



Cherokee County, Georgia

Comprehensive Annual Financial Report

For the Fiscal Year Ended August 31, 2014

Comprehensive Annual Financial Report

For the Fiscal Year Ended August 31, 2014

Prepared by:

The Finance Department

Cherokee County Water & Sewerage Authority- Cherokee County, Georgia

Cherokee County Water & Sewerage Authority

Cherokee County, Georgia

Comprehensive Annual Financial Report

August 31, 2014

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Comprehensive Annual Financial Report

I. Introductory Section

Cherokee County Water & Sewerage Authority- Cherokee County, Georgia

Cherokee County Water & Sewerage Authority

February 10, 2015

Board of Directors, CCWSA
Customers of the Cherokee County Water & Sewerage Authority
And the Citizens of Cherokee County, Georgia

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Cherokee County Water and Sewerage Authority for the fiscal year ended August 31, 2014. Cherokee County Water and Sewerage Authority's managements are responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

The Cherokee County Water & Sewerage Authority has established internal controls over financial reporting that provide reasonable assurance of proper recording of financial transactions and the preparation of financial statements and the accompanying information. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control network that is designed to protect its assets from theft, loss or misuse.

The firm Aarons, Grant, Habif, LLC, Certified Public Accountants, conducted an independent audit on the financial statements in accordance with auditing standards generally accepted in the United States of American 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 Cherokee County Water and Sewerage Authority as of and for the year ended August 31, 2014 and the related notes to the financial statements, which collectively comprise Cherokee County Water and Sewerage Authority's basic financial statements, and as a result have issued a clean opinion on the financial statements of the Authority for the year ending August 31, 2014. The auditors' report is located at the front of the financial section of this report.

In accordance with Generally Accepted Accounting Principles, a narrative introduction, overview, and analysis accompany the basic financials statements in the form of Management's Discussing and Analysis (MD&A). This letter of transmittal is designed to complement the contents of the MD&A thus should be read in conjunction with it. Management's Discussion and Analysis is located immediately following the report of the independent auditors on pages 3-7.

Cherokee County Water & Sewerage Authority

Organization of the Comprehensive Annual Financial Report

It is anticipated that this Comprehensive Annual Financial Report (CAFR) may be read by a variety of users. The typical user of Authority's financial report may vary greatly in terms of informational needs and expertise in governmental accounting. The Comprehensive Annual Financial Report has been prepared in three major sections: Introduction, Financial, and Statistical sections.

- The introductory section is intended to familiarize the reader with the organizational structure of CCWSA and the nature and scope of services provided. This letter will assist the reader of the report and provide general information about the operations of CCWSA. Included in this part of the CAFR are this letter of transmittal, listing of principal officials and consultants and an organizational chart.
- The financial sections includes the independent auditor's report on the basic financial statements, management's discussion and analysis (the "MD&A") of the Authority's overall financial position and the results of operations, and the audited financial statements, including the accompanying notes to the financial statements, required supplementary information and other supplementary schedules.
- The statistical section provides information regarding financial trends, revenue capacity, debt capacity, demographic and economic information and operating information.

Profile of Cherokee County Water & Sewerage Authority

The Cherokee County Water & Sewerage Authority (CCWSA) was established as a subdivision of the government of the State of Georgia by an act of the Georgia Legislature in 1955. This Authority was created for the express purpose of providing public drinking water and sanitary sewer services to the citizens of Cherokee County. CCWSA has performed this mission since establishment, adding infrastructure and treatment systems in response to growing demands for services.

CCWSA is a public not-for-profit governmental entity tasked with the provision of drinking water and sanitary sewer services to Cherokee County. The Authority has no taxing powers, is not a part of Cherokee County government, and does not receive any tax revenue from county or city governments. CCWSA sells the services of high quality drinking water and efficient sewage conveyance and treatment, the charges for which go to pay on-going operations and maintenance costs. New customer connections fees are

Cherokee County Water & Sewerage Authority

designed to repay any moneys the Authority borrows for capital improvement projects such as new or expanded water and sewer lines, or new or expanded treatment facilities.

The Authority owns and operates a water supply, treatment, and distribution system and a sanitary sewer treatment and collection system. The water system consists of a raw surface water supply with a daily allotment of water of up to 36 million gallons per day ("MGD), raw surface water storage capacity of approximately 15 million gallons, two raw surface water pump stations with aggregate raw water pumping capacity of 45 MGD, one water treatment plant with a rated capacity for treatment of 17.15 million gallons, and a water distribution network of approximately 1,226 miles of pipelines. The sewerage system consists of two active wastewater treatment plants with an aggregate treatment capacity of 11 MGD and a wastewater collection system of 73 wastewater pumping stations and approximately 476 miles of collection sewers. The water system serves an approximately 300 square mile area containing an estimated population in excess of 160,000 and has approximately 67,965 active water connections. The sewerage system serves an approximately 100 square mile area containing an estimated population in excess of 62,000 and has approximately 30,012 active sewer connections.

Governance

CCWSA is governed by a seven person board of directors. The directors serve four-year terms and there is a term limit of two consecutive terms (8 years). A director who has served the term limit is eligible for reappointment after being off the Board for at least 4 years. The Board members are representative of the citizens of Cherokee County, and must be a customer of CCWSA. Cherokee County is divided into four districts for representation. A member is appointed from each of the four districts. Those members must be a CCWSA customer and represent one of the four respective districts.

Another member must be a CCWSA customer and is deemed the "at-large" member representing the county as a whole. Another member must be a CCWSA customer in one of the cities within the county that has consolidated its water and wastewater systems with the Authority. These six board members are appointed by the Grand Jury of Cherokee County. Candidates for appointment undergo questioning, qualification review and other scrutiny by the Grand Jury during the appointment process. This appointment process is somewhat unique since water/wastewater systems are most often part of a city or county government where appointees are either elected officials or political appointees. The apolitical appointment process has allowed the CCWSA Board to make decisions about water and sanitary sewer services for the citizens of Cherokee County based on need and economic viability instead of political expediency. The Chairman of the Cherokee County Commissioners is automatically the seventh board member by virtue of his/her elected position.

Cherokee County Water & Sewerage Authority

Accounting and Financial Reporting

The accounting and financial reporting treatment applied to governmental entities is determined by measurement focus. The Authority's operations are accounted for entirely as a proprietary governmental fund type with an economic resources measurement focus. The financial statements are prepared in conformity with generally accepted accounting principles on the accrual basis of accounting whereby revenue is recognized when earned, expenses are recorded when incurred and all long-term assets, receivables, debt and other obligations are recognized.

Operating Budget

The Authority is not legally required to adopt a budget. The staff of the Authority, however, prepares an annual operating budget for management control purposes. The Authority uses the accrual basis of accounting in its annual operating budget. The Authority's Board of Directors approves the budget and any changes made thereto.

Current Economic Environment

Local & National Environment

Cherokee County Water & Sewerage Authority supplies water to a geographic area of approximately 300 square miles containing a population in excess of 160,000. In addition, CCWSA provides sewer supplies to a geographic area of approximately 100 square miles containing a population in excess of 62,000. Prior to the national economic downturn, Cherokee County experienced rapid growth. As demonstrated on page 53, within the revenue capacity section, approximately 3,000 new meters were installed annually in years 2005-2006. As the economic downturn became even more evident nationally and in the region there was a significant decrease of growth in the area along with minimal construction activity. In return, the number of new meters set and sold declined in years 2008 thru 2012 significantly from the amount sold prior to the downturn of the economy. However, in 2013 Cherokee County began to experience a slow return of growth and an uptick in the construction activity in the area. As a result, there was a more substantial increase of new connections beginning in 2013 and 2014. Currently, there is every indication for the near future CCWSA will continue to see an increase in new water and sewer connections as the projections continue to incorporate an increase in growth and construction activity.

Continuous Improvement

The staff of the Authority has developed a multi-year capital improvements program and a plan to finance the program which relies on a combination of system revenues and proceeds of debt and investment earnings on such proceeds. The capital improvements program allows the staff of the Authority to plan, on a long-term basis, for future system

Cherokee County Water & Sewerage Authority

capital needs. The capital improvements program is updated on an annual basis. Please refer to the Management's Discussion and Analysis (MD&A) on page 6 for more detailed information.

Long Term Financial Planning & Considerations

When the need arises, the Authority incurs capital financing debt thru the issuance of revenue bonds. The Authority makes sinking fund deposits monthly for all issues. Annual totals are at least equal to the principal installments of and interest payable on the bonds in the current sinking fund year.

The various resolutions providing for the revenue bonds require that the Authority establish and maintain a schedule of rates, fees, and charges for services furnished by the systems to produce in each sinking fund year "net system revenues" in an amount at least equal to 1.20 times the highest annual amount of principal and interest payable on the bonds during any future sinking fund year. Effective with the issuance of the Series 2001 bonds, the Authority's annual net system revenues exclusive of water connection and sewer tap fees must be no less than this highest annual amount of debt service payable during any future sinking fund year.

The Authority currently will continue to rely on operating revenues to fund capital improvements on a pay-as-you-go basis. Please refer to Note F on page 20 in the Notes to Financial Statements for more detailed information.

Major Initiatives

The Cherokee County Water & Sewerage Authority has experienced rapid growth in its customer base. Current trends indicate that this growth will continue throughout the county, thereby requiring additional wastewater treatment capacity. To satisfy present and future wastewater treatment needs, the Authority is progressing with plans to build the Riverbend Environmental Complex. The Riverbend Environmental Complex converts and reuses the loadings of an existing industrial discharge. It is the intent of the Authority to construct the facility with an initial capacity of 0.5 million gallons per day (mgd) with a direct discharge to Etowah River and an ultimate capacity of 15.6-mgd.

In addition, the Riverbend Complex included a 4.5 MGD fresh water withdrawal permit that has been converted from an Industrial permit to a 4.5 MGD potable water withdrawal permit. Construction contracts have been issued to upgrade the existing withdrawal structures and install associated raw water intake lines to transport the pumped water the CCWSA Etowah River Water Treatment Plant located approximately one mile upstream of the new additional intake location.

Cherokee County Water & Sewerage Authority

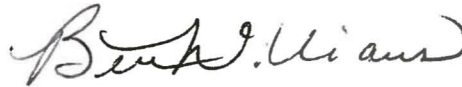
Acknowledgements

It is our pleasure to express gratitude to the management of each department of the Authority. Thanks should also be expressed to the staff of the Finance Department for the dedication to the financial integrity of the Authority that makes this report possible. It truly is a commitment from each staff member to assist in compiling the information and assure that each transaction is properly and accurately accounted for. Finally, an enormous amount of thanks is expressed to the Board of the Authority. The Board of Directors' leadership, vision and professionalism is of highest integrity. The support received from the Board is greatly appreciated and is of utmost importance to the financial integrity and operations of the Authority.

Respectfully,



Thomas A. Heard
General Manager



Beth Williams
Accounting Manager

Cherokee County Water & Sewerage Authority

Listing of Principal Officials and Consultants

CCWSA Board Members

Nancy Martin

Chris Wilbanks

Robert Morrison

Mike Byrd

Steven Woodruff

Doug Dabbs

Buzz Ahrens

General Manager

Thomas Heard

Management

Ryan Sarks-Human Resources/Risk/Fleet & Safety
Manager

Mike Venters- Waste Water Facilities Manager

Beth Williams-Accounting Manager

Clint Blackwell-Water Treatment Manager

Wesley Banks-Financial Assurance/Billing/IT
Manager

Mark Cochran-Reservoir Manager

Sharon Clark-Data Systems Analyst

Randy Mitchell-Waste Water Collections/Lift Station
Manager

Dwight Turner-Public Information/Meter
Technician/Customer Service Manager

Rick Dobbs- Special Projects Manager

David Kubala- Environmental Affairs Manager

Jeff Hooper- GPS/GIS Coordinator

Bill Graham- Construction/Distribution Manager

Dan Carson- Construction Planning Coordinator

Dwayne Fowler-Waste Water Planning Coordinator

Consultants and Professional Services

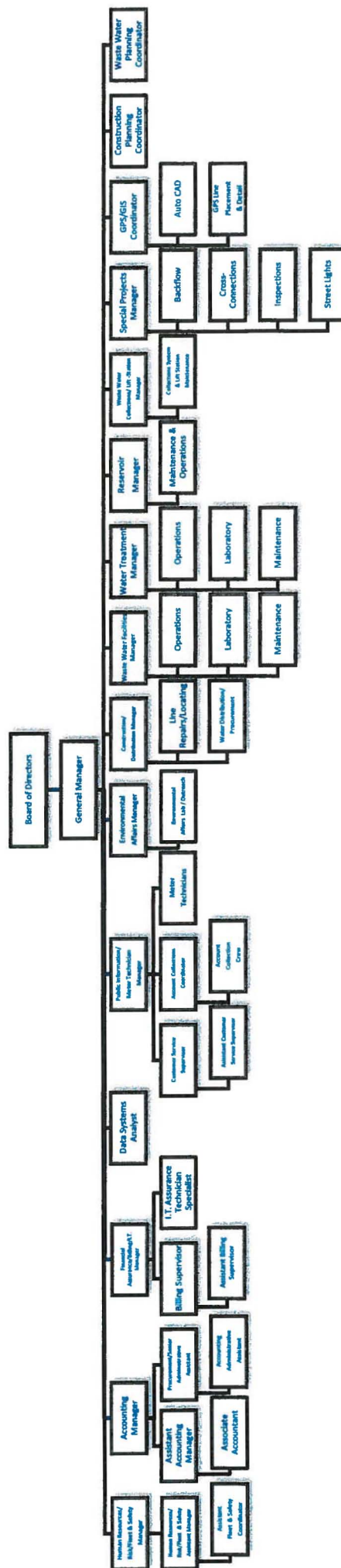
Legal Counsel:

Roach, Caudill & Gunn, LLP, Canton, Georgia

Auditors:

Aarons, Grant, & Habif, Atlanta, GA

Cherokee County Water and Sewerage Authority



2015 Management Structure Chart



Comprehensive Annual Financial Report

II. Financial Section

Cherokee County Water & Sewerage Authority- Cherokee County, Georgia



B U S I N E S S A D V I S O R S
C E R T I F I E D P U B L I C A C C O U N T A N T S

INDEPENDENT AUDITORS' REPORT

Cherokee County Water and Sewerage Authority
Canton, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Cherokee County Water and Sewerage Authority as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise Cherokee County Water and Sewerage Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cherokee County Water and Sewerage Authority as of August 31, 2014, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Members of The American Institute of CPAs, Georgia Society of CPAs and Geneva Group International

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the postemployment benefit information on pages 3 through 7 and page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The information listed as Other Supplementary Schedules in the table of contents on pages 31 through 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This 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. It 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information listed as Other Supplementary Schedules in the table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014 on our consideration of the Cherokee County Water and Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cherokee County Water and Sewerage Authority's internal control over financial reporting and compliance.

AGH, LLC

AGH, LLC

November 21, 2014

Cherokee County Water & Sewerage Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Our discussion and analysis of Cherokee County Water and Sewerage Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended August 31, 2014. Please read it in conjunction with the Authority's financial statements that begin on page 8.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes In Net Position (on pages 8-11) provide information about the activities of the Authority and present a long-term view of the Authority's finances.

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority and about its activities in a way that helps answer this question. These two statements include all assets, deferred outflows of resources and liabilities using the accrual basis of accounting, which is similar to the basis that is used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's Net Position and the changes in it. You can think of the Authority's net position – the difference between assets with deferred outflows of resources, and liabilities – as one way to measure the Authority's financial health. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the Authority.

THE AUTHORITY AS A WHOLE

The Authority's Net Position increased in 2014 by approximately \$9.4 million, from the beginning of the year, \$310.8 million to \$ 320.2 million. Approximately \$4.4 million of the increase in 2014 was donated assets attributable to contributions by developers, primarily of water and sewer lines. In addition, the increase in net position can be attributed to sewer tap and water meter connections of approximately \$6.0 million.

As more fully described in the footnotes to the financial statements, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective September 1, 2013 in compliance with generally accepted accounting principles. This new accounting principle requires that debt issue costs be expensed in the period incurred and accordingly, a restatement of \$3.6 million to reduce the Authority's Net Position as of August 31, 2013 is reflected in this report.

The following tables focus on the Authority's net position (Table 1) and changes in its net position (Table 2).

Cherokee County Water & Sewerage Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Table 1 - Condensed Statement of Net Position (in 000)

	8/31/2014	8/31/2013 (restated)	\$ Change	% Change
Other assets	\$ 47,307	\$ 44,005	\$ 3,302	7.5%
Capital assets	439,360	439,547	(187)	0.0%
Total Assets	486,667	483,552	3,115	0.6%
Deferred Outflows of Resources	5,693	6,092	(399)	-6.5%
Current liabilities	14,748	13,524	1,224	9.1%
Long-term liabilities and debt	157,456	165,336	(7,880)	-4.8%
Total Liabilities	172,204	178,860	(6,656)	-3.7%
Net investment in capital assets	281,152	274,768	6,384	2.3%
Restricted net position	4,931	4,869	62	1.3%
Unrestricted net position	34,073	31,147	2,926	9.4%
Total Net Position	\$ 320,156	\$ 310,784	\$ 9,372	3.0%

Table 2 - Condensed Statement of Revenues, Expenses and Changes in Net Position (in 000)

	8/31/2014	8/31/2013	\$ Changes	% Change
Operating Revenues:				
Water sales	\$ 24,286	\$ 22,545	\$ 1,741	7.7%
Wastewater treatment sales	14,538	13,529	1,009	7.5%
Connection fees	292	413	(121)	-29.3%
Other	2,266	2,188	78	3.6%
Non-Operating Revenues:				
Interest	229	185	44	23.8%
Other	1,090	755	335	44.4%
Total Revenues	\$ 42,701	\$ 39,615	\$ 3,086	7.8%
Operating Expenses:				
Water	\$ 3,416	\$ 3,395	\$ 21	0.6%
Wastewater	8,124	7,882	242	3.1%
Distribution and administration	12,101	11,502	599	5.2%
Depreciation	10,923	10,675	248	2.3%
Other	1,036	972	64	6.6%
Non-Operating Expenses:				
Interest	7,845	8,063	(218)	-2.7%
Other	399	1,138	(739)	-64.9%
Total Expenses	43,844	43,627	217	0.5%
Deficiency before contributions	(1,143)	(4,012)	2,869	-71.5%
Contributed capital	10,515	10,278	237	2.3%
Increase in Net Position	\$ 9,372	\$ 6,266	\$ 3,106	49.6%

Cherokee County Water & Sewerage Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

The Authority's revenues increased in 2014 by approximately \$3.1 million or 7.8% (\$ 42.7 million in 2014 compared to \$39.6 million in 2013). Total Expenses remained relatively flat in 2014 in comparison to 2013. The factors driving these results include:

- The number of water customers in 2014 and 2013 grew by 2.1% and 1.6% respectively. Wastewater customers grew by 3.7% in 2014 compared to 3% in 2013. The growth of the wastewater customers can be attributed to the slow return of population growth that is occurring throughout Cherokee County specifically in the areas served by CCWSA's sewer system. The Authority's revenues as displayed in Table 2 above shows total revenues increasing by approximately \$3.1 million in FY 2014. Water sales increased approximately 7.7% as compared with prior year and sewer sales revenue increased approximately 7.5% as compared with the prior year. The Authority experienced an increase in water sales attributable to a more normal weather pattern than in the previous year making environmental factors one of the main driving factors resulting in revenue increases for FY 2014. Additionally, the CCWSA Board of Directors approved a revision to the Water and Sewer Rate Structure effective May 1, 2014.
- Total Expenses of the Authority increased by approximately \$217,000 to \$43.8 million. In regards to departmental expense increases in FY 2014, distribution and administration increased (5.2%). The majority of the increases in the distribution and administration costs were primarily recognized in increased employee costs of approximately \$315,000. Wastewater Treatment Facilities expenses increased (3.1 %). The primary driving factor for the increase in wastewater treatment facilities expenses were recognized in increased employee costs of approximately \$62,000 and power costs increases of approximately \$117,000. Water Treatment Facilities expenses remained relatively flat as compared to prior year operating expenses.
- Non-Operating Expenses attributed to total expenses remaining flat in comparison to FY 2013. The fair market value of the 1993 & 1995 debt service forward delivery agreements improved in the amount of (191,330) in FY 2014 and amortization of bond premiums increased. In addition the amortization of bond issue costs were adjusted to reflect the implementation of GASB 65; therefore, decreasing the expense for comparison purposes to FY 2013.
- The Authority has noted an increase in capital contributions revenues of approximately \$237,000 or 2.3% in 2014. The significant increase was noted in the increase in donated lines from developers, which were approximately \$3.4 million for the year ending August 31, 2013 and \$4.4 million for the year ending August 31, 2014. Management of the Authority attributes the increase of contributions from developers due to an increase in new construction activity in Cherokee County. In addition to donated lines, the Authority noted a slight decrease in sewer tap fees contributions of approximately \$186,000 compared to FY 2013. Sewer tap fees in FY 2013 were \$4,515,196 compared to sewer tap fees contributions in FY 2014 of \$4,328,898. Although, a slight decrease was noted in sewer tap fee contributions it is relatively flat compared to prior year tap fee revenues which is an indication that steady growth is returning to the area. Also, the Authority noted a slight increase of approximately \$300,000 in meter connection fee contributions. The increases in meter connection fee contribution can be attributed to an increase of connections sold by the Authority in FY 2014. In FY 2014 there were approximately 149 more meter connections sold than in the previous fiscal year.
- Management of the Authority attributes the increase in the growth of Net Position in 2014 primarily to capital contributions which include developer contributions valued at \$4.4 million as well as water meter connections and sewer tap fees for approximately \$6 million.

Cherokee County Water & Sewerage Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2014 and 2013, the Authority had \$439.4 million and \$439.5 million, respectively, invested in a range of capital assets including equipment, buildings, land and water and sewer lines (see Table 3). This represents a net decrease after additions, disposals and depreciation of approximately \$200,000 in 2014.

Table 3 - Capital Assets at Year End
(Net of Depreciation - in 000)

	8/31/2014	8/31/2013
Land and easements	\$ 5,989	\$ 5,676
Construction in progress including structures, improvements & equipment not in service	23,896	25,377
Total Nondepreciable	29,885	31,053
Structures and improvements	543,167	532,230
Machinery and equipment	7,344	6,712
Office furniture and equipment	232	136
Total Depreciable	550,743	539,078
Less depreciation	(141,268)	(130,584)
Net Capital Assets	\$ 439,360	\$ 439,547

The staff of the Authority has developed a multi-year capital improvements program and a plan to finance the program which relies on a combination of system revenues and proceeds of debt and investment earnings on such proceeds. The capital improvements program allows the staff of the Authority to plan, on a long-term basis, for future system capital needs. Each year the capital improvements program is updated.

The Authority's fiscal year 2015 capital improvement program calls for it to spend \$35 million for capital projects in 2014-2015, principally for upgrades and improvements to water & wastewater treatment facilities and for utility relocations within the water system. The capital improvements program allows the staff of the Authority to plan, on a long term basis, for future System capital needs. In connection with existing construction projects, the Authority has outstanding agreements with contractors for approximately \$900 thousand in future work at August 31, 2014. Capital disbursements will be financed by a combination of resources on hand, future system revenues and the proceeds from future revenue bonds. More detailed information about the Authority's capital assets is presented in Note E in the financial statements. Each year the capital improvements program is updated and reviewed on an ongoing basis throughout the year.

Cherokee County Water & Sewerage Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Debt Administration

At year-end 2014 and 2013, the Authority had \$163.2 million and \$170.5 million (as restated), net of discounts and premiums, in revenue bonds outstanding, respectively. The net decrease of \$7.3 million is due primarily to the repayment of the Authority's previously issued debt and the increase in amortization bond premiums from the issuance of the Series 2013 revenue refunding bonds. Additional information is presented in Note F of the financial statements.

The Authority's Revenue Bonds have been assigned ratings by Moody's Investors Service, Inc. and Standard and Poor's Rating Services of Aa2 and AA, respectively. Standard & Poor's upgraded the Authority's rating from AA- to AA in May 2011. These very high ratings reflect the rating agencies' consideration of factors such as financial liquidity, debt service coverage and the growth rate of the Authority's customer base.

The Authority's other significant obligations include customer deposits, accounts payable, accrued interest, salaries and other expenses as can be seen on the Statement of Net Position.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The 2015 budget and capital improvement program have been prepared taking into account that economic and population growth for the Authority's service area are expected to remain the same with little growth anticipated in the next five years. Other factors affecting next year's and future budgets are listed below.

- The Authority does not anticipate the Board passing rate increases for the water or wastewater rates, and anticipate the customer base to increase by adding approximately 863 new water customers to the system during the year at tap-on fees of \$1,700 for regular residential and sprinkler meters and commercial tap-ons sold at varying rates. The Authority estimates an addition of approximately 728 new wastewater treatment customers to the system during the year at tap-on fees starting at \$4,500.
- The Authority's Capital Improvement Program is funded through issuance of new debt, capital contributions from tap fees and developers, and operating revenue in excess of operating expenses and debt service expenses. The Authority will continue to rely on operating revenues to fund capital improvements on a pay-as-you-go basis.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the office of the Authority's Finance Department at 140 W. Main Street, Canton, Georgia 30114.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
AS OF AUGUST 31, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 35,050,336
Accounts receivable	5,908,986
Accrued interest receivable	5,786
Prepaid expenses	437,861
Inventories	332,019
Restricted assets in revenue bond sinking fund:	
Cash and cash equivalents	1,207,457
	<hr/>
Total Current Assets	42,942,445

Noncurrent Assets

Restricted assets in revenue bond debt service reserve:	
Cash and cash equivalents	3,060,520
Investments	1,295,443
	<hr/>
Total restricted assets in revenue bond debt service reserve	4,355,963
	<hr/>
Unamortized street light costs	8,879
	<hr/>
Capital assets:	
Land and easements	5,988,976
Construction-in-progress	23,895,538
Structures and improvements	543,167,646
Machinery and equipment	7,344,297
Office furniture and equipment	231,228
	<hr/>
Total capital assets	580,627,685
Less: accumulated depreciation	(141,267,711)
	<hr/>
Net capital assets	439,359,974
	<hr/>
Total Noncurrent Assets	443,724,816
	<hr/>
Total Assets	486,667,261

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refunding	5,692,918
	<hr/>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
AS OF AUGUST 31, 2014

LIABILITIES

Current Liabilities

Trade accounts payable	\$ 1,483,572
Construction accounts and retainage payable	659,107
Accrued salaries and vacations	726,073
Unearned revenues	182,943
Unearned sewer connection fees	32,953
Customer deposits	4,196,365
Payable from restricted assets:	
Current portion of long-term debt	6,835,000
Revenue bond interest payable	632,176
	<hr/>
Total Current Liabilities	14,748,189

Noncurrent Liabilities

Deferred interest income	191,896
Revenue bonds payable, less current portion, net	156,407,202
Other long-term liabilities	856,695
	<hr/>
Total Noncurrent Liabilities	157,455,793

Total Liabilities	<hr/> 172,203,982
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NET POSITION

<u>Net Investment in Capital Assets</u>	281,151,583
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Restricted For:

Debt service	575,281
Bond retirement	4,355,963

<u>Unrestricted</u>	<hr/> 34,073,370
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Total Net Position	<hr/> \$ 320,156,197
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CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2014

Operating Revenues

Metered water sales	\$ 24,286,454
Wastewater treatment sales	14,538,327
Street light fees	1,322,783
Water connection fees	291,639
Transfer fees	205,525
Forfeited discounts and penalties	672,020
Customer repairs and service charges	<u>65,452</u>

Total Operating Revenues	<u>41,382,200</u>
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Operating Expenses

Water purchases and production	3,415,804
Wastewater treatment	8,123,714
Street lights	1,036,563
Distribution and administration	12,101,019
Depreciation	<u>10,923,088</u>

Total Operating Expenses	<u>35,600,188</u>
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Income from Operations	<u>5,782,012</u>
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Non-Operating Revenues

Gain on disposition of capital assets, net	17,999
Interest:	
Sinking funds	192,387
Revenue funds	36,357
Change in fair value of derivative	191,330
Amortization of bond premiums, net	737,357
Miscellaneous	<u>143,381</u>

Total Non-Operating Revenues	<u>1,318,811</u>
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CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2014

Non-Operating Expenses

Interest	\$ 7,828,950
Paying agent fees	16,332
Amortization of deferred amount on refunding	<u>398,909</u>
Total Non-Operating Expenses	<u>8,244,191</u>

Capital Contributions

Sewer tap fees	4,328,898
Water connection fees	1,743,611
Donated assets	<u>4,442,626</u>
Total Capital Contributions	<u>10,515,135</u>

Increase in Net Position 9,371,767

Net Position, beginning of year as restated 310,784,430

Net Position, end of year \$ 320,156,197

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2014

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities:

Cash received from customers	\$ 40,437,349
Cash paid to suppliers	(15,579,247)
Cash paid to employees	(8,890,644)

Net cash provided by operating activities	<u>15,967,458</u>
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Cash flows from investing activities:

Interest received	<u>112,208</u>
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Cash flows from capital and related financing activities:

Revenue bond principal payments	(6,565,000)
Interest paid on revenue bonds	(7,784,986)
Capital expenses	(6,038,571)
Proceeds from sewer tap and water connection fees	6,072,508
Paying agent and broker fees	(16,332)
Proceeds from disposal of equipment and scrap	<u>30,024</u>

Net cash used in capital and related financing activities	<u>(14,302,357)</u>
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Net change in cash and cash equivalents	1,777,309
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Cash and cash equivalents:

Beginning of year	<u>37,541,004</u>
End of year	<u><u>\$ 39,318,313</u></u>

Classified as:

Cash and cash equivalents	\$ 35,050,336
Restricted cash and cash equivalents:	
Current	1,207,457
Noncurrent	<u>3,060,520</u>
	<u><u>\$ 39,318,313</u></u>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2014

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Reconciliation of Income From Operations to Net Cash
Provided By Operating Activities:

Income from operations	\$ 5,782,012
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Adjustments to reconcile income from operations to net cash
provided by operating activities:

Depreciation	10,923,088
Miscellaneous revenue	143,381
(Increase) decrease in:	
Accounts receivable	(1,208,338)
Prepaid expenses	(316,680)
Inventories	592
Increase in:	
Trade accounts payable	470,779
Accrued salaries and vacations	52,517
Unearned revenues	12,472
Customer deposits	107,635

Net Cash Provided By Operating Activities	<u>15,967,458</u>
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Non-Cash Capital and Related Financing Activities:

Acquire contributed capital assets	4,400,416
Change in fair value of investment derivatives	<u>(191,330)</u>

	<u>\$ 4,209,086</u>
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CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note A – Organization

Cherokee County Water and Sewerage Authority (the “Authority”) is a public corporation and body corporate and politic, an independent governmental unit created and existing under the laws of the State of Georgia. The Authority was created by an act of the General Assembly of the State of Georgia that became effective on March 7, 1955. The Authority Act declared that the general purpose of the Authority is to acquire adequate sources of water supply, treat such water and distribute it to the water system throughout Cherokee and adjoining counties. The Authority Act states that this general purpose will not restrict the Authority from selling and delivering water directly to consumers in those areas where water distribution systems do not exist and where no other county or municipality deems it desirable or feasible to furnish water. The Authority Act also provides that the general purpose of the Authority includes sewerage projects.

The Authority Board is composed of seven members. Six members are appointed by the Cherokee County Grand Jury for staggered terms of four years and the seventh member is the current chair of the Cherokee County Commission. The Authority is a fiscally independent entity with self-sustaining operations. No other government is financially accountable for the Authority. The Authority has no taxing power; however, it does have the ability to establish the rates it charges customers. Thus, the Authority is considered a reporting entity in conformity with the Governmental Accounting Standards Board’s (“GASB”) definition.

Note B – Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to governmental entities is determined by measurement focus. The Authority’s operations are accounted for entirely as a proprietary governmental fund type with an economic resources measurement focus. The financial statements are prepared in conformity with generally accepted accounting principles on the accrual basis of accounting whereby revenue is recognized when earned, expenses are recorded when incurred and all long-term assets, receivables, debt and other obligations are recognized.

Income from operations reported in the Authority’s financial statements includes revenues and expenses related to its primary continuing operations. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The Authority’s fund equity (i.e., net position) is divided into three components:

Net investment in capital assets consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position consists of assets that are restricted by the Authority’s creditors through debt covenants.

All other net position is reported as unrestricted.

The Authority first utilizes restricted resources to finance qualifying activities.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note B – Summary of Significant Accounting Policies (continued)

The Authority applies all relevant pronouncements of the GASB, and all Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989 that do not conflict with or contradict GASB statements, in preparing these financial statements in accordance with generally accepted accounting principles ("GAAP").

In compliance with GAAP, as of September 1, 2013 the Authority adopted GASB Statement No. 65 ("GASB 65"), *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2012. For debt refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt was reclassified from liabilities to deferred outflows of resources in the Statement of Net Position. Additionally, the adoption of GASB 65 requires that debt issue costs be expensed in the period incurred, resulting in a restatement of net position (see Change in Accounting Principal, below).

Change in Accounting Principle

The September 1, 2013 beginning net position was restated as follows due to the implementation of GASB Statement No. 65:

Net position, as previously stated	\$314,359,009
Restated due to the recognition of deferred bond issue costs:	
Unamortized bond issue costs	(2,255,303)
Deferred amount on refunding	<u>(1,319,276)</u>
Net position, as restated	<u>\$ 310,784,430</u>

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect various amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of three months or less at the time of investment to be cash equivalents.

Accounts Receivable and Revenue Recognition

The Authority bills its customers on a cyclical basis throughout the month based on meter readings taken during the previous month.

The Authority records receivables at the amount it expects to collect on balances due at the end of the year. Advance deposits are obtained from customers, but the Authority does not obtain collateral or other security for any of its trade accounts or other amounts receivable. Accordingly, it is exposed to credit losses in the event of nonperformance. Management closely monitors outstanding balances and writes off uncollectible amounts as of year-end in accordance with approved policies.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note B – Summary of Significant Accounting Policies (continued)

Billed accounts receivable represent charges for customer water and wastewater treatment usage billed to customers and not paid at August 31. Unbilled accounts receivable represent charges billed to customers after August 31 for services provided by the Authority prior to September 1.

Metered water and wastewater treatment sales and streetlight fees are based on rates established by the Authority Board.

Inventories

Inventories are stated at cost using specific identification.

Investments

Investments are stated at fair value and may include U.S. Government and agency obligations, repurchase agreements and money market funds including investment in a local government investment pool, interest rate management agreements and other investments as permitted by the laws of the state of Georgia. The Authority has adopted an interest rate management plan meeting the requirements of OCGA §36-82-250 and approved the parameters within which interest rate swap agreements may be executed.

Capital Assets

Capital assets include infrastructure acquired since 1959 and are stated at cost except for contributed water and sewer lines which are recorded at their fair market value at the date they are accepted by the Authority. All acquisitions of property and equipment in excess of \$1,000 are capitalized and depreciated.

Depreciation of the water and sewer systems, machinery, equipment and furnishings is computed using the straight-line method over the following economic lives:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>
Structures, line extensions and improvements	50 Years
Machinery and equipment	5-20 Years
Office furniture and equipment	5 Years

Expenditures for maintenance and repairs not considered to substantially lengthen the property lives are charged to expense as incurred. The cost of incomplete construction and system improvement projects is reported as construction-in-progress and is not depreciated.

Capitalized Interest

Interest costs on the revenue bond debt, net of interest earned, are capitalized into the related cost of the system improvements if material to the Authority's financial statements and are otherwise expensed as incurred.

Capitalization of Salaries

The Authority capitalizes salaries of employees in distribution and administration who perform construction activities. The amount capitalized is based upon the portion of the respective employees' work hours that is spent performing these functions.

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources represent separate financial statement elements of the statement of net position, the components of which are specifically identified by the GASB.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note B – Summary of Significant Accounting Policies (concluded)

In addition to assets, the statement of net position will sometimes report deferred outflows of resources. This financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an expense until then. The Authority has reported the deferred amount on refunding as a deferred outflow of resources on the statement of net position.

In addition to liabilities, the Authority may also report deferred inflows of resources. This separate section on the statement of net position represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until that time.

Amortization

Amortization of bond premiums and discounts is computed using the effective interest method over the life of the bond issue for which the charges have been deferred. Amortization of the deferred amount on refunding is computed using the straight line method over the shorter of the remaining life of the defeased debt had it not been refunded, or the life of the new debt.

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts depending on tenure with the Authority. Unused leave is lost if not taken each year. Sick leave accrues to full-time employees to a specified maximum but does not vest and is paid only for an absence for medical-related causes. Since such future absences cannot be reasonably predicted, no liability for unused sick pay is recorded.

Operating Budget

The Authority is not legally required to adopt a budget. The staff of the Authority, however, prepares an annual operating budget for management control purposes. The staff of the Authority uses the accrual basis of accounting in its annual operating budget, which is consistent with the basis of accounting used in the Authority's financial statements. The Authority's Board of Directors approves the budget and any changes made thereto.

The Authority's budget for the year ended August 31, 2014 is included in the supplementary information to the accompanying financial statements. This budget is based upon certain assumptions and estimates of the staff of the Authority regarding future events, transactions and circumstances. Realization of the results projected in this budget will depend upon implementation by management of the Authority of policies and procedures consistent with the assumptions. There can be no assurance that actual events will correspond with such assumptions, that uncontrollable factors will not affect such assumptions or that the projected results will be achieved. Accordingly the actual results achieved could materially vary from those projected in the budget.

Reclassifications

Certain prior year amounts in the footnote disclosures have been reclassified to conform to the current year financial statement presentation. The reclassifications have no effect on previously reported net position.

Note C – Cash, Cash Equivalents and Investments

Cash

All of the Authority's cash as of August 31, 2014 is held in banks located in the State of Georgia. These demand deposits are required by Georgia state law and the Authority's revenue bond resolutions (see Note F) to be federally insured or collateralized by the institution. The collateral must meet certain requirements and be held by a third party for the benefit of the Authority. As of August 31, 2014, cash

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note C – Cash, Cash Equivalents and Investments (continued)

held in banks totaled \$6,221,823 and was covered by federal depository insurance or by collateral held by the Authority's agent and pledged to or in the name of the Authority. The value of cash in the accompanying financial statements, considering items in transit, totaled \$6,145,281.

Cash Equivalents and Investments

The Authority's cash equivalents and other investments are all held for non-trading purposes. Permitted investments and the Authority's policies are defined by the Authority's revenue bond resolutions which specify the types of securities in which the Authority is allowed to invest. Permitted investments include obligations of the U.S. government, or certain of its subsidiary corporations and agencies which are rated in the highest rating category by Moody's Investors Service and Standard & Poor's Ratings Group; the local government investment pool created by OCGA 36-83-8; bonds or obligations of the state of Georgia or its other counties, municipal corporations and political subdivisions; money market funds; and other investments as authorized by Georgia law. Each type of investment must meet certain criteria based on the nature of the investment.

The Authority has the following investments at August 31, 2014:

Investment	Maturities	Fair Value
Georgia Fund I - cash equivalent	57 days avg.	\$ 30,112,512
U.S. Bank Money Market - cash equivalent	N/A	3,060,520
MBIA repurchase agreement, 5.36%	August 1, 2025	1,295,443
Total		<u>\$ 34,468,475</u>

All investment securities are either an external local government investment pool, or are insured, registered or held by the Authority or its agent in the Authority's name. As of August 31, 2014, the Authority's investments in Georgia Fund I were rated AA+ by Standard & Poor's Ratings Group; the money market fund and repurchase agreement are not rated.

The local government investment pool "Georgia Fund 1", created by OCGA 36-83-8, is a stable net asset value investment pool which is rated by Standard and Poor's as AA+. Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7-like pool. The pool is not registered with the SEC as an investment company. Financial oversight of the pool is provided by the (Georgia) Office of the State Treasurer. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1/share value). The weighted average maturity of its holdings is 57 days and net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1.00 per share. The fair value of the position in the pool is the same as the value of the pool shares. The Georgia Fund I investments are reported as cash equivalents.

At August 31, 2014, the repurchase agreement is secured by U.S. government obligations that are classified as held-to-maturity. U.S. government obligations are debt securities.

Certain assets are restricted for bond sinking funds and reserves, to be used for payment of debt service on long-term debt.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note C – Cash, Cash Equivalents and Investments (concluded)

The Authority places no limit on the amount that may be invested in any one issuer and does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The scheduled maturity of \$1,295,443 of investment in a repurchase agreement, the only investment considered as a debt security classified as held-to-maturity at August 31, 2014, is greater than ten years.

Note D – Accounts Receivable

Accounts receivable consist of the following at August 31, 2014:

Billed	\$ 2,876,871
Unbilled	<u>3,032,115</u>
	<u>\$ 5,908,986</u>

Note E – Capital Assets

A summary of changes in capital assets for the year ended August 31, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Assets not Depreciated:				
Land and easements	\$ 5,676,103	\$ 312,873	\$ -	\$ 5,988,976
Construction-in-progress	25,377,122	4,441,104	(5,922,688)	23,895,538
Other Capital Assets:				
Structures and improvements	532,229,806	10,975,686	(37,846)	543,167,646
Machinery and equipment	6,711,867	835,575	(203,145)	7,344,297
Office furniture and equipment	136,514	105,192	(10,478)	231,228
Accumulated Depreciation:				
Structures and improvements	(125,952,853)	(10,150,309)	30,820	(136,072,342)
Machinery and equipment	(4,527,735)	(747,634)	203,143	(5,072,226)
Office furniture and equipment	(103,478)	(25,145)	5,480	(123,143)
Capital Assets, Net	<u>\$ 439,547,346</u>	<u>\$ 5,747,342</u>	<u>\$ (5,934,714)</u>	<u>\$ 439,359,974</u>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note F – Revenue Bonds Payable

A summary of changes in long-term debt for the year ended August 31, 2014 is as follows:

	Beginning Balance as Restated	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 163,700,000	\$ -	(6,565,000)	\$ 157,135,000	\$ 6,835,000
Less unamortized discount	(127,761)	-	13,704	(114,057)	-
Plus unamortized premium	6,972,321	-	(751,062)	6,221,259	-
	<u>\$ 170,544,560</u>	<u>\$ -</u>	<u>\$ (7,302,358)</u>	<u>\$ 163,242,202</u>	<u>\$ 6,835,000</u>

The beginning balance in the table above is restated due to the implementation of GASB 65. The restatement reclassifies the unamortized deferred amount on refunding from liabilities to deferred outflows of resources on the statement of net position.

In June 1991, the Authority issued \$21,685,000 of Refunding Series 1991 revenue bonds maturing in 2018 with interest rates from 6.30% to 7.50%, to advance refund all of the Series 1987 and 1988 revenue bonds in the aggregate principal amount of \$20,000,000. A portion of this series was refunded by the Series 2001 revenue bonds (see below) in May, 2001 and was redeemed at 102% of face value in August 2001.

In December 1993, the Authority issued \$28,460,000 in Water and Sewerage Revenue Bonds, Refunding and Improvements Series 1993 maturing in 2023 with interest rates from 5.30% to 5.50%, to advance refund all of the Series 1991 revenue bonds in the principal amount of \$10,000,000 and to provide funds to make certain additions and improvements to the water and sewerage systems.

In December 1995, the Authority issued \$22,460,000 in Water and Sewerage Revenue Bonds Series 1995, maturing in 2025 with an interest rate of 5.20%, to provide funds to make certain additions and improvements to the water and sewerage systems. A portion of this series was refunded by the Series 2001 revenue bonds.

In May 2001, the Authority issued \$70,505,000 in Refunding and Improvement Revenue Bonds Series 2001, maturing in 2030 with interest rates ranging from 3.25% to 5.125%, to advance refund portions of the Series 1991, 1995, 1997 and 1998 revenue bonds in the principal amount of \$38,765,000, to pay a surety bond premium to fund the bond Debt Service Reserve and to provide funds to make certain additions, extensions and improvements to the water and sewerage systems. Portions of this series were refunded by the Series 2010 and Series 2011 revenue refunding bonds, and were called and redeemed in 2011.

In May 2006, the Authority issued \$25,000,000 in Revenue Bonds Series 2006 as auction rate securities maturing in 2035. The bonds were issued to provide funds to make certain additions, extensions and improvements to the water and sewerage systems. These bonds were remarketed in April 2008 in order to convert their interest rates to long-term fixed rates that range from 3.00% to 5.00%.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note F – Revenue Bonds Payable (continued)

In June 2007, the Authority issued \$25,000,000 in Revenue Bonds Series 2007 as auction rate securities maturing in 2035. The bonds were issued to provide funds to make certain additions, extensions and improvements to the water and sewerage systems. These bonds were remarketed in April 2008 in order to convert their interest rates to long-term fixed rates that range from 3.00% to 5.00%.

In April 2008, because of significant disruptions to the auction rate securities market, the Authority converted the interest rates on the Series 2006 and 2007 bonds from auction rates to long-term fixed rates. The Authority paid \$456,157 in remarketing fees and other costs in connection with the conversion and remarketing of the bonds. All were successfully remarketed in April 2008 resulting in a premium of \$268,023.

In January 2010, the Authority issued \$39,710,000 in Water and Sewerage Revenue Refunding Bonds, Series 2010, maturing in 2028 with interest rates ranging from 3.00% to 5.00%. The bonds were issued by the Authority for the purpose of advance refunding the Authority's remaining Series 1997 and 1998 revenue bonds and a portion of the Series 2001 revenue bonds in the aggregate principal amount of \$39,645,000.

In June 2011, the Authority issued \$29,310,000 in Water and Sewerage Revenue Refunding Bonds, Series 2011, maturing in 2030 with interest rates ranging from 3.00% to 5.00%. The bonds were issued by the Authority for the purpose of advance refunding a portion of the Authority's Series 2001 revenue bonds and a portion of the Series 2003 revenue bonds in the aggregate principal amount of \$30,355,000.

In May 2013, the Authority issued \$16,260,000 in Water and Sewerage Revenue Refunding Bonds, series 2013, maturing in 2033 with interest rates ranging from 3.25% to 5.00%. The bonds were issued by the Authority for the purpose of advance refunding a portion of the Authority's Series 2003 revenue bonds in the aggregate principal amount of \$18,970,000.

The U.S. government securities purchased in connection with the defeased and advance refunded bonds are deposited in irrevocable trusts with escrow agents to provide for all future debt service payments of the affected bonds. As a result, the bonds are considered to be defeased and the liabilities for them have been removed from long-term debt. As of August 31, 2014, outstanding principal balances remain for the Series 1995, Series 1997 and Series 1998 bonds in the amounts of \$3,210,000 and \$335,000 and \$5,115,000, respectively.

The defeasance, advance refundings and remarketing of the bonds described above resulted in differences between the reacquisition prices and the net carrying amounts of the old debt. The deferred amount on refunding, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations using the straight-line method of amortization. The amount remaining at August 31, 2014 is \$5,692,918.

The revenue bonds are secured by a pledge of the revenues derived by the Authority from the ownership and operation of the water and sewerage systems remaining after payment of the reasonable and necessary expenses of operating, maintaining and repairing the systems. Payment of the principal of and interest on the revenue bonds when due is guaranteed by municipal bond insurance policies issued by Financial Guaranty Insurance Company and Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance, Inc.).

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note F – Revenue Bonds Payable (concluded)

The Authority makes sinking fund deposits monthly for all issues. Annual totals are at least equal to the principal installments of and interest payable on the bonds in the current sinking fund year. The debt service requirements to be paid into the revenue bond sinking fund are as follows:

<u>Year ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	6,835,000	7,586,102	14,421,102
2016	7,130,000	7,283,553	14,413,553
2017	7,420,000	6,988,802	14,408,802
2018	7,755,000	6,654,553	14,409,553
2019	8,120,000	6,295,477	14,415,477
2020-2024	46,380,000	25,018,778	71,398,778
2025-2029	49,745,000	12,465,930	62,210,930
2030-2034	20,570,000	3,703,400	24,273,400
2035	3,180,000	159,000	3,339,000
Total	<u>\$ 157,135,000</u>	<u>\$ 76,155,595</u>	<u>\$ 233,290,595</u>

The various resolutions providing for the revenue bonds require that the Authority establish and maintain a schedule of rates, fees and charges for services furnished by the systems to produce in each sinking fund year “net system revenues” in an amount at least equal to 1.20 times the highest annual amount of principal and interest payable on the bonds during any future sinking fund year. The revenue bond coverage was 1.61 for the year ended August 31, 2014.

Effective with the issuance of the Series 2001 bonds, the Authority’s annual net system revenues exclusive of water connection and sewer tap fees must be no less than this highest annual amount of debt service payable during any future sinking fund year. For the year ended August 31, 2014, this ratio was 1.16.

The Authority is also required to maintain, using a combination of funds in the debt service reserve account and surety bonds, an amount equal to the highest annual debt service under the bonds of \$14,421,103. As of August 31, 2014, the balance in the debt service reserve account and the surety bonds exceed the minimum requirement.

Cash and investments associated with any bond construction projects, sinking funds and reserves are restricted to such use and are classified as restricted assets on the statement of net position.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note G – Investment Derivative Financial Instruments

The Authority has entered into two debt service forward delivery agreements with Lehman Brothers Special Financing, Inc. (“Lehman”). Under these contracts, Lehman has the option to require the Authority to use revenue bond sinking funds to purchase qualified U.S. Treasury securities that will mature by the semi-annual debt service payment dates from a Qualified Dealer (as defined in the agreements) chosen by Lehman.

In exchange for these agreements, Lehman paid the Authority \$958,600 which represented the present value of the expected interest earnings in the sinking fund over the life of the related revenue bonds. The remaining balance of this deferred revenue is \$191,896 at August 31, 2014 and is being amortized over the life of each respective agreement.

The forward delivery agreements relate to the following bond series:

Series	Cash Payment
1993 Refunding & Improvement Bonds	\$ 740,600
1995 Revenue Bonds	\$ 218,000

As the investments purchased by the Authority are U.S. Treasury securities and are held in the Authority’s revenue bond sinking fund, there is no significant credit risk. Interest rate risk is limited to the effect of a change in rate on the value of the investments from the time of purchase through the next scheduled debt service payment date which can be no more than one year.

The Authority entered into these agreements to obtain a higher long-term than short-term yield and not for the purpose of hedging any financial risk. Accordingly, these forward delivery arrangements are investment derivative financial instruments and classified as other long-term liabilities in the statement of net position; the gains or losses are reported as other revenues or expenses respectively on the statement of revenues, expenses and changes in net position.

The fair value balance and notional amount of debt service forward delivery agreements outstanding at August 31, 2014 and the corresponding changes in fair value of such derivative instruments for the year then ended were as follows:

Change in Fair Value		Fair Value as of August 31, 2014		
Classification	Amount	Classification	Amount	Notional
Change in fair value of derivative	\$ 191,330	Other long-term liability	\$ (856,695)	\$55,522,788

Note H – Restricted Net Position

Net position restricted for debt service includes the excess of assets restricted for the debt service on revenue bonds over related liabilities. Net position restricted for bond retirement represents assets set aside for that purpose as required by the revenue bond resolution (see Note F).

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note I – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; workers compensation; employee health care; errors and omissions and natural disasters for which the Authority carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlement amounts have not exceeded insurance coverage in the current or the three prior years.

Note J – Commitments and Contingencies

At August 31, 2014, the Authority has outstanding agreements with contractors for future work on existing construction projects in the approximate amount of \$900,000.

Note K – Operations

The Authority produced approximately 99.6% of its customers' water needs during the year ended August 31, 2014, purchasing most of the remaining amount from the City of Woodstock and Pickens County. The Authority provided 92.6% of sewage treatment required in the year ended August 31, 2014, purchasing the remainder primarily from the City of Canton and from Cobb County, Georgia.

Note L – Retirement Plans

Governmental Deferred Compensation Plan

The Authority has a governmental deferred compensation "Section 457" plan (the "Plan") authorized by the Authority Board which covers all employees. The Plan is administered by an independent third party administrator. The plan does not allow for employer contributions. Amounts employees may defer under the Plan are subject to statutory limits. Employee deferrals totaled \$211,071 during the year ended August 31, 2014.

Defined Benefit Plan

The Authority has established the Cherokee County Water and Sewerage Authority Retirement Plan and only the Authority may amend the benefit provisions of the plan. The plan is a non-contributory defined benefit plan through affiliation with Georgia Municipal Employee Benefit System ("GMEBS") Retirement Trust ("RT"). This plan provides retirement annuities and death benefits for CCWSA employees age 18 and older who have been employed by the Authority for one year. Employees are fully vested after five years of service.

GMEBS RT is an agent multiple-employer pension plan. Contributions made by the Authority are co-mingled with other members of the GMEBS RT. The GMEBS RT issues stand-alone financial statements that can be obtained by contacting the administrator, Georgia Municipal Association ("GMA"), The Burgess Building, 201 Pryor Street, SW, Atlanta, Georgia 30303-0472.

The Authority's recommended contributions including administration fees were equal to its annual pension costs for years ended August 31, 2014, 2013, 2012, 2011, 2010, and 2009, and totaled \$1,228,133, \$1,116,536, \$1,105,481, \$1,193,080, \$1,246,671 and \$1,095,370 respectively. 100% of the annual pension cost was contributed with no net pension obligation at year-end.

The contribution requirements of the Authority are established and may be amended by the GMEBS RT Board of Trustees and meet the applicable standards under Public Retirement Systems Standards Law (Georgia Code Section 47-20-10).

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note L – Retirement Plans (concluded)

The Authority's annual pension cost for the pension plan and related assumptions for the plan year ended August 31, 2014 are based upon the actuarial valuation as of January 1, 2013 as follows:

Annual return on invested plan assets	7.75%
Projected annual salary increases	3.5%
Expected annual inflation	3.5%
Actuarial value of assets	10 year smoothed
Actuarial funding method	Projected Unit Credit
Amortization method	Level Dollar (closed)
Remaining amortization period	10

The actuarial asset valuation method is to combine the prior year's actuarial value with current year contributions, disbursements and expected return on investments and adjust the result by 10% of the difference between the actuarial and market values (if necessary the actuarial value is further adjusted to be within 26% of market value for 2014); the amortization method used is level dollar; and the amortization periods are closed, as follows:

30 Years -	Initial 2001 unfunded actuarial liability
15 Years -	Actuarial gains and losses
20 Years -	Plan provisions
30 Years -	Actuarial assumptions and cost methods

As of the most recent actuarial valuation date on January 1, 2014, the plan was 73.7% funded. The actuarial accrued liability ("AAL") for benefits was \$16.2 million and the actuarial value of assets was \$11.9 million resulting in an unfunded actuarial accrued liability ("UAAL") of \$4.3 million. The annual payroll of active employees covered by the plan ("Covered Payroll") was \$8.5 million and the ratio of the UAAL to the Covered Payroll was 50.3%. The schedule of funding progress, included as required supplementary information ("RSI") following the notes to these financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Note that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations, if any.

Note M – Other Postemployment Benefits

In addition to the pension benefits described in Note L, the Authority provides other postemployment benefits ("OPEB") for retired employees through an agent multiple-employer defined benefit plan. The benefit levels, employee contributions and employer contributions are governed by the Authority and can be amended by the Authority. The Authority participates in the GMEBS OPEB Trust, an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The GMEBS OPEB Trust also issues separate financial statements which can be obtained by requesting a copy from the plan administrator GMA as described in Note L.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note M – Other Postemployment Benefits (continued)

The Authority provides post-retirement health insurance benefits to all employees who retire after meeting age and tenure conditions and who do not have other coverage. Eligible retirees must be at least age 62, meet the “Rule of 80” regarding their combined age and years of service and have a minimum of 15 continuous years of service with the Authority. Employees must also meet other eligibility criteria as specified by the terms of the plan. The retiree’s spouse and dependent(s) may also receive coverage under certain circumstances. Retirees will pay 20% of the cost of their own coverage and 60% of spouse and dependent coverage. For retirees who qualify, the benefits are coordinated with Medicare.

Current Authority retirees who qualify for health benefits receive an implicit rate subsidy by participating in the active employee health care risk pool.

At August 31, 2014, membership consists of:

Retirees and beneficiaries	10
Active employees	<u>169</u>
Total participants	<u><u>179</u></u>

The Authority contributes amounts to the GMEBS OPEB Trust sufficient to fully fund the Annual Required Contribution (“ARC”), an actuarially determined contribution amount in accordance with the parameters of GASB Statement No. 45 (“GASB 45”), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with GASB 45, an actuarial study was prepared as of July 1, 2013 calculating the postemployment healthcare cost for the year ended August 31, 2014. The actuarial valuation estimated the ARC and annual OPEB costs for the year ended August 31, 2014 of \$546,000. The amortization period is open, the amortization method is level-dollar and the postemployment healthcare cost was determined under the projected unit credit actuarial cost method. The calculations for 2014 are based on an investment rate of return of 7.75% that includes a 3.25% inflation assumption and an initial annual healthcare cost trend rate of 7.0% graded to arrive at an ultimate rate of 5.0%. This represents a level of funding that if paid on an ongoing basis, is projected to cover the normal cost each year and the amortization of the UAAL over 20 years.

The Authority’s annual OPEB costs for years ended August 31, 2014, 2013, 2012, 2010 and 2009 (the initial year) were \$546,000, \$459,000, \$505,000, \$852,000, \$475,000 and \$481,000 respectively, 100% of which was contributed with no net OPEB obligation at year-end.

The actuarial value of assets is reported at fair value and the valuation methods are based on publicly traded prices or appraisals depending upon the nature of the investment. As of the most recent actuarial valuation date on July 1, 2013, the plan was 43.7% funded. The AAL for benefits was \$7.8 million and the actuarial value of assets was \$3.4 million resulting in a UAAL of \$4.4 million. The Covered Payroll was \$8.4 million and the ratio of the UAAL to the covered payroll was 52.3%. The schedule of funding progress, included as RSI following the notes to these financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

Note M – Other Postemployment Benefits (concluded)

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
POSTEMPLOYMENT BENEFITS (REQUIRED SUPPLEMENTARY INFORMATION)
AUGUST 31, 2014

DEFINED BENEFIT PENSION SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liab. (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
1/1/2014	\$11,970,470	\$16,243,810	\$4,273,340	73.7%	\$8,502,271	50.3%
1/1/2013	\$10,423,422	\$14,695,892	\$4,272,470	70.9%	\$8,090,798	52.8%
1/1/2012	\$9,065,814	\$13,033,345	\$3,967,531	69.6%	\$7,757,992	51.1%
1/1/2011	\$7,764,946	\$11,887,944	\$4,122,998	65.3%	\$7,209,463	57.2%
1/1/2010	\$6,297,180	\$10,620,778	\$4,323,598	59.3%	\$7,114,270	60.8%
7/1/2009	\$5,119,742	\$11,165,572	\$6,045,830	45.9%	\$7,114,270	85.0%

OTHER POSTEMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liab. (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
7/1/2013	\$ 3,408,000	\$ 7,802,000	\$ 4,394,000	43.7%	\$ 8,396,000	52.3%
9/1/2011	\$ 1,559,000	\$ 5,483,000	\$ 3,924,000	28.4%	\$ 8,173,000	48.0%
9/1/2010	\$ 976,000	\$ 5,292,000	\$ 4,316,000	18.4%	\$ 7,677,000	56.2%
9/1/2008	\$ -	\$ 2,591,000	\$ 2,591,000	0.0%	\$ 7,381,000	35.1%

The Authority implemented GASB 45 for the year ended August 31, 2009. Information for prior years is not available.

OTHER SUPPLEMENTARY SCHEDULES

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF COSTS OF WATER PURCHASES AND PRODUCTION
FOR THE YEAR ENDED AUGUST 31, 2014

Purchased water	\$ 54,182
Water production:	
Salaries and wages	1,049,255
Payroll taxes	76,404
Group insurance	210,543
Retirement	118,023
Other postemployment benefits	53,345
Billing and accounting	16,181
Continuing education	30,441
Insurance - other than group	44,434
Lab fees and supplies	57,872
Stream monitoring	54,800
Miscellaneous	1,919
Office supplies	4,901
Operating supplies	234,339
Power	1,119,653
Professional fees	1,967
Repair and maintenance	244,294
Small tools and equipment	1,363
Telephone	17,359
Uniforms	4,906
Computer equipment and maintenance	108
Vehicle	19,515
Total water production	3,361,622
Total water purchases and production before depreciation	3,415,804
Depreciation	1,386,741
Total water purchases and production cost	\$ 4,802,545

See Independent Auditors' Report

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF COSTS OF WASTEWATER TREATMENT
FOR THE YEAR ENDED AUGUST 31, 2014

Purchased wastewater treatment	\$ 743,600
Wastewater treatment:	
Salaries and wages	2,225,282
Payroll taxes	161,546
Group insurance	469,786
Retirement	319,355
Other postemployment benefits	144,345
Billing and accounting	16,181
Insurance - other than group	116,717
Lab fees and supplies	67,510
Regulatory actions	3,500
Professional fees	11,782
Miscellaneous	(102)
Office supplies	11,291
Operating supplies	1,062,847
Power	1,391,441
Repair and maintenance	1,212,899
Continuing education	38,537
Small tools and equipment	5,508
Telephone	27,168
Uniforms	12,226
Computer equipment and maintenance	2,903
Vehicle	79,392
Total wastewater treatment	7,380,114
Total purchased treatment and wastewater treatment before depreciation	8,123,714
Depreciation	2,163,731
Total wastewater treatment cost	\$ 10,287,445

See Independent Auditors' Report

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF DISTRIBUTION AND ADMINISTRATION EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2014

Salaries and wages	\$	6,064,000
Payroll taxes		436,781
Group insurance		1,355,643
Retirement		770,618
Other postemployment benefits		348,310
Bad debts		60,717
Billing and accounting		394,647
Continuing education		42,073
Contract meter readers		608,836
Director fees and expenses		56,372
Equipment repairs and maintenance		685,080
Insurance - other than group		291,453
Lab fees and supplies		6,952
Legal and audit		58,088
Line and meter repairs		394,178
Miscellaneous		31,495
Office supplies		37,716
Operating supplies		77,963
Postage		9,925
Power		108,515
Professional fees		135,337
Real estate taxes		15,897
Small tools and equipment		21,758
Telephone		71,814
Toilet rebates		22,200
Uniforms		26,032
Computer equipment and maintenance		6,040
Vehicle		347,055
Water tests		<u>10,900</u>
Subtotal		12,496,395
Less capitalized salaries		<u>(395,376)</u>
Total distribution and administration expenses before depreciation		12,101,019
Depreciation		<u>7,372,616</u>
Total distribution and administration expenses	\$	<u><u>19,473,635</u></u>

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CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF BUDGETED REVENUES AND EXPENSES COMPARED WITH ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2014

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Operating Revenues:			
Metered water sales	\$ 24,900,000	\$ 24,286,454	\$ (613,546)
Wastewater treatment sales	14,138,100	14,538,327	400,227
Street light fees	1,304,000	1,322,783	18,783
Water connection fees	1,037,000	291,639	(745,361)
Transfer fees	185,000	205,525	20,525
Forfeited discounts and penalties	675,000	672,020	(2,980)
Customer repairs and service charges	96,000	65,452	(30,548)
Total Operating Revenues	42,335,100	41,382,200	(952,900)
Non-Operating Revenues:			
Gain on disposition of capital assets, net		17,999	17,999
Interest:			
Sinking funds	77,000	192,387	115,387
Revenue funds	38,000	36,357	(1,643)
Change in fair value of derivative	-	191,330	191,330
Amortization of bond premiums, net		737,357	737,357
Miscellaneous	127,000	143,381	16,381
Total Non-Operating Revenues	242,000	1,318,811	1,076,811
TOTAL REVENUES	42,577,100	42,701,011	123,911
EXPENSES			
Operating Expenses:			
Water Purchases and Production:			
Purchased water	54,000	54,182	(182)
Water production:			
Salaries and wages	1,082,000	1,049,255	32,745
Payroll taxes	82,800	76,404	6,396
Group insurance	226,000	210,543	15,457
Retirement	118,100	118,023	77
Other postemployment benefits	53,345	53,345	-
Billing and accounting	16,000	16,181	(181)
Continuing education	33,000	30,441	2,559
Insurance - other than group	44,000	44,434	(434)
Lab fees and supplies	53,000	57,872	(4,872)
Stream monitoring	54,800	54,800	-
Miscellaneous	1,500	1,919	(419)
Office supplies	5,500	4,901	599
Operating supplies	247,500	234,339	13,161
Power	1,170,000	1,119,653	50,347

See Independent Auditors' Report

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF BUDGETED REVENUES AND EXPENSES COMPARED WITH ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2014

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Water production (continued):			
Professional fees	\$ 10,000	\$ 1,967	\$ 8,033
Repairs and maintenance	266,400	244,294	22,106
Small tools and equipment	3,000	1,363	1,637
Telephone	18,000	17,359	641
Uniforms	6,500	4,906	1,594
Computer equipment and maintenance	4,000	108	3,892
Vehicle expense	22,000	19,515	2,485
Operating expenses before depreciation	3,571,445	3,415,804	155,641
Depreciation	1,384,600	1,386,741	(2,141)
Total Water Purchases and Production	4,956,045	4,802,545	153,500
Wastewater Treatment:			
Purchased wastewater treatment	776,000	743,600	32,400
Wastewater treatment:			
Salaries and wages	2,385,400	2,225,282	160,118
Payroll taxes	182,500	161,546	20,954
Group insurance	530,000	469,786	60,214
Retirement	319,400	319,355	45
Other postemployment benefits	144,345	144,345	-
Billing and accounting	16,000	16,181	(181)
Insurance - other than group	119,000	116,717	2,283
Lab fees and supplies	77,500	67,510	9,990
Regulatory actions	20,000	3,500	16,500
Professional fees	10,000	11,782	(1,782)
Miscellaneous	3,500	(102)	3,602
Office supplies	13,500	11,291	2,209
Operating supplies	1,216,000	1,062,847	153,153
Power	1,400,000	1,391,441	8,559
Repairs and maintenance	1,370,500	1,212,899	157,601
Continuing education	38,200	38,537	(337)
Small tools and equipment	9,800	5,508	4,292
Telephone	36,600	27,168	9,432
Uniforms	17,000	12,226	4,774
Computer equipment and maintenance	7,500	2,903	4,597
Vehicle expense	85,000	79,392	5,608
Operating expenses before depreciation	8,777,745	8,123,714	654,031
Depreciation	2,135,000	2,163,731	(28,731)
Total Wastewater Treatment	10,912,745	10,287,445	625,300

See Independent Auditors' Report

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF BUDGETED REVENUES AND EXPENSES COMPARED WITH ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2014

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Distribution and Administration:			
Salaries and wages	\$ 6,161,000	\$ 6,064,000	\$ 97,000
Payroll taxes	471,400	436,781	34,619
Group insurance	1,531,000	1,355,643	175,357
Retirement	770,700	770,618	82
Other postemployment benefits	348,310	348,310	-
Bad debts	110,000	60,717	49,283
Billing and accounting	380,000	394,647	(14,647)
Continuing education	52,500	42,073	10,427
Contract meter readers	613,000	608,836	4,164
Directors' fees and expenses	60,200	56,372	3,828
Equipment repairs and maintenance	709,500	685,080	24,420
Insurance - other than group	297,000	291,453	5,547
Lab fees and supplies	8,500	6,952	1,548
Legal and audit	91,000	58,088	32,912
Line and meter repairs	380,300	394,178	(13,878)
Miscellaneous	35,000	31,495	3,505
Office supplies	37,100	37,716	(616)
Operating supplies	69,500	77,963	(8,463)
Postage	11,300	9,925	1,375
Power	162,100	108,515	53,585
Professional fees	180,500	135,337	45,163
Real estate taxes	26,000	15,897	10,103
Small tools and equipment	27,000	21,758	5,242
Telephone	73,300	71,814	1,486
Toilet rebates	30,000	22,200	7,800
Uniforms	23,500	26,032	(2,532)
Computer equipment and maintenance	10,500	6,040	4,460
Vehicle expense	346,500	347,055	(555)
Water Tests	10,500	10,900	(400)
Total distribution and administration expense before depreciation	13,027,210	12,496,395	530,815
Depreciation	7,280,200	7,372,616	(92,416)
Subtotal	20,307,410	19,869,011	438,399
Less capitalized salaries	(432,009)	(395,376)	(36,633)
Total Distribution and Administration Costs	19,875,401	19,473,635	401,766

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CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF BUDGETED REVENUES AND EXPENSES COMPARED WITH ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2014

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Streetlights	\$ 1,008,700	\$ 1,036,563	\$ (27,863)
Total Operating Expenses	<u>36,752,891</u>	<u>35,600,188</u>	<u>1,152,703</u>
Non-Operating Expenses:			
Interest	7,575,226	7,828,950	(253,724)
Paying agent fees	20,000	16,332	3,668
Amortization of deferred amount on refunding	<u>232,700</u>	<u>398,909</u>	<u>(166,209)</u>
Total Non-Operating Expenses	<u>7,827,926</u>	<u>8,244,191</u>	<u>(416,265)</u>
TOTAL EXPENSES	<u>44,580,817</u>	<u>43,844,379</u>	<u>736,438</u>
CAPITAL CONTRIBUTIONS	<u>2,223,000</u>	<u>10,515,135</u>	<u>8,292,135</u>
CHANGE IN NET POSITION	<u>\$ 219,283</u>	<u>\$ 9,371,767</u>	<u>\$ 9,152,484</u>

See Independent Auditors' Report

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF METERED WATER SALES, WASTEWATER TREATMENT SALES AND
NUMBER OF CUSTOMERS SERVED

	2014	2013	2012	2011	2010
Metered Water Sales	<u>\$ 24,286,454</u>	<u>\$ 22,544,847</u>	<u>\$ 24,472,779</u>	<u>\$ 25,177,691</u>	<u>\$ 24,106,505</u>
Number of Customers Served	<u>67,965</u>	<u>66,573</u>	<u>65,519</u>	<u>64,659</u>	<u>64,221</u>
Sales Per Customer	<u>\$ 357.34</u>	<u>\$ 338.65</u>	<u>\$ 373.52</u>	<u>\$ 389.39</u>	<u>\$ 375.37</u>
Wastewater Treatment Sales	<u>\$ 14,538,327</u>	<u>\$ 13,529,139</u>	<u>\$ 14,011,430</u>	<u>\$ 13,787,286</u>	<u>\$ 13,818,212</u>
Number of Customers Served	<u>30,012</u>	<u>28,944</u>	<u>28,053</u>	<u>27,579</u>	<u>27,014</u>
Sales Per Customer	<u>\$ 484.42</u>	<u>\$ 467.42</u>	<u>\$ 499.46</u>	<u>\$ 499.92</u>	<u>\$ 511.52</u>

See Independent Auditors' Report

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF REVENUE BOND COVERAGE
FOR THE YEARS ENDED AUGUST 31,
(IN THOUSANDS)

	2014		2013		2012		2011		2010	
	With Tap Fees	Without Tap Fees	With Tap Fees	Without Tap Fees	With Tap Fees	Without Tap Fees	With Tap Fees	Without Tap Fees	With Tap Fees	Without Tap Fees
Net revenue available for debt service (see Note below)	\$23,150	\$16,786	\$21,199	\$14,828	\$21,869	\$17,739	\$21,704	\$19,263	\$21,678	\$18,903
Highest annual debt service requirements	\$14,421	\$14,421	\$14,421	\$14,421	\$14,452	\$14,452	\$14,452	\$14,452	\$14,564	\$14,564
<u>Revenue Bond Coverage:</u>										
Actual	1.61	1.16	1.47	1.03	1.51	1.23	1.50	1.33	1.49	1.30
Required	1.20	1.00	1.20	1.00	1.20	1.00	1.20	1.00	1.20	1.00

Note: Net revenue available for debt service equals income from operations plus depreciation and other income less interest earned on construction funds and the value of contributed capital. Required revenue bond coverage is measured both including and excluding water connection and sewer tap fees.

See Independent Auditors' Report

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF WATER, SEWER AND IRRIGATION RATES
AS OF AUGUST 31, 2014

CONSUMPTION (GALLONS)	WATER NET	SEWER NET	IRRIGATION NET
0	\$ 9.00	\$ 12.60	\$ 12.00
1,000	10.10	12.60	13.10
2,000	11.20	12.60	14.20
3,000	16.45	19.55	19.45
4,000	21.70	26.50	24.70
5,000	26.95	33.45	29.95
6,000	32.20	40.40	35.20
7,000	37.45	47.35	40.45
8,000	42.70	54.30	45.70
9,000	47.95	61.25	50.95
10,000	53.20	68.20	56.20
Over 10,000	Additional \$6.30 per 1,000	Additional \$6.95 per 1,000	Additional \$6.30 per 1,000

There is a 10% penalty added when paid after due date. These rates apply only to 3/4" meters serving a single family dwelling. A larger minimum bill will apply to larger meters. Rates effective May 1, 2014.

See Independent Auditors' Report

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
 STATISTICAL TABLE OF INSURANCE IN FORCE
 AS OF AUGUST 31, 2014

TYPE OF COVERAGE	LIMITS OF LIABILITY
Public Officials and Employment Practices Legal Liability	\$1,000,000 for each loss and \$3,000,000 aggregate for each policy year
Commercial Automobile	\$1,000,000 for liability per accident \$75,000 for Uninsured/Underinsured per accident Actual cash value for collision
Commercial Crime	\$500,000 employee theft \$100,000 ERISA employee theft per occurrence \$100,000 forgery & alteration \$500,000 computer fraud
Commercial Property: Fire and Extended Coverage including boiler and machinery	\$235,203,634 blanket coverage for buildings and business property
Inland Marine	\$2,888,613 computers, software and contractors equipment – owned and rented \$25,000 data breach limit (any one occurrence and annual aggregate)
Workers Compensation	\$500,000 for bodily injury each accident, \$500,000 aggregate limit, and \$500,000 disease limit
Commercial Umbrella	\$10,000,000 for each occurrence \$10,000,000 aggregate limit \$4,000,000 for failure to supply and sexual abuse (each claim aggregate)
Commercial General Liability	\$3,000,000 for general aggregate \$3,000,000 for products and completed operations aggregate \$1,000,000 for personal and advertising injury \$1,000,000 for bodily injury and property damage \$1,000,000 for damage to premises rented to you - each occurrence premises medical payments \$1,000,000 for employee benefits liability - each claim \$3,000,000 for employee benefits liability - aggregate \$1,000,000 for sexual abuse - each occurrence \$1,000,000 for failure to supply - each occurrence \$1,000,000 for health care & social services - each wrongful act

See Independent Auditors' Report

Comprehensive Annual Financial Report

III. Statistical Section

Cherokee County Water & Sewerage Authority- Cherokee County, Georgia

Statistical Section

The contents of the statistical section of the comprehensive annual financial report presents information regarding financial trends, revenue capacity, debt service and debt capacity, demographic and economic information and operating information.

Contents

Financial Trends	42-49
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These schedules should help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity	50-57
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These schedules contain information in order for the reader to assess the Authority's most significant revenue sources.

Debt Capacity	58-61
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These schedules contain information in order for the reader to assess the affordability of the Authority's current levels of outstanding debt and the ability for the Authority to issue additional debt in the future.

Demographic and Economic Information	62-64
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information	65-68
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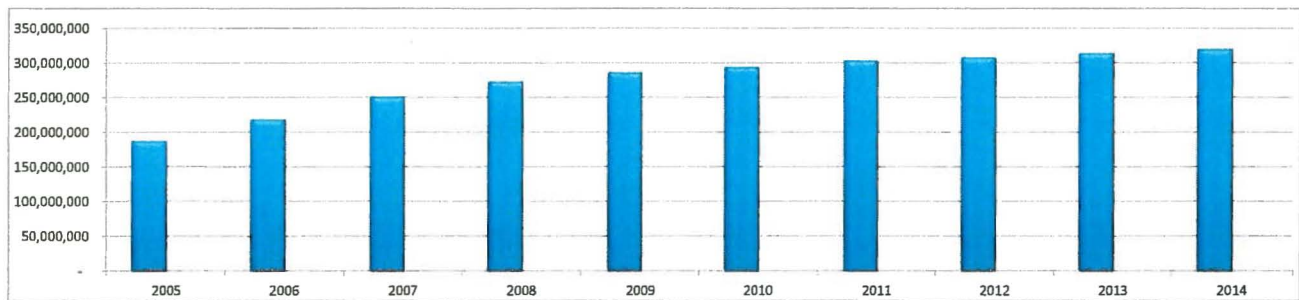
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Financial Trends

Cherokee County Water & Sewerage Authority

Net Position by Component Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net investment in capital assets	150,547,791	178,549,687	206,959,000	230,425,517	239,421,805	246,127,575	252,722,983	254,997,871	276,087,369	281,151,583
Restricted for:										
Debt Service	1,682,586	1,936,698	2,444,091	2,935,181	2,904,509	4,848,640	4,832,668	5,529,572	4,868,422	4,931,244
Capital Projects								828,731		
Unrestricted	34,462,713	37,727,435	41,651,747	39,637,088	43,916,564	43,101,106	46,021,700	46,736,656	33,403,218	34,073,370
Total Net Position	186,693,090	218,213,820	251,054,838	272,997,786	286,242,878	294,077,321	303,577,351	308,092,830	314,359,009	320,156,197

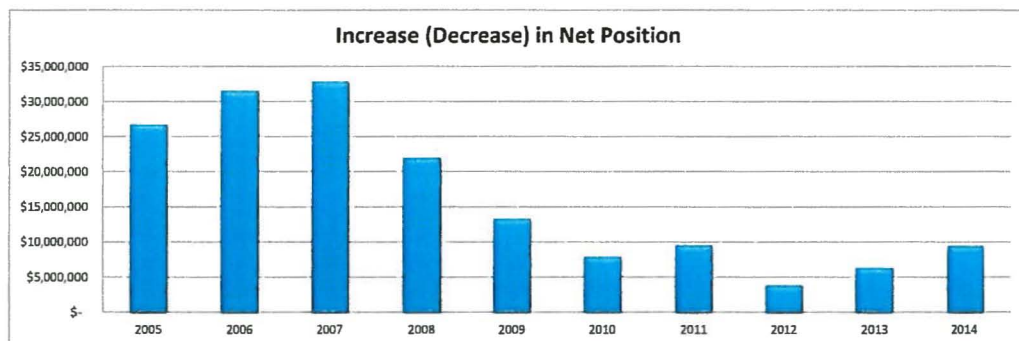


Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Changes in Net Position Last Ten Fiscal Years

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues	\$ 33,814,774	\$ 41,176,285	\$ 42,286,813	\$ 38,006,740	\$ 40,519,186	\$ 41,383,583	\$ 42,347,019	\$ 41,032,207	\$ 38,674,973	\$ 41,382,200
Operating Expenses	22,909,157	26,686,048	28,579,107	31,029,958	30,357,010	32,070,123	32,984,658	33,987,476	34,426,663	35,600,188
Income from Operations	10,905,617	14,490,237	13,707,706	6,976,782	10,162,176	9,313,460	9,362,361	7,044,731	4,248,310	5,782,012
Non-Operating Revenues (Expenses)	(7,170,625)	(6,678,269)	(7,026,201)	(8,102,537)	(9,605,497)	(9,080,570)	(8,645,999)	(8,015,283)	(8,260,211)	(6,925,380)
Gain (Loss) Before Capital Contributions	3,734,992	7,811,968	6,681,505	(1,125,755)	556,679	232,890	716,362	(970,552)	(4,011,901)	(1,143,368)
Capital Contributions	22,942,920	23,708,762	26,159,513	23,068,703	12,688,413	7,601,553	8,783,668	4,741,959	10,278,080	10,515,135
Increase (decrease) in Net Position	\$ 26,677,912	\$ 31,520,730	\$ 32,841,018	\$ 21,942,948	\$ 13,245,092	\$ 7,834,443	\$ 9,500,030	\$ 3,771,407	\$ 6,266,179	\$ 9,371,767



Note:
See Operating Revenues statistical schedule for a detailed breakdown by revenue source.
See the Non-Operating Revenue (Expenses) statistical schedule for a breakdown by non-operating revenue(expense) items.

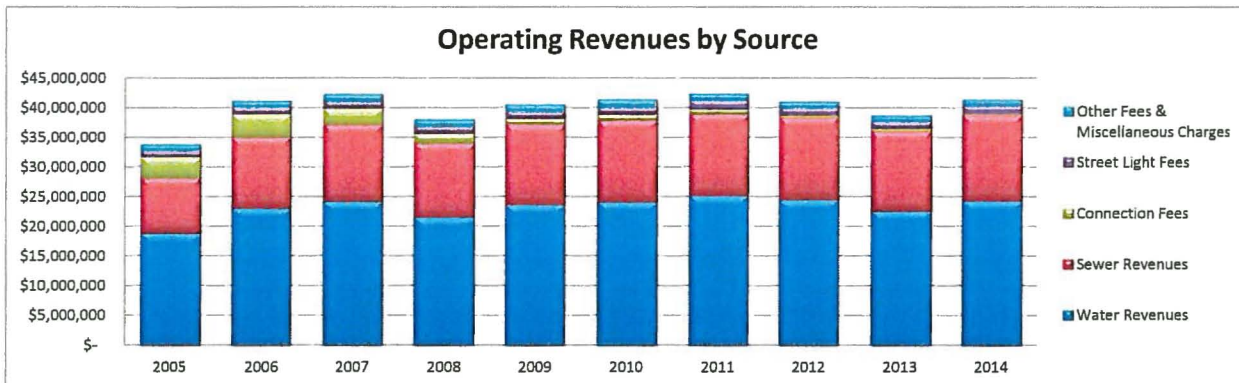
Beginning in fiscal year 2012, the Authority reclassified certain revenue and capital contribution items so certain of the revenue and capital contribution categories shown for fiscal year 2005 through 2011 have been reclassified to facilitate comparison to fiscal year 2012-2014.

Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Operating Revenues by Source Last Ten Fiscal Years

Fiscal Year	Water Revenue	Sewer Revenues	Connection Fees	Street Light Fees	Other Fees & Miscellaneous Charges	Total
2005	\$ 18,817,891	\$ 9,403,720	\$ 3,528,350	\$ 1,079,866	\$ 984,947	\$ 33,814,774
2006	23,048,444	12,035,505	3,922,345	1,161,677	1,008,314	41,176,285
2007	24,203,994	13,018,909	2,733,580	1,197,733	1,132,597	42,286,813
2008	21,545,310	12,474,370	1,690,188	1,241,086	1,055,786	38,006,740
2009	23,671,252	13,559,105	981,908	1,244,934	1,061,987	40,519,186
2010	24,106,505	13,818,212	939,350	1,251,173	1,268,343	41,383,583
2011	25,177,691	13,787,286	773,900	1,617,410	990,732	42,347,019
2012	24,472,779	14,011,430	307,445	1,263,493	977,060	41,032,207
2013	22,544,851	13,529,139	412,715	1,288,766	899,502	38,674,973
2014	24,286,454	14,538,327	291,639	1,322,783	942,997	41,382,200



Note:

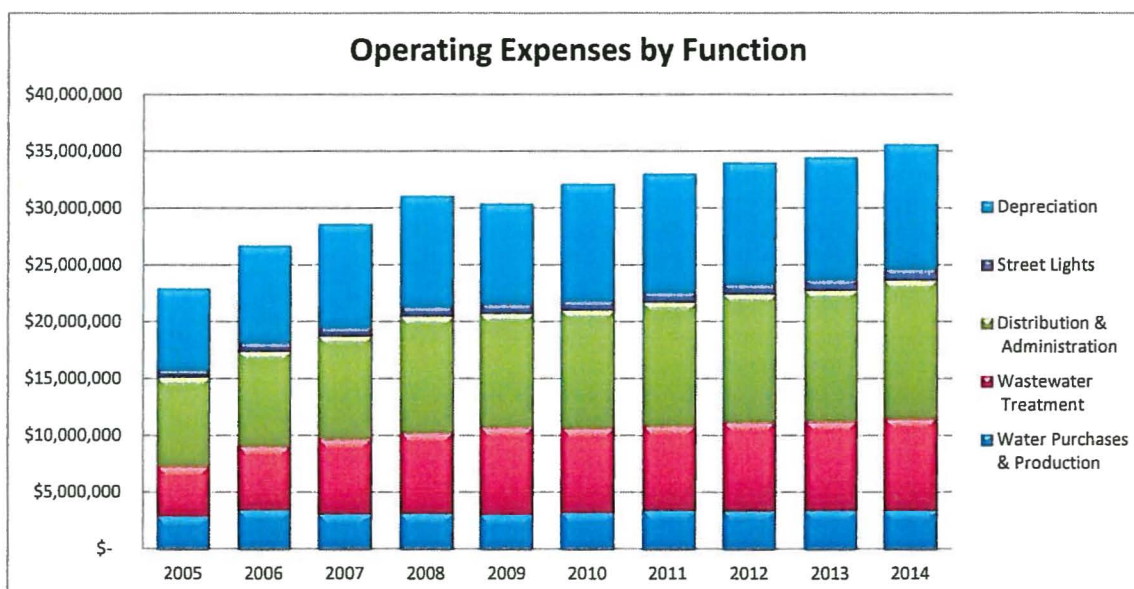
Beginning in fiscal year 2012, the Authority reclassified certain revenue and capital contribution items so certain of the revenue and capital contribution categories shows for fiscal year 2005 through 2011 have been reclassified to facilitate comparison to fiscal year 2012-2014

Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Operating Expenses by Function
Last Ten Fiscal Years

Fiscal Year	Water Purchases & Production	Wastewater Treatment	Distribution & Administration	Street Lights	Depreciation	Total Operating Expenses
2005	\$ 2,902,317	\$ 4,412,717	\$ 7,798,830	\$ 694,583	\$ 7,100,710	\$ 22,909,157
2006	3,430,792	5,668,811	8,316,207	755,493	8,514,745	26,686,048
2007	3,093,866	6,609,408	9,033,430	812,183	9,030,220	28,579,107
2008	3,118,064	7,139,435	10,226,174	852,990	9,693,294	31,029,957
2009	3,029,734	7,697,153	9,999,424	876,136	8,754,563	30,357,010
2010	3,203,144	7,482,282	10,318,847	877,458	10,188,392	32,070,123
2011	3,398,081	7,488,990	10,842,235	903,511	10,351,841	32,984,658
2012	3,371,731	7,831,106	11,243,067	915,727	10,625,845	33,987,476
2013	3,395,278	7,881,795	11,502,139	971,867	10,675,584	34,426,663
2014	3,415,804	8,123,714	12,101,019	1,036,563	10,923,088	35,600,188



Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority
Non-Operating Revenues (Expenses)
Last Ten Fiscal Years

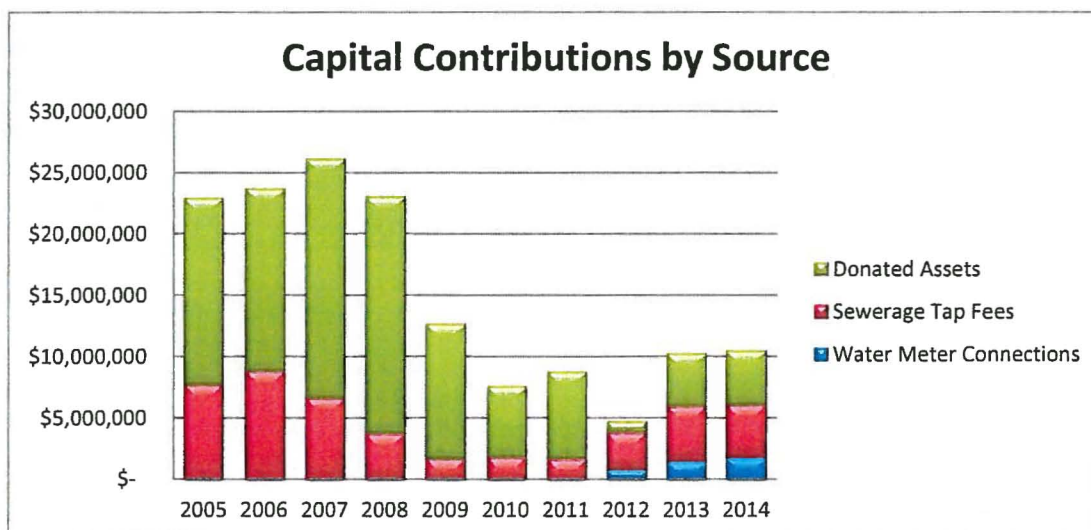
Fiscal Year	Interest Income	Gain (Loss) on Disposal of Assets	Miscellaneous	Interest Expense & Other Fiscal Charges	Other	Total
2005	\$2,047,378	(\$1,040,068)	\$205,431	(\$8,296,515)	(\$86,851)	(\$7,170,625)
2006	1,604,643	(64,955)	330,466	(8,456,596)	(91,827)	(6,678,269)
2007	2,077,966	(59,341)	205,912	(9,145,239)	(105,499)	(7,026,201)
2008	1,640,733	(73,790)	186,039	(9,732,681)	(122,838)	(8,102,537)
2009	\$484,858	(102,502)	150,611	(10,030,796)	(107,668)	(9,605,497)
2010	\$201,937	12,888	111,631	(9,294,932)	(112,094)	(9,080,570)
2011	\$174,641	(35,097)	119,520	(8,789,599)	(115,464)	(8,645,999)
2012	\$262,804	(19,595)	113,382	(8,295,890)	(75,984)	(8,015,283)
2013	\$185,022	(54,257)	131,406	(8,063,069)	(459,313)	(8,260,211)
2014	\$228,744	17,999	334,711	(7,845,282)	338,448	(6,925,380)

Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Capital Contributions by Source Last Ten Fiscal Years

Fiscal Year	Water Meter Connections	Sewerage Tap Fees	Donated Assets	Total Capital Contributions
2005	\$ -	\$ 7,738,118	\$ 15,204,802	\$ 22,942,920
2006	-	8,826,168	14,882,594	23,708,762
2007	-	6,651,573	19,507,940	26,159,513
2008	-	3,731,284	19,337,419	23,068,703
2009	-	1,710,209	10,978,204	12,688,413
2010	-	1,835,666	5,765,887	7,601,553
2011	-	1,666,600	7,117,068	8,783,668
2012	765,059	3,057,288	919,612	4,741,959
2013	1,442,985	4,515,196	4,319,899	10,278,080
2014	1,743,611	4,328,898	4,442,626	10,515,135



Note:

Beginning in fiscal year 2012, the Authority reclassified certain revenue and capital contribution items so certain of the revenue and capital contribution categories shows for fiscal year 2005 through 2011 have been reclassified to facilitate comparison to fiscal year 2012-2014

Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Revenue Capacity

Cherokee County Water & Sewerage Authority

Water Capacity Compared with Annual Average Daily Flow and Maximum Flow
Last Ten Fiscal Years

(All Numbers Presented in Million Gallons Per Day)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Maximum Rated Capacity for the Plant <u>Treatment Plant</u>										
Etowah River Water Treatment Plant	18.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00
Average Daily Flow	15.31	16.44	16.69	14.88	14.70	14.45	14.79	14.92	14.00	14.61
Maximum Daily Flow	19.02	25.72	27.69	24.61	21.76	21.48	22.49	24.56	19.68	20.74

Source: Cherokee County Water & Sewerage Authority Historical Data Records

Cherokee County Water & Sewerage Authority

Sewerage Treatment Capacity Compared with Annual Monthly Average Flow and Peak Day Flows
Last Ten Fiscal Years

(All Numbers Presented in Million Gallons Per Day)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Maximum Permitted Capacity for the Plant Treatment Plants										
Rose Creek	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Fitzgerald Creek	2.0	2.0	2.0 ⁽¹⁾ 5.0 ⁽²⁾	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Riverbend										
Total	8.0	8.0	11.0 ⁽⁴⁾	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Rose Creek GA0046451										
Monthly Average	3.73	3.91	3.57	3.13	2.24	2.88	2.90	2.63	2.82	2.47
Peak Day Flow	7.94	5.94	5.89	5.25	6.11	5.26	4.27	3.46	4.78	3.72
Fitzgerald Creek GA0038555										
Monthly Average	1.30	1.84	1.74	2.36	4.18	3.32	3.07	3.22	3.67	3.70
Peak Day Flow	3.36	3.29	3.38	6.13	9.81	8.41	6.56	7.21	8.42	5.88
River Bend GA0000728										
Monthly Average									0.0081 ⁽³⁾	0.00
Peak Day Flow									0.1400 ⁽³⁾	0.00

Source: Cherokee County Water & Sewerage Authority Historical Data Records

- (1) 2.0 mgd on November 2007
 (2) 5.0 mgd on December 2007
 (3) 2013 for River Bend is from August through December.
 (4) Fiscal Year End

Cherokee County Water & Sewerage Authority
New Connections Added to the System

New Water Meters Sold

Last Ten Fiscal Years

METER SIZE	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
3/4 INCH											
<i>Residential</i>	2,991	2,983	1,930	990	390	390	335	511	929	1,081	12,748
<i>Commercial</i>	49	51	44	20	13	8	12	9	6	6	
1 INCH											
<i>Residential</i>	8	16	18	8	2	2	1	2	1		184
<i>Commercial</i>	20	31	22	12	9	4	5	7	11	5	
1.5 INCH											
<i>Residential</i>	1		3	3		1	1	1		1	4
<i>Commercial</i>	10	21	4	12	5	4	3	1	4	3	
2 INCH											
<i>Residential</i>	12	6	2	2						2	119
<i>Commercial</i>	19	18	15	15	4	7	2	1	9	5	
3 INCH											
<i>Residential</i>			1								10
<i>Commercial</i>				1	1	2	2	3			
4 INCH											
<i>Residential</i>											1
<i>Commercial</i>					1						
6 INCH											
<i>Residential</i>											-
<i>Commercial</i>											
8 INCH											
<i>Residential</i>											-
<i>Commercial</i>											
TOTAL	3,110	3,126	2,039	1,063	425	418	361	535	960	1,103	13,140

New Sewer Taps Sold

Last Ten Fiscal Years

TYPE	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
<i>Residential</i>	2,151	2,201	1,532	804	307	326	247	424	810	905	9,707
<i>Commercial</i>	61	61	36	30	16	14	16	10	15	12	271
TOTAL	2,212	2,262	1,568	834	323	340	263	434	825	917	9,978

Cherokee County Water & Sewerage Authority

Number of Customers
Last Ten Fiscal Years

Number of Water Connections

<u>Customer Class</u>	As of August 31									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	57,413	60,406	62,412	57,840	57,976	58,172	58,702	59,277	60,323	61,658
Commercial & Industrial	n/a	n/a	n/a	5,637	5,952	6,049	5,957	6,242	6,250	6,307
Total	57,413	60,406	62,412	63,477	63,928	64,221	64,659	65,519	66,573	67,965

Number of Sewer Connections

<u>Customer Class</u>	As of August 31									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	21,708	24,015	25,721	25,911	26,140	26,482	27,043	27,494	28,401	29,449
Commercial & Industrial	n/a	n/a	n/a	502	515	532	536	559	543	563
Total	21,708	24,015	25,721	26,413	26,655	27,014	27,579	28,053	28,944	30,012

Note: Commercial and Industrial water/sewer connections are included in residential numbers for years 2005-2007

Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority
Residential Water & Sewer Rates
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water										
Base Rate	8.10	8.50	8.70	7.00	8.00	8.00	8.00	8.00	8.00	9.00
3/4"										
1,000	base	base	base	1.10	1.10	1.10	1.10	1.10	1.10	1.10
2,000	base	base	base	1.10	1.10	1.10	1.10	1.10	1.10	1.10
3,000-10,000	4.05/1000	4.25/1000	4.35/1000	5.00/1000	5.00/1000	5.00/1000	5.00/1000	5.00/1000	5.00/1000	5.25/1000
>10,000	5.05/1000	5.25/1000	5.35/1000	6.00/1000	6.00/1000	6.00/1000	6.00/1000	6.00/1000	6.00/1000	6.30/1000
Minimum Charge:										
1"	40.50	42.50	43.50	49.20	50.20	50.20	50.20	50.20	50.20	53.20
1.5"	81.00	85.00	87.00	99.20	100.20	100.20	100.20	100.20	100.20	105.70
2"	137.70	144.50	147.90	169.20	170.20	170.20	170.20	170.20	170.20	179.20
3"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charge per 1,000 Gallons: Above Minimum										
	5.05	5.25	5.35	6.00	6.00	6.00	6.00	6.00	6.00	6.30
Sewerage										
Minimum Charge:	10.80	11.34	11.60	11.60	11.60	11.60	11.60	11.60	11.60	12.60
1"	54.00	56.70	58.00	64.40	64.40	64.40	64.40	64.40	64.40	68.20
1.5"	108.00	113.40	116.00	130.40	130.40	130.40	130.40	130.40	130.40	137.70
2"	183.60	192.78	197.20	222.80	222.80	222.80	222.80	222.80	222.80	235.00
3"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charge per 1,000 Gallons: Above Minimum										
	5.40	5.67	5.80	6.60	6.60	6.60	6.60	6.60	6.60	6.95

Note: Rates are presented as of August 31 of each Fiscal Year, respectively

Source: Cherokee County Water & Sewerage Authority Historical Data

Cherokee County Water & Sewerage Authority
Commercial Water, Sewer and Irrigation Rates
- Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water										
Base Rate	8.10	8.50	8.70	7.00	8.00	8.00	8.00	8.00	8.00	9.00
3/4"										
1,000	base	base	base	1.10	1.10	1.10	1.10	1.10	1.10	1.10
2,000	base	base	base	1.10	1.10	1.10	1.10	1.10	1.10	1.10
3,000-10,000	4.05/1000	4.25/1000	4.35/1000	5.00/1000	5.00/1000	5.00/1000	5.00/1000	5.00/1000	5.00/1000	5.25/1000
>10,000	4.05/1000	4.25/1000	4.35/1000	5.00/1000	5.00/1000	5.00/1000	5.00/1000	5.00/1000	5.00/1000	5.25/1000
Minimum Charge:										
1"	40.50	42.50	43.50	49.20	50.20	50.20	50.20	50.20	50.20	53.20
1.5"	81.00	85.00	87.00	99.20	100.20	100.20	100.20	100.20	100.20	105.70
2"	137.70	144.50	147.90	169.20	170.20	170.20	170.20	170.20	170.20	179.20
3"	186.30	195.50	200.10	229.20	230.20	230.20	230.20	230.20	230.20	242.20
4"	238.95	250.75	256.65	294.20	295.20	295.20	295.20	295.20	295.20	310.45
6"	340.20	357.00	365.40	419.20	420.20	420.20	420.20	420.20	420.20	441.70
8"	405.00	425.00	435.00	499.20	500.20	500.20	500.20	500.20	500.20	525.70
Charge per 1,000 Gallons: Above Minimum										
	4.05	4.25	4.35	5.00	5.00	5.00	5.00	5.00	5.00	5.25
Sewerage										
Minimum Charge:	10.80	11.34	11.60	11.60	11.60	11.60	11.60	11.60	11.60	12.60
1"	54.00	56.70	58.00	64.40	64.40	64.40	64.40	64.40	64.40	68.20
1.5"	108.00	113.40	116.00	130.40	130.40	130.40	130.40	130.40	130.40	137.70
2"	183.60	192.78	197.20	222.80	222.80	222.80	222.80	222.80	222.80	235.00
3"	248.40	260.82	266.80	302.00	302.00	302.00	302.00	302.00	302.00	318.40
4"	318.60	334.53	342.20	387.80	387.80	387.80	387.80	387.80	387.80	408.75
6"	453.60	476.28	487.20	552.80	552.80	552.80	552.80	552.80	552.80	582.50
8"	540.00	567.00	580.00	658.40	658.40	658.40	658.40	658.40	658.40	693.70
Charge per 1,000 Gallons: Above Minimum										
	5.40	5.67	5.80	6.60	6.60	6.60	6.60	6.60	6.60	6.95
Irrigation										
Base Rate:	8.10	8.50	8.70	7.00	11.00	11.00	11.00	11.00	11.00	12.00
Minimum Charge:										
3/4"										
1,000 Gallons	base	base	base	1.10	1.10	1.10	1.10	1.10	1.10	1.10
2,000 Gallons	base	base	base	1.10	1.10	1.10	1.10	1.10	1.10	1.10
3,000-10,000 Gal	4.05/1000	4.25/1000	4.35/1000	5.00/1000	5.00/1000	5.00/1000	5.00/1000	5.00/1000	5.00/1000	5.25/1000
> 10,000 Gallons	4.05/1000	4.25/1000	4.35/1000	5.00/1000	6.00/1000	6.00/1000	6.00/1000	6.00/1000	6.00/1000	6.30/1000
1"	40.50	42.50	43.50	49.20	53.20	53.20	53.20	53.20	53.20	56.20
1.5"	81.00	85.00	87.00	99.20	103.20	103.20	103.20	103.20	103.20	108.70
2"	137.70	144.50	147.90	169.20	173.20	173.20	173.20	173.20	173.20	182.20
3"	186.30	195.50	200.10	229.20	233.20	233.20	233.20	233.20	233.20	245.20
4"	238.95	250.75	256.65	294.20	298.20	298.20	298.20	298.20	298.20	313.45
6"	340.20	357.00	365.40	419.20	423.20	423.20	423.20	423.20	423.20	444.70
8"	405.00	425.00	435.00	499.20	503.20	503.20	503.20	503.20	503.20	528.70
Charge per 1,000 Gallons: Above Minimum										
	4.05	4.25	4.35	5.00	6.00	6.00	6.00	6.00	6.00	6.30

Note: Rates are presented as of August 31 of each Fiscal Year, respectively

Source: Cherokee County Water & Sewerage Authority Historical Data

Cherokee County Water & Sewerage Authority

Top Ten Customers by Type Current Year and Nine Years Ago

Fiscal Year	2014			2005			
Water Customers	Gallons Metered	Water Revenue	% of Water Revenue	Water Customers	Gallons Metered	Water Revenue	% of Water Revenue
Pilgrim Pride	266,226,000	\$543,141	2.24%	Pilgrim Pride	281,815,000	\$563,630	3.00%
Cherokee County Board of Education	51,979,000	\$316,957	1.31%	City of Woodstock	263,255,000	\$518,928	2.76%
City Of Woodstock	107,296,000	\$249,106	1.03%	Shadowwood M H P	48,475,000	\$196,130	1.04%
Yes Investors (Shadowwod MHP)	33,043,000	\$171,367	0.71%	Bartow Co. Water Department	93,375,000	\$184,265	0.98%
City Of Waleska	58,386,000	\$133,911	0.55%	City Of Canton	98,592,000	\$179,091	0.95%
City Of Canton	56,222,000	\$131,036	0.54%	City Of Waleska	81,015,000	\$159,757	0.85%
Colony Homes (River Park)	22,680,000	\$122,369	0.50%	Pickens County Government	58,745,000	\$115,728	0.61%
Towne Lake Apartments	23,029,000	\$120,053	0.49%	Towne Lake Apartments	21,170,000	\$84,343	0.45%
Bartow County Water	51,102,000	\$117,820	0.49%	Cherokee County Jail	13,725,000	\$54,698	0.29%
Georgia National Cemetery	12,421,000	\$78,791	0.32%	Gold Mill LLC	12,025,000	\$47,396	0.25%
Total	682,384,000	\$ 1,984,549	8.17%		972,192,000	\$2,103,966	11.18%

Fiscal Year	2014			2005			
Sewer Customers	Gallons Metered	Sewer Revenue	% of Sewer Revenue	Sewer Customers	Gallons Metered	Sewer Revenue	% of Sewer Revenue
Pilgrim Pride	254,718,000	\$607,990	4.18%	Shadowwood Mobile Home Park	48,475,000	\$257,884	2.74%
Cherokee County Board of Education	51,979,000	\$266,571	1.83%	Towne Lake Apartments	21,170,000	\$112,503	1.20%
Yes Investors (Shadowwood MHP)	33,043,000	\$213,286	1.47%	Cherokee County Jail	13,725,000	\$72,961	0.78%
Towne Lake Apartments	22,719,000	\$148,594	1.02%	Gold Mill LLC	12,025,000	\$63,239	0.67%
Colony Homes (River Park)	19,901,000	\$127,780	0.88%	Gray Property	11,596,000	\$61,613	0.66%
Cherokee County Sheriff's Office (Jail)	15,013,000	\$103,318	0.71%	Pilgrim Pride	25,573,000	\$59,841	0.64%
Pointe Development Group (HOA)	13,082,000	\$88,328	0.61%	Walden Pond Assoc.	10,560,000	\$56,053	0.60%
Lindon Corp	12,814,000	\$79,411	0.55%	Preston Glen @ Bridgemill Apts.	8,901,000	\$47,328	0.50%
Gray Property (Brooke Mill Apts.)	12,458,000	\$78,416	0.54%	Paces At Towne Lake Apts.	8,350,000	\$44,367	0.47%
The Peaks At Bells Ferry	11,552,000	\$73,614	0.51%	Cherokee County Board of Education	7,923,000	\$42,033	0.45%
Total	447,279,000	\$1,787,308	12.29%		168,298,000	\$817,822	8.70%

Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Debt Capacity

Cherokee County Water & Sewerage Authority

Schedule of Revenue Bond Coverage Last Ten Fiscal Years

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues	\$ 30,286,424	\$ 37,253,940	\$ 39,553,233	\$ 36,316,552	\$ 39,537,278	\$ 40,444,233	\$ 41,573,119	\$ 40,724,762	\$ 38,262,258	\$ 41,090,561
Connection Fees	11,266,468	12,748,513	9,385,153	5,421,472.00	2,692,117	2,775,016	2,440,500	4,129,792	6,370,896	6,364,148
Other Income	1,711,135	1,432,711	1,915,457	1,537,278.00	634,774	340,499	322,959	376,186	316,428	372,125
Gross Total Revenues	43,264,027	51,435,164	50,853,843	43,275,302.00	42,864,169	43,559,748	44,336,578	45,230,740	44,949,582	47,826,834
Less Operating Expenses Excluding Depreciation	15,808,447	18,171,303	19,548,887	21,336,664.00	21,602,447	21,881,731	22,632,817	23,361,631	23,751,079	24,677,100
Net Revenue Available	<u>\$ 27,455,580</u>	<u>\$ 33,263,861</u>	<u>\$ 31,304,956</u>	<u>\$ 21,938,638</u>	<u>\$ 21,261,722</u>	<u>\$ 21,678,017</u>	<u>\$ 21,703,761</u>	<u>\$ 21,869,109</u>	<u>\$ 21,198,503</u>	<u>\$ 23,149,734</u>
Total Highest Annual Debt Service	\$ 11,466,000	\$ 12,345,000	\$ 13,312,000	\$ 14,724,000	\$ 14,724,000	\$ 14,564,000	\$ 14,452,000	\$ 14,452,000	\$ 14,421,000	\$ 14,421,000
Coverage Ratio										
With Connection /Tap Fees	2.39	2.69	2.35	1.49	1.44	1.49	1.50	1.51	1.47	1.61
Without Connection/Tap Fees	1.41	1.66	1.65	1.12	1.26	1.30	1.33	1.23	1.03	1.16

Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Ratios of Revenue Bond Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Revenue Bonds	Total Outstanding Debt	Debt to Number of Customers	Debt Per Capita	Debt as Share of Personal Income (%)
2005	158,945,000	158,945,000	2.77	863	2.57
2006	179,995,000	179,995,000	2.98	937	2.66
2007	200,905,000	200,905,000	3.22	983	2.75
2008	196,675,000	196,675,000	3.10	934	2.58
2009	191,325,000	191,325,000	2.99	890	2.62
2010	185,845,000	185,845,000	2.89	867	2.48
2011	178,910,000	178,910,000	2.77	819	2.22
2012	172,750,000	172,750,000	2.64	782	2.01
2013	163,700,000	163,700,000	2.46	727	1.82
2014	157,135,000	157,135,000	2.31	698 ⁽¹⁾	1.75 ⁽²⁾

(1) 2013 Population data used to calculate debt per capita

(2) Personal Income Data used from 2013 to calculate debt as share of personal income

Note: The only outstanding debt is Revenue Bond debt

Sources: US Census Bureau, US Bureau of Economic Analysis

Cherokee County Water & Sewerage Authority

Schedule of Revenue Bonds Payable

Year Ending August 31,	Principal	Interest	Total
2015	6,835,000	7,586,102	14,421,102
2016	7,130,000	7,283,553	14,413,553
2017	7,420,000	6,988,802	14,408,802
2018	7,755,000	6,654,553	14,409,553
2019	8,120,000	6,295,477	14,415,477
2020-2024	46,380,000	25,018,778	71,398,778
2025-2029	49,745,000	12,465,930	62,210,930
2030-2034	20,570,000	3,703,400	24,273,400
2035	3,180,000	159,000	3,339,000
Total	157,135,000	76,155,595	233,290,595

Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Demographic and Economic Information

Cherokee County Water & Sewerage Authority
Principal Employers
Prior Year and Six Years Ago

2013			
Employer	Employees	Rank	% of Total County Employment
Cherokee County School System	4,383	1	7.52
Cherokee County Government	1,492	2	2.56
Northside-Cherokee Hospital	1187	3	2.04
Wal-Mart	1060	4	1.82
Publix	932	5	1.60
Pilgrims Pride Corp.	817	6	1.40
Chart, Inc.	530	7	0.91
Target	387	8	0.66
Reinhardt University	343	9	0.59
Universal Alloy Corporation	245	10	0.42
Totals	<u>11,376</u>		<u>19.52%</u>

2008			
Employers	Employees	Rank	% of Total County Employment
Cherokee County School System	5,000	1	*
Cherokee County Government	1,330	2	*
Pilgrims Pride Corp.	850	3	*
Northside-Cherokee Hospital	740	4	*
Universal Alloy Corporation	500	5	*
Meyn America, Inc.	285	6	*
Chart Inc.	262	7	*
Piolax Corporation	250	8	*
Reinhardt University	205	9	*
City of Woodstock	193	10	*
Totals	<u>9,615</u>		<u>0.00%</u>

* Information not available

Note: Most recent data available presented

Sources: Cherokee County BOC, Cherokee County Office of Economic Development, GA Labor Market Explorer

Cherokee County Water & Sewerage Authority

Demographic and Economic Statistics
Prior Year and Nine Years ago

Year	Estimated Population	Personal Income		Median Age	School Enrollment	Unemployment Rate
		(Amounts Expressed in Thousands)	Per Capita Personal Income			
2005	184,211	6,188,968	\$ 33,981	33.6	33,000	3.90
2006	192,107	6,778,316	\$ 35,077	35.8	35,057	4.40
2007	204,363	7,311,828	\$ 36,100	33.8	36,276	4.30
2008	210,529	7,618,522	\$ 36,580	33	36,500	8.20
2009	215,084	7,311,454	\$ 34,450	35.2	38,105	10.01
2010	214,346	7,486,312	\$ 34,780	34.1	38,585	8.90
2011	218,500	8,054,368	\$ 36,898	36.3	38,290	7.90
2012	220,800	8,581,906	\$ 38,837	36.7	39,161	6.90
2013	225,106	8,988,534	\$ 39,930	36.01	39,324	6.00

Note: Most recent data available is presented in table

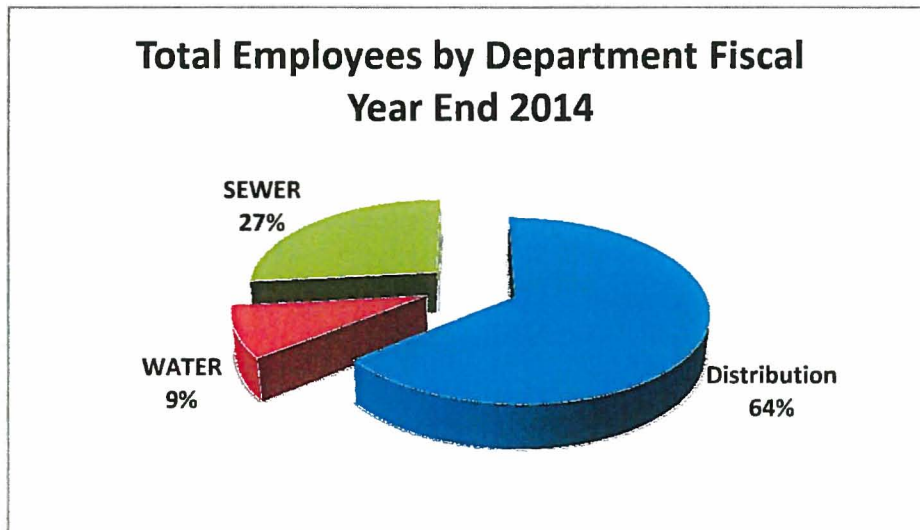
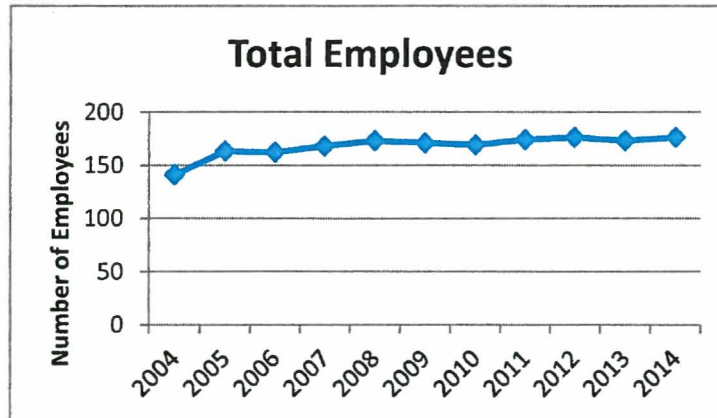
Sources: Bureau of the Census, Georgia Labor Market Explorer, Atlanta Regional Commission, US Bureau of Economic Analysis

Operating Information

Cherokee County Water and Sewerage Authority

Full-Time Water and Sewer Authority Employees by Department
Last Ten Fiscal Years

Fiscal Year End	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
DISTRIBUTION:	92	99	98	102	107	108	107	110	113	111	113
WATER:	18	19	17	17	17	17	17	17	17	17	16
SEWER:	31	45	47	49	49	46	45	47	46	45	47
TOTAL EMPLOYEES:	141	163	162	168	173	171	169	174	176	173	176



Source: Cherokee County Water & Sewerage Authority Historical Data

Cherokee County Water & Sewerage Authority
Water Tank Storage Capacity
Last Ten Fiscal Years
(All Numbers are Presented in Million Gallons)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Ground Level Tanks										
Tunnel Hill 10 MG	10	10	10	10	10	10	10	10	10	10
Tunnel Hill 2 MG	2	2	2	2	2	2	2	2	2	2
Elevated Tanks										
Clayton	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Free Home	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Holly Springs	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Macedonia	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nelson	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Rose Creek	1	1	1	1	1	1	1	1	1	1
Tyson	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Unviter #1	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Univeter #2	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Yellow Creek	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Storage at Water Plant										
Clearwells 1-4	3.865	3.865	3.865	3.865	3.865	3.865	3.865	3.865	3.865	3.865
Total Finished Water Storage	21.015	21.015	21.015	21.015	21.015	21.015	21.015	21.015	21.015	21.015

Source: Cherokee County Water & Sewerage Authority Historical Data

Cherokee County Water & Sewerage Authority
Raw Water Supply in Reservoir
Last Ten Fiscal Years
(All Numbers are Presented in Million Gallons)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Drought Contingency Reservoir										
Yellow Creek	3,540	3,540	3,540	3,540	3,540	3,540	3,540	3,540	3,540	3,540
River										
Etowah	18	36	36	36	36	36	36	36	36	36
Water Available for Use	3,558	3,576	3,576	3,576	3,576	3,576	3,576	3,576	3,576	3,576
Average Daily Flow										
Average Daily Production	16.69	14.88	14.7	14.27	14.79	14.27	14.79	15.08	13.913	14.711
Daily Release Down Stream	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Daily Flow	16.69	14.88	14.70	14.27	14.79	14.27	14.79	15.08	13.913	14.711
Number of Days Supply	213	240	243	251	242	251	241	237	257	243

Source: Cherokee County Water & Sewerage Authority Historical Data

Comprehensive Annual Financial Report

IV. Compliance Section

Cherokee County Water & Sewerage Authority- Cherokee County, Georgia



BUSINESS ADVISORS
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITORS' REPORT

Cherokee County Water and Sewerage Authority
Canton, 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 Cherokee County Water and Sewerage Authority as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise Cherokee County Water and Sewerage Authority's basic financial statements, and have issued our report thereon dated November 21, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Cherokee County Water and Sewerage Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cherokee County Water and Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Cherokee County Water and Sewerage Authority'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

AGH, LLC

AGH, LLC

November 21, 2014