



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2018



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2018

Prepared by the  
Fayette County Finance Department



## **INTRODUCTORY SECTION**

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**Fayette County, Georgia  
Water System  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2018**

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**Fayette County, Georgia  
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December 21, 2018

Honorable Eric K. Maxwell 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, 2018, 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, 2018, 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, 2018, 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 and 19.

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

#### OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this letter of transmittal, a list of principal officials, and an organizational chart. The Financial Section includes the Management's Discussion and Analysis; Basic Financial Statements; Combining and Individual Funds Financial Statements and 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 30,558 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; 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 seven members, who meet twice monthly, to consider matters relevant to the Water System's operations. Membership includes: three citizens appointed by the Board of Commissioners, the County Administrator, the County Planner, and the Water System Director. The Water System's consulting engineer and county attorney are non-voting members. If he/she so chooses, the County's Board Chairman may serve on the Water Committee, or appoint another Commissioner, as the seventh member. This Committee recommends projects and actions to the Board of Commissioners. The Water Committee 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 all of its raw water from surface water sources. During the fiscal year ended June 30, 2018, the System had five primary sources of raw water; all of which are 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, surface water is available from the Flint River.

The following chart summarizes the various surface water sources:

### Water Sources

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

\* Withdrawal is permitted if mean water level is maintained.

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

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

In providing production flexibility, the raw water stored in Lake Horton can be pumped to either the Crosstown or the South Fayette Water Treatment Plants as needed. In addition to these raw water sources, the County has an agreement with the City of Atlanta to purchase finished water if needed. The Water System can purchase up to 4 million gallons per day. During the fiscal year ended June 30, 2018 an average of 36,463 gallons per day was purchased from the City of Atlanta. As of March 2018, the Fayette County Water System completed the necessary line extensions on the north part of the distribution system allowing the water system to obtain water independence.

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

### Production Capacity

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

\* Millions of Gallons per Day

Treatment capacity is about 2.4 times the average production amount for FY 2018 and 1.5 times the maximum production level that occurred in a twenty-four-hour period during the fiscal year. A diesel generator is available to provide emergency power to the facility if needed. Construction of the Crosstown Water Treatment Plant was completed in 1986 and improvements were made in 1994.

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

In terms of potable water storage in the distribution system, there are five elevated storage tanks that have a total storage capacity of 7.25 million gallons (see chart below). That storage capacity is slightly less than one day's average usage. These tanks were constructed from 1965-2004 and when added to the onsite storage at each plant give more than one day's demand of storage. These tanks will be regularly maintained for structural integrity and water quality purposes. Repairs identified during inspection will be completed in 2019. A complete hydraulic water system model is being developed in the FY2019 fiscal year to identify operational improvements and to help with the installation of future storage tanks within the distribution system.

### Offsite Storage Tanks

Location	Capacity (Gallons)
<b>Peachtree City Tank 1</b>	250,000
<b>Peachtree City Tank 2</b>	1,000,000
<b>Crabapple Tank</b>	2,000,000
<b>Ellis Road</b>	2,000,000
<b>Highway 92 North</b>	2,000,000
<b>Total</b>	7,250,000

The distribution system includes 642 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 2018 fiscal year totaled \$2,073,041. The following tabulation shows water line footage by size, including additions for the fiscal year ended June 30, 2018.

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.

INSTALLED PIPING DISTRIBUTION SYSTEM				
Size	Beginning Balance	FY2018 Activity		Ending Balance
		Additions	Retirements	
30"	37,802	-	-	37,802
24"	106,950	-	-	106,950
20"	225,568	-	-	225,568
18"	8,390	-	-	8,390
16"	156,506	-	-	156,506
12"	286,834	-	-	286,834
10"	294,861	-	-	294,861
8"	1,458,111	15,818	-	1,473,929
6"	794,420	-	-	794,420
Totals	3,369,442	15,818	-	3,385,260

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 2018 are highlighted in the following bullet points:

- Real gross domestic product (GDP) increased 4.2 percent in the second quarter of 2018;
- Year-over-year retail sales were up 5.9 percent. This indicates continued stability in the broader economy since consumer spending on goods accounts for approximately 68.6% of GDP;
- Residential housing starts increased by 3.7% over 2017;
- U.S. International Trade Balance deficit increased 10.5 billion, or 24.1%, between September 2017 and September 2018.

**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 GED or have at least some college training. Figures for first quarter 2018, as published by the Georgia Department of Labor, indicate that there were 43,556 employed residents in Fayette County. Many of these residents commuted outside the County for employment. The two most frequent destinations for Fayette County's work force are Fulton and Clayton Counties. This is no real surprise given that the airport is located mainly in Clayton County and the Central Business District (i.e., Downtown Atlanta) is located in Fulton County.

Statistics from the Georgia Department of Labor indicate that in 2017 there were 3,603 industries located in Fayette County that produced 43,556 jobs. Of that total, 461 industries were labeled as "Goods Producing" and accounted for 7,371 jobs or 16.9 percent of the total. By far, the largest component was the "Service Providing" industries. That segment totaled 2,861 firms and represented 30,834 jobs or 70.8 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 continues to grow but at a more subdued pace.

The near-term economic outlook remains strong. Increases in personal income and decreases in unemployment claims indicate the continued strength of the economy. However, the rate of growth is expected to slow.

The economic outlook for Fayette County remains stable as a result of prudent planning to eliminate deficit budgeting. This proactive approach has enabled the County to maintain a strong financial position. Property values are rising and there is significant new construction in the County resulting in an increase in the 2018 tax digest of 2.3 percent (net of the decrease in exemptions). One of the benefits of having a skilled work force is that the unemployment rate continues to keep pace with the state average. For August 2018, the rate for Fayette County was 3.8 percent which is comparable to both the state and the national average.

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 second 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 combines to make the County an extremely attractive place in which to reside.

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

- Nationwide, unemployment gradually declines from 3.9 percent in 2018 to about 3.5 percent by the end of 2019;
- U.S. manufacturing is forecast to increase faster than the general economy. Production will grow 2.8 percent in 2018. Growth will slow to 2.6 percent in 2019;
- Inflation will decrease slightly from 2.1 percent to 2.0 percent in 2019.

## MAJOR INITIATIVES

To reliably provide cost-effective, customer-focused services to over 30,000 customers in a manner that protects public health and safety. Providing high-quality drinking water services that exceed all regulatory requirements in a way that protects the quality of life as our water resources flow through Fayette County.

As a member of the Metropolitan North Georgia Water Planning District (MNGWPD), Fayette County recently participated in the development of the update to the Districts 3 plans. In the Fall of 2017, the District released the new plan which consolidated the 3 plans into one document. The county is currently addressing new requirements in the MNGWPD plan.

The Fayette County Water System has completed a \$5.6 million-dollar upgrade to the Crosstown Water Treatment Plant. The Water System is currently improving daily operating procedures and addressing items identified in the EPD Sanitary Survey. A new Sanitary Survey will be completed in the spring of 2019. After this completion, the Water System, in partnership with their engineer

consulting firm Jacobs, will begin the process to increase the treatment permit at the Crosstown Water Treatment from 3 gpm/sqft to 5 gpm/sqft. This will increase the treatment capacity from 13.5 MGD to 22.5 MGD, which is a 60% increase in treatment capacity. This treatment improvement will increase the possible revenue from sales to assist with continued efficiency improvements to both water treatment plants and the distribution system. Other cost-effective improvements will be addressed after a study is completed that will identify improvements to the solids handling process and removing the use of chlorine gas at both water treatment plants and a full distribution system hydraulic model to help identify and prioritize pipes needing replacement in the distribution 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 5.8 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 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. This increased raw water capacity has allowed the Water System to release all ground water permits and remove the Starr's Mill permitted capacity which improves the raw water quality available for both treatment plants, while maintaining more than enough raw water resources to meet current and future needs.

The Fayette County Water System has completed significant infrastructure related capital enhancements this past year. The \$5.6 Million Bond-funded upgrade, mentioned above, includes a new carbon feed system, a Purate Chlorine Dioxide system and custom designed stainless-steel filter underdrains. Along with these improvements, a new controls package was installed; Filter Magic which included the Zero to Waste system by Industrial Control Systems (ICS), which will save million gallons per year in the backwash process. This is a significant efficiency improvement and the first of its kind in the water treatment industry. This ensures for excellent efficiency in filter backwashes by constantly monitoring each filters backwash process. The installation of pneumatic operated valves on all valves in the piping gallery at the Crosstown Water Plant has improved the filter operations and reliability. The installation of new controls from ICS has given operators the ability to monitor filters remotely from anywhere in the plant by way of Wi-Fi and iPad tablets. Additional treatment processes are in place that will enhance water quality and provide a safer work environment for the operators. In the upcoming years, focus will be on the distribution system, which will include major renovations to water lines and storage tanks.

The Customer Service Department has completed the implementation of Tyler Notify. Tyler Notify is a unique platform designed to deliver messages using common communication channels like phone, text and/or email. Each citizen chooses how he or she is contacted. Currently, the Water System has over 11,000 accounts utilizing Tyler Notify. This communication will also

provide the ability for the department to communicate with customers about their individual services. The Water System is currently reaching out to customers to increase the numbers using this notification system. The Customer Service and Utility Services Divisions are developing programs to assist with water conservation efforts that will teach consumers how to be efficient in their daily water usage. In addition, the Billing Department has added new bill processing equipment to improve how bills and payments are processed. This new equipment expedites check handling and improves the efficiency of bill processing to handle increases in the customers base.

#### ACCOUNTING AND BUDGETARY CONTROLS

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

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

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

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

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

#### CASH MANAGEMENT

Cash temporarily idle during the year was invested in accordance with allowable investments per Georgia law. The System earned interest revenue of \$172,020 on all investments for the fiscal year ended June 30, 2018.

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, 2018, 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, 2017. In order to be awarded a Certificate of Achievement, the System must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

#### ACKNOWLEDGEMENTS

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

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

Respectfully submitted,



Steven A. Rapson  
County Administrator



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, 2017**

*Christopher P. Morill*

Executive Director/CEO

**Fayette County, Georgia  
List of Principal Officials  
June 30, 2018**

*Elected County Officers*

Board of Commissioners:

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

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

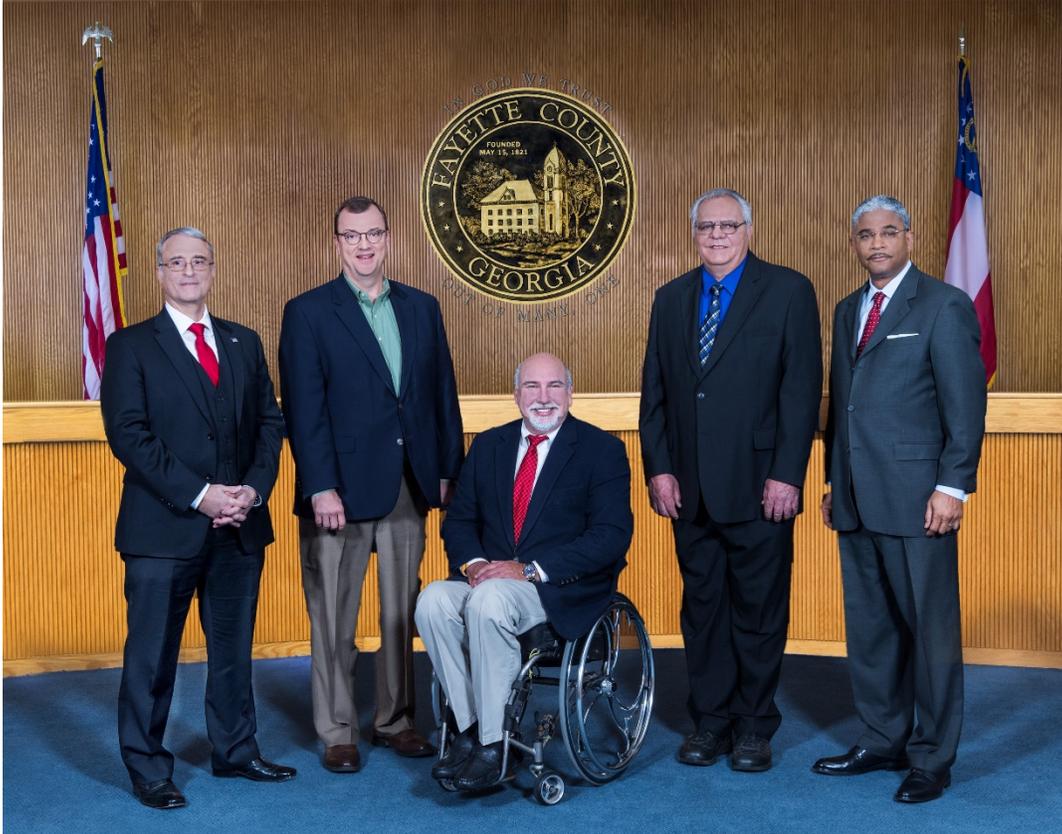
*Principal Officials*

County Administrator..... Steven A. Rapson, CPA  
County Attorney..... Dennis Davenport  
Chief Financial Officer ..... Mary S. Parrott, CPA  
County Purchasing Agent ..... Ted Burgess  
County Clerk..... Tameca P. White, MBA, CMC  
Community Development..... Pete Frisina  
911 Communications Center ..... Bernard Brown  
Emergency Management..... Captain Michael Singleton  
Fire & Emergency Medical Services ..... Chief David Scarbrough  
Human Resources ..... Lewis Patterson  
Chief Information Officer ..... Phillip Frieder  
Library ..... Chris Snell  
Parks and Recreation ..... Anita Godbee  
Public Works ..... Phil Mallon  
Tax Assessor..... Joel T. Benton  
Water System..... 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, 2018**



left to right: Charles W. Oddo, Steve Brown, Eric K. Maxwell, Randy Ognio, Charles D. Rousseau,

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

Fayette County, Georgia  
Map of Metropolitan Atlanta Area  
Fiscal Year Ended June 30, 2018

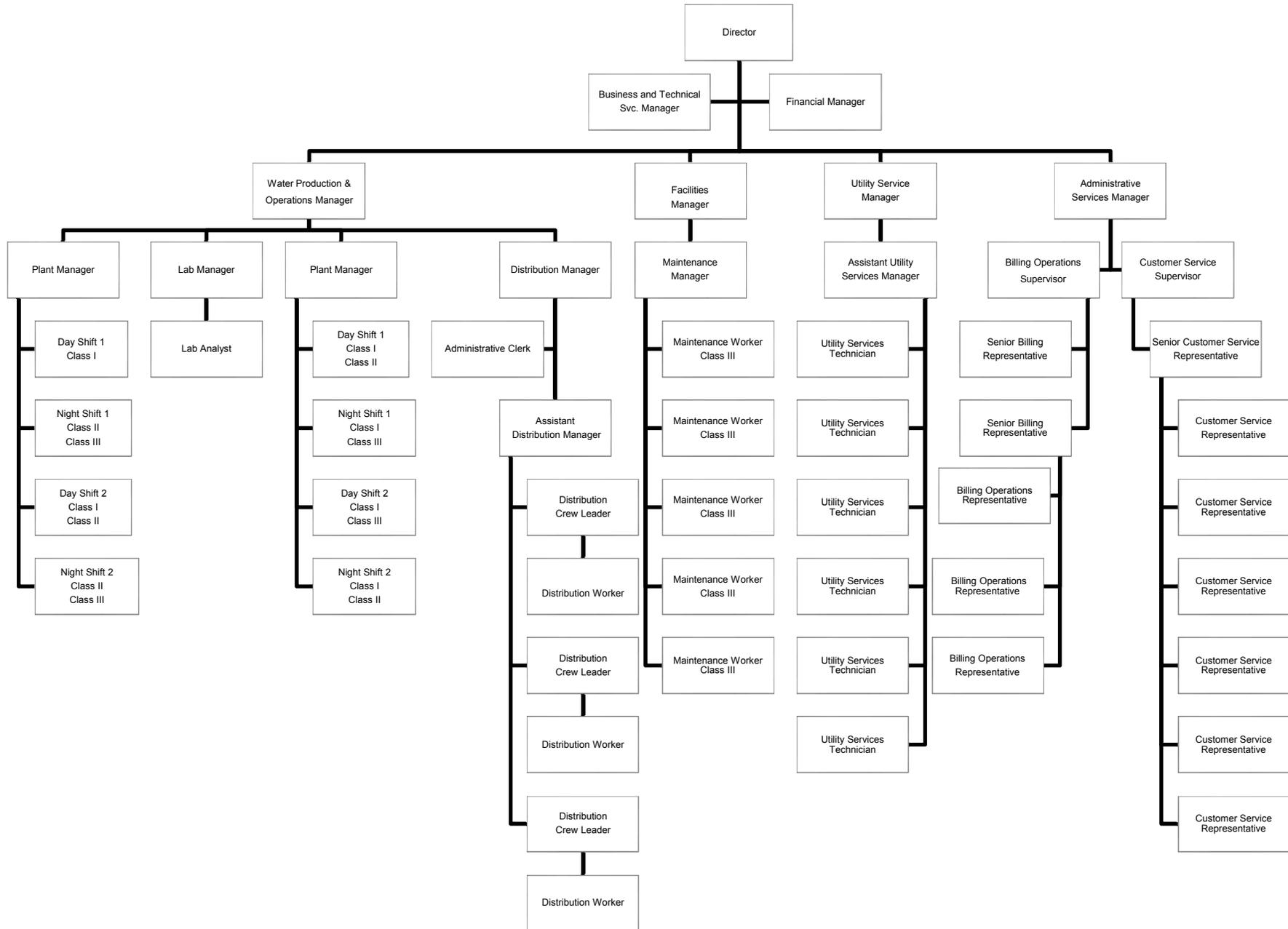


*Fayette County*

# Fayette County Water System



## Organizational Chart





## **FINANCIAL SECTION**

This Section Contains the Following Subsections:

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

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, 2018, and the related notes to the financial statements, which collectively comprise the Fayette County Water System's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note I. A, the financial statements present only the System and do not purport to, and do not, present fairly the financial position of the County, as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Emphasis of Matter***

As described in Note IV. G, the County implemented Governmental Accounting Standards Board (GASB) Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, for the year ended June 30, 2018. This standard significantly changes the accounting for the County's total Other postemployment benefits (OPEB) liability and the related disclosures. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 20 through 26), the Schedule of Proportionate Share of the Net Pension Liability (on page 59), the Schedule of Contributions – Pension Plan (on Page 60) and the Schedule of Proportionate Share of the Total OPEB Liability (on Page 61) 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, the introductory section and the statistical section 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 21, 2018 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Richels, Cauley + Associates, LLC*

Atlanta, Georgia  
December 21, 2018

**Fayette County, Georgia**  
**Water System**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**

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, 2018. 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.

<b>Financial Highlights</b>
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- The *Assets* of Fayette County, Georgia's Water System exceeded its *Liabilities* at June 30, 2018 by \$84,761,492 (*Net Position*).
- The Water System's *Total Net Position* at June 30, 2018 decreased by \$650,985 or about 0.76% compared to the previous year's restated balance. This (\$651k) variance is largely due to:
  - Decrease in water sales of \$1.0M
  - Increase in Intergovernmental related capital of \$2.0M
  - Increase in operating expenses of \$0.3M
  - Decrease in capital contributions of \$1.8M
  - Bond-debt reduction of \$4.1M
  - Increase in net Interest Income of \$0.3M

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

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

## Required Financial Statements for Business-Type Activities

In reporting on the operation of its enterprise fund, the Water System's basic financial statements include a "Statement of Net Position"; a "Statement of Revenues, Expenses and Changes in Net Position"; and a "Statement of Cash Flows". The basic financial statements also include *Notes* that are considered essential to a full understanding of the data that is presented on the face of the Financial Statements. The primary purpose of the *Notes* is to provide additional discussion, enhanced disclosure and tabular presentation of data to further explain information in the Financial Statements, and to provide more detailed data. The *Notes to the Financial Statements* can be found on pages 32 through 58 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 59 through 61 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 62 through 69 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.

<b>Financial Analysis of the Water System</b>
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### Analysis of Net Position

As noted earlier, *Net Position* may serve over time as a useful indicator of a government's financial position. In the case of the Water System, *Assets* exceeded *Liabilities* by \$84,761,492 at the close of fiscal year ended June 30, 2018. The condensed financial information for Fayette County, Georgia Water System's Net Position as of June 30, 2018 and 2017 is presented in the following table.

<b>Condensed Statements of Net Position</b>				
<b>ASSETS</b>	June 30, 2018	June 30, 2017	Change From 2017 to 2018	
			Amount	Percent
Current Assets:				
Unrestricted Assets	\$ 2,181,883	\$ 4,694,450	\$ (2,512,567)	(53.52%)
Restricted Assets	16,797,901	15,329,991	1,467,910	9.58%
Noncurrent Assets -				
Capital Assets (Net)	107,562,593	111,311,972	(3,749,379)	(3.37%)
Other Assets -				
Net Pension Asset	304,290	11,443	292,847	2559.18%
Total Assets	126,846,667	131,347,856	(4,501,189)	(3.43%)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows Related to Pensions	589,656	554,671	34,985	
Deferred Charges on Bond Refunding	1,484,514	1,721,897	(237,383)	(13.79%)
Total Deferred Outflows of Resources	2,074,170	2,276,568	(202,398)	(8.89%)
<b>LIABILITIES</b>				
Current Liabilities	5,891,131	6,062,978	171,847	2.83%
Noncurrent Liabilities	37,955,674	42,148,969	4,193,295	9.95%
Total Liabilities	43,846,805	48,211,947	4,365,142	9.05%
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows Related to Pensions	312,540	-	312,540	0.00%
<b>NET POSITION</b>				
Net Investment in Capital				
Assets	67,376,464	67,192,871	183,593	0.27%
Restricted	19,173,457	18,532,120	641,337	3.46%
Unrestricted	(1,788,429)	(312,514)	(1,475,915)	472.27%
Total Net Position, as Restated	\$ 84,761,492	\$ 85,412,477	\$ (650,985)	-0.76%

The tabular information provides a good indication of the capital-intensive nature of operating a water utility. The \$107,562,593 in Capital Assets, Net of Accumulated Depreciation, represents 84.8% of the Water System's Total Assets at June 30, 2018. 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., 79.5% of the total) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, plants and infrastructure) less any related debt still outstanding that was used to acquire those assets. In reviewing the other components of the System's *Net Position*, *Restricted Net Position* was \$19,173,457, which translates into roughly 22.6 percent of the total. *Restricted Net Position* represent assets that are restricted by revenue bond ordinances to future debt service (i.e., \$8,884,323), and system renewal and extension and construction (i.e., \$10,289,134) purposes. The *Unrestricted Net Position* decreased from (\$234,413) to (\$1,788,429).

### 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, 2018 and 2017. For each of the categories, the amount and percentage of change from the previous fiscal year is shown to aid in the analysis of the financial data. Some of the information for the prior fiscal year has been restated so that it is comparable with the presentation of financial information for the current fiscal year.

As indicated by the information in the next table, the Net Position for the fiscal year ended June 30, 2018 decreased by \$650,985.

<b>CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET Position</b>				
	For the Fiscal Year Ended		Change From	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	Amount	Percent
<b>Operating Revenues:</b>				
Water Sales	\$ 14,139,742	\$ 15,197,389	\$ (1,057,647)	(6.96%)
Other Service Fees and Penalties	<u>1,792,104</u>	<u>1,765,353</u>	<u>26,751</u>	<u>1.52%</u>
Total Revenues and Contributions	<u>15,931,846</u>	<u>16,962,742</u>	<u>(1,030,896)</u>	<u>(6.08%)</u>
<b>Expenses and Transfers:</b>				
Operating Expenses	8,662,466	8,657,944	4,522	0.05%
Depreciation Expense	<u>5,875,550</u>	<u>5,603,404</u>	<u>272,146</u>	<u>4.86%</u>
	<u>14,538,016</u>	<u>14,261,348</u>	<u>276,668</u>	<u>1.94%</u>
Operating Income	<u>1,393,830</u>	<u>2,701,394</u>	<u>(1,307,564)</u>	<u>(48.40%)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental	(2,000,000)	-	(2,000,000)	100.00%
Interest Income	172,020	59,869	112,151	187.33%
Interest Expense	(1,444,834)	(1,615,692)	170,858	(10.57%)
Loss on the Disposal of Assets	(10,058)	32,010	(42,068)	(131.42%)
Other Income (Expense)	<u>(4,624)</u>	<u>(3,950)</u>	<u>(674)</u>	<u>17.06%</u>
Total Expenses and Transfers	<u>(3,287,496)</u>	<u>(1,527,763)</u>	<u>(1,759,733)</u>	<u>(115.18%)</u>
<b>Loss Before Contributions</b>	<b>(1,893,666)</b>	<b>1,173,631</b>	(3,067,297)	261.35%
Capital Contributions	<u>1,242,681</u>	<u>3,088,940</u>	<u>(1,846,259)</u>	<u>(59.77%)</u>
<b>Change in net position</b>	<b>(650,985)</b>	<b>4,262,571</b>	(4,913,556)	(115.27%)
<b>Prior period adjustment</b>	-	(78,101)	78,101	(100.00%)
<b>Net Position, Beginning as Restated</b>	<u>85,412,477</u>	<u>81,228,007</u>	<u>4,184,470</u>	<u>5.15%</u>
<b>Net Position, Ending</b>	<u>\$ 84,761,492</u>	<u>\$ 85,412,477</u>	<u>\$ (650,985)</u>	<u>(0.76%)</u>

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

- Decrease in water sales by \$1,057,647 or 6.96% indicates a decrease in water usage by the customers
- Increase in operating expenses of \$0.3M
- Intergovernmental capital of \$2.0M paid to Peachtree City for improvements for the Lake Peachtree Spillway
- Capital Contributions decreased by \$1,846,259 in the 2018 fiscal year

**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, 2018, amounts to \$107,562,593 (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, 2018 and 2017.

**Capital Assets (net of depreciation)**

<u>General Classification</u>	Water System	
	<u>FY 2018</u>	<u>FY 2017</u>
Land	\$ 20,607,035	\$ 20,607,035
Buildings and Structures	30,180,271	32,470,434
Infrastructure	45,787,727	46,017,214
Improvements Other than Buildings	5,581,402	6,311,449
Machinery and Equipment	3,822,383	4,076,068
Construction in Progress	1,583,775	1,829,772
Total Capital Assets (Net)	<u>\$ 107,562,593</u>	<u>\$ 111,311,972</u>

The total net decrease in the System’s investment in capital assets for the current fiscal year was \$3,749,379 or 3.37%. Approximately \$2.4M of assets were added to the Water System; however, this was offset by depreciation expense of \$5,875,550.

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

- White Road Control Valve Replacement, Castle Lake and Coastline Road Waterline Extensions were completed and capitalized in FY2018 with expenses totaling \$1,051,118.
- During the fiscal year, additional assets of \$1,153,676, including waterlines and meter installations. Some of these installations were for the Cresswind and Everton subdivisions. These installations of \$1,153,676 and \$1,051,118 total the \$2.4M of added assets.

Additional information on the Water System’s capital assets is provided in Note III.B. and can be found on page 44 of this report.

**Long-Term Debt.** At the end of the current fiscal year, Water System had total bonded debt outstanding of \$39,410,000. This total represents a decrease of \$3,915,000 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, 2018 and 2017 is shown in the following table.

<b>WATER SYSTEM'S OUTSTANDING BOND DEBT</b>		
	<u><b>FY 2018</b></u>	<u><b>FY 2017</b></u>
Revenue Bonds	<b>\$39,410,000</b>	<b>\$43,325,000</b>

The \$39,410,000 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 45 through 49 of this report.

**Economic Factors**

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

- U.S. Department of Labor statistics indicate that the unemployment rate for the United States in June 2018 was 4.0 percent which represented a decrease of 0.4 percent from the June 2017 rate of 4.4 percent. Similarly, the jobless rate for the State of Georgia in June 2018 was 4.1 percent which was down 0.7 percent from the previous June. Fayette County's unemployment rate was 3.8 percent which is comparable to both the state and the national average.
- The Consumer Price Index (CPI) has increased by 2.9 percent from June 2017 to June 2018 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 \$587,613,571 or 11.7 percent from January 1, 2016 to January 1, 2017. The increase from January 1, 2017 to January 1, 2018 was \$280,556,051 or 5.0 percent.

These economic factors were taken into consideration when preparing the County's budget for the 2019 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 2018 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](http://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](mailto:finance@fayettecountyga.gov) or at the following address and telephone number:

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



## **BASIC FINANCIAL STATEMENTS**

**Fayette County, Georgia  
Water System  
Statement of Net Position  
June 30, 2018**

**ASSETS**

Current assets:

Cash and cash equivalents:

Unrestricted	\$ 125,349
Restricted	16,797,901
Accounts receivable, net of allowance	1,542,666
Inventories	505,412
Prepaid items	8,456

Total current assets	18,979,784
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Noncurrent assets:

Capital assets:

Nondepreciable	22,190,810
Depreciable, net	85,371,783
Total capital assets (net of accumulated depreciation)	107,562,593

Other assets -

Net pension asset	304,290
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Total noncurrent assets	107,866,883
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Total assets	126,846,667
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows related to pensions	589,656
Deferred charges on bond refunding	1,484,514

Total deferred outflows of resources	2,074,170
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The accompanying notes are an integral part of these financial statements.

**Fayette County, Georgia  
Water System  
Statement of Net Position  
June 30, 2018**

**LIABILITIES**

Current liabilities:

Accounts payable	1,363,392
Salaries and benefits payable	83,433
Unearned revenue	96,700
Accrued interest payable	349,746
Compensated absences - current	47,860
Revenue bonds payable - current	3,950,000
Total current liabilities	5,891,131

Noncurrent liabilities:

Compensated absences	164,518
Revenue bonds payable (net of discounts and premiums)	37,720,643
Total OPEB liability	70,513

Total noncurrent liabilities	37,955,674
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Total liabilities	43,846,805
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**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to pensions	312,540
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**NET POSITION**

Net investment in capital assets	67,376,464
Restricted for:	
Debt service	8,884,323
Renewal and construction	10,289,134
Unrestricted	(1,788,429)
Total net position	\$ 84,761,492

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, 2018**

**Operating Revenues:**

Charges for sales and services:

Water sales	\$ 14,139,742
Meter and service fees	255,195
Penalties	246,403
Municipal accounts handling fees	247,414
Other fees	1,043,092
Total operating revenues	15,931,846

**Operating Expenses:**

Costs of sales and services	5,540,277
Administration	3,122,189
Depreciation	5,875,550
Total operating expenses	14,538,016

Operating income	1,393,830
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**Nonoperating Revenues (Expenses):**

Intergovernmental	(2,000,000)
Interest income	172,020
Interest expense	(1,444,834)
Gain on disposal of capital assets	(10,058)
Other income (expense)	(4,624)
Total nonoperating revenues (expenses)	(3,287,496)

Loss before contributions	(1,893,666)
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Capital contributions	1,242,681
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Change in net position	(650,985)
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Total net position - beginning, as restated	85,412,477
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Total net position - ending	\$ 84,761,492
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The accompanying notes are an integral part of these financial statements

**Fayette County, Georgia  
Water System  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from customers	\$ 16,014,710
Payments to suppliers	(5,285,907)
Payments to employees	(3,696,434)
Net cash provided by operating activities	7,032,369

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

Principal paid on revenue bonds	(3,915,000)
Interest paid on revenue bonds	(1,501,994)
Bond issuance costs	(4,624)
Intergovernmental expense - Spillway contribution	(2,000,000)
Acquisition and construction of capital assets	(915,995)
Proceeds from sale of capital assets	22,447
Net cash used by capital and related financing activities	(8,315,166)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest received	172,020
Net cash provided by investing activities	172,020

Net decrease in cash and cash equivalents	(1,110,777)
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Cash and cash equivalents at beginning of year	18,034,027
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Cash and cash equivalents at end of year	\$ 16,923,250
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*Continued on next page*

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

**Fayette County, Georgia  
Water System  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2018**

**Reconciliation Of Operating Income To Net**

**Cash Flows Provided By Operating Activities:**

Operating income	<u>\$ 1,393,830</u>
Adjustments to reconcile operating income to	
Net cash provided (used) by operating activities:	
Depreciation expense	5,875,550
Decrease (increase) in assets:	
Accounts receivable	(73,964)
Inventory	6,571
Prepaid items	1,273
Pension related items	(15,292)
Increase (decrease) in liabilities:	
Accounts payable	(182,328)
Salaries and benefits payable	15,348
Compensated absences	22,626
Early termination benefits	(12,557)
Unearned revenue	8,900
OPEB related items	<u>(7,588)</u>
Total adjustments	<u>5,638,539</u>
Net cash provided by operating activities	<u><u>\$ 7,032,369</u></u>

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

Contributions of capital assets	<u><u>\$ 1,242,681</u></u>
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The accompanying notes are an integral part of these financial statements.



## **NOTES TO THE FINANCIAL STATEMENTS**

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**Water System**  
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**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 30,000 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. 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 accounting principles generally accepted in the United States of America (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.

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

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.

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**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 (GASB) 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.

**Fayette County, Georgia**  
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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 \$846,000 in billed customer receivables. In addition, a receivable of approximately \$822,000 was recorded for services rendered at year-end but not yet billed at June 30, 2018. 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 enterprise fund are valued at cost, which approximates market value using the first-in, first-out (FIFO) method. Inventories primarily consist of meters, and pipe and fittings intended for use in construction of line extensions and to support the maintenance work on the system.

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

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.

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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 stated at acquisition value at the time of the donation and disposals are removed at recorded cost. 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	5-15

6. Deferred Outflows/Inflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. The types of items reported by the System that fall into this category are described more fully below.

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) until then. The System has one item that qualify for reporting in this category. 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 System also has deferred outflows of resources and deferred inflows of resources related to the recording of changes in its net pension asset and total OPEB liability. Certain changes in the net pension liability and total liability are recognized as pension expense over time instead of all being

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recognized in the year of occurrence. Experience gains or losses result from periodic studies by the County's actuary which adjust the liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining service lives of plan members. The difference between projected investment return on investments and actual return on those investments is also deferred and amortized against expense over a five (5) year period. Additionally, any contributions made by the System to the plan before year end but subsequent to the measurement date of the System's liability are reported as deferred outflows of resources. These contributions will reduce the System's liability in the next fiscal period.

7. 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.

8. 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 the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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9. Pensions

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

9. 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.

10. 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.

**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.

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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, 2018, \$5,384,821 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, 2018 is \$5,543,858, the sinking fund balances are \$3,340,465, for a debt service total of \$8,884,343, 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;

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- 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, 2018, 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. Demand Deposits at Financial Institutions

**Custodial Credit Risk:** Custodial credit risk for demand deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes and our bond resolutions require all deposits and investments (other than federal or state government instruments) be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties or municipalities. As of June 30, 2018, the County had no uncollateralized deposits.

2. 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;

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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.

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, AAA rated agency notes, AAA rated Government Sponsored Enterprises, AAA Federal Deposit Insurance Corp backed notes and U.S. Treasuries.

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

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

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

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

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

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

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

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

The County utilizes an external investment manager to actively manage a portion of its investment portfolio. Performance is measured in total return against the 1 - 3 Year U.S. Treasury/Agency benchmark. The County utilizes two investment portfolios with the external manager, an enhanced cash portfolio with a duration of less than a year, and a core portfolio with a duration strategy between 1.5 and 2.0 years. This dual portfolio strategy is structured to manage interest rate volatility. All assets managed by the external manager are held in custody with the Bank of New York in the County's name. As of June 30, 2018, all assets within the externally managed portfolios are rated AAA or better.

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Investment cash equivalents comprised \$7,399,516, 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:	<b>FAIR VALUE</b>	<b>MATURITIES</b>
Georgia Fund 1 Investment Pool	<u>\$7,399,516</u>	10 Day Weighted Average

**B. Capital Assets**

Capital assets for the Water System for the fiscal year ended June 30, 2018, 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 2018 fiscal year.

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 20,607,035	\$ -	\$ -	\$ 20,607,035
Construction in progress	1,829,772	812,120	(1,058,117)	1,583,775
Total capital assets, not being depreciated	<u>22,436,807</u>	<u>812,120</u>	<u>(1,058,117)</u>	<u>22,190,810</u>
Capital assets being depreciated:				
Buildings and structures	64,805,312	27,244	-	64,832,556
Infrastructure	92,955,677	2,073,041	-	95,028,718
Improvements	17,252,924	-	-	17,252,924
Machinery and equipment	13,128,439	304,510	(107,838)	13,325,111
Total capital assets being depreciated	<u>188,142,352</u>	<u>2,404,795</u>	<u>(107,838)</u>	<u>190,439,309</u>
Less accumulated depreciation for:				
Buildings and structures	(32,334,878)	(2,317,407)	-	(34,652,285)
Infrastructure	(46,938,463)	(2,302,528)	-	(49,240,991)
Improvements	(10,941,475)	(730,047)	-	(11,671,522)
Machinery and equipment	(9,052,371)	(525,568)	75,211	(9,502,728)
Total accumulated depreciation	<u>(99,267,187)</u>	<u>(5,875,550)</u>	<u>75,211</u>	<u>(105,067,526)</u>
Total capital assets being depreciated, net	<u>88,875,165</u>	<u>(3,470,755)</u>	<u>(32,627)</u>	<u>85,371,783</u>
Capital assets, net	<u>\$ 111,311,972</u>	<u>\$ (2,658,635)</u>	<u>\$ (1,090,744)</u>	<u>\$ 107,562,593</u>

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**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, 2018, 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, 2018.

**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 \$39.4 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 \$5.2 million for the next several years. The total principal and interest remaining to be paid on the bonds is \$45,525,065. Principal and interest paid on outstanding bonds in the current year was \$5,416,994 and "net revenues" as defined by the bond ordinance were \$7,246,496.

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 \$35,000 in bonds that mature on October 1, 2018, there will remain a balance of \$70,000 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.

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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 \$1,790,000 in bonds that mature on October 1, 2018, there will remain a balance of \$5,805,000 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, 2018, there will remain a balance of \$7,870,000 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 \$1,830,000 in bonds that mature on October 1, 2018, there will remain a balance of \$5,635,000 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, 2029) from the date of

**Fayette County, Georgia**  
**Water System**  
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issuance. Interest rates for the various maturities are 2.08%. The refunding resulted in an economic gain (difference between present values of the debt service payment on the old and new debt) of \$981,099 and a book loss of \$1,111,567 that will be amortized as an adjustment of interest expense over the remaining 13 years of the refunding bonds. After redeeming the \$245,000 in bonds that mature on October 1, 2018, there will remain a balance of \$16,080,000 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, 2018:

<u>Revenue Bond Issues</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion</u>
Series 1996A	\$ 135,000	\$ -	\$ (30,000)	\$ 105,000	\$ 35,000
Series 2009	9,450,000	-	(1,855,000)	7,595,000	1,790,000
Series 2012A	7,970,000	-	(50,000)	7,920,000	50,000
Series 2012B	9,205,000	-	(1,740,000)	7,465,000	1,830,000
Series 2016	16,565,000	-	(240,000)	16,325,000	245,000
Total revenue bonds	43,325,000	-	(3,915,000)	39,410,000	<u>\$ 3,950,000</u>
<u>Plus Deferred Amounts for:</u>					
Bond discounts /					
Premiums (net)	2,515,998	-	(255,355)	2,260,643	
Net revenue bonds	<u>\$ 45,840,998</u>	<u>\$ -</u>	<u>\$ (4,170,355)</u>	<u>\$ 41,670,643</u>	

**Fayette County, Georgia**  
**Water System**  
**Notes to the Financial Statements**  
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g) Schedule of Future Debt Service Payments

At June 30, 2018, the County was obligated to make payments of principal and interest on its outstanding water revenue bond debt as follows:

Fiscal Years Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	4,620,000	797,893	5,417,893
2023	4,710,000	658,298	5,368,298
2024-2028	15,345,000	1,138,024	16,483,024
2029-2030	2,380,000	48,983	2,428,983
	<u>\$ 39,410,000</u>	<u>\$ 6,115,065</u>	<u>\$ 45,525,065</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 early termination benefits were paid out during 2018.

**Fayette County, Georgia**  
**Water System**  
**Notes to the Financial Statements**  
**June 30, 2018**

Changes in Long-Term Obligations:

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

	Balance June 30, 2017 (As Restated)	Additions	Reduction	Balance June 30, 2018	Current Portion
Revenue bonds	\$ 43,325,000	\$ -	\$ (3,915,000)	\$ 39,410,000	\$ 3,950,000
Plus deferred amounts for:					
Bond discounts / premiums (net)	2,515,998	-	(255,355)	2,260,643	-
Total revenue bonds payable	45,840,998	-	(4,170,355)	41,670,643	3,950,000
Compensated absences	189,752	116,043	(286,087)	212,378	47,860
Early termination benefits	12,557	-	(12,557)	-	-
Other postemployment benefits (OPEB) liability	78,101	-	(7,588)	70,513	-
Business-Type Activities noncurrent liabilities	<u>\$ 46,121,408</u>	<u>\$ 116,043</u>	<u>\$ (4,476,587)</u>	<u>\$ 41,953,534</u>	<u>\$ 3,997,860</u>

**E. Net Investment in Capital Assets**

The "Net investment in capital assets" reported on the statement of net position as of June 30, 2018 is as follows:

Cost of capital assets	\$ 212,630,119
Less accumulated depreciation	<u>(105,067,526)</u>
Book value	107,562,593
Deferred charges on bond refunding	1,484,514
Less capital related debt	(39,410,000)
Less unamortized bond premiums	<u>(2,260,643)</u>
Net investment in capital assets	<u>\$ 67,376,464</u>

**Fayette County, Georgia**  
**Water System**  
**Notes to the Financial Statements**  
**June 30, 2018**

**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 \$886,052 reported at June 30, 2018, 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.

**Fayette County, Georgia**  
**Water System**  
**Notes to the Financial Statements**  
**June 30, 2018**

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
<b>Workers Compensation Claims:</b>				
Fiscal Year Ended June 30, 2018	\$ 17,102	\$ 912,711	\$ (893,409)	\$ 36,404
Fiscal Year Ended June 30, 2017	181,055	711,774	(875,727)	17,102
<b>Dental and Vision Claims</b>				
Fiscal Year Ended June 30, 2018	6,966	526,942	(529,290)	4,618
Fiscal Year Ended June 30, 2017	3,642	556,986	(553,662)	6,966
<b>Major Medical Claims</b>				
Fiscal Year Ended June 30, 2018	365,695	7,941,427	(7,462,092)	845,030
Fiscal Year Ended June 30, 2017	397,054	7,172,363	(7,203,722)	365,695
<b>Total Claims</b>				
Fiscal Year Ended June 30, 2018	389,763	9,381,080	(8,884,791)	886,052
Fiscal Year Ended June 30, 2017	581,751	8,441,123	(8,633,111)	389,763

**B. Other Post Employment Benefits (OPEB)**

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

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

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

**Fayette County, Georgia**  
**Water System**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

At June 30, 2018, the Water System reported a liability of \$70,513 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of that date. The Water Fund's proportion of the total OPEB liability was based on contributions during the fiscal year ended June 30, 2018. At June 30, 2018, the Water System's proportion was 9.45636%.

For the year ended June 30, 2018, the Water System recognized OPEB expense of \$5,306. At June 30, 2018, the Water System did not reported any deferred outflows of resources or deferred inflows of resources related to OPEB.

*Actuarial Assumptions.* The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.50%
Payroll Growth Rate	3.25%, average, including inflation
Discount Rate	3.50%
Participation	20% of actives are assumed to purchase a County plan after retirement
Healthcare cost trend rates	7.5% in the first year, trending down to 6.3% over four years (medical)

Mortality rates were based on the RPH-2014 mortality table (headcount weighted), total dataset, fully generational with mortality improvement scale MP-2017.

*Discount Rate.* The discount rate used to measure the total OPEB liability is 3.50%. The County's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

**Fayette County, Georgia**  
**Water System**  
**Notes to the Financial Statements**  
**June 30, 2018**

*Sensitivity of the Water System’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate.* The following presents the Water System’s proportionate share of the total OPEB liability, as well as the Water System’s proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage point higher (4.5 percent) than the current discount rate:

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB liability	\$ 77,361	\$ 70,513	\$ 64,869

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

	1% Decrease (6.5% Decreasing to 5.3%)	Trend Rate (7.5% Decreasing to 6.3%)	1% Increase (8.5% Decreasing to 7.3%)
Total OPEB liability	\$ 65,257	\$ 70,513	\$ 76,747

**C. Employees’ Pension Plan**

The Fayette County Defined Benefit Plan

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

**Fayette County, Georgia**  
**Water System**  
**Notes to the Financial Statements**  
**June 30, 2018**

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.

**Contributions** - The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of the ACCG Plan has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The actuarial recommended contribution rate for 2018 was 2.0% of payroll. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The System's contributions totaled \$32,211 for the year ended June 30, 2018.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2018, the Water Fund reported an asset of \$304,290 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset was based on an actuarial valuation as of January 1, 2017. An expected total pension liability as of December 31, 2017 was determined using standard roll-forward techniques. The Water Fund's proportion of the net pension liability was based on contributions during the fiscal year ended June 30, 2018. At June 30 2017, the Employer's proportion was 9.91152%, which was an increase of 0.7890% from its proportion measured as of June 30, 2017.

**Fayette County, Georgia**  
**Water System**  
**Notes to the Financial Statements**  
**June 30, 2018**

For the year ended June 30, 2018, the Water System recognized pension expense benefit of \$89,157. At June 30, 2018, the Water Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 138,130	\$ 45,828
Changes of assumptions	302,215	-
Net difference between projected and actual earnings on pension plan investments	133,360	266,712
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	15,951	-
	\$ 589,656	\$ 312,540

The Water System's contributions subsequent to the measurement date of \$15,951 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension asset in the fiscal year ending June 30, 2019. 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:

2019	\$ 57,331
2020	57,331
2021	(1,352)
2022	(6,686)
2023	65,782
Thereafter	88,759

**Actuarial Assumptions** - The total pension liability in the January 1, 2017 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	7.25 percent

**Fayette County, Georgia**  
**Water System**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of a February 2014 actuarial experience study.

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%	6.10%
Large cap equity	30%	9.07%
International equity	15%	5.01%
Other equity	20%	8.62%
Real estate	5%	10.62%
	<u>100.00%</u>	

\* 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 7.25 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.

**Fayette County, Georgia**  
**Water System**  
**Notes to the Financial Statements**  
**June 30, 2018**

***Sensitivity of the County’s Proportional Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the net pension liability (asset) of the County, calculated using the discount rate of 7.25 percent, as well as what the County’s net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current discount rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset)	<u>\$ 190,144</u>	<u>\$ (304,290)</u>	<u>\$ (721,175)</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, 2017 and the current sharing pattern of costs between employer and employee.

**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 \$1,612,459 to the defined contribution plan and the County contributed \$605,827 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.

**Fayette County, Georgia**  
**Water System**  
**Notes to the Financial Statements**  
**June 30, 2018**

**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. Restatement of Beginning Balances**

The County has determined that the beginning net position of the Water System requires an adjustment due to the implementation of GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions* through which accounting for OPEB plans and the related disclosure requirements were modified. The adjustment resulted in the following change to beginning net position:

Net Position, as previously reported	\$ 85,490,578
Recongition of net OPEB liability in accordance with GASB No. 75	<u>(78,101)</u>
Net Position, as restated	<u>\$ 85,412,477</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

**FAYETTE COUNTY WATER SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	9.9115%	9.1225%	9.3620%	10.2800%
Proportionate share of the net pension liability (asset)	\$ (304,290)	\$ (114,720)	\$ (107,563)	\$ (773,050)
Covered-employee payroll	\$ 2,388,955	\$ 2,360,491	\$ 2,413,996	\$ 2,765,138
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-12.74%	-4.86%	-4.46%	-27.96%
Plan fiduciary net position as a percentage of the total pension liability (asset)	106.61%	72.34%	76.20%	77.99%

**Notes to the Schedule:**

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

**FAYETTE COUNTY WATER SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS - PENSION PLAN  
YEAR ENDED JUNE 30, 2018**

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

**Notes to Schedule**

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

**FAYETTE COUNTY WATER SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY  
YEAR ENDED JUNE 30, 2018**

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	<b>2018</b>
Proportion of the total OPEB liability	9.4564%
Proportionate share of the total OPEB liability	\$ 70,513
Covered-employee payroll	\$ 308,245
Proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	22.88%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

**Notes to the Schedule:**

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



## **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, 2018**

	<u>Crosstown</u> <u>Water Plant</u>	South <u>Fayette</u> <u>Water Plant</u>	<u>Water</u> <u>Purchases</u>	<u>Water</u> <u>Maintenance</u>	<u>Plant</u> <u>Laboratory</u>	<u>Distribution</u>	<u>Utility</u> <u>Services</u>	<u>Total Costs</u> <u>Of Sales</u> <u>And Services</u>
Operating Expenses:								
Salaries	\$ 468,786	\$ 423,318	\$ -	\$ 243,348	\$ 109,187	\$ 376,563	\$ 418,766	\$ 2,039,968
Fringe Benefits	155,238	128,501	-	87,013	18,094	116,684	121,896	627,426
Professional Services	25	2,724	-	-	350,806	-	36,802	390,357
Repairs and Maintenance	161,189	102,322	-	-	-	431,991	26,201	721,703
Rents	1,608	3,429	-	-	-	397	-	5,434
Insurance	-	-	-	-	-	648	-	648
Telecommunications	946	4,294	-	-	-	415	-	5,655
Other Services, Travel and Fees	17,526	6,692	-	-	4,338	492	-	29,048
Supplies	42,084	32,032	-	-	16,350	29,267	-	119,733
Chemicals	258,038	205,750	-	-	-	-	4,997	468,785
Utilities	644,570	291,443	-	-	-	7,249	5,564	948,826
Gasoline	3,645	1,920	-	-	-	26,059	-	31,624
Water Purchases	-	-	39,853	-	-	-	-	39,853
Tools and Uniforms	5,256	1,352	-	-	-	79,842	-	86,450
Equipment Purchases	10,849	1,715	-	-	1,605	9,594	1,004	24,767
	<u>\$ 1,769,760</u>	<u>\$ 1,205,492</u>	<u>\$ 39,853</u>	<u>\$ 330,361</u>	<u>\$ 500,380</u>	<u>\$ 1,079,201</u>	<u>\$ 615,230</u>	<u>\$ 5,540,277</u>

**Fayette County, Georgia**  
**Water System**  
**Administration**  
**Schedule of Operating Expenses By Organizational Unit**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Administration</u>	<u>Customer Services</u>	<u>Utility Billing</u>	<u>Water Marshals</u>	<u>Total Administration</u>
Operating Expenses:					
Salaries	\$ 377,216	\$ 290,544	\$ 223,001	\$ 212,383	\$ 1,103,144
Fringe Benefits	103,212	81,028	52,682	63,080	300,002
Professional Services	229,492	-	-	-	229,492
Repairs and Maintenance	184,671	-	-	8,983	193,654
Leak Protection Program	149,796	-	-	-	149,796
Rents	14,958	-	-	-	14,958
Insurance	98,361	-	-	-	98,361
Telecommunications	21,187	-	-	3,172	24,359
Postage	133,588	-	-	-	133,588
Other Services, Travel and Fees	57,503	-	-	4,931	62,434
Supplies	79,758	-	-	2,247	82,005
Utilities	21,031	-	-	-	21,031
Gasoline	22,334	-	-	11,441	33,775
Instructional Materials	7,517	-	-	-	7,517
Tools and Uniforms	4,252	-	-	3,779	8,031
Equipment Purchases	18,833	-	-	-	18,833
Bad Debt Expense	-	-	20,791	-	20,791
Indirect Cost Overhead	620,418	-	-	-	620,418
	<u>\$ 2,144,127</u>	<u>\$ 371,572</u>	<u>\$ 296,474</u>	<u>\$ 310,016</u>	<u>\$ 3,122,189</u>

**Fayette County, Georgia**  
**Water System**  
**Construction Accounts**  
**Comments**  
**For The Fiscal Year Ended June 30, 2018**

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, 2018**

Current Assets:

    Restricted Assets:

        Cash and Cash Equivalents \$ 514,062

Current Liabilities Payable From

    Restricted Assets:

        Accounts Payable \$ -

        Total Current Liabilities Payable \$ -

        From Restricted Assets

**Fayette County, Georgia**  
**Water System**  
**Construction Accounts**  
**Schedule of Changes in Restricted Assets**  
**For the Fiscal Year Ended June 30, 2018**

Beginning Balance, July 1, 2017	\$ 570,016
Increases:	
Interest Earned	501
Total Increases	501
Decreases:	
Capital Outlay Expenditures	(56,455)
Total Decreases	(56,455)
Ending Balance, June 30, 2018	\$ 514,062

**Fayette County, Georgia**  
**Water System**  
**Renewal and Extension Account**  
**Comments**  
**For The Fiscal Year Ended June 30, 2018**

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, 2018**

Current Assets:

    Restricted Assets:

        Cash and Cash Equivalents \$ 7,399,516

Current Liabilities Payable From

    Restricted Assets:

        Accounts Payable \$ 16,421

        Total Current Liabilities Payable

            From Restricted Assets \$ 16,421

**Fayette County, Georgia**  
**Water System**  
**Renewal and Extension Account**  
**Schedule of Changes in Restricted Assets**  
**For the Fiscal Year Ended June 30, 2018**

Beginning Balance, July 1, 2017	<u>\$ 5,903,522</u>
Increases:	
Interest Earned	94,332
Transfers From Water System Revenue Fund	<u>1,401,662</u>
Total Increases	<u>1,495,994</u>
Decreases:	
Capital Outlay Expenditures	<u>-</u>
Total Decreases	<u>-</u>
Ending Balance, June 30, 2018	<u><u>\$ 7,399,516</u></u>

**Fayette County, Georgia**  
**Water System**  
**Sinking Fund Accounts**  
**Comments**  
**For The Fiscal Year Ended June 30, 2017**

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, 2018**

Current Assets:

    Restricted Assets:

Cash and Cash Equivalents	\$ 8,884,323
---------------------------	--------------

Current Liabilities Payable From

    Restricted Assets:

Accrued Interest, due October 1	\$ 349,746
---------------------------------	------------

Current Portion of Principal	3,950,000
------------------------------	-----------

Total Current Liabilities Payable	\$ 4,299,746
From Restricted Assets	\$ 4,299,746

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, 2018**

Beginning balance, July 1, 2017	<u>\$ 8,856,453</u>
Increases:	
Interest earned	77,187
Transfers From Water System Revenue Fund	<u>5,367,677</u>
Total Increases	<u>5,444,864</u>
Decreases:	
Bond expense	-
Revenue bond interest paid	(1,501,994)
Revenue bond principal paid	<u>(3,915,000)</u>
Total decreases	<u>(5,416,994)</u>
Ending balance, June 30, 2018	<u><u>\$ 8,884,323</u></u>



## **STATISTICAL SECTION**

**FAYETTE COUNTY WATER SYSTEM  
STATISTICAL SECTION**

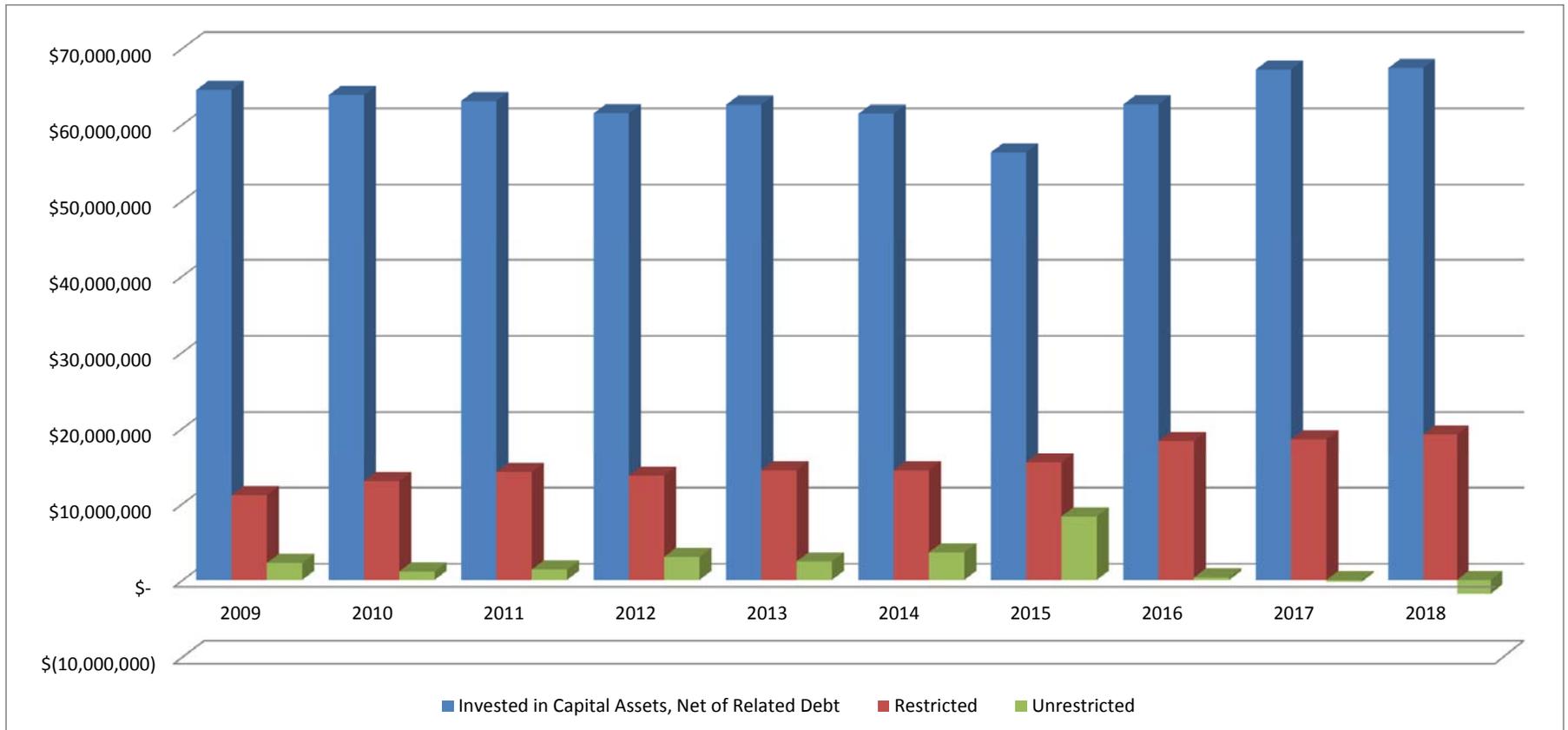
This part of the System's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Water System's overall financial health.

<b><u>Section Contents</u></b>	<b><u>Page</u></b>
<b><i>Financial Trends:</i></b> These schedules contain trend information to help the reader understand how the Water System's financial performance and well-being have changed over time.	71
<b><i>Revenue Capacity:</i></b> 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.	74
<b><i>Debt Capacity:</i></b> 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.	80
<b><i>Demographic and Economic Information:</i></b> 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.	82
<b><i>Operating Information:</i></b> 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.	84

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**

<b>Business-Type Activities</b>	<b>Fiscal Year Ended June 30,</b>									
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Net Investment in Capital Assets	\$ 64,504,239	\$ 63,830,796	\$ 63,058,811	\$ 61,432,912	\$ 62,558,616	\$ 61,382,854	\$ 56,314,710	\$ 62,610,973	\$ 67,192,871	\$ 67,376,464
Restricted	11,084,372	12,918,243	14,127,960	13,655,049	14,380,299	14,375,769	15,410,942	18,295,821	18,532,120	19,173,457
Unrestricted	<u>2,216,145</u>	<u>1,099,936</u>	<u>1,340,904</u>	<u>3,024,701</u>	<u>2,415,512</u>	<u>3,611,972</u>	<u>8,314,934</u>	<u>321,213</u>	<u>(234,413)</u>	<u>(1,788,429)</u>
<b>Total Water System Net Position</b>	<b><u>\$ 77,804,756</u></b>	<b><u>\$ 77,848,975</u></b>	<b><u>\$ 78,527,675</u></b>	<b><u>\$ 78,112,662</u></b>	<b><u>\$ 79,354,427</u></b>	<b><u>\$ 79,370,595</u></b>	<b><u>\$ 80,040,586</u></b>	<b><u>\$ 81,228,007</u></b>	<b><u>\$ 85,490,578</u></b>	<b><u>\$ 84,761,492</u></b>

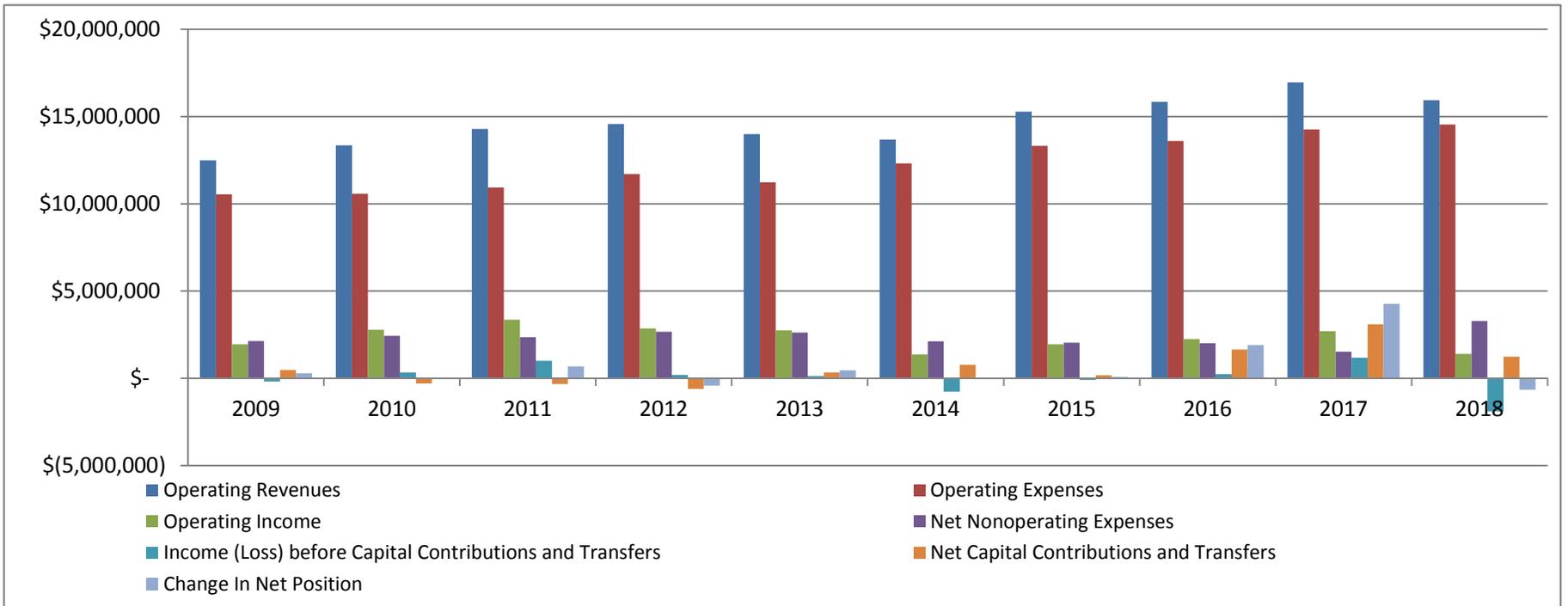


**Fayette County Water System  
Changes in Net Position  
Last Ten Fiscal Years**

	For the Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Operating Revenues:</b>										
Water Sales	\$ 12,163,599	\$ 12,999,361	\$ 13,840,504	\$ 14,018,626	\$ 13,340,217	\$ 13,035,194	\$ 13,744,778	\$ 14,161,581	\$ 15,197,389	\$ 14,139,742
Penalties	117,358	133,420	151,792	244,060	232,073	231,014	231,636	225,751	239,415	246,403
Other Service Charges and Fees	210,350	211,473	296,771	308,180	417,599	409,088	1,295,323	1,459,658	1,525,938	1,545,701
<b>Total Operating Revenues</b>	<b>\$ 12,491,307</b>	<b>\$ 13,344,254</b>	<b>\$ 14,289,067</b>	<b>\$ 14,570,866</b>	<b>\$ 13,989,889</b>	<b>\$ 13,675,296</b>	<b>\$ 15,271,737</b>	<b>\$ 15,846,990</b>	<b>\$ 16,962,742</b>	<b>\$ 15,931,846</b>
<b>Operating Expenses:</b>										
Water Production Cost	\$ 3,178,617	\$ 3,170,673	\$ 3,271,187	\$ 3,488,903	\$ 3,341,944	\$ 3,428,530	\$ 4,531,130	\$ 4,556,315	\$ 4,645,936	\$ 5,540,277
Personal Services	1,806,405	1,766,810	1,746,004	1,851,230	1,613,606	1,873,658	1,528,292	1,853,921	1,873,571	1,403,147
Contractual Services	822,475	940,003	1,223,910	847,320	1,644,914	774,466	631,911	965,090	1,358,586	906,641
Other Operating Expenses	172,347	183,370	180,389	1,168,325	225,941	798,644	1,282,812	706,424	758,830	791,610
Amortization Expense	59,391	102,623	92,783	-	-	-	-	-	-	-
Bad Debt Expense	65,205	-	44,734	39,115	30,294	28,839	31,935	25,963	21,021	20,791
Depreciation Expense	4,435,950	4,408,176	4,368,612	4,316,293	4,382,984	5,409,847	5,311,187	5,489,061	5,603,404	5,875,550
<b>Total Operating Expenses</b>	<b>\$ 10,540,390</b>	<b>\$ 10,571,655</b>	<b>\$ 10,927,619</b>	<b>\$ 11,711,186</b>	<b>\$ 11,239,683</b>	<b>\$ 12,313,984</b>	<b>\$ 13,317,267</b>	<b>\$ 13,596,774</b>	<b>\$ 14,261,348</b>	<b>\$ 14,538,016</b>
<b>Operating Income</b>	<b>\$ 1,950,917</b>	<b>\$ 2,772,599</b>	<b>\$ 3,361,448</b>	<b>\$ 2,859,680</b>	<b>\$ 2,750,206</b>	<b>\$ 1,361,312</b>	<b>\$ 1,954,470</b>	<b>\$ 2,250,216</b>	<b>\$ 2,701,394</b>	<b>\$ 1,393,830</b>
<b>Nonoperating Revenues (Expenses):</b>										
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,000,000)
Interest Income	124,700	28,079	3,748	10,372	14,911	10,356	13,417	19,052	59,869	172,020
Interest Expense	(2,350,523)	(2,511,508)	(2,408,479)	(2,446,816)	(2,578,311)	(2,290,757)	(2,184,478)	(1,878,711)	(1,615,692)	(1,444,834)
Gain (Loss) on Disposal of Capital Assets	2,605	2,327	-	(188,858)	19,620	8,521	(13,027)	(1,425)	32,010	(10,058)
Miscellaneous Revenues	86,641	43,144	43,536	-	-	150,681	142,538	(145,063)	(3,950)	(4,624)
Amortization Expense	-	-	-	(39,950)	(85,663)	-	-	-	-	-
<b>Nonoperating Revenues (Expenses)</b>	<b>\$ (2,136,577)</b>	<b>\$ (2,437,958)</b>	<b>\$ (2,361,195)</b>	<b>\$ (2,665,252)</b>	<b>\$ (2,629,443)</b>	<b>\$ (2,121,199)</b>	<b>\$ (2,041,550)</b>	<b>\$ (2,006,147)</b>	<b>\$ (1,527,763)</b>	<b>\$ (3,287,496)</b>
<b>Income (Loss) Before Capital Contributions And Transfers</b>	<b>\$ (185,660)</b>	<b>\$ 334,641</b>	<b>\$ 1,000,253</b>	<b>\$ 194,428</b>	<b>\$ 120,763</b>	<b>\$ (759,887)</b>	<b>\$ (87,080)</b>	<b>\$ 244,069</b>	<b>\$ 1,173,631</b>	<b>\$ (1,893,666)</b>
<b>Capital Contributions and Transfers:</b>										
Capital Contributions	\$ 1,096,917	\$ 418,363	\$ 379,232	\$ 91,344	\$ 332,659	\$ 776,055	\$ 167,928	\$ 1,656,881	\$ 3,088,940	\$ 1,242,681
Transfers In	-	-	-	-	-	-	-	-	-	-
Transfers Out	(627,976)	(708,785)	(700,785)	(700,785)	-	-	-	-	-	-
<b>Net Capital Contributions and Transfers</b>	<b>\$ 468,941</b>	<b>\$ (290,422)</b>	<b>\$ (321,553)</b>	<b>\$ (609,441)</b>	<b>\$ 332,659</b>	<b>\$ 776,055</b>	<b>\$ 167,928</b>	<b>\$ 1,656,881</b>	<b>\$ 3,088,940</b>	<b>\$ 1,242,681</b>
<b>Changes in Net Position</b>	<b>\$ 283,281</b>	<b>\$ 44,219</b>	<b>\$ 678,700</b>	<b>\$ (415,013)</b>	<b>\$ 453,422</b>	<b>\$ 16,168</b>	<b>\$ 80,848</b>	<b>\$ 1,900,950</b>	<b>\$ 4,262,571</b>	<b>\$ (650,985)</b>

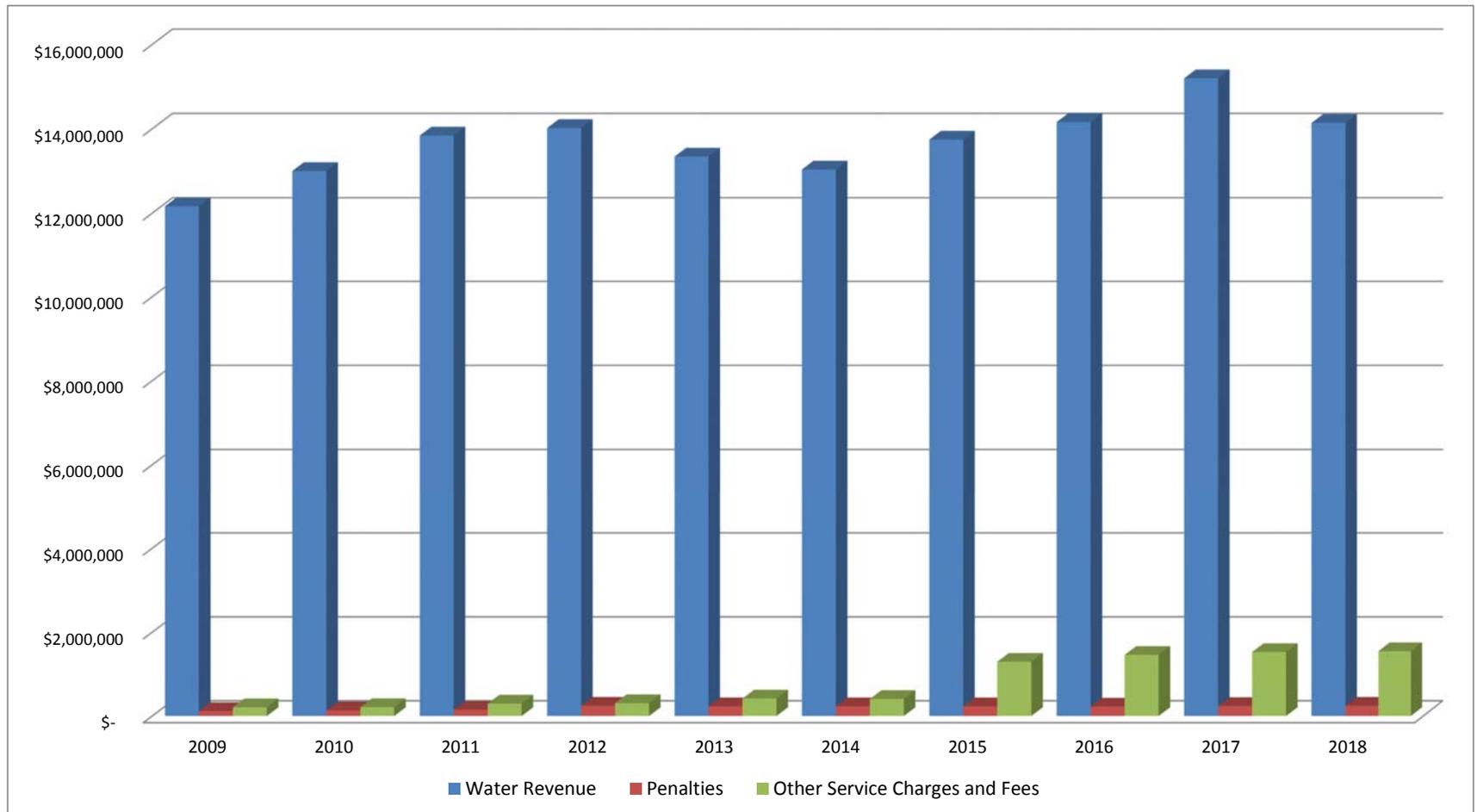
**Fayette County Water System  
Changes in Net Position  
Last Ten Fiscal Years**

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
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	244,069	1,656,881	1,900,950
2017	16,962,742	14,261,348	2,701,394	1,527,763	1,173,631	3,088,940	4,262,571
2018	15,931,846	14,538,016	1,393,830	3,287,496	(1,893,666)	1,242,681	(650,985)



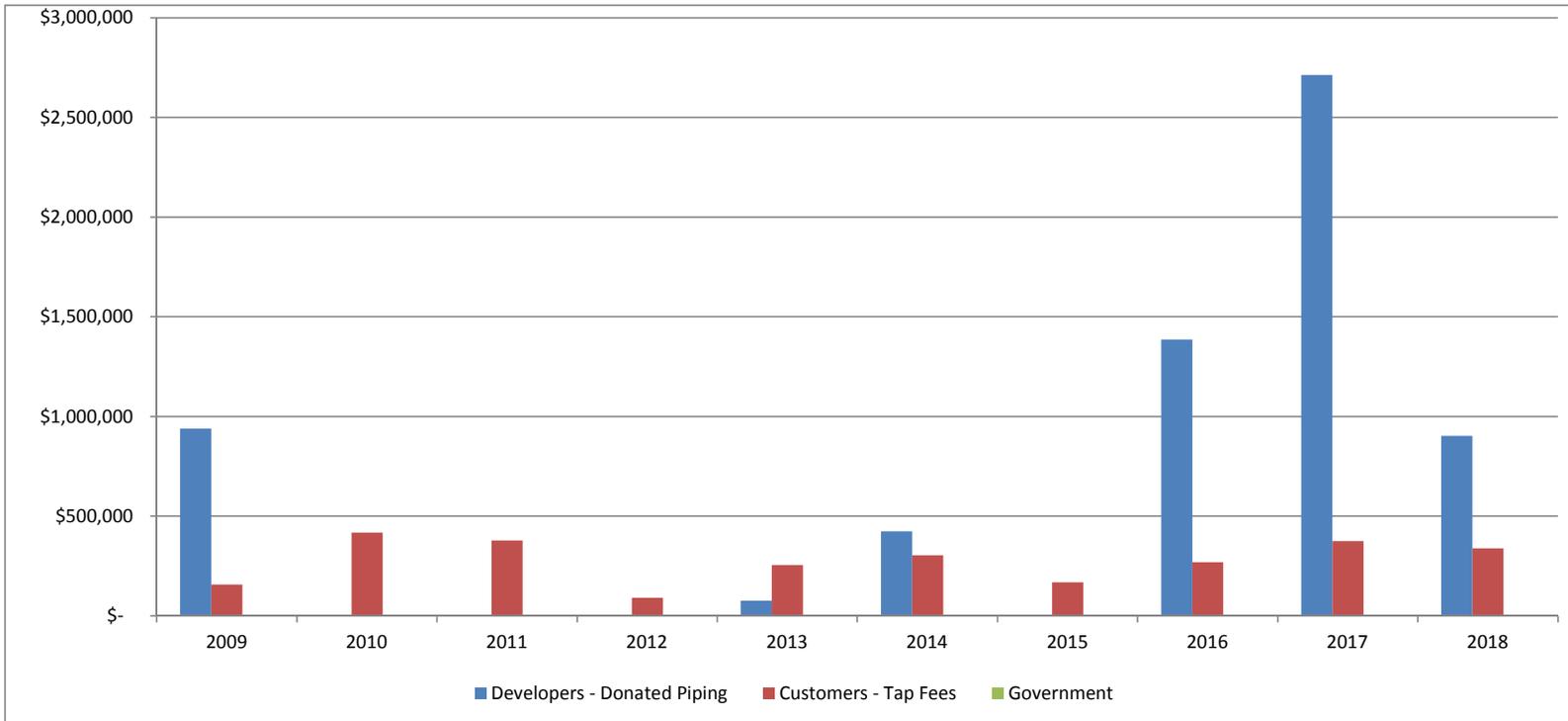
**Fayette County Water System  
Operating Revenues By Source  
Last Ten Fiscal Years**

Operating Revenues	For the Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Water Revenues	\$ 12,163,599	\$ 12,999,361	\$ 13,840,504	\$ 14,018,626	\$ 13,340,217	\$ 13,035,194	\$ 13,744,778	\$ 14,161,581	\$ 15,197,389	\$ 14,139,742
Penalties	117,358	133,420	151,792	244,060	232,073	231,014	231,636	225,751	239,415	246,403
Other Service Charges and Fees	210,350	211,473	296,771	308,180	417,599	409,088	1,295,323	1,459,658	1,525,938	1,545,701
<b>Total Operating Revenues</b>	<b>\$ 12,491,307</b>	<b>\$ 13,344,254</b>	<b>\$ 14,289,067</b>	<b>\$ 14,570,866</b>	<b>\$ 13,989,889</b>	<b>\$ 13,675,296</b>	<b>\$ 15,271,737</b>	<b>\$ 15,846,990</b>	<b>\$ 16,962,742</b>	<b>\$ 15,931,846</b>



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

	For the Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Developers	\$ 939,130	\$ -	\$ -	\$ -	\$ 76,572	\$ 424,505	\$ -	\$ 1,387,083	\$ 2,713,594	\$ 903,726
Customers	157,787	418,363	379,232	91,344	256,087	305,136	167,928	269,798	375,346	338,955
Government	-	-	-	-	-	46,414	-	-	-	-
<b>Total Capital Contributions</b>	<b>\$ 1,096,917</b>	<b>\$ 418,363</b>	<b>\$ 379,232</b>	<b>\$ 91,344</b>	<b>\$ 332,659</b>	<b>\$ 776,055</b>	<b>\$ 167,928</b>	<b>\$ 1,656,881</b>	<b>\$ 3,088,940</b>	<b>\$ 1,242,681</b>



**Fayette County Water System  
 Schedule of Monthly Minimum Charges  
 Fiscal Year Ended June 30, 2018**

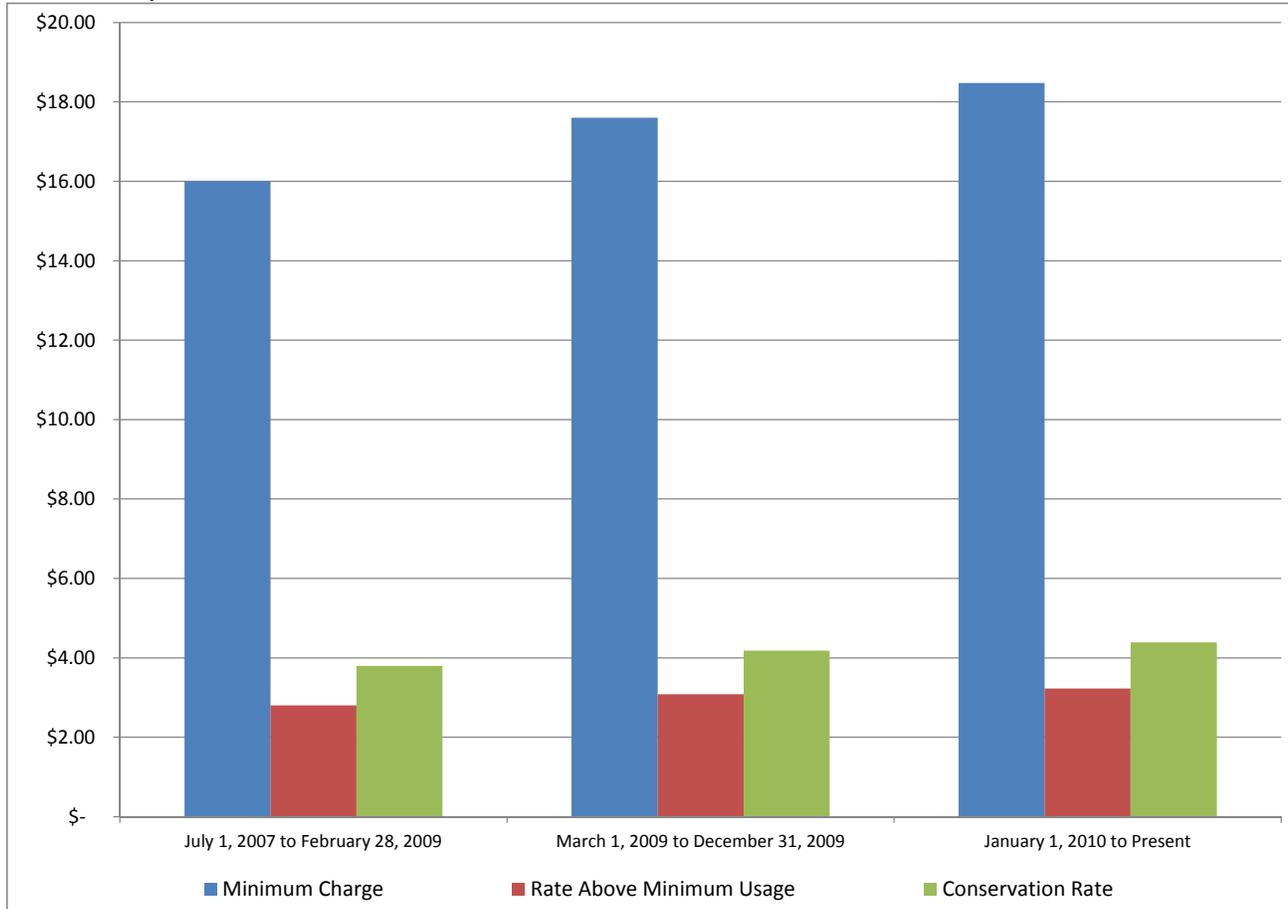
<u>Water Meter Size</u>	<u>Monthly Minimum Charges</u>	
3/4"	\$18.48	( 1 )
1"	\$18.48	
1 1/2"	\$17.33	
2"	\$23.10	
3"	\$28.88	
4"	\$34.65	
6"	\$40.43	
8"	\$46.20	

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, 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, 2018	\$18.48	\$3.23	\$4.39



**Effective January 1, 2010:**

**Conservation Rates apply to Residential and Irrigation Meters** - ¾" & 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 ½", 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.

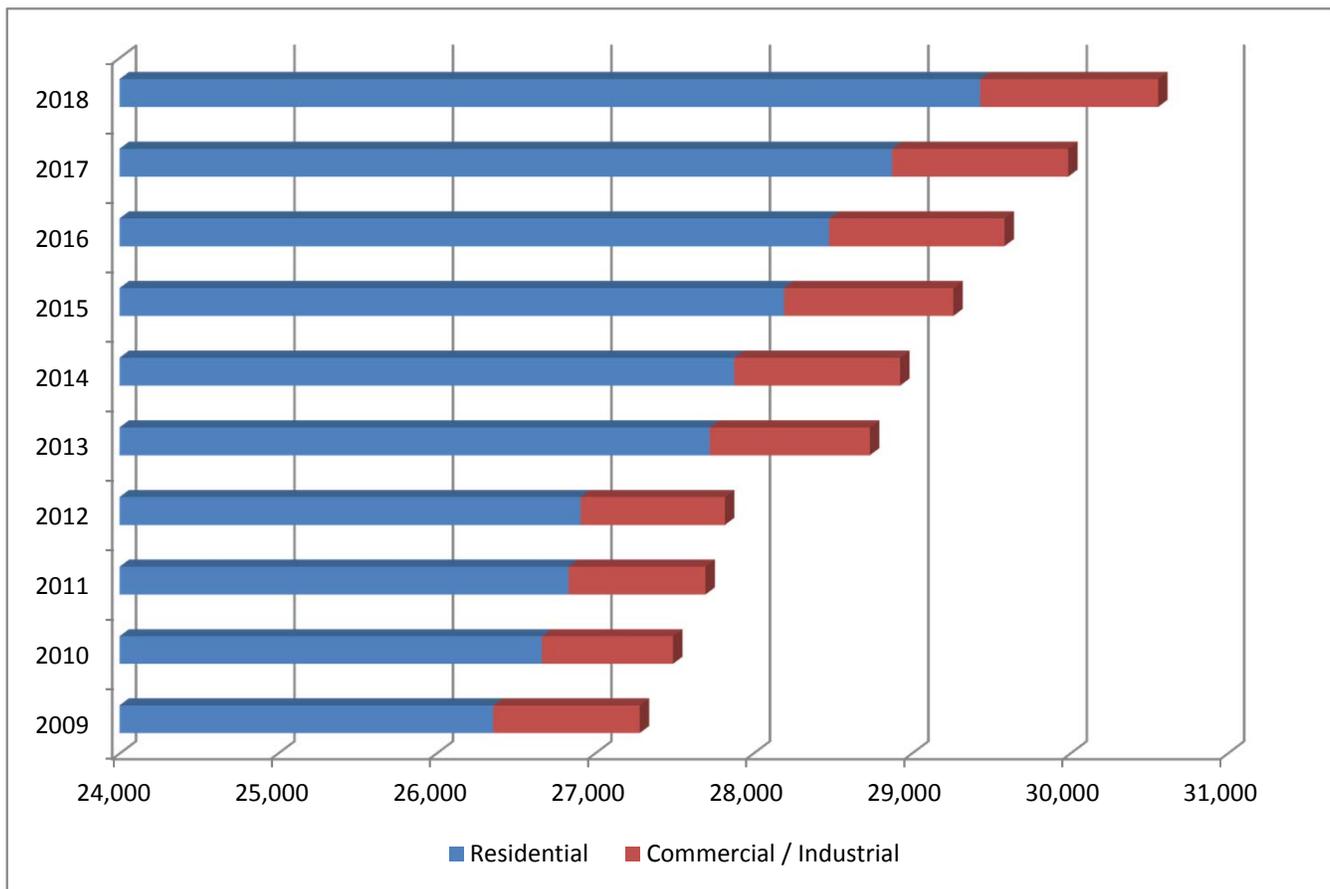
**Water Rates for businesses and commercial accounts** – Minimum bill of \$18.48 for the first 2,000 gallons; \$3.23 per 1,000 gallons thereafter for ¾" meter – larger meters have a base rate, plus \$3.23 per 1,000 gallons used.

**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
2009	26,359	925	27,284	(224)	-0.82%
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%
2017	28,876	1,112	29,988	403	1.36%
2018	29,432	1,126	30,558	570	1.90%

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

Note (2): Includes governmental customers.



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

Water Customer	Gallons Metered	Fiscal Year 2018			Fiscal Year 2009		
		Water Sales Revenue	Rank	Percent of Total Water Revenues	Water Sales Revenue	Rank	Percent of Total Water Revenues
(1) City of Fayetteville	296,559,165	\$ 966,239	1	6.87%	-		N/A
(2) Piedmont Fayette Hospital	38,526,600	124,857	2	0.89%	78,109	3	0.66%
Fayette County Board of Education	33,481,822	118,155	3	0.84%	32,900	10	0.28%
Hoshizaki America	22,976,310	74,768	4	0.53%	49,658	5	0.42%
(3) Inland Southern Mgt	16,270,820	53,425	5	0.38%	36,254	8	0.31%
(4) VR Balmoral Holding, LP	16,131,630	52,659	6	0.37%	43,244	6	0.37%
Summitt Properties	13,905,310	47,494	7	0.34%	-		N/A
KRC Property Management	13,079,980	35,721	8	0.25%	-		N/A
Fayette County BOC	12,927,130	43,541	9	0.31%	-		N/A
Bo Trammell	11,798,360	42,283	10	0.30%	51,684	4	0.44%
City of Fayetteville (Hwy 54)	-	-		N/A	235,223	1	1.99%
City of Fayetteville (Hwy 92)	-	-		N/A	89,962	2	0.76%
City of Fayetteville (Callaway Road)	-	-		N/A	35,741	9	0.30%
THI III Pt Lessee LLC	-	-		N/A	42,663	7	0.36%
Sub-Total (Ten Largest Customers)	<u>475,657,127</u>	<u>\$ 1,559,141</u>		<u>11.09%</u>	<u>\$ 695,438</u>		<u>5.90%</u>
Other Customers		<u>12,497,343</u>		<u>88.91%</u>	<u>11,100,252</u>		<u>94.10%</u>
Total Water Sales Revenue		<u>\$ 14,056,484</u>		<u>100.00%</u>	<u>\$ 11,795,690</u>		<u>100.00%</u>

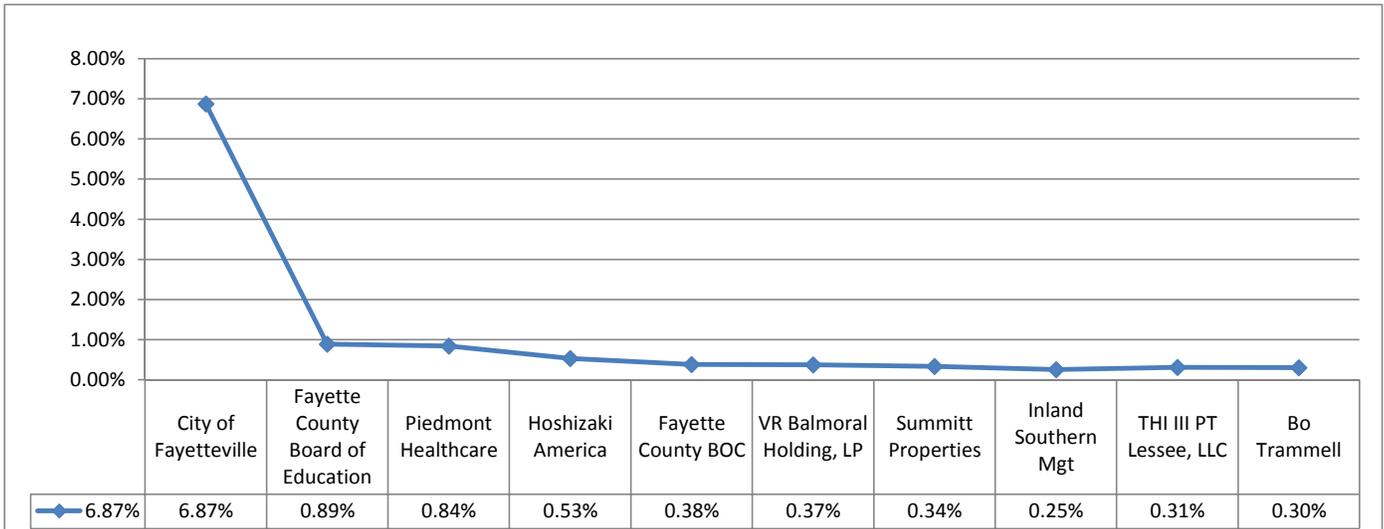
Source: Fayette County Water System

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

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

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

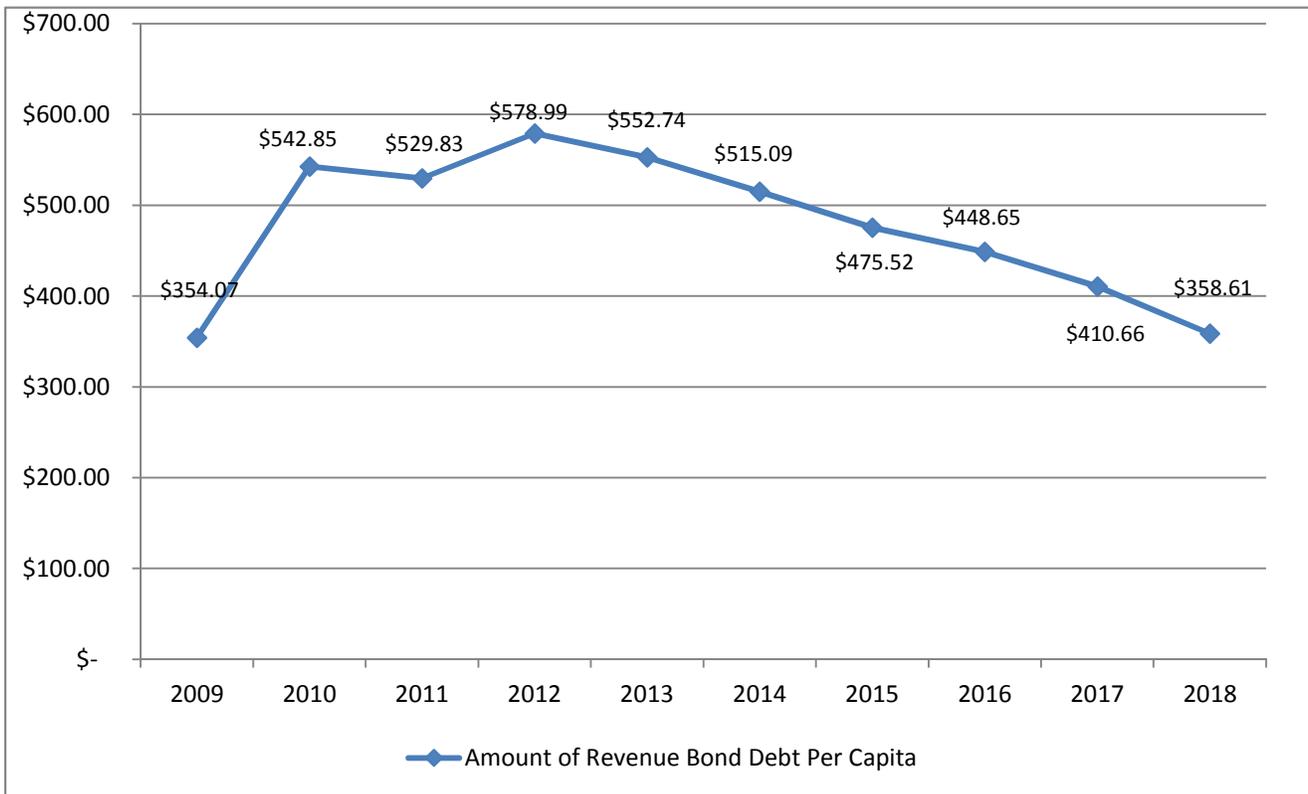
Note (4): VR Balmoral Holding, LP formerly Balmoral Group



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

Fiscal Year	Revenue Bonds Outstanding	Amount of Bond Debt Per Capita (1)	Debt As A Percentage of Personal Income (1)
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%
2017	45,840,998	410.66	0.72%
2018	41,670,644	358.61	0.61%

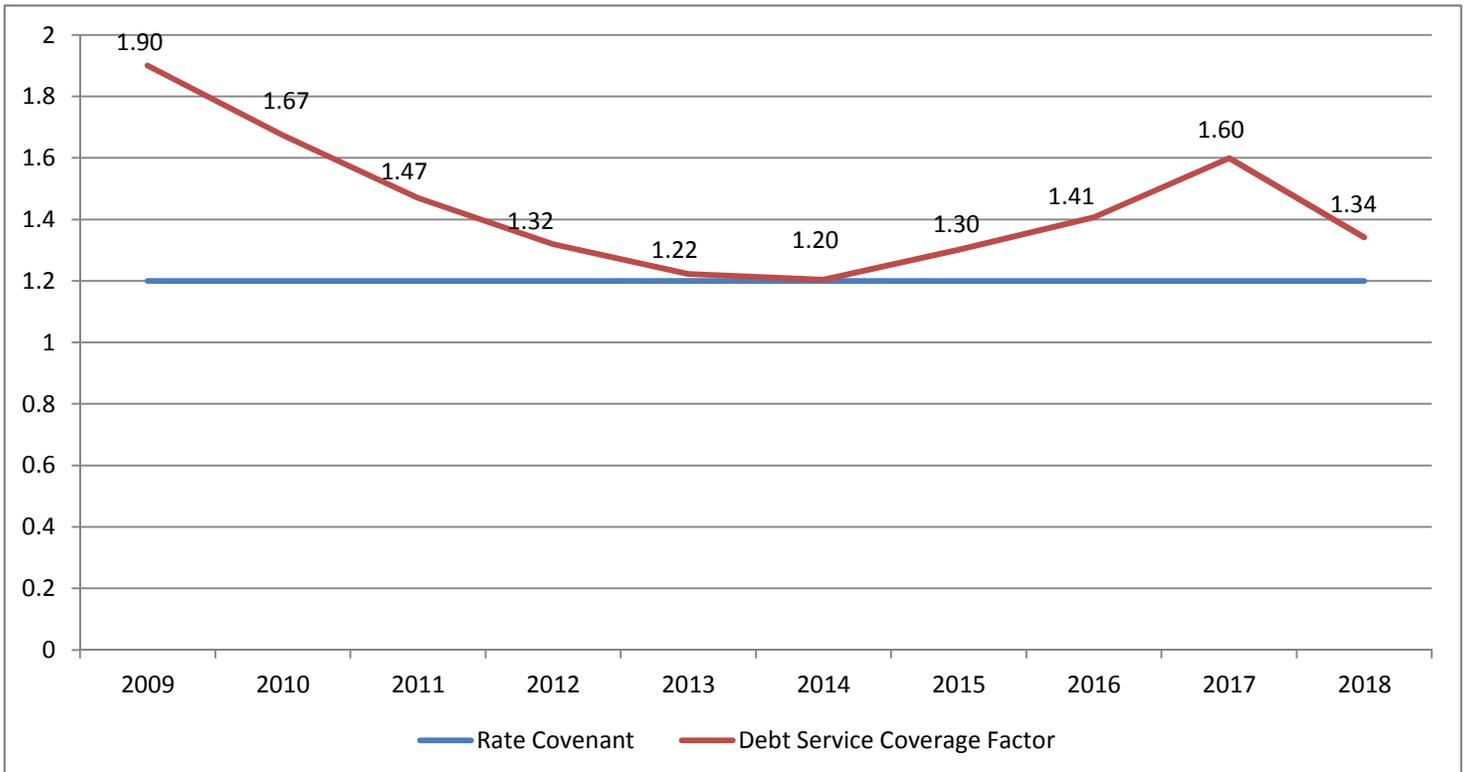
(1) Source: The Bureau of Economic Analysis, U.S. Department of Commerce  
 Note: The issuance of \$36,340,000 in Series 2009 bonds significantly increased the per capita metric for FY 2010.



**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
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	6,856,699	7,133,190	5,833,311	1.22
2014	13,675,296	6,904,137	6,771,159	5,622,275	1.20
2015	15,271,737	8,006,080	7,265,657	5,583,888	1.30
2016	15,846,990	8,107,713	7,739,277	5,499,625	1.41
2017	16,962,742	8,657,944	8,304,798	5,194,642	1.60
2018	15,931,846	8,662,466	7,269,380	5,416,994	1.34

- Note ( 1 ): "Gross Revenues" amount represents Operating Revenues for the Water System which excludes interest income on Construction Accounts and tap fees.
- Note ( 2 ): "Reasonable and Necessary Operating Costs" represents the Operating Expenses of the Water System less the non-cash items of depreciation and amortization expense.
- Note ( 3 ): Represents income before depreciation, and nonoperating revenues and expenses.



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

Fiscal Year	(1) County-Wide Population	(2) (amounts in thousand \$) Personal Income	(2) Per Capita Personal Income	(3) Median Age	(4) Public School Enrollment	(5) Unemployment Rate
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%
2017	111,627	6,335,845	56,759	43	20,238	4.9%
2018	116,200	6,785,085	60,286	43	20,104	3.5%

(1) Source: Atlanta Regional Commission

(2) Source: The Bureau of Economic Analysis

(3) Source: United States Census

(4) Source: Fayette County Board of Education

(5) Source: Georgia Department of Labor

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

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

Private Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Piedmont Fayette Hospital	1,700	1	3.10%	930	2	1.77%
Panasonic Automotive Systems Co.	1,000	2	1.82%	1,200	1	2.28%
Eaton Lighting Solutions	700	3	1.28%	-		
WalMart Supercenter	427	4	0.78%	-		
Hoshizaki America Inc.	400	5	0.73%	425	5	0.81%
WalMart	400	6	0.73%	-		
Ply Gem Industries Inc/Windows Division	250	7	0.46%	-		
Concordia Nursing & Rehab Center	210	8	0.38%	-		
Gerresheimer Peachtree City LP	208	9	0.38%	-		
Publix	200	10	0.36%	-		
Cooper Lighting				650	3	1.23%
NCR				550	4	1.04%
World Airways				275	6	0.52%
TDK Components				210	7	0.40%
APAC - Georgia				200	8	0.38%
FAA Tracon				190	9	0.36%
Alenco, Inc				181	10	0.34%
<b>Total</b>	<b>5,495</b>		<b>10.01%</b>	<b>4,811</b>		<b>9.13%</b>

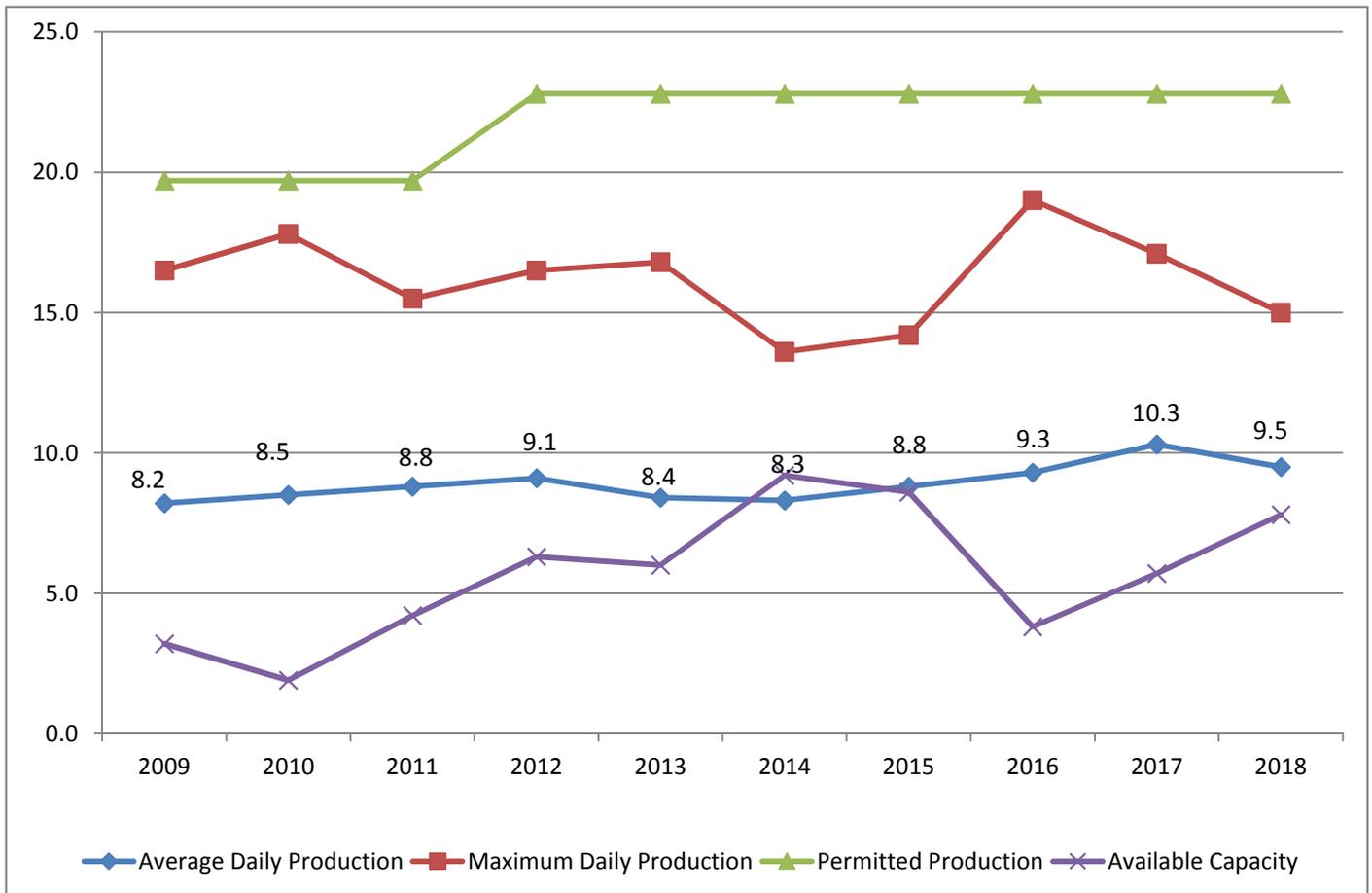
Source: Fayette County Development Authority

**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		
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
2017	10.3	17.1	22.8	5.7
2018	9.5	15.0	22.8	7.8

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

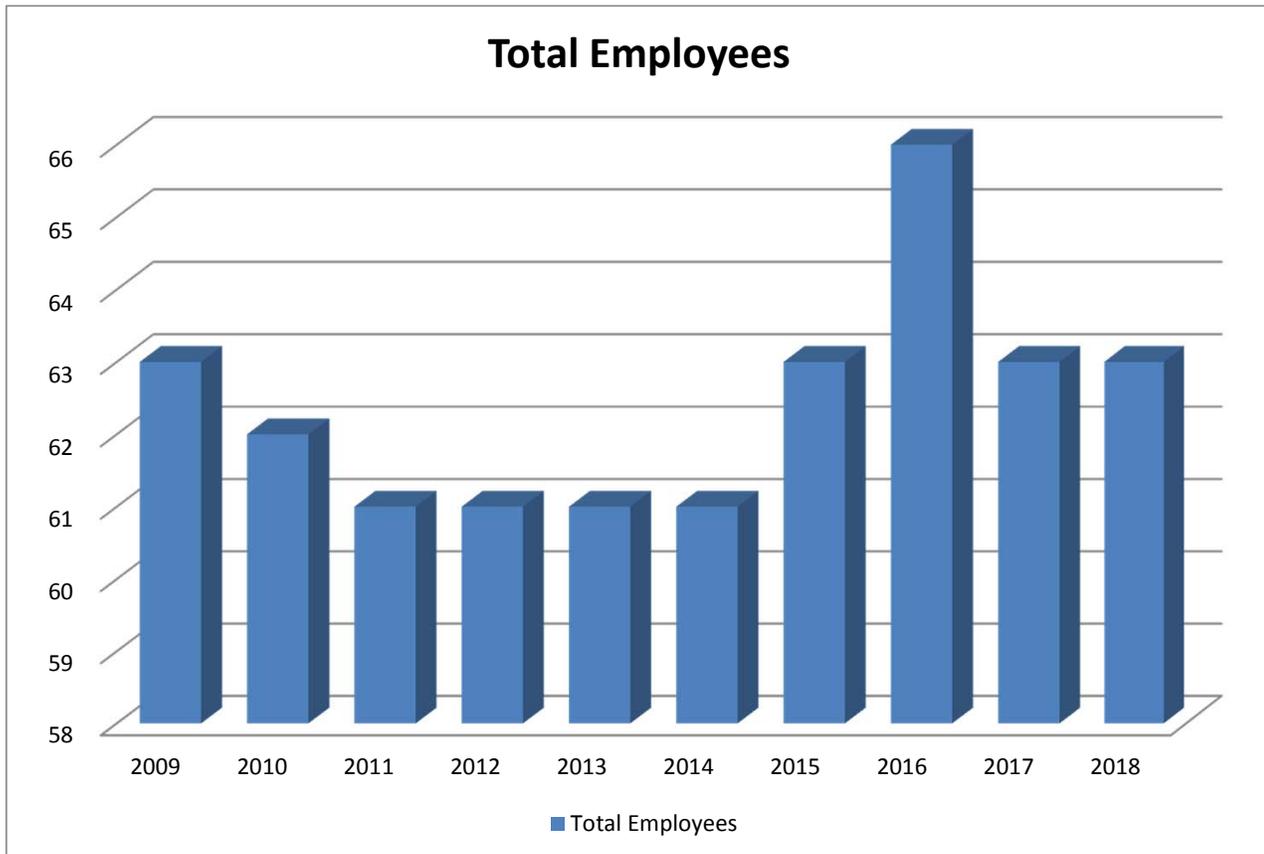
Note 2: Information is presented in Million Gallons Per Day (MGD) units.



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

	For the Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Water System Operations:</b>										
Water Plant Operators	29	28	27	28	28	28	25	25	24	24
Distribution	10	10	10	8	8	8	8	10	7	8
Utility Services	-	-	-	-	-	-	-	-	9	9
Total Water	<u>39</u>	<u>38</u>	<u>37</u>	<u>36</u>	<u>36</u>	<u>36</u>	<u>33</u>	<u>35</u>	<u>40</u>	<u>41</u>
<b>Administration:</b>										
Director, Customer Service, Billing	19	19	19	21	22	21	23	24	19	18
Meter Readers	5	5	5	4	3	3	3	3	-	-
Marshals	-	-	-	-	-	1	4	4	4	4
Total Administration	<u>24</u>	<u>24</u>	<u>24</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>30</u>	<u>31</u>	<u>23</u>	<u>22</u>
Total Water System Employees	<u><u>63</u></u>	<u><u>62</u></u>	<u><u>61</u></u>	<u><u>61</u></u>	<u><u>61</u></u>	<u><u>61</u></u>	<u><u>63</u></u>	<u><u>66</u></u>	<u><u>63</u></u>	<u><u>63</u></u>

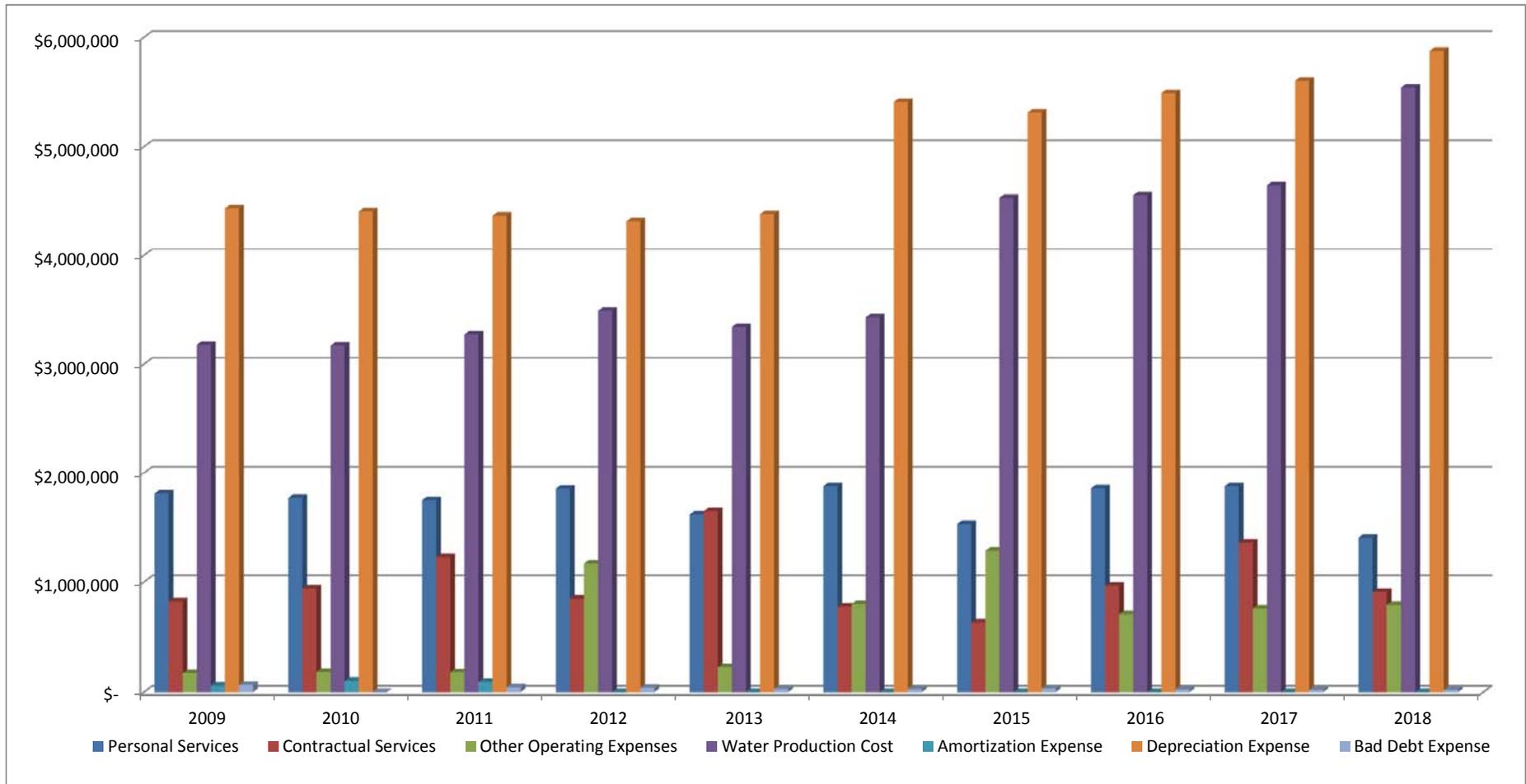
Source: Fayette County Human Resources Department



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

For the Fiscal Year Ended June 30,

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Water Production Cost	\$ 3,178,617	\$ 3,170,673	\$ 3,271,187	\$ 3,488,903	\$ 3,341,944	\$ 3,428,530	\$ 4,531,130	\$ 4,556,315	\$ 4,645,936	\$ 5,540,277
Personal Services	1,806,405	1,766,810	1,746,004	1,851,230	1,613,606	1,873,658	1,528,292	1,853,921	1,873,571	1,403,147
Contractual Services	822,475	940,003	1,223,910	847,320	1,644,914	774,466	631,911	965,090	1,358,586	906,641
Other Operating Expenses	172,347	183,370	180,389	1,168,325	225,941	798,644	1,282,812	706,424	758,830	791,610
Amortization Expense	59,391	102,623	92,783	-	-	-	-	-	-	-
Bad Debt Expense	65,205	-	44,734	39,115	30,294	28,839	31,935	25,963	21,021	20,791
Depreciation Expense	4,435,950	4,408,176	4,368,612	4,316,293	4,382,984	5,409,847	5,311,187	5,489,061	5,603,404	5,875,550
<b>Total Operating Expenses</b>	<b>\$ 10,540,390</b>	<b>\$ 10,571,655</b>	<b>\$ 10,927,619</b>	<b>\$ 11,711,186</b>	<b>\$ 11,239,683</b>	<b>\$ 12,313,984</b>	<b>\$ 13,317,267</b>	<b>\$ 13,596,774</b>	<b>\$ 14,261,348</b>	<b>\$ 14,538,016</b>



**Fayette County, Georgia**  
**Schedule of Insurance Coverages**  
**June 30, 2018**

<u>Property Coverages</u>	<u>Amount In Force</u>
Property (1)	\$ 172,010,781
Other Equipment	15,403,976
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**

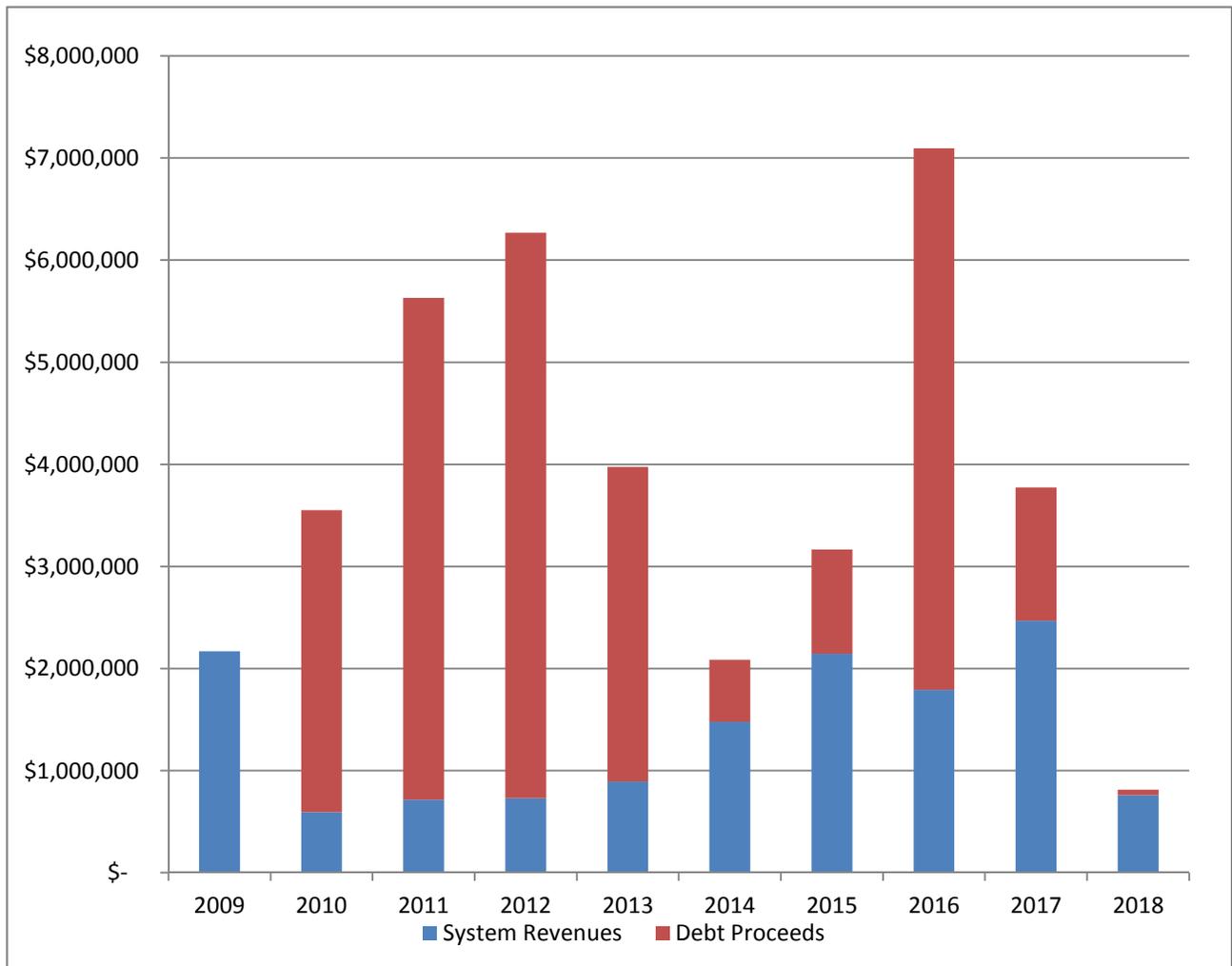
The County requires payment and performance surety bonds and builders' risk insurance of all contractors and subcontractors involved in construction activities. Surety bonds have to be issued by surety firms listed on the U.S. Treasury approved list and builders' risk insurance has to be in the amount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

Fiscal Year	Total Costs of Capital Improvements	Funding Sources	
		System Revenues	Debt Proceeds And Interest Income
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
2017	3,774,713	2,467,116	1,307,597
2018	812,120	759,026	53,095



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

Indicator:	For the Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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)	614	615	618	618	619	620	623	629	638	642
Water Customers	27,284	27,493	27,698	27,821	28,736	28,927	29,263	29,585	29,988	30,558
Average Water Production (Million Gallons per Day)	8.2	8.5	8.8	9.1	8.4	8.3	8.8	9.3	10.3	9.5
Maximum Water Production (Million Gallons per Day)	16.5	17.8	15.5	16.5	16.8	13.6	14.2	19.0	17.1	15.0
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	9.3	9.3	9.3	9.3	9.3	9.3	9.3