



FAYETTE COUNTY WATER SYSTEM

**AN ENTERPRISE FUND OF
FAYETTE COUNTY, GEORGIA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2024**

**Prepared by:
Fayette County Finance Department**

**FAYETTE COUNTY WATER SYSTEM
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024**

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INTRODUCTORY SECTION

(Unaudited)

The introductory section includes a transmittal letter from the County Manager and Chief Financial Officer of the County, the Certificate of Achievement for Excellence in Financial Reporting, a list of principal officers, the System's organization chart and a map of the County.



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Fayetteville, GA 30214
770-461-1146
www.fayettecountyga.gov/water

December 20, 2024

Honorable Lee Hearn Chairman,
Members of the Board of Commissioners,
and the Citizens of Fayette County, Georgia

The Annual Comprehensive Financial Report (ACFR) of the Fayette County Water System, an Enterprise Fund of Fayette County, Georgia for the fiscal year ended June 30, 2024, 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 ACFR, 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 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 the Fayette County, Georgia Water System. All disclosures necessary to enable the reader to gain an understanding of the Fayette County Water System 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, 2024, 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, 2024, 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 16 and 18.

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 25.

OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

The Annual Comprehensive Financial Report (ACFR) 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; Supplementary Information, 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 33,093 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 agreement, the County operates the system owned by the Town of Brooks. The Water System Director is responsible for the day-to-day operations of the System.

GOVERNMENT STRUCTURE

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

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

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

A Water Committee, composed of seven members, meet monthly, to consider matters relevant to the System's operations. Membership includes: three citizens appointed by the Board of Commissioners, the County Administrator, the Environmental Management Director, Fire Chief, and the Water System Director. The Water System's consulting engineer and county attorney are non-voting members. This Committee recommends projects and actions to the Board of Commissioners. The Water Committee is not authorized to implement policy or authorize expenditures.

WATER SYSTEM FACILITIES

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

In terms of supply, the Water System obtains all its raw water from surface water sources. During the fiscal year ended June 30, 2024, the System has five primary sources of raw water, all located in the County. Two reservoirs, Lake Kedron and Lake Peachtree, are located on Flat Creek. Another reservoir, Lake McIntosh, is located on Line Creek. In addition, the System is permitted to pump from the Flint River to Lake Horton. The following chart summarizes surface water sources, reservoir storage capacities and permitted withdrawal rates.

Water Sources

Source	Location	Local Jurisdiction	Lake Acreage	Withdrawal Permit (MGD)	Storage (Gallons)	Water Treatment Plant
Flat Creek	Lake Peachtree	Peachtree City	250	4.5*	0.5 Billion	Crosstown
Flat Creek	Lake Kedron	Peachtree City	235		1.9 Billion	Flows to Lake Peachtree
Woolsey and Horton Creeks	Lake Horton	Unincorporated	780	14.0**	3.4 Billion	South Fayette/Crosstown
Line Creek	Lake McIntosh	Peachtree City	650	10.4	2.3 Billion	Crosstown
City of Atlanta	Finished Water		-	4.0***	-	-
Total			1,915	32.9	8.1 Billion	-

* Withdrawal is permitted if mean water level is maintained.

** 16.0 MGD withdrawal is permitted to be pumped from Flint River to Lake Horton when flow exceeds 30 cubic feet per second.

*** Use is based on emergency needs.

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, 2024, an average of 20,491 gallons per day was purchased from the City of Atlanta.

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

Water Sources

Source	Location	Local Jurisdiction	Lake Acreage	Withdrawal Permit (MGD)	Storage (Gallons)	Water Treatment Plant
Flat Creek	Lake Peachtree	Peachtree City	250	4.5*	0.5 Billion	Crosstown
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City of Atlanta	Finished Water		-	4.0***	-	-
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*** Use is based on emergency needs.

During FY2024 the treatment capacity at Crosstown Plant was 2.10 times the average production while that for South Fayette was 2.33 times the average production. A diesel generator is available to provide emergency power to the facility if needed. Construction of the Crosstown Water Treatment Plant was completed in 1986, and improvements were made in 1997 and 2015.

The South Fayette Plant includes raw water storage for approximately three days of production at maximum treatment permitted flows. This plant has a diesel generator available to provide emergency power to the facility if needed. The South Fayette Water Plant was placed into service in July 2001.

In terms of potable water storage in the distribution system, there are four elevated storage tanks that have a total storage capacity of 7 million gallons (see chart below). That storage capacity is slightly less than one day's average usage. These tanks were constructed from 1965-2004 and when added to the onsite storage at each plant give more than one day's demand of storage. These tanks are regularly maintained for structural integrity and water quality purposes. A complete hydraulic water system model is being developed in the 2024 fiscal year to identify operational improvements and to help with the installation of future storage tanks within the distribution system.

Offsite Storage Tanks

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

The distribution system includes 663 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 2024 fiscal year totaled \$1,353,328. The following tabulation shows water line footage by size, including additions for the fiscal year ended June 30, 2024. For the following table's purpose, any existing piping that is smaller than 6 in. does not carry significant water flows thus they are not reported as part of the distribution system.

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

INVENTORY OF PIPING DISTRIBUTION SYSTEM (in feet)				
Size	Beginning Balance	FY2024 Activity		Ending Balance
		Additions	Retirements	
6" DIP	795,900	-	-	795,900
8" DIP	1,574,925	7,540	-	1,582,465
8" C900 PVC	225	-	-	225
10" DIP	294,861	-	-	294,861
12" DIP	287,575	1,664	-	289,239
16" DIP	159,791	-	-	159,791
18" DIP	8,390	-	-	8,390
20" DIP	225,568	-	-	225,568
24" DIP	106,950	-	-	106,950
30" DIP	37,802	-	-	37,802
Totals	3,491,987	9,204	-	3,501,191

Beginning Miles
661.36

Ending Miles
663.10

*Includes developer and non-developer waterlines

ECONOMIC CONDITIONS

Environmental Scan The local economic conditions and operating environment for Fayette County, Georgia are often directly or indirectly impacted by not only what is occurring in the United States but also globally. Thus, performing a scan of economic environments, both nationally and internationally, can be helpful in establishing the proper perspective for economic analysis on the local level. Some of the more important economic metrics regarding financial activity in calendar year 2024 are highlighted in the following bullet points:

- Real gross domestic product (GDP) increased 3.0 percent in the second quarter of 2024;
- Disposable personal income increased \$50.4 billion (0.2 percent) in June 2024;
- Residential housing starts for 2023 were 1.41 million, a 9% decline from the 1.55 million total from 2022.
- U.S. International Trade Balance deficit increased by 69.6 billion, or 11.8 percent, from the same period in 2023.

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 published by the U.S. Bureau of Labor Statistics indicate that there were 59,517 Fayette County residents that were employed as of June 2024. Many residents commuted outside the County for employment. The two most frequent destinations for Fayette County's work force are Fulton and Clayton Counties. This is no real surprise given that the airport is located mainly in Clayton County and the Central Business District (i.e., Downtown Atlanta) is located in Fulton County.

Statistics from the Georgia Department of Labor indicate that as of the 1st Quarter 2024 there were 4,868 industries located in Fayette County that produced 48,646 jobs. Of that total, 542 industries were labeled as "Goods-Producing" and accounted for 8,639 jobs, or 17.8 percent of the total. By far, the largest component was the "Service-Providing" industries. That segment totaled 3,657 firms and represented 34,244 jobs or 70.4 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 enjoy relative economic stability as we emerge from the COVID-19 crisis. 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 have contributed to economic recovery in the region. The COVID-19 crisis has undoubtedly impacted not only the local economy but the global economy as a whole. However, one of the obvious effects of the pandemic, unemployment, has declined significantly over the past two years and has remained in a stable condition.

The near-term economic forecast remains strong. As businesses slowly return to normal operations, we are beginning to see a rise in the economy. The rate of growth is expected to be slow and has been impacted by supply chain issues. Prices continue to rise due to high inflation.

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. With property values rising and average new construction in the county, there was a slight increase in the 2024 tax digest of 1.7 percent. Fayette County's unemployment rate is slightly higher than the state average. For June 2024, the rate for Fayette County was 3.6 percent, compared to the state and national average of 3.3 percent and 4.1 percent, respectively.

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

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

- The Federal Open Market Committee projects the U.S. unemployment rate will average a healthy 4.4% in 2025;
- The Fed projects U.S. GDP growth of 2.0% next year;
- Inflation is trending steadily lower but will likely remain above 2% in 2025.

MAJOR INITIATIVES/ACCOMPLISHMENTS

Fayette County Water System (FCWS) continued to implement its mission of delivering clean, safe drinking water to customers in Fayette County while providing excellent customer service and protection of the environment.

FCWS maintains the multi-year process of moving to a "smart" meter reading system, Advanced Metering Infrastructure (AMI). This project remedies end-of-life meter inaccuracies, lost revenue due to undetected leaks, non-revenue water loss and operational inefficiencies. In early FY22, FCWS awarded Badger Meter \$12,712,905 to replace and install 31,517 residential and non-residential meters. The Fayette County Board of Commissioners allocated \$9.2 million from the American Rescue Plan Act funds for this project, making it one of the largest capital improvement projects in Fayette County's recent history. At the end of FY24, 41 percent of meters were installed. The project is expected to be completed in FY26 2nd quarter.

Business Operations continues to institute changes stemming from advanced meter replacement. Real-time water usage is available to customers, allowing leak identification instantaneously by the customer. In parallel, Finance and Accounting Operations are diligently monitoring new revenue generated by the smart metering technology. Together, these efforts are driving greater effectiveness, accountability, and customer satisfaction across the organization. Trilith Studios, a film and residential community, partnered with FCWS to construct an iconic working "witches tower" water storage tank. Construction of the tower is complete, and construction of the pump station is expected to be completed in FY26.

The FCWS is in its second year of utilizing an electronic plan review process that includes plan submittal, review, and inspection tracking through a cloud-based plan review application software. This software establishes consistent submittal processes across all County jurisdictions and streamlines review and acceptance procedures for both staff and developers. Staff performed 24 development plan reviews and issued 64 water availability letters totaling \$42,250 in new revenue.

The FCWS began a "Smart Water Initiative" with a plan to install 10 hydrants each year until a network of hydrants are strategically located through the service area. Changes to development requirements in FY23 allowed additional hydrants to be installed in new residential and non-residential developments. The "smart" hydrants report pressures and temperatures on a continuous basis via the cloud. Field and Plant Operations staff receive real-time notifications and utilize the data to diagnose pressure fluctuations in the system and adjust pump usage and rates at the water plants. This data helps calibrate the hydraulic water model used to plan for future needs and enhanced water quality within the water system.

The SCADA multi-phase capital improvement project continued in FY24. The SCADA system is utilized to operate and monitor treatment plant processes, distribution system pressures, and tank levels. The VT SCADA upgrade (phase 1) to both treatment plants brings our system up to date with new software allowing for more flexibility in data management and system security.

The Pump Refurbishment Program continues throughout the system. At Lake Horton's pump house, raw water pump No. 3 was completely overhauled and reinstalled. Crosstown Water Treatment Plant underwent multiple upgrades during FY24. High service pump and motor assembly No. 2 was completely refurbished and installed ensuring redundancy for continuous water distribution.

Source water quality from Lake Peachtree has been the focus of increased data gathering activities. Staff participated in a workshop (with Arcadis subject matter experts) to increase understanding of the Kedron and Peachtree Lake reservoirs through strategic sampling and planning for optimal reservoir usage. Monitoring of Lake Peachtree for water quality and current conditions via satellite scanning and in situ data collection paired with AI is building a predictive tool for anticipating algae blooms.

The Water System continues to comply with American Water Infrastructure Act, the Safe Drinking Water Act (SDWA), Surface Water Withdrawal and Safe Dams permit requirements. Biennial inspections of Lakes Kedron, Horton, and McIntosh were performed by the Engineer of Record. Tracking changes in ground water levels at the dams is a best management requirement for dam safety. Three new piezometers were installed in Lake Kedron Dam for accurate monitoring. Power outages can happen due to inclement weather conditions. South Fayette WTP has a backup generator to allow for continued operation during such events. During FY24, the startup procedure for this backup generator was refined for maximizing safety and efficiency during emergencies.

The Unregulated Contaminant Monitoring occurs every five years. Lab staff conducted the quarterly sampling required for the study. Continued compliance with the SDWA includes collection and analysis of 1,152 BT Samples. Other requirements for regulatory compliance included collection of 36 THM-HAA samples, 96 chlorite samples, and 12 fluoride samples. Sample collection and analysis of 48 TOC samples and 64 water quality parameters resulted in 3,660 data results produced in-house to demonstrate compliance with SDWA regulations.

The Water System continues its commitment to the Fayette County community through public outreach. The Water System hosted its first-ever Media Day, welcoming local reporters and municipal leaders to the Crosstown Water Treatment Plant. The event highlighted our dedication to being a trusted partner in the community by showing our operational excellence and responsible water resource management through ongoing improvement projects. Attendees toured the facility and participated in a question-and-answer session with Water System leadership.

FCWS is one of several County departments that make up the Public Works Club as part of the ongoing effort to attract new professionals to work in county government. The club's goal is to provide a visual to students on what a career within county government offers. The County teams with Horizon Academy that serves students who thrive in nontraditional learning environments. The Public Works Club allows employees to make engaging and interactive presentations to students regarding different career opportunities. Water System staff presented four one-hour classes: What is Customer Service, Water Distribution System, Water Quality Sampling and Plant Operations.

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 \$818,631 on all investments for the fiscal year ended June 30, 2024.

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, 2024, 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 annual comprehensive financial report for the fiscal year ended June 30, 2023. 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. The Fayette County Water System has received this award for the past fifteen years.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive 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

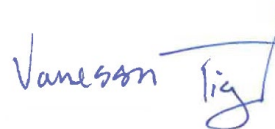
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the County Finance Department and the staff of Water System. Our sincere appreciation is extended to everyone for the contributions made in the preparation of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

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

Respectfully submitted,



Steven A. Rapson
County Administrator



Vanessa Tigert
Water System Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Fayette County Water System
Georgia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

**FAYETTE COUNTY WATER SYSTEM
LIST OF PRINCIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2024**

Elected County Officers

Board of Commissioners:

District 1	Eric K. Maxwell
District 2, Chairman	Lee Hearn
District 3, Vice Chairman	Edward Gibbons, Jr.
District 4	Charles D. Rousseau
District 5-At-Large	Charles W. Oddo
Clerk of Courts	Sheila Studdard
Probate Court Judge	Angela Langaard
Sheriff	Barry Babb
Tax Commissioner	Kristie King
Superior Court Chief Judge	W. Fletcher Sams

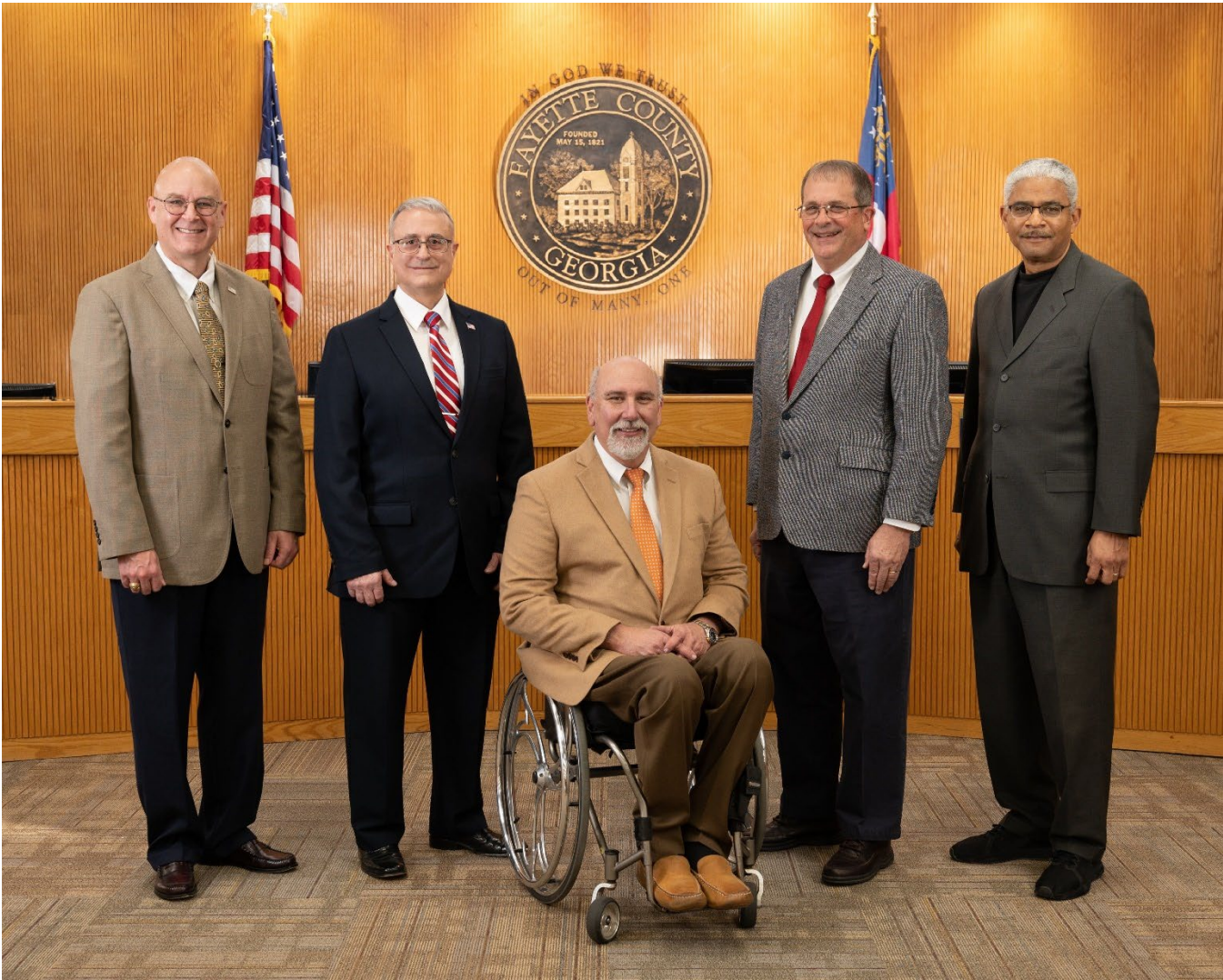
Principal Officials

County Administrator	Steven A. Rapson, CPA
County Attorney	Dennis A. Davenport
Chief Financial Officer	Sheryl L. Weinmann
County Purchasing Agent	Ted Burgess
County Clerk	Tameca P. Smith
Planning and Zoning	Deborah Bell
911 Communications Center	Katy Vogt
Emergency Management	Captain Brian Davis
Fire and Emergency Medical Services	Chief Jeffrey Hill
Human Resources	Lewis Patterson
Chief Information Officer	Phillip Frieder
Library	Michelle Copeland-Bennett
Parks and Recreation	Anita Godbee
Public Works	Phil Mallon
Tax Assessor	Lee Ann Bartlett
Water System Director	Vanessa Tigert

Special Services Providers

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

**FAYETTE COUNTY WATER SYSTEM
BOARD OF COMMISSIONERS
FOR THE YEAR ENDED JUNE 30, 2024**



left to right: Edward Gibbons, Jr., Charles W. Oddo, Eric K. Maxwell, Lee Hearn, 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 WATER SYSTEM
MAP OF METROPOLITAN ATLANTA AREA
FOR THE YEAR ENDED JUNE 30, 2024





FINANCIAL SECTION

The financial section includes the independent auditor’s report on the financial statement audit, the Management’s Discussion and Analysis (MD&A), which provides a narrative introduction, overview and analysis of the financial statements, and the basic financial statements including notes, required supplementary information and supplementary information.



Independent Auditor's Report

Fayette County Board of Commissioners
Fayette County, Georgia
Fayetteville, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Fayette County Water System (the "Water System"), an enterprise fund of Fayette County, Georgia (the "County"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Water System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Water System, as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The

risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Water System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water System and do not purport to, and do not, present fairly the financial position of the County, as of June 30, 2024, 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.

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 25), The Schedule of Proportionate Share of the Net Pension Liability (Asset) (on page 52), the Schedule of Contributions – Pension Plan (on page 53), the Schedule of Proportionate Share of the Total OPEB Liability (on page 54) and the Schedule of Contributions – OPEB Plan (on page 55) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Water System's basic financial statements. The schedules of individual accounts are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of individual accounts are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Report

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024 on our consideration of the Water 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Water System's internal control over financial reporting and compliance.

Richards, Cauley + Associates, LLC

Dublin, Georgia
December 20, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Management's Discussion and Analysis (MD&A) is a narrative introduction, overview and analysis of the basic financial statements prepared by the Finance Director.

**FAYETTE COUNTY WATER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2024**

As management of Fayette County Water System (the "Water System"), we offer the readers of the Water System's financial statements this narrative overview and analysis of the financial activities of the Water System for the fiscal year ended June 30, 2023. We encourage the readers to consider the information provided here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2-9 of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the System exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$101,934,637 (net position).
- The Water System's total net position increased by \$3,795,890 primarily due to an increase in water sales of \$777K and an increase in interest income of \$369K. There was also an increase in capital contributions of \$1.3M.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 to the Financial Statements* that are considered essential to a full understanding of the data that is presented on the face of the Financial Statements. The primary purpose of the Notes is to provide additional discussion, enhanced disclosure and tabular presentation of data to further explain information in the Financial Statements, and to provide more detailed data. The Notes to the Financial Statements can be found on pages 33 through 50 of this report.

The information contained on the "*Statement of Net Position*" represents all of the Water System's Assets and *Deferred Outflows of Resources* and *Liabilities* and *Deferred Inflows of Resources* and provides information about the nature and amounts of investments in resources (assets) and obligation to the Water 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 Water System, and assessing the liquidity and financial flexibility of the Water System.

On this first financial statement, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources 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*.

**FAYETTE COUNTY WATER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2024**

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 Water 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 Water 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 Water System's progress in funding its obligations to provide pension and other postemployment benefits to its employees. Required Supplementary Information can be found on pages 52 through 55 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 58 through 65 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.

(This page is continued on the subsequent page)

**FAYETTE COUNTY WATER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2024**

Financial Analysis of the Water System

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County's Water System, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$101,934,637 at the close of the most recent fiscal year.

Condensed Statements of Net Position

	2024	2023	Change from Prior Year	
			Amount	Percent
Assets				
Current assets				
Unrestricted assets	\$ 4,486,849	\$ 3,727,724	\$ 759,125	20.36%
Restricted assets	15,508,227	15,492,839	15,388	0.10%
Noncurrent assets				
Capital assets (net)	98,371,607	97,251,115	1,120,492	1.15%
Total assets	<u>118,366,683</u>	<u>116,471,678</u>	<u>1,895,005</u>	<u>1.63%</u>
Deferred Outflows of Resources	<u>1,824,555</u>	<u>1,677,455</u>	<u>147,100</u>	<u>8.77%</u>
Liabilities				
Current liabilities	7,513,223	6,247,486	1,265,737	20.26%
Noncurrent liabilities	10,725,688	13,736,036	(3,010,348)	-21.92%
Total liabilities	<u>18,238,911</u>	<u>19,983,522</u>	<u>(1,744,611)</u>	<u>-8.73%</u>
Deferred inflows of resources	<u>17,690</u>	<u>26,864</u>	<u>(9,174)</u>	<u>-34.15%</u>
Net Position				
Net investment in capital assets	86,888,592	82,226,814	4,661,778	5.67%
Restricted	15,508,227	15,492,839	15,388	0.10%
Unrestricted	(462,182)	419,094	(881,276)	-210.28%
Total net position	<u>\$101,934,637</u>	<u>\$ 98,138,747</u>	<u>\$ 3,795,890</u>	<u>3.87%</u>

The tabular information provides a good indication of the capital-intensive nature of operating a water utility. The \$98,371,607 Capital Assets, Net of Accumulated Depreciation, represents 83.1% of the Water System's Total Assets at June 30, 2024. In addition, it is important to consider that the funds in the Renewal and Extension Account are restricted for future capital asset purposes.

Total deferred outflows increased by \$147,100, while deferred inflows decreased by \$9,174. Total deferred outflows related to pensions increased by \$224,418, primarily due to a \$313k increase in "net difference between projected and actual earnings on pension plan investments" Deferred inflows Related to pensions decreased by \$12k. This was due to a decrease of the "difference between expected and actual experience" from the previous year.

Noncurrent liabilities decreased by \$3M, or 21.9%, due to the payments of the principal on the Water System's Revenue Bonds. Current liabilities increased by \$1.3M mainly due to an increase of \$763K in Account Payable and \$450K in Unearned Revenue at June 30, 2024.

The largest portion of the Water System's Net Position (i.e., 85.2% 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 \$15,508,227, which translates into roughly 15.21% percent of the total. Restricted Net Position represent assets that are

**FAYETTE COUNTY WATER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2024**

restricted by revenue bond ordinances to future debt service (i.e., \$2,955,694), and system renewal and extension purposes (i.e., \$12,552,533). The Unrestricted Net Position decreased from \$419,094 to (\$462,182), primarily due to the increase in cash restricted for capital projects.

Analysis of Changes in Net Position

The following tabular information represents the condensed presentation of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2024, and 2023. 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. As indicated by the information in the next table, the Net Position for the fiscal year ended June 30, 2024, increased by \$3,795,890.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2024	2023	Change from Prior Year	
			Amount	Percent
Operating revenues				
Water sales	\$ 16,568,858	\$ 15,791,991	\$ 776,867	4.92%
Other service fees and penalties	1,990,804	2,499,340	(508,536)	-20.35%
Total revenues and contributions	<u>18,559,662</u>	<u>18,291,331</u>	<u>268,331</u>	<u>1.47%</u>
Operating expenses				
Depreciation expense	5,655,173	5,846,779	(191,606)	-3.28%
Other operating expenses	12,145,984	10,600,392	1,545,592	14.58%
Total operating expenses	<u>17,801,157</u>	<u>16,447,171</u>	<u>1,353,986</u>	<u>8.23%</u>
Operating income	<u>758,505</u>	<u>1,844,160</u>	<u>(1,085,655)</u>	<u>-58.87%</u>
Nonoperating Revenues (Expenses)				
Interest income	818,631	449,927	368,704	81.95%
Intergovernmental	1,301	1,389	(88)	-6.34%
Gain (loss) on disposal of property	10	213	(203)	-95.31%
Interest expense	(180,067)	(129,195)	(50,872)	39.38%
Other expense	(2,419)	(2,935)	516	-17.58%
Total nonoperating revenues (expenses)	<u>637,456</u>	<u>319,399</u>	<u>318,057</u>	<u>99.58%</u>
Income before contributions and transfers	<u>1,395,961</u>	<u>2,163,559</u>	<u>(767,598)</u>	<u>-35.48%</u>
Capital contributions	2,526,215	1,184,582	1,341,633	113.26%
Transfers out	<u>(126,286)</u>	<u>(150,008)</u>	<u>23,722</u>	<u>0.00%</u>
Change in net position	<u>3,795,890</u>	<u>3,198,133</u>	<u>597,757</u>	<u>18.69%</u>
Net position - beginning	<u>98,138,747</u>	<u>94,940,614</u>	<u>3,198,133</u>	<u>3.37%</u>
Net position - ending	<u>\$101,934,637</u>	<u>\$ 98,138,747</u>	<u>\$ 3,795,890</u>	<u>3.87%</u>

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

- Increase in interest revenue of \$368,704 due to the growth of interest rates.
- Increase in Capital Contributions of \$1,341,633, or 113.26%, due to the increased donations of waterline extensions from contractors, as compared to FY2023.
- Increase in water sales of \$776,867.

**FAYETTE COUNTY WATER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2024**

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

- Increase in interest revenue of \$423,249 due to the growth of interest rates.
- Decrease in capital contributions of \$2,512,606, or 67.96%, due to receiving less donations of waterline extensions from contractors, as compared to FY2022.
- Increase in water sales of \$1,181,496, or 8.09%.

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, 2024, amounts to \$98,371,607 (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, 2024, and 2023.

Water System's Capital Assets (net of depreciation/amortization)

	2024	2023
Land	\$ 20,607,035	\$ 20,607,035
Construction in progress	8,923,770	3,804,434
Buildings and structures	19,758,465	21,883,732
Infrastructure	43,228,628	44,294,489
Improvements	1,689,815	2,054,155
Machinery and equipment	4,163,894	4,607,270
	\$ 98,371,607	\$ 97,251,115

The total net increase in the System’s investment in capital assets for the current fiscal year was \$1,120,492 or 1.15%. Approximately \$6.7M of assets (net of retirements and disposals) were added to the Water System; however, this was offset by net depreciation expense of \$5.7M.

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

- Several CIP projects were completed in FY2024, totaling \$410,620, including the 3MG Clear Well Improvement project at South Fayette water treatment plant, and the Redwine Road Waterline Extension from Bernhard Road to Stonehaven Drive.
- During the fiscal year, additional assets of \$1,353,328 were added for infrastructure, including waterlines and meter installations.

Additional information on the System’s capital assets can be found in Note 6 of this report.

**FAYETTE COUNTY WATER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2024**

Long-term Debt. At the end of the current fiscal year, the County had bonded debt outstanding of \$11,422,000. All of the outstanding bonds are revenue bonds which are secured by specific revenue sources.

Water System's Outstanding Debt

	2024	2023
Revenue bonds	\$ 11,422,000	\$ 15,173,000

The \$11,422,000 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.

In October 2015, Standard and Poor's reaffirmed their "AA" rating for the Fayette County, Georgia Water Revenue Bonds. Moody's released their Annual Comment on Fayette County Water in June of this year. In the comment Moody's states, "The financial position of Fayette County Water is superlative overall and is strong relative to its Aa2 rating."

Additional information on the County's long-term debt can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Nationwide, unemployment is expected to average 4.4% in 2025, below its long-term average of around 5.7%; for June 2024, the unemployment rate for Fayette County was 3.6 percent, slightly higher than June 2023 at 3.3%. The state and national average was 3.3% and 4.1%, respectively.
- Real gross domestic product (GDP) increased 3.0 percent in the second quarter of 2024. The Fed projects U.S. GDP growth of 2.0% next year.
- According to the Georgia Department of Revenue, the Net Maintenance and Operation (M&O) Tax Digest for Fayette County increased by \$1,027,138,985 or 12.3 percent from January 1, 2022, to January 1, 2023. From January 1, 2023, to January 1, 2024, there was an increase of \$850,705,348 or 9.1 percent.

These economic factors were taken into consideration when preparing the County's budget for the 2025 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 2025 fiscal year budget, there is an 18.0% wholesale increase effective March 1, 2025.

REQUESTS 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 the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fayette County Finance Department, 140 Stonewall Avenue W, Suite 101, Fayetteville, Georgia 30214.



BASIC FINANCIAL STATEMENTS

The basic financial statements include the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows. In addition, the basic financial statements include the notes to the financial statements

**FAYETTE COUNTY WATER SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2024**

Assets

Current assets

Cash and cash equivalents	\$ 1,247,761
Receivables, net	2,474,702
Inventories	633,336
Prepaid items	131,050

Restricted assets

Cash and cash equivalents	2,955,694
Investments	12,552,533

Total current assets	19,995,076
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Noncurrent Assets

Capital assets

Land	20,607,035
Buildings	67,094,669
Infrastructure	106,650,445
Improvements	17,315,645
Machinery and equipment	14,981,879
Construction in progress	8,923,770
Less accumulated depreciation	(137,201,836)

Total capital assets	98,371,607
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Total assets	118,366,683
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Deferred Outflows of Resources

Related to OPEB	2,992
Related to pensions	1,744,972
Deferred charges	76,591

Total deferred outflows of resources	1,824,555
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FAYETTE COUNTY WATER SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2024

Liabilities

Current liabilities	
Accounts payable	2,328,947
Accrued expenses	219,849
Accrued interest payable	23,833
Unearned revenue	1,095,650
Bonds payable	3,777,000
Compensated absences	66,204
Total OPEB liability	<u>1,740</u>
Total current liabilities	<u>7,513,223</u>
Noncurrent liabilities	
Bonds payable	7,645,000
Compensated absences	214,327
Total OPEB liability	24,760
Net pension liability	<u>2,841,601</u>
Total noncurrent liabilities	<u>10,725,688</u>
Total liabilities	<u>18,238,911</u>

Deferred Inflows of Resources

Related to OPEB	15,167
Related to pensions	<u>2,523</u>
Total deferred inflows of resources	<u>17,690</u>

Net Position

Net investment in capital assets	86,888,592
Restricted for	
Debt service	2,955,694
Renewal and extension	12,552,533
Unrestricted	<u>(462,182)</u>
Total net position	<u>\$ 101,934,637</u>

The notes to the financial statements are an integral part of this statement.

**FAYETTE COUNTY WATER SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024**

Operating Revenues	
Charges for services	
Water sales	\$ 16,568,858
Meter and service fees	282,587
Penalties	234,986
Municipal accounts handling fees	320,932
Other fees	1,123,341
Miscellaneous	28,958
Total operating revenues	<u>18,559,662</u>
Operating Expenses	
Cost of sales and services	7,542,210
Administration	4,603,774
Depreciation	5,655,173
Total operating expenses	<u>17,801,157</u>
Operating income	<u>758,505</u>
Nonoperating Revenues (Expenses)	
Interest income	818,631
Intergovernmental	1,301
Gain on disposal of property	10
Interest expense	(180,067)
Other expense	(2,419)
Total nonoperating revenues (expenses), net	<u>637,456</u>
Income before capital contributions and transfers	1,395,961
Capital contributions	2,526,215
Transfers out	<u>(126,286)</u>
Change in net position	3,795,890
Net position - beginning	<u>98,138,747</u>
Net position - ending	<u><u>\$ 101,934,637</u></u>

The notes to the financial statements are an integral part of this statement.

**FAYETTE COUNTY WATER SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 18,037,775
Payments to vendors and service providers	(5,528,024)
Payments to employees for salaries	(4,067,020)
Payments for employee taxes and benefits	(1,310,317)
Net cash provided by operating activities	7,132,414
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	(126,286)
Operating grants	1,301
Net cash used by noncapital financing activities	(124,985)
Cash Flows from Capital and Related Financing Activities	
Principal paid on capital debt	(3,751,000)
Interest paid on capital debt	(112,237)
Acquisition and construction of capital assets	(4,249,450)
Proceeds from sale of capital assets	10
Net cash used by capital and related financing activities	(8,112,677)
Cash Flows from Investing Activities	
Purchases of investments, net	76,214
Interest income on investments	818,631
Net cash provided by investing activities	894,845
Net change in cash and cash equivalents	(210,403)
Cash and cash equivalents beginning of year	4,413,858
Cash and cash equivalents end of year	\$ 4,203,455
Classified as on the Statement of Net Position	
Cash and cash equivalents	\$ 1,247,761
Restricted assets - cash and cash equivalents	2,955,694
Total cash and cash equivalents	\$ 4,203,455

**FAYETTE COUNTY WATER SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

**Reconciliation of operating income to
net cash provided (used) by operating activities**

Operating income	<u>\$ 758,505</u>
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	5,655,173
Net change in receivables, net	(940,259)
Net change in inventories	(35,663)
Net change in prepaid expenses	(85,208)
Net change in deferred outflows of resources	(223,691)
Net change in accounts payable	762,743
Net change in accrued expenses	61,529
Net change in unearned revenue	449,750
Net change in compensated absences payable	38,927
Net change in total OPEB liability	(6,641)
Net change in net pension liability	706,423
Net change in deferred inflows of resources	<u>(9,174)</u>
Total adjustments	<u>6,373,909</u>
 Net cash provided by operating activities	 <u><u>\$ 7,132,414</u></u>
 Schedule of non-cash capital and related financing activities:	
Contributions of capital assets	 <u><u>\$ 2,526,215</u></u>

The notes to the financial statements are an integral part of this statement.



FAYETTE *County*
Create Your Story!

**NOTES TO THE
FINANCIAL STATEMENTS**

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fayette County Water System (the “Water System”) have been prepared in accordance 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 standard-setting body for governmental accounting and financial reporting. The Water System’s most significant accounting policies are described below.

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 Board of Commissioners – 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 33,093 water customers in the unincorporated County and through the County owned distribution system in the City of Peachtree City and the Towns of Tyrone and Woolsey. By contractual agreement, the County operates the system owned by the Town of Brooks. The Water System also wholesales water to the City of Fayetteville pursuant to an agreement which expires in 2034. The Water System is governed by the Fayette County Board of Commissioners, but the Water System’s Director is responsible for the day-to-day operation.

Measurement Focus and Basis of Accounting

The Water System is an enterprise fund of the County 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 governmental accounting, the *Enterprise Fund* is used to account for operations that are financed and operated in a manner similar to private business or where the Board of Commissioners has decided that the determination or revenues earned, costs incurred, and/or net income is necessary for management accountability.

As the means of delivering potable water services to its customers, the Water 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 are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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) and the 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.

Cash and Cash Equivalents

The Water System's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the Water System consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust funds are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

The local government investment pool ("Georgia Fund 1") is managed by the Georgia Office of the State Treasurer, which allows certain types of governmental entities within the state to pool their funds for investment purposes. The primary objectives of Georgia Fund 1 are safety of capital, liquidity, yield and diversification with a primary emphasis on safety of capital and liquidity. Georgia Fund 1 is managed to maintain a constant net asset value of \$1.00.

Receivables

All trade receivables have been reduced to their estimated net realizable value, and are shown net of an allowance for uncollectible accounts. Estimated uncollectible accounts are based upon historical experience rates.

"Intergovernmental receivables" represents funds to be received from other local governments, state grant-in-aid, state contracts, or federal funds. No allowance is deemed necessary for these receivables.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of meters, pipes and fittings for use in construction of line extensions and to support the maintenance on work on the system. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the Water System as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the Water System constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment and infrastructure depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and structures	40 years
Infrastructure	15-40 years
Improvements	10 years
Machinery and equipment	5 – 20 years

Long-Term Obligations

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

Compensated Absences

Water 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Water System has three items that qualify for reporting in this category. The deferred charge on refunding and deferred amounts related to pension and OPEB are reported in the statement of net position. The deferred charge on refunding resulted from the difference between 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 deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In addition to liabilities, the statement of financial position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Water System has two items that qualify for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. These two items relate to the deferred amounts related to pension and OPEB.

Net Position

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

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

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

Restricted Assets

Certain proceeds of the Water System Enterprise Fund 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 sinking fund" account is used to segregate resources accumulated for debt service payments over the next twelve months. 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.

Use of Estimates

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

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resource and deferred inflows of resources related to OPEB and OPEB expense information of the County's Retiree Benefits Plan (the "OPEB Plan") Plan have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resource and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's pension plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefits payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

The Water System distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Water 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.

Capital Contributions

The Water System has recorded capital contributions 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 subdividers 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Basis of Accounting

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

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

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Debt Service and Sinking Fund Requirements on Water Revenue Bonds

Sinking Fund Requirements - The bond resolutions require the creation and maintenance of a sinking fund that is to be used to pay the principal and interest on the revenue bonds as they become due. The bond resolutions specifically require that monies be deposited monthly into the sinking fund until such time that sufficient funds are on hand to pay the semi-annual interest payments and the bonds as they mature. During fiscal year ended June 30, 2024, \$3,873,871 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.

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 of and interest on any revenue bonds then outstanding and falling due at any time for the payment of which money is not available in the Sinking Fund securing the payment of same and interest thereon;
- b. In case of an emergency having a major effect upon the Water System, or water and sewerage system if combined, caused by some extraordinary occurrence that makes it necessary to use the funds of the Water System for the alleviation or removal of such effects and an insufficiency of money exists in the Revenue Fund to meet such emergency;
- c. Making replacements, additions, extensions, and improvements to the system and acquiring equipment deemed to be reasonable and in the best interest of the County and the bond owners;
- d. Payment of the charges of the Depository of the renewal and extension fund for investment services; and
- e. The transfer of moneys, if any required, pursuant to the provisions of Section 18 of the bond resolution.

Rates and Fee Requirements

In accordance with the bond resolutions, the Water System's schedule of rates, fees, and charges for services shall be maintained at such a level so as to produce net revenues (after payment of reasonable and necessary costs of operating and maintaining the system) equal to at least 1.20 times the amount required to be paid in to the sinking fund in the current sinking fund year. This ratio is computed annually. For the fiscal year ended June 30, 2024, the Water System was in compliance with this requirement.

NOTE 3 – CASH AND CASH EQUIVALENTS

Custodial Credit Risk for demand deposits is the risk that, in the event of the failure of a depository financial institution, the Water System 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. The County does not have a policy for custodial credit risk. As of June 30, 2024, the Water System had no uncollateralized deposits.

The carrying amount of the deposits as of June 30, 2024 was \$4,203,455 and is reported in the financial statements as follows:

Cash and cash equivalents	\$ 1,247,761
Restricted cash and cash equivalents	2,955,694
	<u>\$ 4,203,455</u>

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - INVESTMENTS

State statutes authorize the County to invest in obligations of the U.S. Government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loans which have deposits insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC); prime bankers' acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1").

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

Interest Rate Risk. Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. 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.

As of June 30, 2024, the Water System had the following investments:

Investment Type	Rating	Fair Value	Investment Maturity		
			Less than 1	1-5 years	6-10 years
Georgia Fund 1	AAf	\$ 12,552,533	\$ 12,552,533	\$ -	\$ -
		<u>\$ 12,552,533</u>	<u>\$ 12,552,533</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - INVESTMENTS

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

Custodial Credit Risk - Investments. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, 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.

Concentration of Credit Risk: The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. However with that said, the County does not consider having a large percentage of U.S. Government issued or backed investments in the portfolio as increasing its investment risks because of the financial stability of the issuer. To minimize this component of credit risk, the County's investment policy also provides asset allocation limits for each security type. 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	50%
Repurchase Agreements	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%

Fair Value of Investments. The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than those in Level 1; and
- Level 3: Unobservable inputs.

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Certificates of deposit classified in level 2 are valued using broker quotes that utilize observable market inputs. Securities classified as Level 3 have limited trade information. These securities are priced using the last trade price or estimated using recent trade prices. The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the County does not disclose its investment in the Georgia Fund 1 within the fair value hierarchy.

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 5 - RECEIVABLES

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

At year-end, the Water System had \$1,682,301 in billed customer receivables. In addition, a receivable of \$917,401 was recorded for services rendered at year-end but not yet billed at June 30, 2024. The receivable was computed using the cycle billings sent to customers in July and prorating the charges based on the days applicable to the current period. Accounts receivable is shown net of an allowance for uncollectibles of \$125,000.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 20,607,035	\$ -	\$ -	\$ 20,607,035
Construction in progress	3,804,434	5,529,957	(410,621)	8,923,770
Total capital assets not being depreciated	<u>24,411,469</u>	<u>5,529,957</u>	<u>(410,621)</u>	<u>29,530,805</u>
Capital assets, being depreciated:				
Buildings and structures	66,939,736	154,933	-	67,094,669
Infrastructure	105,331,588	1,353,328	(34,471)	106,650,445
Improvements	17,315,645	-	-	17,315,645
Machinery and equipment	14,833,811	148,068	-	14,981,879
Total capital assets being depreciated	<u>204,420,780</u>	<u>1,656,329</u>	<u>(34,471)</u>	<u>206,042,638</u>
Less accumulated depreciation for:				
Buildings and structures	45,056,004	2,280,200	-	47,336,204
Infrastructure	61,037,099	2,419,189	(34,471)	63,421,817
Improvements	15,261,490	364,340	-	15,625,830
Machinery and equipment	10,226,541	591,444	-	10,817,985
Total accumulated depreciation	<u>131,581,134</u>	<u>5,655,173</u>	<u>(34,471)</u>	<u>137,201,836</u>
Total capital assets being depreciated, net	<u>72,839,646</u>	<u>(3,998,844)</u>	<u>-</u>	<u>68,840,802</u>
Business-type activities capital assets, net	<u>\$ 97,251,115</u>	<u>\$ 1,531,113</u>	<u>\$ (410,621)</u>	<u>\$ 98,371,607</u>

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations activity for the year ended June 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds					
Series 2021A	\$ 10,046,000	\$ -	\$ (800,000)	\$ 9,246,000	\$ 1,601,000
Series 2021B	5,127,000	-	(2,951,000)	2,176,000	2,176,000
Total revenue bonds	15,173,000	-	(3,751,000)	11,422,000	3,777,000
Compensated absences	241,604	116,969	(78,042)	280,531	66,204
Total	<u>\$ 15,414,604</u>	<u>\$ 116,969</u>	<u>\$ (3,829,042)</u>	<u>\$ 11,702,531</u>	<u>\$ 3,843,204</u>

Revenue Bonds

The Water System has pledged future water customer revenues, net of specified operating expenses, to repay \$11.4 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 maturity dates through 2027.

Series 2021A Tax-Exempt and Series 2021B Taxable Water Refunding Revenue Bonds (Direct Placement)

In July 2021, the County issued \$10,798,000 in tax-exempt refunding revenue bonds with an interest rate of 0.90%. As part of the 2021 issue, the County issued \$8,101,000 in Series 2021B Taxable Revenue Bonds with an interest rate of 0.63%. The transaction was awarded to Stifel, Nicolaus & Company, Inc. (as the placement agent) and PNC Bank, NA (as the purchaser of the bonds). The proceeds along with \$9,194,521 in cash were used to advance refund \$27,055,000 of outstanding 2009 Refunding Revenue Bonds, 2012A Water Revenue Refunding Bonds, 2012B Water Revenue Refunding Bonds and 2016 Water Refunding Revenue Bonds, which had interest rates ranging from 0.63% to 0.90%. The net proceeds of \$27,898,572 (after payment of \$194,300 in underwriting fees and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2009 Refunding Revenue Bonds, 2012A Water Revenue Refunding Bonds, 2012B Water Revenue Refunding Bonds and 2016 Water Refunding Revenue Bonds are considered defeased and the liability for these bonds has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$153,182. This amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunding debt. The advance refunding reduced its debt service payments by \$1,101,755 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$927,462.

Annual debt service requirements to maturity for the revenue bonds as of June 30, 2024, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 3,777,000	\$ 82,864	\$ 3,859,864
2026	3,805,000	51,683	3,856,683
2027	3,840,000	17,280	3,857,280
Total	<u>\$ 11,422,000</u>	<u>\$ 151,827</u>	<u>\$ 11,573,827</u>

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 8 - PENSION PLANS

Plan Description

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 have the choice of participating in the Plan or in the Defined Contribution Plan. The 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 of County Commissioners of Georgia (ACCG). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries.

Benefits vest after 5 years. Participants may retire at normal retirement, which is the later of 65, or 5 years of vesting service. Early retirement eligibility is the later of age 55 or 10 years of vesting service. The benefit is 2.00% of average annual compensation multiplied by years of credited service (not to exceed 30).

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 eighty-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 2024 was 8.5% of payroll. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Water System's contributions totaled \$149,016 for the year ended June 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024, the Water System reported a liability of \$2,841,601 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of January 1, 2023. An expected total pension liability as of December 31, 2023 was determined using standard roll-forward techniques. The Water System's proportion of the net pension liability was based on contributions during the fiscal year ended June 30, 2024. At June 30, 2024, the Employer's proportion was 8.7296%, which was an increase of .4028% from its proportion measured as of June 30, 2023.

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 8 - PENSION PLANS

For the year ended June 30, 2024, the Water System recognized pension expense of \$530,654. At June 30, 2024, 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 Inflow of Resources
Difference between expected and actual experience	\$ 623,281	\$ 2,523
Changes of assumptions	192,272	-
Net difference between projected and actual earnings on pension plan investments	230,194	-
Changes in proportion and differences between the System's contributions and proportionate share of contributions	569,260	-
Contributions made subsequent to measurement date	129,965	-
Total	\$ 1,744,972	\$ 2,523

The Water System's contributions subsequent to the measurement date of \$129,965 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. 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		
2025		\$ 439,370
2026		450,812
2027		490,922
2028		1,897
2029		84,945
Thereafter		144,538

Actuarial Assumptions

The total pension liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.25%
Salary increases	2.50% to 4.50%, including inflation	
Investment rate of return		7.00%

Mortality rates were based on the Pub-2010 Amount weighted mortality table with a blend of 50% of the General Employees Table and 50% of the Public Safety Employees with Scale AA to 2021. The tables were projected to 2024 to reflect the mortality rates in Georgia are in the highest quartile in the nation.

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 8 - PENSION PLANS

The actuarial assumptions used in the January 1, 2023 valuation were based on the results of a February 2024 actuarial experience study.

The long-term expected rate of return on pension plan investments was determined through a blend of using a building-block method based on 20-year benchmarks (33.33%) and 30-year benchmarks (33.33%), as well as forward-looking capital market assumptions for a moderate asset allocation (33.34%), as determined by UBS. Expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Fixed Income	30%	3.60%
US Equity Large Core	30%	8.20%
International Core	15%	8.90%
Mid Cap Core	10%	9.10%
Private Real Estate	5%	8.50%
Global Core	5%	8.50%
US Equity Core	5%	8.30%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 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 or decreasing over time relative to total pension liability.

Sensitivity of the Water System's Proportional Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Water System, calculated using the discount rate of 7.00 percent, as well as what the Water System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.000%	Current Discount Rate 7.000%	1% Increase 8.000%
Net Pension Liability	\$ 4,029,399	\$ 2,841,601	\$ 1,859,099

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 8 - PENSION PLANS

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2024 and the current sharing pattern of costs between employer and employee.

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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. Future retirees are not eligible for this coverage. The County allows non-early-out employees to participate in the County's plans for active employees, after their retirement and 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. Age and service requirements apply. The County has the authority to establish and amend the plan provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. 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 for eligible 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 those employees not eligible, the retiree has 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 County has elected to fund the plan on a pay-as-you go basis. For the year ended June 30, 2024, the County made no contributions as pay as you go benefits for the OPEB plan.

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

At June 30, 2024, the Water System reported a liability of \$26,500 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2024, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2023. The Water Fund's proportion of the total OPEB liability was based on contributions during the fiscal year ended June 30, 2024. At June 30, 2024, the Water System's proportion was 6.9618%, which was a decrease of 0.1934% from its proportion measured as of June 30, 2023. For the year ended June 30, 2024, the Water System recognized OPEB income (expense) of \$262.

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

At June 30, 2024, the Water System reported deferred outflows of resources or deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,295
Changes of assumptions	2,992	5,872
Total	\$ 2,992	\$ 15,167

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

Year Ended June 30,	Amount
2025	\$ (2,356)
2026	(2,356)
2027	(2,356)
2028	(2,390)
2029	(1,523)
Thereafter	(1,194)

Actuarial Assumptions

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.97%
Inflation	2.50%
Healthcare cost trend rates	
Pre-Medicare	6.80%
Medicare	n/a
Salary Increases	3.00%

Mortality rates were based on the PUB-2010 Combined General Employee and Annuitant Mortality Table projected with scale MP-2021.

The discount rate used to measure the total OPEB liability is 3.97%. 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.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study from the Georgia Employees' Retirement System of Georgia for the period of July 1, 2014 to June 30, 2019.

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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 what the Water System’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.97%) or 1 percentage-point higher (4.97%) than the current discount rate.

	1% Decrease 2.97%	Discount Rate 3.97%	1% Increase 4.97%
Total OPEB liability	\$ 29,671	\$ 26,500	\$ 23,751

Sensitivity of the Water System’s Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The healthcare trend for this valuation started at 6.80% and decreased to 4.04% over 51 years. 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 (5.80%) or 1-percentage-point higher (7.80%) than the current healthcare cost trend rates.

	1% Decrease 5.80%	Current Healthcare Cost Trend Rates	1% Increase 7.80%
Total OPEB liability	\$ 23,412	\$ 26,500	\$ 30,201

NOTE 10 – DEFINED CONTRIBUTION PENSION 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, the Water System contributed \$47,912 to the defined contribution plan in matching funds. The Board of Commissioners establishes matching percentages.

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 11 - NET INVESTMENT IN CAPITAL ASSETS

The “net investment in capital assets” reported in the financial statement of net position as of June 30, 2024 are as follows:

	Total
Cost of capital assets	\$ 235,573,443
Less accumulated depreciation	(137,201,836)
Book value	98,371,607
Deferred charges on bond refunding	76,591
Less retainage payable	(137,606)
Less: revenue bonds	(11,422,000)
Net investment in capital assets	\$ 86,888,592

NOTE 12 - CONTINGENCIES

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

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

NOTE 13 - RISK MANAGEMENT

As mentioned in Note 1. A., the Water 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.

The County 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 \$400 per year per covered individual for out of pocket expenses associated with vision care. Fayette County established its Major Medical Self-Insurance Internal Service Fund in the 1991 fiscal year, and on June 1, 2002 became fully insured. In June of 2010, the County reinstated its self-insurance program for this risk.

**FAYETTE COUNTY WATER SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 13 - RISK MANAGEMENT

The internal service funds are funded by charges to the County's other funds and component units, and is based primarily upon the contributing funds' claims experience. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the retained risk claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expense regardless of whether allocated to specific claims.

	<u>Workers Compensation</u>	<u>Dental and Vision</u>	<u>Major Medical</u>	<u>Total Claims</u>
Liability, June 30, 2022	\$ 21,641	\$ 3,304	\$ 794,960	\$ 819,905
Incurred claims and changes in estimate	753,971	555,818	9,190,512	10,500,301
Claim payments	<u>(735,840)</u>	<u>(553,665)</u>	<u>(9,240,109)</u>	<u>(10,529,614)</u>
Liability, June 30, 2023	39,772	5,457	745,363	790,592
Incurred claims and changes in estimate	700,146	583,501	8,839,010	10,122,657
Claim payments	<u>(684,124)</u>	<u>(585,347)</u>	<u>(8,938,098)</u>	<u>(10,207,569)</u>
Liability, June 30, 2024	<u>\$ 55,794</u>	<u>\$ 3,611</u>	<u>\$ 646,275</u>	<u>\$ 705,680</u>



REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	8.7296%	8.3268%	3.0844%	9.3739%	9.5377%	10.0242%	9.9115%	9.1225%	9.3620%	10.2800%
Proportionate share of the net pension liability (asset)	\$ 2,841,601	\$ 2,135,178	\$ 343,220	\$ 1,307,376	\$ 1,349,399	\$ 407,711	\$ (304,290)	\$ (114,720)	\$ (107,563)	\$ (773,050)
Covered payroll	\$ 2,653,339	\$ 1,993,694	\$ 743,794	\$ 2,260,489	\$ 2,260,239	\$ 2,386,011	\$ 2,388,955	\$ 2,360,491	\$ 2,413,996	\$ 2,765,138
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	107.10%	107.10%	46.14%	57.84%	59.70%	17.09%	-12.74%	-4.86%	-4.46%	-27.96%
Plan fiduciary net position as a percentage of the total pension liability (asset)	50.64%	70.18%	86.25%	81.55%	79.56%	91.91%	106.61%	72.34%	76.20%	77.99%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 213,343	\$ 132,484	\$ 51,972	\$ 151,411	\$ 31,796	\$ 30,404	\$ 32,211	\$ 31,154	\$ 1,965	\$ 17,508
Contributions in relation to the actuarially determined contribution	<u>149,016</u>	<u>62,202</u>	<u>75,420</u>	<u>34,636</u>	<u>31,576</u>	<u>32,195</u>	<u>32,254</u>	<u>30,368</u>	<u>38,780</u>	<u>18,856</u>
Contribution deficiency (excess)	<u>\$ 64,327</u>	<u>\$ 70,282</u>	<u>\$ (23,448)</u>	<u>\$ 116,775</u>	<u>\$ 220</u>	<u>\$ (1,791)</u>	<u>\$ (43)</u>	<u>\$ 786</u>	<u>\$ (36,815)</u>	<u>\$ (1,348)</u>
Covered payroll	\$ 2,260,489	\$ 743,794	\$ 2,260,489	\$ 2,260,239	\$ 2,386,011	\$ 2,386,010	\$ 2,388,951	\$ 2,360,491	\$ 2,413,996	\$ 2,765,138
Contributions as a percentage of covered payroll	6.59%	8.36%	3.34%	1.53%	1.32%	1.35%	1.35%	1.29%	1.61%	0.68%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the total OPEB liability	6.9618%	7.1552%	7.4904%	8.3296%	8.7564%	9.4913%	9.4564%
Proportionate share of the total OPEB liability	\$ 26,500	\$ 33,141	\$ 34,546	\$ 51,954	\$ 55,486	\$ 66,646	\$ 70,513
Covered-employee payroll	\$ 3,096,522	\$ 3,006,275	\$ 3,055,459	\$ 3,168,595	\$ 3,233,933	\$ 3,146,247	\$ 2,388,955
Proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	0.86%	1.10%	1.13%	1.64%	1.72%	2.12%	2.95%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to the Schedule:

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,096,522	\$ 3,006,275	\$ 3,055,459	\$ 3,168,595	\$ 3,233,933	\$ 3,146,247	\$ 2,388,955
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

This schedule will present 10 years of information once it's accumulated.



SUPPLEMENTARY INFORMATION



SCHEDULES OF INDIVIDUAL ACCOUNTS

**FAYETTE COUNTY WATER SYSTEM
SCHEDULE OF OPERATING EXPENSES BY ORGANIZATIONAL UNIT
COST OF SALES AND SERVICES
FOR THE YEAR ENDED JUNE 30, 2024**

	Crosstown Water Plant	South Fayette Water Plant	Water Purchases	Water Maintenance	Plant Laboratory	Field Operations	Reservoir Management	Total Costs of Sales and Services
Operating Expenses								
Salaries	\$ 624,725	\$ 568,444	\$ -	\$ 285,568	\$ 117,141	857,160	\$ -	\$ 2,453,038
Fringe benefits	210,808	251,307	-	94,112	48,246	476,756	-	1,081,229
Professional services	4,942	12,483	-	-	293,470	107,793	55,876	474,564
Repairs and maintenance	219,983	167,270	-	-	7,033	604,574	23,950	1,022,810
Rents	309	1,096	-	-	-	963	1,050	3,418
Insurance	-	-	-	-	-	75	-	75
Telecommunications	5,514	5,087	-	-	-	524	1,947	13,072
Postage	-	-	-	-	2,862	-	-	2,862
Other services, travel and fees	13,520	9,045	-	-	31,229	12,500	-	66,294
Supplies	6,471	1,921	-	-	136,687	21,418	959	167,456
Chemicals	502,704	279,128	-	-	-	-	3,202	785,034
Utilities	855,357	384,509	-	-	-	14,783	4,581	1,259,230
Gasoline	8,353	2,363	-	-	-	36,810	-	47,526
Water purchases	-	-	36,996	-	-	-	-	36,996
Tools and uniforms	15,037	4,223	-	-	495	59,902	-	79,657
Equipment purchases	4,671	8,709	-	-	13,081	20,179	2,309	48,949
	<u>\$ 2,472,394</u>	<u>\$ 1,695,585</u>	<u>\$ 36,996</u>	<u>\$ 379,680</u>	<u>\$ 650,244</u>	<u>\$ 2,213,437</u>	<u>\$ 93,874</u>	<u>\$ 7,542,210</u>

**FAYETTE COUNTY WATER SYSTEM
SCHEDULE OF OPERATING EXPENSES BY ORGANIZATIONAL UNIT
ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Administration</u>	<u>Customer Services</u>	<u>Utility Billing</u>	<u>Water Marshals</u>	<u>Total Administration</u>
Operating Expenses					
Salaries	\$ 580,254	\$ 582,415	\$ 257,568	\$ 293,781	\$ 1,714,018
Fringe benefits	211,691	212,911	115,632	156,191	696,425
Professional services	330,877	-	-	363	331,240
Repairs and maintenance	236,548	-	-	5,627	242,175
Leak protection program	194,120	-	-	-	194,120
Rents	15,418	-	-	-	15,418
Insurance	149,759	-	-	-	149,759
Telecommunications	29,310	-	-	4,019	33,329
Postage	142,819	-	-	-	142,819
Other services, travel and fees	98,627	-	-	3,152	101,779
Supplies	57,581	-	-	2,920	60,501
Utilities	20,988	-	-	-	20,988
Gasoline	20,855	-	-	14,921	35,776
Instructional materials	244	-	-	-	244
Tools and uniforms	2,857	-	-	3,447	6,304
Equipment purchases	13,383	-	-	610	13,993
Bad debt	-	-	24,956	-	24,956
Indirect cost overhead	819,930	-	-	-	819,930
	<u>\$ 2,925,261</u>	<u>\$ 795,326</u>	<u>\$ 398,156</u>	<u>\$ 485,031</u>	<u>\$ 4,603,774</u>

**FAYETTE COUNTY WATER SYSTEM
RENEWAL AND EXTENSION ACCOUNT
COMMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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 WATER SYSTEM
RENEWAL AND EXTENSION ACCOUNT
SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES
JUNE 30, 2024**

Current assets

Restricted assets
Investments

\$ 12,552,533

**Current liabilities payable from
restricted assets**

Accounts payable

\$ 588,226

**FAYETTE COUNTY WATER SYSTEM
RENEWAL AND EXTENSION ACCOUNT
SCHEDULE OF CHANGES IN RESTRICTED ASSETS
FOR THE YEAR ENDED JUNE 30, 2024**

Beginning balance, July 1, 2023	<u><u>\$ 12,628,747</u></u>
Increases	
Interest earned	740,081
Transfers from Water System Revenue Fund	<u>2,197,429</u>
Total increases	<u>2,937,510</u>
Decreases	
Water system reimbursement to concentration	<u>(3,013,724)</u>
Ending balance, June 30, 2024	<u><u>\$ 12,552,533</u></u>

**FAYETTE COUNTY WATER SYSTEM
SINKING FUND ACCOUNTS
COMMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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.

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 WATER SYSTEM
SINKING FUND ACCOUNTS
SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES
JUNE 30, 2024**

Current assets

Restricted assets	
Cash and cash equivalents	<u>\$ 2,955,694</u>

**Current liabilities payable from
restricted assets**

Accrued interest, due October 1	23,833
Current portion of principal	<u>3,777,000</u>

Total current liabilities payable from restricted assets	<u>\$ 3,800,833</u>
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**FAYETTE COUNTY WATER SYSTEM
SINKING FUND ACCOUNTS
SCHEDULE OF CHANGES IN RESTRICTED ASSETS
FOR THE YEAR ENDED JUNE 30, 2024**

Beginning balance, July 1, 2023	<u><u>\$ 2,864,092</u></u>
Increases	
Interest earned	78,549
Transfers from Water System Revenue Fund	<u>3,873,871</u>
Total increases	<u>3,952,420</u>
Decreases	
Revenue bond interest paid	(109,818)
Revenue bond principal paid	<u>(3,751,000)</u>
Total decreases	<u>(3,860,818)</u>
Ending balance, June 30, 2024	<u><u>\$ 2,955,694</u></u>



STATISTICAL SECTION (Unaudited)

The statistical section includes selected financial and general information presented on a multiyear comparative basis. The statistics are used to provide detail data on the physical, economic social and political characteristics of the County government. They are intended to provide the financial report user with a broader and more complete understanding of the government and its financial affairs than is possible from the basic financial statements.

**FAYETTE COUNTY WATER SYSTEM
INTRODUCTION TO STATISTICAL SECTION
(Unaudited)**

This part of Fayette County Water System's annual comprehensive financial report presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary information. This information is unaudited.

Contents	Pages
Financial Trends These schedules contain trend information to help the reader understand how the Water System's financial performance and well-being have changed over time.	68 - 70
Revenue Capacity 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 Water System's ability to collect this revenue source going forward.	71 - 76
Debt Capacity These schedules present information to help the reader assess the affordability of the Water System's current levels of outstanding debt and the Water System's ability to issue additional debt in the future.	77 - 78
Demographic and Economic Information 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.	79 - 80
Operating Information 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.	81 - 86

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

**FAYETTE COUNTY WATER SYSTEM
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Position						
Net investment in capital assets	\$ 86,888,592	\$ 82,226,814	\$ 80,433,531	\$ 72,629,475	\$ 70,494,125	\$ 68,527,736
Restricted	15,508,227	15,492,839	13,243,214	23,105,210	22,548,415	21,021,770
Unrestricted	(462,182)	419,094	1,263,869	(5,564,518)	(4,805,232)	(2,870,525)
Total Net Position	\$ 101,934,637	\$ 98,138,747	\$ 94,940,614	\$ 90,170,167	\$ 88,237,308	\$ 86,678,981
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net Position						
Net investment in capital assets	\$ 67,192,871	\$ 67,376,464	\$ 67,192,871	\$ 62,610,973	\$ 56,314,710	\$ 61,382,854
Restricted	18,532,120	19,173,457	18,532,120	18,295,821	15,410,942	14,375,769
Unrestricted	(234,413)	(1,788,429)	(234,413)	321,213	8,314,934	3,611,972
Total Net Position	\$ 85,490,578	\$ 84,761,492	\$ 85,490,578	\$ 81,228,007	\$ 80,040,586	\$ 79,370,595

**FAYETTE COUNTY WATER SYSTEM
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues											
Water sales	\$ 16,568,858	\$ 15,791,991	\$ 14,610,495	\$ 14,220,603	\$ 15,591,529	\$ 14,315,965	\$ 14,139,742	\$ 15,197,389	\$ 14,161,581	\$ 13,744,778	\$ 13,035,194
Penalties	234,986	241,441	174,833	164,249	220,011	236,946	246,403	239,415	225,751	231,636	231,014
Other service charges and fees	1,726,860	1,730,207	1,679,638	1,645,188	1,567,563	1,562,808	1,545,701	1,525,938	1,459,658	1,295,323	409,088
Miscellaneous	28,958	527,692	121,015	19,156	-	-	-	-	-	-	-
Total operating revenues	<u>18,559,662</u>	<u>18,291,331</u>	<u>16,585,981</u>	<u>16,049,196</u>	<u>17,379,103</u>	<u>16,115,719</u>	<u>15,931,846</u>	<u>16,962,742</u>	<u>15,846,990</u>	<u>15,271,737</u>	<u>13,675,296</u>
Operating Expenses											
Water production cost	7,542,210	6,756,768	6,112,966	5,609,357	6,867,198	5,793,542	5,540,277	4,645,936	4,556,315	4,531,130	3,428,530
Personal services	2,410,443	1,974,803	1,342,157	1,755,959	2,101,940	1,483,041	1,403,147	1,873,571	1,853,921	1,528,292	1,873,658
Contractual services	1,210,639	1,022,359	1,073,937	1,040,655	909,495	717,081	906,641	1,358,586	965,090	631,911	774,466
Other operating expenses	957,736	827,395	851,331	981,655	990,911	774,295	791,610	758,830	706,424	1,282,812	798,644
Bad debt expense	24,956	19,067	14,078	26,313	21,496	16,848	20,791	21,021	25,963	31,935	28,839
Depreciation expense	5,655,173	5,846,779	5,846,184	5,651,765	5,654,577	5,828,305	5,875,550	5,603,404	5,489,061	5,311,187	5,409,847
Total operating expenses	<u>17,801,157</u>	<u>16,447,171</u>	<u>15,240,653</u>	<u>15,065,704</u>	<u>16,545,617</u>	<u>14,613,112</u>	<u>14,538,016</u>	<u>14,261,348</u>	<u>13,596,774</u>	<u>13,317,267</u>	<u>12,313,984</u>
Total operating income	<u>758,505</u>	<u>1,844,160</u>	<u>1,345,328</u>	<u>983,492</u>	<u>833,486</u>	<u>1,502,607</u>	<u>1,393,830</u>	<u>2,701,394</u>	<u>2,250,216</u>	<u>1,954,470</u>	<u>1,361,312</u>
Nonoperating revenues (expenses)											
Interest income	818,631	449,927	26,678	10,019	226,007	327,590	172,020	59,869	19,052	13,417	10,356
Intergovernmental	1,301	1,389	4,306	34,500	-	-	(2,000,000)	-	-	-	-
Gain (loss) on disposal of property	10	213	(5,399)	(25,415)	-	13,975	(10,058)	32,010	(1,425)	(13,027)	8,521
Interest expense	(180,067)	(129,195)	(142,258)	(838,937)	(1,103,352)	(1,289,042)	(1,444,834)	(1,615,692)	(1,878,711)	(2,184,478)	(2,290,757)
Other revenues	-	-	-	-	-	-	-	-	-	142,538	150,681
Other expense	(2,419)	(2,935)	(3,866)	(2,785)	(5,109)	(4,808)	(4,624)	(3,950)	(145,063)	-	-
Total nonoperating revenues(expenses), net	<u>637,456</u>	<u>319,399</u>	<u>(120,539)</u>	<u>(822,618)</u>	<u>(882,454)</u>	<u>(952,285)</u>	<u>(3,287,496)</u>	<u>(1,527,763)</u>	<u>(2,006,147)</u>	<u>(2,041,550)</u>	<u>(2,121,199)</u>
Income (loss) before capital contributions and transfers	<u>1,395,961</u>	<u>2,163,559</u>	<u>1,224,789</u>	<u>160,874</u>	<u>(48,968)</u>	<u>550,322</u>	<u>(1,893,666)</u>	<u>1,173,631</u>	<u>244,069</u>	<u>(87,080)</u>	<u>(759,887)</u>
Capital contributions	2,526,215	1,184,582	3,697,188	1,771,985	1,607,295	1,367,167	1,242,681	3,088,940	1,656,881	167,928	776,055
Transfers out	(126,286)	(150,008)	(151,530)	-	-	-	-	-	-	-	-
Changes in net position	<u>\$ 3,795,890</u>	<u>\$ 3,198,133</u>	<u>\$ 4,770,447</u>	<u>\$ 1,932,859</u>	<u>\$ 1,558,327</u>	<u>\$ 1,917,489</u>	<u>\$ (650,985)</u>	<u>\$ 4,262,571</u>	<u>\$ 1,900,950</u>	<u>\$ 80,848</u>	<u>\$ 16,168</u>

**FAYETTE COUNTY WATER SYSTEM
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Net Nonoperating Expenses	Income (Loss) before Capital Contributions and Transfers	Net Capital Contributions and Transfers	Change in Net Position
2024	\$ 18,559,662	\$ 17,801,157	\$ 758,505	\$ (637,456)	\$ 1,395,961	\$ 2,399,929	\$ 3,795,890
2023	18,291,331	16,447,171	1,844,160	(319,399)	2,163,559	1,034,574	3,198,133
2022	16,585,981	15,240,653	1,345,328	120,539	1,224,789	3,545,658	4,770,447
2021	16,049,196	15,065,704	983,492	822,618	160,874	1,771,985	1,932,859
2020	17,379,103	16,545,617	833,486	882,454	(48,968)	1,607,295	1,558,327
2019	16,115,719	14,613,112	1,502,607	952,285	550,322	1,367,167	1,917,489
2018	15,931,846	14,538,016	1,393,830	3,287,496	(1,893,666)	1,242,681	(650,985)
2017	16,962,742	14,261,348	2,701,394	1,527,763	1,173,631	3,088,940	4,262,571
2016	15,846,990	13,596,774	2,250,216	2,006,147	244,069	1,656,881	1,900,950
2015	15,271,737	13,317,267	1,954,470	2,041,550	(87,080)	167,928	80,848
2014	13,675,296	12,313,984	1,361,312	2,121,199	(759,887)	776,055	16,168

**FAYETTE COUNTY WATER SYSTEM
OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues					
Water revenues	\$ 16,568,858	\$ 15,791,991	\$ 14,610,495	\$ 14,220,603	\$ 15,591,529
Penalties	234,986	241,441	174,833	164,249	220,011
Other service charges and fees	1,755,818	2,257,899	1,800,653	1,664,344	1,567,563
Total operating revenues	<u>\$ 18,559,662</u>	<u>\$ 18,291,331</u>	<u>\$ 16,585,981</u>	<u>\$ 16,049,196</u>	<u>\$ 17,379,103</u>
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues					
Water revenues	\$ 14,315,965	\$ 14,139,742	\$ 15,197,389	\$ 14,161,581	\$ 13,744,778
Penalties	236,946	246,403	239,415	225,751	231,636
Other service charges and fees	1,562,808	1,545,701	1,525,938	1,459,658	1,295,323
Total operating revenues	<u>\$ 16,115,719</u>	<u>\$ 15,931,846</u>	<u>\$ 16,962,742</u>	<u>\$ 15,846,990</u>	<u>\$ 15,271,737</u>

**FAYETTE COUNTY WATER SYSTEM
CAPITAL CONTRIBUTIONS BY SOURCE
LAST TEN FISCAL YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Capital Contributions					
Developers	\$ 796,475	\$ 732,128	\$ 3,373,183	\$ 1,295,635	\$ 1,377,618
Customers	1,729,740	452,454	324,005	476,350	229,677
Governments	-	-	-	-	-
Total capital contributions	<u>\$ 2,526,215</u>	<u>\$ 1,184,582</u>	<u>\$ 3,697,188</u>	<u>\$ 1,771,985</u>	<u>\$ 1,607,295</u>
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Capital Contributions					
Developers	\$ 1,011,093	\$ 903,726	\$ 2,713,594	\$ 1,387,083	\$ -
Customers	356,074	338,955	375,346	269,798	167,928
Governments	-	-	-	-	-
Total capital contributions	<u>\$ 1,367,167</u>	<u>\$ 1,242,681</u>	<u>\$ 3,088,940</u>	<u>\$ 1,656,881</u>	<u>\$ 167,928</u>

**FAYETTE COUNTY WATER SYSTEM
SCHEDULE OF MONTHLY MINIMUM CHARGES
LAST TEN FISCAL YEARS
JUNE 30, 2024**

Water Meter Size	Monthly Minimum Charges
3/4"	\$ 18.48 (1)
1"	18.48 (1)
1 1/2"	17.33
2"	23.10
3"	28.88
4"	34.65
6"	40.43
8"	46.20
10"	57.75

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 view 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" and 1" meter sizes, which are predominantly residential customers, the monthly minimum charger includes the first 2,000 gallons of water usage.

**FAYETTE COUNTY WATER SYSTEM
WATER RATES
LAST TEN FISCAL YEARS**

Period Covered		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, 2024	18.48	3.23	4.39

Effective January 1, 2010:

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

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

Source: Fayette County Water System

**FAYETTE COUNTY WATER SYSTEM
NUMBER OF WATER CUSTOMERS BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	(1) Residential	(2) Commercial / Industrial	Total Customers	Annual Change	
				Amount	Percent
2024	30,665	2,428	33,093	(313)	-0.94%
2023	30,330	3,076	33,406	590	1.80%
2022	30,317	2,499	32,816	666	2.07%
2021	30,955	1,195	32,150	607	1.92%
2020	30,458	1,085	31,543	501	1.61%
2019	29,931	1,111	31,042	484	1.58%
2018	29,432	1,126	30,558	570	1.90%
2017	28,876	1,112	29,988	403	1.36%
2016	28,479	1,106	29,585	322	1.10%
2015	28,194	1,069	29,263	336	1.16%

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

Note (2): Includes governmental customers

Source: Fayette County Water System

**FAYETTE COUNTY WATER SYSTEM
TOP TEN WATER CUSTOMERS
CURREN YEAR AND NINE YEARS AGO**

Taxpayer	Gallons Metered	Fiscal Year 2024			Fiscal Year 2015		
		Water Revenues	Rank	Percentage of Total Water Revenues	Water Revenues	Rank	Percentage of Total Water Revenues
(1) City of Fayetteville	313,072,903	\$ 788,487	1	4.76%	\$ 669,822	1	4.87%
Town of Trilith	48,230,781	259,698	3	1.57%			
(2) Piedmont Healthcare	42,788,678	140,481	2	0.85%	118,246	3	0.86%
Universal Environmental Services	36,736,060	119,639	4	0.72%			
Fayetteville Pavilion	21,157,727	77,964	5	0.47%			
Hoshizaki America	20,290,910	66,094	6	0.40%	55,528	4	0.40%
Summit Properties	17,411,780	58,589	7	0.35%	53,237	6	0.39%
(4) VR Balmoral Holding, LP	14,329,050	46,837	8	0.28%			
Aberdeen Woods Conference Center	10,792,150	35,413	9	0.21%			
Retreat at Pechtree City Apartments	10,719,913	36,304	10	0.22%			
Fayette County Board of Education	-	-			143,474	2	1.04%
Fayette County BOC	-	-			41,926	9	0.31%
Fund IV PTC LLC	-	-			54,166	5	0.39%
Inland Southern Mgt	-	-			43,179	8	0.31%
THI III Pt Lessee LLC	-	-			44,919	7	0.33%
(3) ACG Shiloh LLC - Bo Trammell (Shiloh Mobile Home Park)	-	-			38,009	10	0.28%
Subtotal (Ten Largest Customers)	<u>535,529,952</u>	<u>1,629,506</u>		<u>9.83%</u>	<u>1,262,506</u>		<u>9.18%</u>
Other Customers		<u>14,939,352</u>		<u>90.17%</u>	<u>12,482,273</u>		<u>90.82%</u>
Total Water Revenues		<u>16,568,858</u>		<u>100.00%</u>	<u>13,744,779</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): ACG Shiloh, LLC, formerly Bo Trammell (Shiloh Mobile Home Park)

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	Population (1)	Amount of Bond Debt per Capita	Personal Income (2)	Debt as a Percentage of Personal Income
2024	\$ 11,422,000	125,384	\$ 91.10	\$ 9,569,150,000	0.12%
2023	15,173,000	124,284	122.08	9,188,067,000	0.17%
2022	18,899,000	122,684	154.05	8,826,304,000	0.21%
2021	28,549,516	119,194	239.52	8,267,821,000	0.35%
2020	32,999,904	119,400	276.38	7,719,618,000	0.43%
2019	37,465,280	118,000	317.50	7,206,314,000	0.52%
2018	41,670,644	116,200	358.61	6,785,085,000	0.61%
2017	45,840,998	111,627	410.66	6,335,845,000	0.72%
2016	49,671,340	110,714	448.65	6,018,520,000	0.83%
2015	52,147,369	109,664	475.52	5,872,326,000	0.89%

Sources: (1) Atlanta Regional Commission
(2) The Bureau of Economic Analysis

**FAYETTE COUNTY WATER SYSTEM
DEBT SERVICE COVERAGE FACTOR FOR REVENUE BONDS
LAST TEN FISCAL YEARS**

Fiscal Year	(1) Gross Revenues	(2) Responsible and Necessary Operating Costs	(3) Net Revenues Available for Debt Service	Revenue Bond Debt Service Payments	Debt Service Coverage Factor
2024	\$ 18,559,662	\$ 12,145,983	\$ 6,413,679	\$ 3,860,820	1.66
2023	18,291,331	10,600,392	7,690,939	3,861,463	1.99
2022	16,585,981	9,394,469	7,191,512	2,999,615	2.40
2021	15,992,767	9,413,939	6,578,828	5,167,441	1.27
2020	17,379,103	10,891,040	6,488,063	5,368,452	1.21
2019	16,115,719	8,784,807	7,330,912	5,290,975	1.39
2018	15,931,846	8,662,466	7,269,380	5,416,994	1.34
2017	16,962,742	8,657,944	8,304,798	5,194,642	1.60
2016	15,846,990	8,107,713	7,739,277	5,499,625	1.41
2015	15,271,737	8,006,080	7,265,657	5,583,888	1.30

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 WATER SYSTEM
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Population (1)	Median Age (2)	Per Capita Income	Personal Income (3)	School Enrollment (4)	Unemployment Rate (5)
2024	125,384	43	\$ 77,577	\$ 9,569,150,000	20,070	3.8%
2023	124,284	43	75,294	9,188,067,000	19,895	3.4%
2022	122,684	43	73,202	8,826,304,000	20,048	2.6%
2021	119,194	42	71,384	8,267,821,000	19,912	3.3%
2020	119,400	42	67,467	7,719,618,000	20,590	4.7%
2019	118,000	42	63,515	7,206,314,000	20,520	3.5%
2018	116,200	43	60,286	6,785,085,000	20,104	3.5%
2017	111,627	43	56,759	6,335,845,000	20,238	4.9%
2016	110,714	43	54,361	6,018,520,000	20,242	4.7%
2015	109,664	43	53,548	5,872,326,000	20,243	6.0%

Sources: (1) Atlanta Regional Commission
(2) The Bureau of Economic Analysis
(3) Fayette County Board of Education
(4) Federal Reserve Bank

**FAYETTE COUNTY WATER SYSTEM
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Fiscal Year 2024			Fiscal Year 2015		
	Employees	Rank	Percentage of Total County Employment (1)	Employees	Rank	Percentage of Total County Employment
Piedmont Fayette Hospital	2,000	1	3.26%	2,000	1	4.08%
Panasonic Automotive Systems Co.	800	2	1.31%	725	4	1.48%
Cooper Lighting Solutions	500	3	0.82%	800	3	1.63%
Hoshizaki America, Inc.	500	4	0.82%	275	8	0.56%
Walmart Supercenter	427	5	0.70%	427	5	0.87%
Walmart	400	6	0.65%	400	6	0.82%
Cornerstone Building Brands, Inc.	250	7	0.41%			
Fayetteville Center for Nursing	210	8	0.34%			
Gerresheimer Peachtree City LP	200	9	0.33%			
Publix 1200 Highway 74 S	200	10	0.33%	200	10	0.41%
NCR Corporation				1,300	2	2.65%
Ply Gem Industries Inc/Windows Division				300	7	0.61%
Kindred Transitional Care & Rehab				210	9	0.43%
	<u>5,487</u>		<u>8.97%</u>	<u>6,637</u>		<u>13.54%</u>

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

**FAYETTE COUNTY WATER SYSTEM
DAILY WATER DEMAND AND PLANT PRODUCTION CAPACITY
LAST TEN FISCAL YEARS**

Fiscal Year	Water Demand (MGD)		Water Plant Rated Production Capacity	Available Capacity
	Average Daily	Maximum Daily		
2024	10.4	19.5	22.8	3.3
2023	9.8	17.0	22.8	5.8
2022	9.7	17.8	22.8	5.0
2021	9.5	18.3	22.8	4.5
2020	9.9	17.6	22.8	5.2
2019	9.3	18.0	22.8	4.8
2018	9.5	15.0	22.8	7.8
2017	10.3	17.1	22.8	5.7
2016	9.3	19.0	22.8	3.8
2015	8.8	14.2	22.8	8.6

Note 1: Water demand represents water produced by the Water 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**

Function	Full-time Equivalent Employees as of June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Water System Operations										
Water plant operations	26	26	26	26	26	25	24	24	25	25
Distribution	21	21	19	11	11	11	8	7	10	8
Utility services	-	-	-	9	9	9	9	9	-	-
Total Water System Operations	47	47	45	46	46	45	41	40	35	33
Administration										
Director, Customer Service, Billing	22	21	23	22	21	21	18	19	24	23
Meter readers	-	-	-	-	-	-	-	-	3	3
Marshals	4	4	4	4	4	4	4	4	4	4
Total administration	26	25	27	26	25	25	22	23	31	30
Total Water System Employees	73	72	72	72	71	70	63	63	66	63

Source: Fayette County Finance Department

**FAYETTE COUNTY WATER SYSTEM
OPERATING EXPENSES BY TYPE
LAST TEN FISCAL YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Expenses					
Water production cost	\$ 7,542,210	\$ 6,756,768	\$ 6,112,966	\$ 5,609,357	\$ 6,867,198
Personal services	2,410,443	1,974,803	1,342,157	1,755,959	2,101,940
Contractual services	1,210,639	1,022,359	1,073,937	1,040,655	909,495
Other operating expenses	957,736	827,395	851,331	981,655	990,911
Bad debt expense	24,956	19,067	14,078	26,313	21,496
Depreciation expense	5,655,173	5,846,779	5,846,184	5,651,765	5,654,577
Total operating expenses	<u>\$ 17,801,157</u>	<u>\$ 16,447,171</u>	<u>\$ 15,240,653</u>	<u>\$ 15,065,704</u>	<u>\$ 16,545,617</u>
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Expenses					
Water production cost	\$ 5,793,542	\$ 5,540,277	\$ 4,645,936	\$ 4,556,315	\$ 4,531,130
Personal services	1,483,041	1,403,147	1,873,571	1,853,921	1,528,292
Contractual services	717,081	906,641	1,358,586	965,090	631,911
Other operating expenses	774,295	791,610	758,830	706,424	1,282,812
Bad debt expense	16,848	20,791	21,021	25,963	31,935
Depreciation expense	5,828,305	5,875,550	5,603,404	5,489,061	5,311,187
Total operating expenses	<u>\$ 14,613,112</u>	<u>\$ 14,538,016</u>	<u>\$ 14,261,348</u>	<u>\$ 13,596,774</u>	<u>\$ 13,317,267</u>

**FAYETTE COUNTY WATER SYSTEM
SCHEDULE OF INSURANCE COVERAGES
JUNE 30, 2024**

Property Coverages	Amount in Force
Property (1)	\$ 258,052,846
Other equipment	48,942,270
Flood and earthquake	5,000,000

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

Liability Coverages	Liability Limits	
	Each Occurrence	Aggregate
General liability	\$ 3,000,000	\$ -
Automotive liability	1,000,000	None
Law enforcement liability	4,000,000	8,000,000
Public officials' liability	4,000,000	8,000,000

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-Insurance Risks

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

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

**FAYETTE COUNTY WATER SYSTEM
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
2024	\$ 5,529,957	\$ 5,529,957	\$ -
2023	2,556,404	2,556,404	-
2022	1,032,182	1,032,182	-
2021	1,920,197	1,759,644	160,553
2020	1,791,214	1,476,718	314,496
2019	1,298,698	1,281,968	16,730
2018	812,120	759,026	53,094
2017	3,774,713	2,467,116	1,307,597
2016	7,095,867	1,793,514	5,302,353
2015	3,165,069	2,145,236	1,019,833

**FAYETTE COUNTY WATER SYSTEM
OPERATING AND CAPITAL INDICATORS
LAST TEN FISCAL YEARS**

Indicator	For the Fiscal Year Ended									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Water Storage Capacity (Millions of 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)	663	661	660	652	650	646	642	638	629	623
Water Customers	33,309	33,406	32,816	32,150	31,543	31,042	30,558	29,988	29,585	29,263
Average Water Production (Millions Gallons per Day)	10.4	9.8	9.7	9.5	9.9	9.3	9.5	10.3	9.3	8.8
Maximum Water Production (Millions Gallons per Day)	19.5	17.0	17.8	18.3	17.6	18.0	15.0	17.1	19.0	14.2
Permitted Water Production (Millions 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	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3

Source: Fayette County Water System



COMPLIANCE SECTION

The Compliance Section includes the Independent Auditor's Reports on Internal Control



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

Fayette County Board of Commissioners
Fayette County, Georgia
Fayetteville, Georgia

We have audited, 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, the financial statements of the Fayette County Water System (the “Water System”) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Water System’s basic financial statements, and have issued our report thereon dated December 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water System’s internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water System’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Water System’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richels, Cauley + Associates, LLC

Dublin, Georgia
December 20, 2024