Source: Fayette County Board of Education

(5) Source: Georgia Department of Labor

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

	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Private Employer						
Piedmont Fayette Hospital	2,000	1	4.07%	930	2	3.15%
Eaton Lighting Solutions	800	2	1.63%			
Panasonic Automotive System Co.	725	3	1.47%	1,200	1	4.06%
Walmart SuperCenter	427	4	0.87%			
NCR	400	5	0.81%	550	4	1.86%
Walmart SuperCenter	400	6	0.81%			
Ply Gem Industries Inc. Windows Divison	300	7	0.61%			
Hoshizaki America Inc.	275	8	0.56%	425	5	1.44%
Kindred Transitional Care & Rehabilitation	210	9	0.43%			
Gerresheimer Peachtree City LP	208	10	0.42%			
Cooper Lighting				650	3	2.20%
TDK Components				210	6	0.71%
APAC - Georgia				200	7	0.68%
World Airways				275	8	0.93%
FAA Tracon				190	9	0.64%
Alenco, Inc				181	10	0.61%
Total	<u>5,745</u>		<u>11.69%</u>	<u>4,811</u>		<u>16.28%</u>

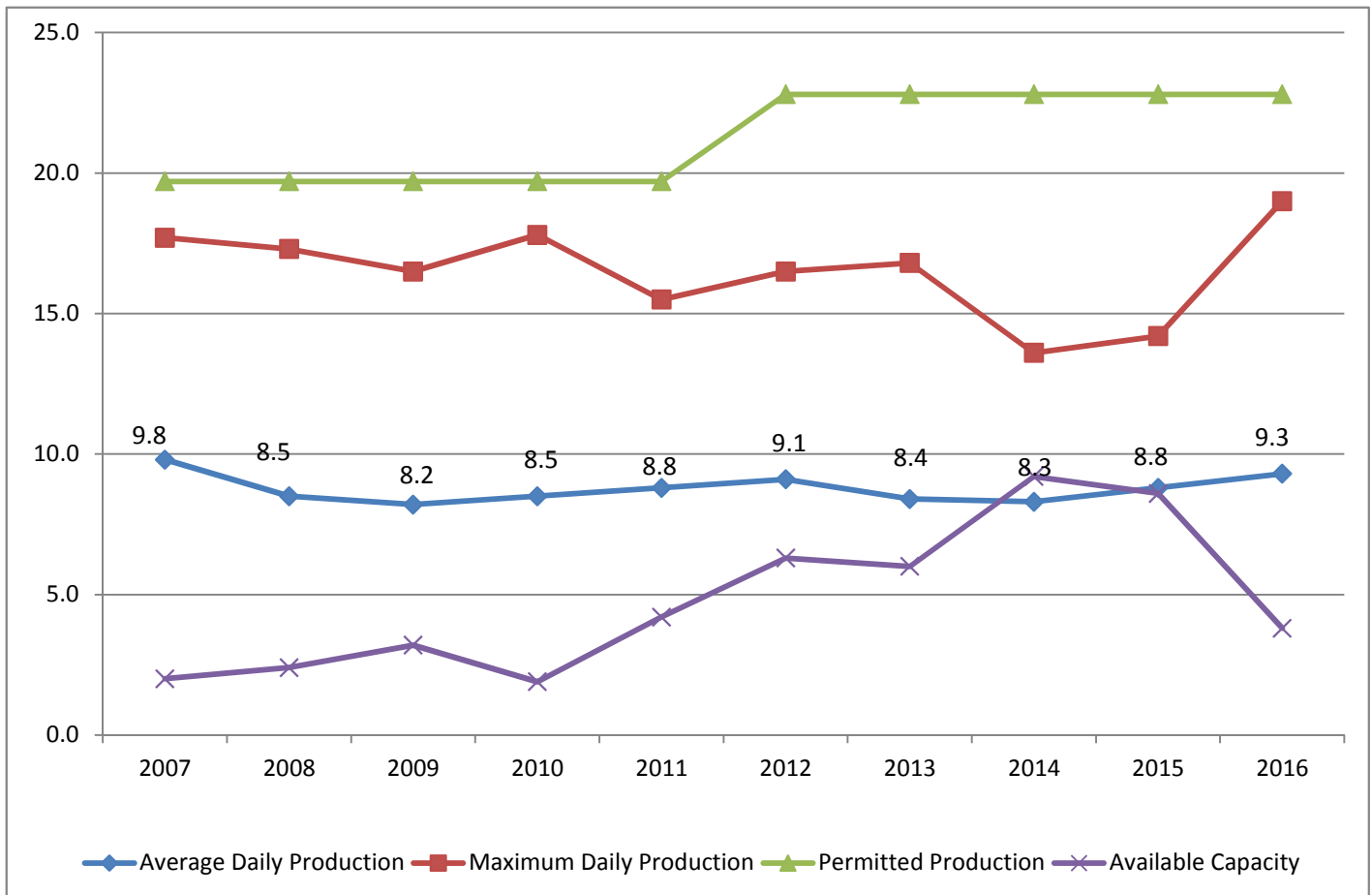
Source: Fayette County Development Authority

**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		
2007	9.8	17.7	19.7	2.0
2008	8.5	17.3	19.7	2.4
2009	8.2	16.5	19.7	3.2
2010	8.5	17.8	19.7	1.9
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

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

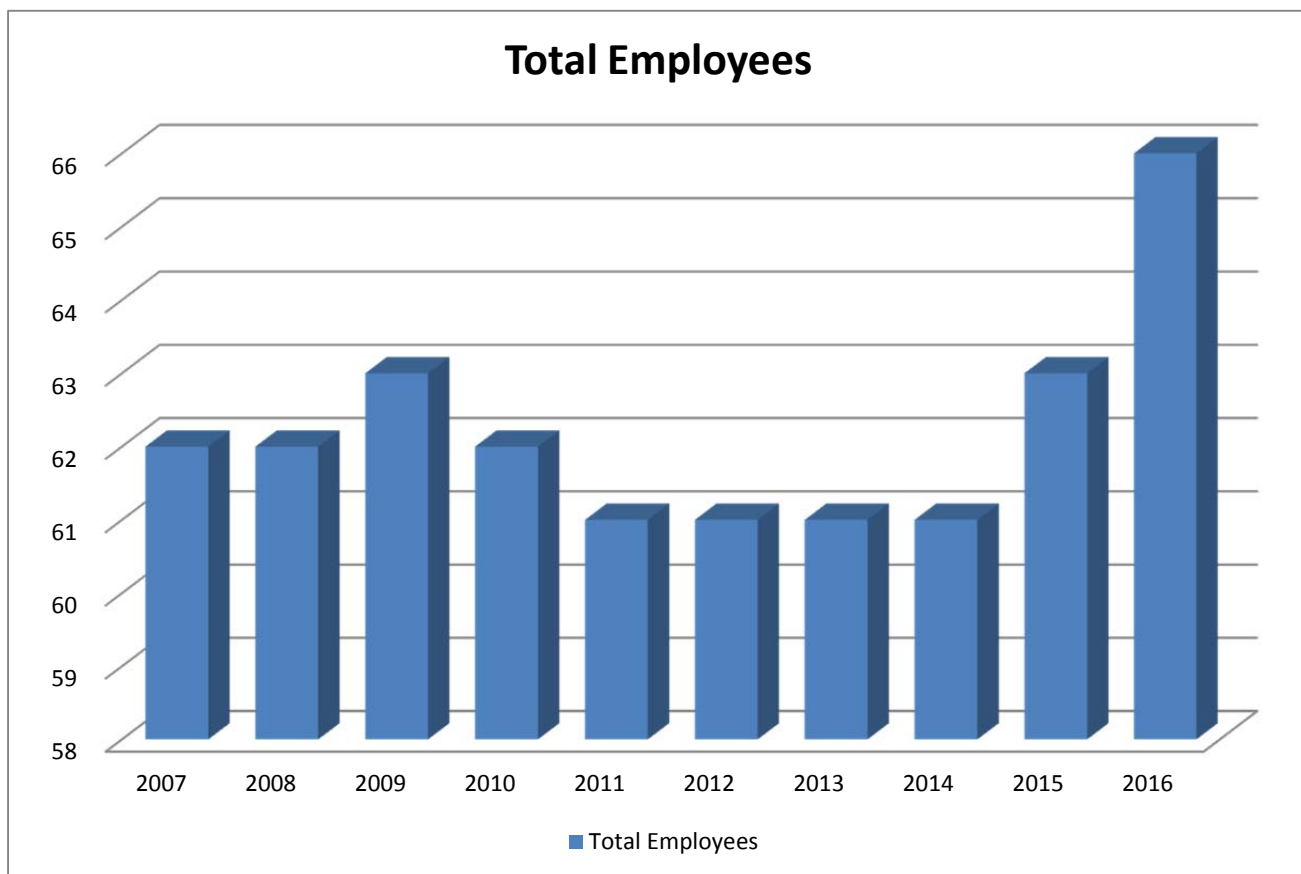
Note 2: Information is presented in Million Gallons Per Day (MGD) units.



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

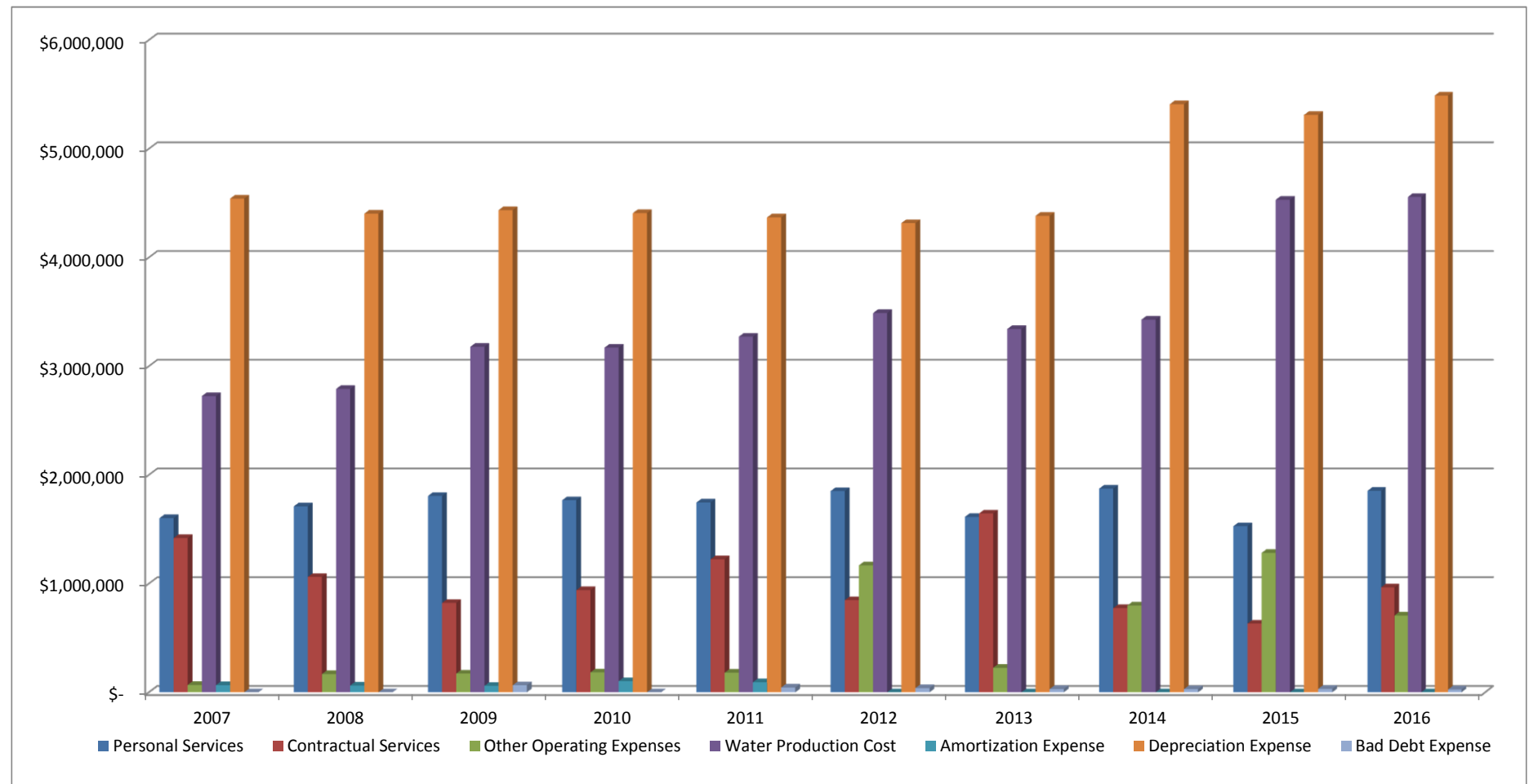
	For the Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water System Operations:										
Water Plant Operators	28	28	29	28	27	28	28	28	25	25
Distribution	10	10	10	10	10	8	8	8	8	10
Total Water	38	38	39	38	37	36	36	36	33	35
Administration:										
Director, Customer Service, Billing	19	19	19	19	19	21	22	21	23	24
Meter Readers	5	5	5	5	5	4	3	3	3	3
Marshals	-	-	-	-	-	-	-	1	4	4
Total Administration	24	24	24	24	24	25	25	25	30	31
Total Water System Employees	62	62	63	62	61	61	61	61	63	66

Source: Fayette County Human Resources Department



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

	For the Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Personal Services	\$ 1,602,174	\$ 1,710,130	\$ 1,806,405	\$ 1,766,810	\$ 1,746,004	\$ 1,851,230	\$ 1,613,606	\$ 1,873,658	\$ 1,528,292	\$ 1,853,921
Contractual Services	1,419,059	1,061,562	822,475	940,003	1,223,910	847,320	1,644,914	774,466	631,911	965,090
Other Operating Expenses	68,168	167,972	172,347	183,370	180,389	1,168,325	225,941	798,644	1,282,812	706,426
Water Production Cost	2,724,874	2,790,778	3,178,617	3,170,673	3,271,187	3,488,903	3,341,944	3,428,530	4,531,130	4,556,313
Amortization Expense	65,625	62,665	59,391	102,623	92,783	-	-	-	-	-
Depreciation Expense	4,541,532	4,403,435	4,435,950	4,408,176	4,368,612	4,316,293	4,382,984	5,409,847	5,311,187	5,489,061
Bad Debt Expense	-	-	65,205	-	44,734	39,115	30,294	28,839	31,935	25,963
Total Operating Expenses	\$ 10,421,432	\$ 10,196,542	\$ 10,540,390	\$ 10,571,655	\$ 10,927,619	\$ 11,711,186	\$ 11,239,684	\$ 12,313,984	\$ 13,317,267	\$ 13,596,774



Fayette County, Georgia
Schedule of Insurance Coverages
June 30, 2016

<u>Property Coverages</u>	<u>Amount In Force</u>
Property (1)	\$ 144,691,316
Other Equipment	17,567,886
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	\$ 2,000,000
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

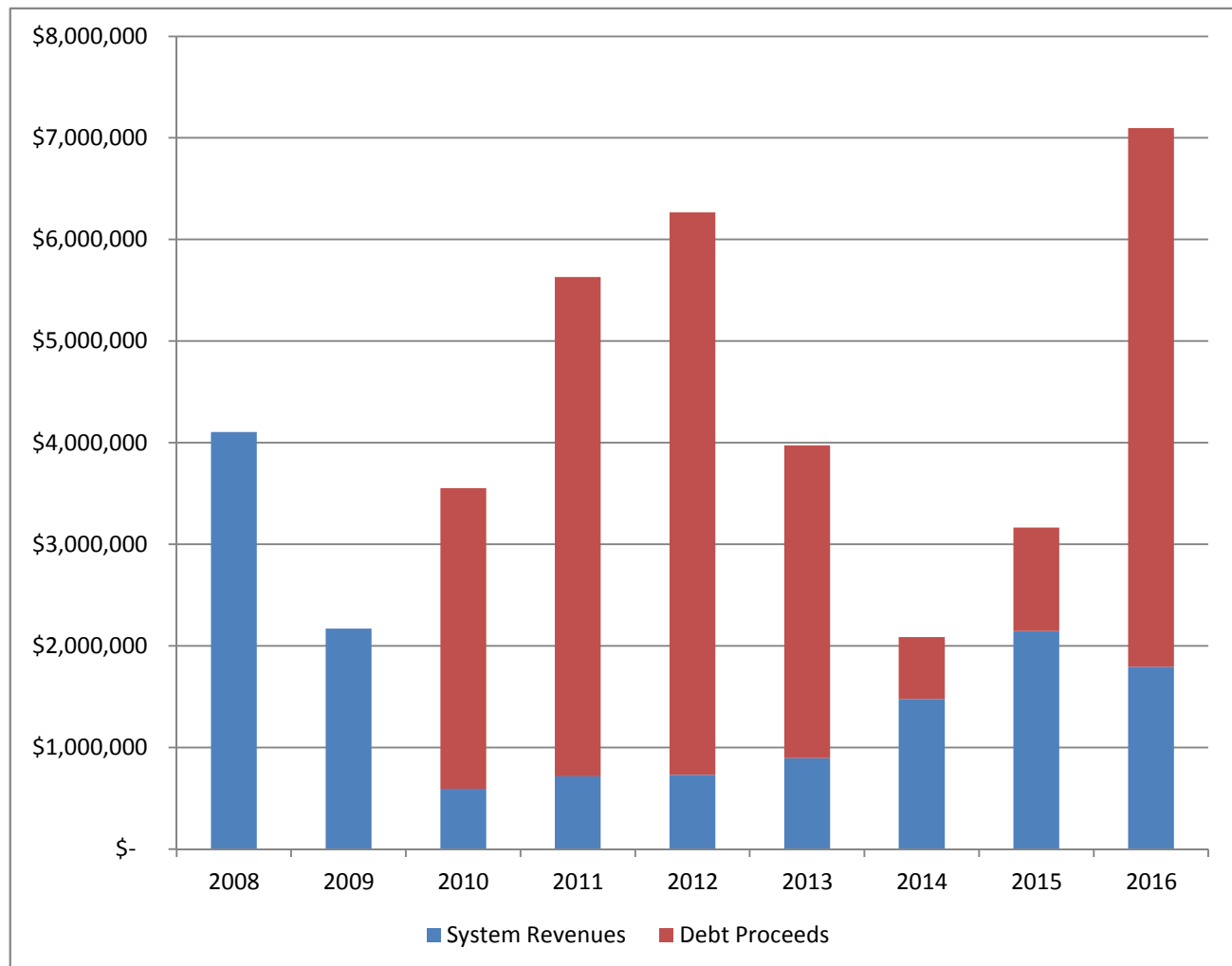
The County requires payment and performance surety bonds and builders' risk insurance of all contractors and subcontractors involved in construction activities. Surety bonds have to be issued by surety firms listed on the U.S. Treasury approved list and builders' risk insurance has to be in the amount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

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

Fiscal Year	Total Costs of Capital Improvements	Funding Sources	
		System Revenues	Debt Proceeds And Interest Income
2008	\$ 4,106,055	\$ 4,106,055	-
2009	2,168,772	2,168,772	-
2010	3,552,189	593,794	2,958,395
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



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

<u>Indicator:</u>	For the Fiscal Year Ended June 30,									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Water 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)	599	608	614	615	618	618	619	620	623	629
Water Customers	27,234	27,010	27,284	27,493	27,698	27,821	28,736	28,927	29,263	29,585
Average Water Production (Million Gallons per Day)	9.8	8.5	8.2	8.5	8.8	9.1	8.4	8.3	8.8	9.3
Maximum Water Production (Million Gallons per Day)	17.7	17.3	16.5	17.8	15.5	16.5	16.8	13.6	14.2	19.0
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	6.2	6.2	6.2	6.2	9.3	9.3	9.3	9.3	9.3