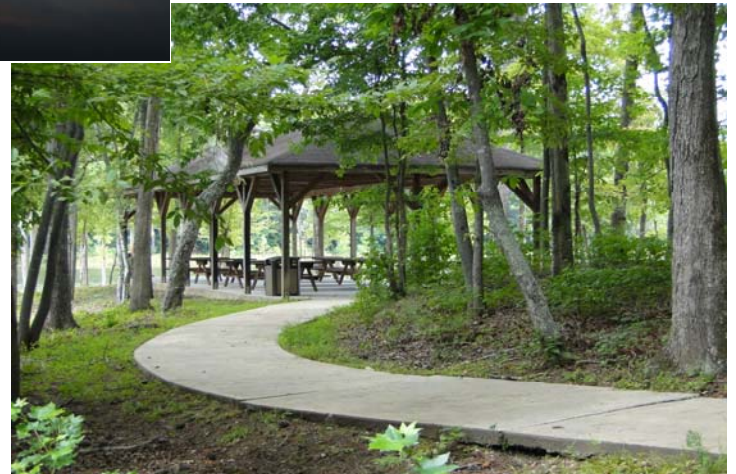
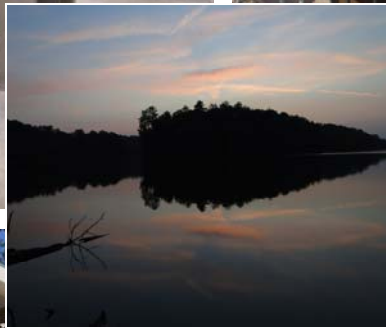


DOUGLASVILLE-DOUGLAS COUNTY WATER AND SEWER AUTHORITY

DOUGLAS COUNTY, GEORGIA



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR FISCAL YEARS ENDED JUNE 30, 2014 and 2013



**DOUGLASVILLE-DOUGLAS COUNTY
WATER AND SEWER AUTHORITY**

DOUGLAS COUNTY, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEARS ENDED JUNE 30, 2014 and 2013

Prepared by
Department of Finance
Andrew L. Rose, Chief Financial Officer

Douglasville-Douglas County Water and Sewer Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT Years Ended June 30, 2014 and 2013

TABLE OF CONTENTS

I. INTRODUCTORY SECTION	<u>Page</u>
Title Page	
Table of Contents	
Listing of Principal Officials and Consultants	1
Organizational Chart	2
GFOA Certificate of Achievement for Excellence in Financial Reporting	3
Letter of Transmittal	4-7

II. FINANCIAL SECTION	<u>Page</u>
Title Page	8
Report of Independent Auditor	9-11
Management's Discussion and Analysis	12-19
<u>Basic Financial Statements</u>	20
Statement of Net Position	21-22
Statement of Revenues, Expenses and Changes in Net Position	23
Statement of Cash Flows	24-25
Notes to the Financial Statements	26-42
<u>Required Supplementary Information</u>	44
Pension and OPEB Funding Progress Schedules	45
<u>Additional Schedules of Individual Accounts and Sections</u>	46
Operating Account	
Schedule 1 Comparative Schedule of Operating Revenues	47
Schedule 2 Comparative Schedule of Operating Expenses By Budget Unit	48
Schedule 3 Summary of Restricted Assets and Related Debt	49
Schedule 4 Restricted Operating and Customer Deposit Accounts	50
Schedule 5 Construction Account	51
Schedule 6 Renewal and Extension Account	52
Debt Service Accounts	
Schedule 7 Comparative Schedule of Restricted Assets and Related Payables	53
Schedule 8 Comparative Schedule of Changes in Restricted Assets	54

III. STATISTICAL SECTIONPage

Statistical Section Table of Contents and Comments	56-57	
<u>Financial Trends</u>		
Table 1	Net Position by Component	58
Table 2	Changes in Net Position	59
<u>Revenue Capacity</u>		
Table 3	Operating Revenue by Source	60
Table 4	Capital Contributions by Source	61
Table 5	Water, Sewer and Stormwater Rates	62
<u>Debt Capacity</u>		
Table 6	Ratio of Revenue Bonded Debt Outstanding	63
Table 7	Ratio of Outstanding Debt By Type	64
Table 8	Pledged Revenue Coverage	65
Table 9	Legal Debt Margin Information	66
<u>Demographic Information</u>		
Table 10	Douglas County Demographic and Economic Statistics	67
Table 11	Douglas County Principal Employers	68
<u>Operational Information</u>		
Table 12	Full-Time Equivalent Water and Sewer Authority Employees	69
Table 13	Operating Indicators - Demand and Service Levels	70
Table 14	Capital Assets - Indicators of Use and Volume	71
Table 15	Top Ten Customers By Type	72

IV. COMPLIANCE SECTIONPage

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	73-75
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Douglasville-Douglas County Water and Sewer Authority

BOARD OF DIRECTORS

Jack A. Tysor	Chairman
David L. Boatright	Vice Chairman
Larry Lewallen	Member
Harvey Persons, Mayor City of Douglasville	Member
Kerry Rigdon	Member
Rochelle Robinson	Member
Tom P. Worthan, Chairman Douglas County Board of Commissioners	Member
Helen McCoy	Secretary Treasurer

MANAGEMENT

Peter J. Frost	Executive Director (Retired 6/30/2014)
Gilbert B. Shearouse	Assistant Executive Director
Michael Patton	Deputy Director for Operations (Retired 6/30/2014)
Ben Jones	Deputy Director for Systems and Engineering
Andrew Rose	Chief Financial Officer
Karen Cobb	Billing/Customer Service Manager
Charles Butts	Systems Maintenance Manager
Sidney Miller	Human Resources/General Services Manager
Aaron Gardenhire	MIS Manager
Brian Keel	Engineering Manager
Keith Higgs	Wastewater Operations Manager
Steve Green	Water Operations Manager

LEGAL COUNSEL

Hartley, Rowe & Fowler	Corporate Counsel
Ford & Harrison	Personnel Counsel
Milbree Lankford	General Counsel
Murray Barnes Finister LLP	Bond Counsel

CONSULTANTS

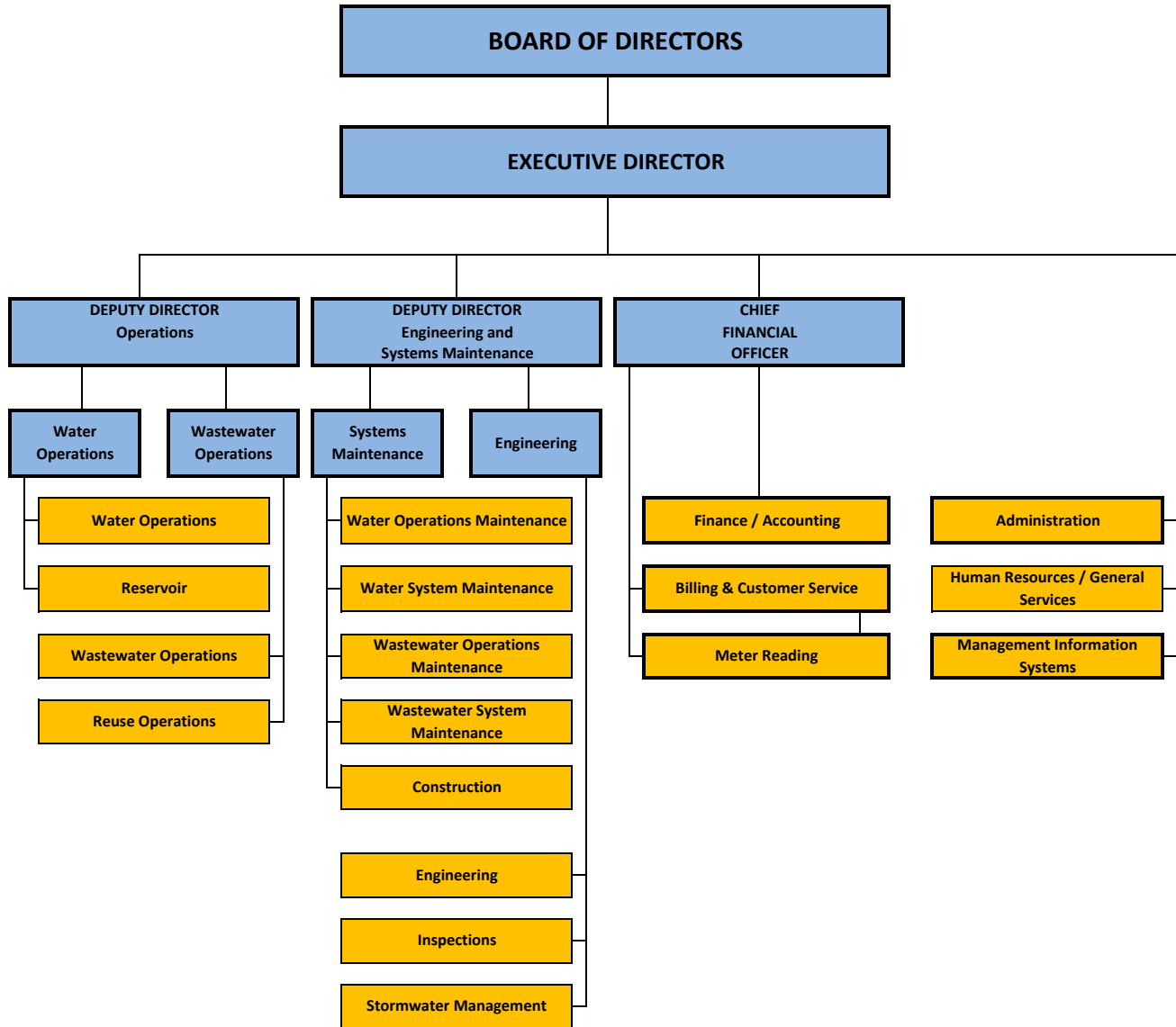
R. J. Wood and Company	Water Consulting Engineer
Jacobs Engineering Group Inc.	Wastewater and Stormwater Consulting Engineer
Crace Galvis McGrath, LLC	Independent Auditors

Additional System Information may be found at

www.ddcwsa.com

Douglasville-Douglas County Water and Sewer Authority

ORGANIZATIONAL CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Douglasville-Douglas County
Water and Sewer Authority
Georgia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Douglasville - Douglas County Water and Sewer Authority

Post Office Box 1157
Douglasville, Georgia 30133
Phone: (770) 949-7617
Fax: (678) 486-8973

Jack A. Tysor
Chairman

Gilbert B. Shearouse
Executive Director

November 5, 2014

Board of Directors of the
Douglasville-Douglas County Water and Sewer Authority
Customers and Citizens of
Douglas County, Georgia

We are pleased to submit the Comprehensive Annual Financial Report of the Douglasville – Douglas County Water and Sewer Authority (“Authority”) for the Fiscal Years ended June 30, 2014 and 2013. This submission is in compliance with the Act that created the Authority. The basic financial statements have been audited by our independent auditors, Crace Galvis McGrath, LLC. The annual audit is planned and performed to obtain reasonable assurances that the basic financial statements of the Authority are free of any material misstatements and are prepared in accordance with generally accepted standards within the United States. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority’s management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority’s financial activities have been included. For further understanding, readers should refer to the Management’s Discussion and Analysis.

PROFILE OF THE AUTHORITY

The Douglasville-Douglas County Water and Sewer Authority was created under an Act of the Georgia General Assembly (Georgia Laws 1985, Act No. 40), and commenced operations on December 27, 1985 by the transfer of the City of Douglasville’s water and sanitary sewer system and the County’s water and sanitary sewer system. The Authority has the power to construct, erect, acquire, own, repair, remodel, maintain, add to, extend, improve, equip, operate and manage a water and sanitary sewer system and to issue revenue bonds, payable from a pledge of the revenues derived from the water and sanitary sewer system for certain purposes.

The Authority is an independent public body corporation with seven board members in the governing body. Five of the board members are appointed alternately by the City of Douglasville Council, and the County Board of Commissioners. The Mayor of the City of Douglasville and Chairman of the Board of Commissioners of the County serve as ex-officio voting members of the Authority. Appointed members serve for five-year staggered terms.

The Authority’s Board appoints an Executive Director who is responsible for the daily management of the Authority. The Board adopts a balanced budget annually and establishes billing rates for the operations of the Authority. The Executive Director has the responsibility of administering operations in accordance with the Authority Bylaws and directives of the Authority Board of Directors.

The Authority exclusively provides water, sanitary sewer, and stormwater services to Douglas County, with the exception of the cities of Villa Rica and Austell, Georgia. The Authority supports various types of customers, including residential, commercial, industrial, multi-family, mobile home parks and governmental accounts.

The Authority operates and maintains water, sanitary sewer, and stormwater systems consisting of water reservoirs, water and wastewater treatment plants, water distribution and sewage collection lines, stormwater retention ponds, conveyance pipes and culvert systems, and the use of meters to bill consumption. As of June 30, 2014, the net property, plant and equipment value of the combined system was \$404,559,489.

The water system's raw water, primarily from the Dog River Reservoir (256-acres) and Bear Creek Reservoir, is pumped to the Authority's Bear Creek Water Treatment Plant and distributed throughout the County. The system is served by 930 miles of distribution lines in various diameter sizes throughout the County. The last plant expansion of the water treatment plant brought capacity to 23.9 MGD. The construction of a redundant raw water line is scheduled to be completed in September 2014 allowing the water treatment plant to produce at capacity should the need arise.

The sanitary sewer facilities collect sewage through 459 miles of sanitary sewer collection lines and force mains which lead to two major wastewater treatment plants and two smaller plants. Treated effluent from one of the two large facilities, the Sweetwater Creek WWTP, receives additional treatment at a 1.75 MGD side-stream facility before being provided as cooling tower make-up water for a large data processing center located in the County.

Stormwater services started in January 2003 when the Authority acquired the City of Douglasville's stormwater system. In December 2003 the Authority entered into a 30-year Intergovernmental Agreement with Douglas County whereby the Authority acquired the County stormwater system and the County agreed to transfer the assets to the Authority on July 1, 2004. As of June 30, 2014, the combined Authority stormwater system consisted of 120 miles of conveyance pipe and culvert systems, 10,956 catch basins and junction boxes and other appurtenances.

ECONOMIC FACTORS AND OUTLOOK

Douglas County is part of the Atlanta metropolitan area and is located west of the Fulton County line, less than 25 miles west of downtown Atlanta. The population of Douglas County as of the U.S. 2010 Census was 132,403 and now is estimated to be 136,379.

Interstate Highway I-20, U.S. Highway 78, U.S. Highway 278, and four state routes serve the County at the present time. There are approximately 1,012 miles of roads, with all but approximately 60 miles of those paved in the County. Atlanta's perimeter highway (Interstate 285) provides easy access to all areas of Atlanta, including I-75 and I-85. Douglas County is served by 51 interstate/intrastate trucking carriers, and by 11 carriers that are intrastate only. A major east-west bound railroad line for Norfolk Southern Railways crosses through the County with trains bringing finished goods and raw materials in and out of the County.

The Authority's water and sanitary sewer systems serve approximately 95% of the residential population of the County. The system serves schools, day-care facilities, one hospital, churches, and state and local governmental units. Several suburban shopping centers, including a 1.4 million square-foot regional mall, numerous motels, restaurants and apartment complexes are also served by the system. The 10 largest customers for the 12 months ending June 30, 2014 are listed in table 15 of the statistical section of this report, along with other pertinent statistical information.

During this past fiscal year, Douglas County and the Atlanta metropolitan area experienced some new construction and a slight improvement in unemployment. The Authority expects gradual improvement in both construction and population over the next five years. Current projected operating revenues should be sufficient to cover operational costs, debt service and capital needs. The Authority maintains a \$9 million capital reserve fund for emergency use in case of disasters or shortfalls in funding of capital projects.

The Authority also has experienced a decline in water consumption since 2007 of approximately 18%. This decrease is attributable to a decrease in wholesale water sales and conservation measures practiced by customers.

MAJOR INITIATIVES AND OTHER EVENTS

A meter replacement project, started in 2011, to replace all residential meters and convert our system to a fixed base radio read system continues with over 15,000 installations at June 30, 2014. The project will take six to eight years to complete at an estimated cost of \$3,000,000 a year.

A redundant raw water main from the reservoir to the water treatment plant will be completed in September 2014. This project costs at June 30, 2014 was \$7.3 million.

A \$1.8 million stormwater project to replace a culvert under a two lane road on Chapel Hill Road with a four lane open bottom culvert started in the spring of 2014 and should be complete within one year.

On June 30, 2014, Peter J. Frost, the Executive Director, retired. Mr. Frost had served as Executive Director of the Authority since its inception in 1985. Gilbert Shearouse has been the Assistant Executive Director over the past year and became the Executive Director as of July 1, 2014.

LONG-TERM FINANCIAL PLANNING

In order to facilitate long-term planning, the Authority maintains a five-year cash flow model of its finances that includes projections of water and sewer capacity utilization, system growth and related availability of operating revenue, anticipated operating expenses, capital expenses, debt service requirements and cash flows. A Capital Improvements Program is included as part of this planning document which is reviewed and updated annually, detailing the capital projects necessary to meet the needs of the system's expansion and rehabilitation. The Authority uses this data to facilitate projections of necessary rate increases, additional capacity requirements, debt needs and proper debt service coverage.

INTERNAL CONTROL AND BUDGET POLICIES

The Authority's management is responsible for establishing and maintaining a system of internal accounting controls. The objectives of internal controls are to provide management with reasonable, but not absolute, assurances that the assets of the Authority are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The concept of reasonable assurance recognizes that the cost of the control should not exceed the benefit likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. Management reviews internal controls on a continuing basis.

The Authority operates under the auspices of a Board-approved annual budget. The budget is prepared on a zero-base concept which sets out allocations of anticipated operating revenues and requires justification of all expenses. Since the Authority has no taxing power and operates solely on its own revenues, there are no appropriations. Operational and maintenance costs are funded from customer fees and charges. The Authority plans, budgets, and manages to assure that current costs are funded through current revenues. The Bylaws of the Authority require an adoption of the Operating and Capital Budgets no later than 15 days prior to the start of its Fiscal Year. The budget remains in effect the entire year and is not revised, as is the case in many governmental entities.

The Authority uses a one-year operating budget process with an additional five-year cash projection included to address a longer term planning and management perspective. An analysis is presented with the budget and rate recommendation to ensure that utility revenues are sufficient to recover total cash needs for a five-year projection period. Total cash needs include annual expenditures to operate the system, capital-related costs of principal and interest payments on debt, contributions to specific reserves, and capital replacements and improvements that are not debt-financed. Services are provided to customers under a rate structure designed to produce revenue sufficient for operating and maintenance costs, capital outlay, debt service, reserves and debt service coverage. While the Authority prepares long-range rate projections, these projections are reviewed annually through the budgetary and rate-making process of the Authority. Rates are generally changed in December after reviewing previous year's actual figures and estimating any changes that may have occurred since the adoption of the budget. The Director has the authority to increase rates at any time up to an annual increase of 5% plus the cost of living, without further Board of Directors action.

DEBT MANAGEMENT POLICY

The Authority manages debt in accordance with all applicable law, bond resolutions and adopted debt management policies. In the bond resolutions, the Authority covenants and agrees that it will, at all times, prescribe, maintain, and thereafter collect rates and charges for the services and facilities furnished by the Authority, together with other income, that will yield annual net earnings in the fiscal year equal to at least one hundred ten percent (110%) of the sum of the annual debt service payments for all bonds outstanding. "Net earnings" is defined by the bond resolution to mean the net operating income of the system, adding back depreciation, and including interest income, tap fees, development fees and other non-operating revenue. The bond resolutions obligate the Authority to review rates and to revise such rates and charges as necessary to meet the coverage test. The Authority further covenants in the bond resolutions to maintain rates and charges that are at all times sufficient to provide for the payment of the bonds; to

maintain the debt service funds and any other related funding instruments related to the debt of the system; and to provide for the payment of administrative and operational expenses of the system preserving the system in good repair and working order.

AWARDS AND ACKNOWLEDGEMENTS

The Douglasville-Douglas County Water and Sewer Authority is held to the highest standards by our community, and has been successful in gaining recognition from industry peers, as noted by the numerous awards received in the past. Awards include: Outstanding Stormwater Management Program of the Year, Georgia Department of Community Affairs' Water First Designation, Georgia Association of Floodplain Management Award for Excellence in Floodplain Management, Rebel Trails Wastewater Treatment Plant – Best in the State in its size category, GAWP Wastewater Laboratory of the Year, Bear Creek Water Treatment Plant Laboratory – Best in the State in its size category, Beaver Estates Wastewater Treatment Plant – 2nd Best in the Nation in its size category, Beaver Estates Wastewater Treatment Plant – Best in Region IV by the United States Environmental Protection Agency, Beaver Estates Wastewater Treatment Plant – Best in the State in its size category, Best Tasting Water in Georgia 2003, EPA's Partnership for Safe Drinking Water Ten-Year Director's Award, and GFOA Award for Excellence in Financial Reporting.

Awards received during the past two years included:

- Georgia Association of Floodplain Management Award for Excellence in Floodplain Management.
- Georgia Association of Water Professionals Bronze Award for Volunteer Service to GAWP.
- Outstanding Stormwater Management Program for the Year.2012
- Best in class in Georgia – Rebel Trails and South Central Waste Water Treatment Plants 2012
- Government Finance Officers Association Award for Excellence in Financial Reporting - 2013 & 2012
- Metro Atlanta Chamber of Commerce's E3 Award for Google & WSA's Joint Public/Private Water Reuse Partnership Project - 2013
- EPA's Partnership for Safe Drinking Water 15-Year Director's Award 2013
- Best Tasting Water in the Georgia Association of Water Professionals (GAWP) District 3 & Greater Metro Atlanta 2013
- 2nd Best Tasting Water in Georgia 2013

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Douglasville-Douglas County Water and Sewer Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This is the eleventh year the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the Authority must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

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

The preparation of the CAFR was made possible by the dedicated services of the entire staff of the Finance and Administration Departments. Each member of these departments has my sincere appreciation for the contributions made in the preparation of this report. In closing, the staff would also like to express gratitude for the Chairman and the entire Board of Directors, as well as the Executive Director for their interest and support in planning and conducting the financial operation of the Authority in such a responsible and progressive manner.

Respectfully submitted,



Andrew L. Rose, CPA
Chief Financial Officer

FINANCIAL SECTION

**REPORT OF
INDEPENDENT AUDITOR**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Douglasville-Douglas County Water and Sewer Authority
Douglasville, Georgia

We have audited the accompanying financial statements of the Douglasville-Douglas County Water and Sewer Authority (the "Authority"), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Douglasville-Douglas County Water and Sewer Authority, as of June 30, 2014 and 2013, and the changes in financial position and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Pension funding progress schedules on pages 12 through 19 and 44 through 45, respectively, 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 sufficient evidence to express an opinion or provide any assurance.

Other Information

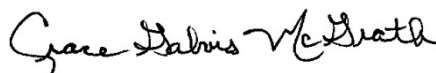
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, additional schedules of individual accounts and sections, and the statistical section, are presented for purposes of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

The additional schedules of individual accounts and sections are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional schedules of individual accounts and sections are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Crace Galvis McGrath, LLC
Kennesaw, GA

November 4, 2014

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Douglasville-Douglas County Water and Sewer Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis and overview of Douglasville-Douglas County Water and Sewer Authority's financial performance during the fiscal years that ended on June 30, 2014 and 2013. Please read it in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The overall financial condition of the Authority remained strong during the fiscal year ended June 30, 2014. Total assets and deferred outflows at June 30, 2014 were \$436.2 million and exceeded liabilities in the amount of \$269.1 million (net position). Total net position decreased by \$3.0 million or 1.1% in 2014 compared to a \$5.6 million decrease or 2.0% in 2013.
- During the fiscal year 2014 the Authority's "operating revenues" increased to \$39.7 million up from \$37.8 million in 2013 or 5.0%, while "operating expenses" increased to \$38.5 million from \$38.3 million in 2013 or 0.5%. The increase in revenue is noted below. The increases in operating expenses were employment cost (\$0.5 million), depreciation (\$0.1 million), and utilities (\$0.1 million). Decreases in operating expenses occurred in repairs & maintenance (\$0.4 million) and water & sewer services purchased (\$0.1 million). Supplies & materials and administration costs remained the same as the previous year.
- Water revenue increased \$0.7 million and sewer revenue increased \$1.1 million in the fiscal year ended June 30, 2014 over that of the previous year.. Water rates were not increased but tiers were lowered in December 2013. Also in December of 2013, a second tier was created in sewer charges at 117% of the first tier rate. The Authority increases rates to keep pace with inflation, ensure recovery of all its operating costs, and to cover annual debt service payments.
- The Authority's capital assets increased \$16.0 million and \$4.6 million in fiscal years 2014 and 2013 of which \$0.5 million and \$1.2 million were non-cash developer infrastructure improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report is presented in four sections; Introductory, Financial, Statistical, and Compliance. The Management's Discussion and Analysis (MD&A) serves as an introduction to the financial section. The financial section consists of the Independent Auditors' Report, Management's Discussion and Analysis, and the Authority's basic financial statements, which are presented comparatively for the fiscal years ending June 30, 2014 and 2013. The basic financial statements consist of the following:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements
- Required Supplementary Information

The Statements of Net Position include all of the Authority's assets, deferred outflows, and liabilities and provides information about the nature and amounts of investments in resources (assets), and the obligations to Authority creditors (liabilities). They also provide the basis for evaluating the capital structure, liquidity and financial flexibility of the Authority. All of the current year revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period. The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. The Notes to Financial Statements and Required Supplementary Information provide necessary disclosures that are essential to a full understanding of the data in the aforementioned financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY

In fiscal year 2014, the Authority maintained its sound financial condition, even with slow regional economic growth within the service area. This was demonstrated by the Authority's continued strong cash and investment portfolio as outlined in the financial statements and schedules in this report. While exercising prudent fiscal discipline, the Authority continues to ensure it is able to provide safe water to customers as well as be fiscally and environmentally responsible.

STATEMENTS OF NET POSITION

A summary of the Authority's Statements of Net Position (Balance Sheets) is presented in Table A-1.

TABLE A-1
Condensed Statements of Net Position
(In millions of dollars)

	Fiscal Year 2014 to 2013 Comparison				Fiscal Year 2013 to 2012 Comparison			
	FY 2014	FY 2013	Dollar Change	% Change	FY 2013	FY 2012	Dollar Change	% Change
Assets & Deferred Outflows:								
Current and Other Assets	\$ 26.7	\$ 31.0	(4.3)	-13.9%	\$ 31.0	\$ 31.0	-	0.0%
Capital Assets	404.6	406.7	(2.1)	-0.5%	406.7	417.1	(10.4)	-2.5%
Total Assets	431.3	437.7	(6.4)	-1.5%	437.7	448.1	(10.4)	-2.3%
Deferred Outflows	4.9	0.8	4.1	512.5%	0.8	0.9	(0.1)	-11.1%
Tot Assets & Deferred Outflows	436.2	438.5	(2.3)	-0.5%	438.5	449.0	(10.5)	-2.3%
Liabilities:								
Long-Term Debt Outstanding	149.4	150.7	(1.3)	-0.9%	150.7	156.0	(5.3)	-3.4%
Other Liabilities	17.6	15.6	2.0	12.8%	15.6	15.2	0.4	2.6%
Total Liabilities	167.0	166.3	0.7	0.4%	166.3	171.2	(4.9)	-2.9%
Net Position:								
Investment in Capital Assets	252.4	256.9	(4.5)	-1.8%	256.9	262.4	(5.5)	-2.1%
Restricted	2.4	3.0	(0.6)	-20.0%	3.0	3.5	(0.5)	-14.3%
Unrestricted	14.3	12.3	2.0	16.3%	12.3	11.9	0.4	3.4%
TOTAL NET POSITION	\$ 269.1	\$ 272.2	\$ (3.1)	-1.1%	\$ 272.2	\$ 277.8	\$ (5.6)	-2.0%

Comparison 2014-2013

Net position at June 30, 2014 was \$269.1 million, a decrease of \$3.1 million. Current and other assets decreased \$4.3 million, due to a \$2.2 million reduction in Bond proceeds, and a \$2.1 decrease in Renewal and Extension funds. Capital assets decreased \$2.1 due to depreciation expense exceeding new assets acquired during the year. Deferred outflows, consisting of bond defeasance costs increased \$4.1 million with the 2013 Bonds issued in December 2013 replacing most of the 2005 Bonds. Long-term debt decreased \$1.3 million reflecting payment of principal. Other liabilities increased \$2.0 million due to an increase in current bond obligations (\$0.6 million) and accounts payable for capital improvements (\$1.3 million). Net position for investment in capital assets decreased \$4.5 million as a result of a net decrease in capital assets of \$2.1 million and debt reduction of \$0.2 million and reduction in bond proceeds of \$2.2 million. Net position - unrestricted (available for day-to-day operations) increased \$2.0 million primarily as a result of the change in net position investments in capital assets and net position - restricted.

Comparison 2013-2012

Net position at June 30, 2013 was \$272.2 million, a decrease of \$5.6 million. Current and other assets did not change significantly. Capital assets decreased \$10.4 due to depreciation expense exceeding new assets acquired during the year. Deferred outflows, consisting of bond defeasance costs, decreased \$0.1 million. Long-term debt decreased \$5.3 million reflecting payment of principal with no new debt issued. Other liabilities increased \$0.4 million due to an increase in current bond obligations and customer deposits. Net position for investment in capital assets decreased \$5.5 million as a result of a net decrease in capital assets of \$10.4 million and debt reduction of \$5.1 million (\$5.3 million long-term less \$0.2 million short-term). Net position - unrestricted (available for day-to-day operations) increased \$4 million primarily as a result of the change in net position investments in capital assets and net position - restricted.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

While the Statements of Net Position shows the decrease in net position of \$3.1 million, the Statements of Revenues, Expenses, and Changes in Net Position, provides answers as to the nature and source of these changes. A closer examination of the individual categories affecting the source of changes in net position is discussed below.

TABLE A-2
Condensed Statements of Revenues,
Expenses and Changes in Net Position
(In millions of dollars)

	Fiscal Year 2014 to 2013 Comparison				Fiscal Year 2013 to 2012 Comparison			
	FY 2014	FY 2013	Dollar Change	% Change	FY 2013	FY 2012	Dollar Change	% Change
REVENUES								
Operating Revenue:								
Charges for services	\$ 38.5	\$ 36.8	\$ 1.7	4.6%	\$ 36.8	\$ 36.4	\$ 0.4	1.1%
Penalties	1.2	1.0	0.2	20.0%	1.0	1.0	-	0.0%
Total Operating Revenues	39.7	37.8	1.9	5.0%	37.8	37.4	0.4	1.1%
Interest income	0.1	0.1	-	0.0%	0.1	0.1	-	0.0%
Total Revenues	39.8	37.9	1.9	5.0%	37.9	37.5	0.4	1.1%
EXPENSES								
Operating Expenses:								
Employment costs	11.5	10.9	0.6	5.5%	10.9	10.4	0.5	4.8%
Repairs & maintenance	2.1	2.5	(0.4)	-16.0%	2.5	2.1	0.4	19.0%
Supplies & materials	1.0	1.0	-	0.0%	1.0	0.9	0.1	11.1%
Depreciation	18.3	18.2	0.1	0.5%	18.2	16.7	1.5	9.0%
Utilities	3.3	3.2	0.1	3.1%	3.2	3.1	0.1	3.2%
Water & sewer service pur.	0.6	0.7	(0.1)	-14.3%	0.7	0.5	0.2	40.0%
Administration	1.8	1.8	-	0.0%	1.8	1.7	0.1	5.9%
Total Operating Expenses	38.6	38.3	0.3	0.8%	38.3	35.4	2.9	8.2%
Non-Operating Expenses								
Interest and fiscal charges	6.3	7.3	(1.0)	-13.7%	7.3	7.4	(0.1)	-1.4%
Loss -disposal of cap. assets	-	0.6	(0.6)	-100.0%	0.6	0.5	0.1	20.0%
Other expenses	0.4	(0.1)	0.5	-100.0%	(0.1)	0.4	(0.5)	-100.0%
Total Non-Operating Expenses	6.7	7.8	(1.1)	-14.1%	7.8	8.3	(0.5)	-6.0%
Total Expenses	45.3	46.1	(0.8)	-1.7%	46.1	43.7	2.4	5.5%
Income (Loss) Before Cap Contr	(5.5)	(8.2)	2.7	-32.9%	(8.2)	(6.2)	(2.0)	32.3%
Capital Contributions								
Tap fees	1.5	1.1	0.4	36.4%	1.1	0.8	0.3	37.5%
Developer lines	0.6	1.1	(0.5)	-45.5%	1.1	2.5	(1.4)	-56.0%
Grant contributions	0.3	0.4	(0.1)	-25.0%	0.4	0.9	(0.5)	-55.6%
Total Capital Contributions	2.4	2.6	(0.2)	-7.7%	2.6	4.2	(1.6)	-38.1%
Changes in Net Position	(3.1)	(5.6)	2.5	-44.6%	(5.6)	(2.0)	(3.6)	180.0%
Beginning Net Position	272.2	277.8	(5.6)	-2.0%	277.8	279.8	(2.0)	-0.7%
Ending Net Position	\$ 269.1	\$ 272.2	\$ (3.1)	-1.1%	\$ 272.2	\$ 277.8	\$ (5.6)	-2.0%

Review of Operations:

Comparison 2014-2013

Operating revenues increased by \$1.7 million or 4.6%. Water revenue increased 3.5% (\$0.7 million) with no rate increase but with each tier of the 3 tier rate system reduced. For example, the first tier for residential customers used to stop at 6,000 gallons, now stops at 5,000 gallons. The tiers were adjusted to better reflect current water usage levels. The sewer revenue increased 10.0% (\$1.0 million) with the addition of a second tier priced at 125% of the first tier. Volume of sales indicate customers were using slightly less water and sewer than the previous years partly due to conservation efforts and an increase in rainfall. Bad debt expense remained the same at \$0.34 million due to continued collection efforts. There were no significant other increases or decreases in other revenues.

Operating expenses increased slightly by \$0.3 million from the previous year. Employment cost increased \$0.6 million or 5.5%. mainly due to workers compensation insurance and health insurance increases. Repairs and maintenance was down \$0.4 million or 16% due to a decrease in anticipated and budgeted costs. Utilities increased \$0.1 million to \$3.3 million or 3.1% due to rate increases. Purchased services decreased \$0.1 million. Supplies & materials and administration remained the same as the previous year.

Comparison 2013-2012

Operating revenues increased slightly by \$0.4 million or 1.1%. Water rates and sewer rates were increased 6.2% and 7% respectfully in December 2012; sewer rates were increased 5% in January 2012. Water revenues increased only slightly while sewer revenues increased \$0.4 million or 3.8%. Volume of sales indicate customers were using less water and sewer than the previous years partly due to conservation efforts and an increase in rainfall. Bad debt expense dropped 13% to \$0.34 million due to continued collection efforts. There were no significant other increases or decreases in revenues.

Operating expenses increased \$2.9 million from the previous year. Most of this increase was depreciation which increased \$1.5 million due to major construction projects completed last year having a full year of depreciation. Employment cost increased \$0.5 million or 4.8%. mainly due to workers compensation insurance and health insurance increases. Repairs and maintenance was up \$0.4 million or 19% due to an increase in anticipated and budgeted costs. Supplies & materials expenses were up \$0.1 million or 11.1% due to anticipated price increases. Utilities increased \$0.1 million to \$3.2 million or 3.2% due to rate increases. Purchased services increased \$0.2 million or 40.0% due to December purchases of water to replenish the reservoir. Administration increased \$0.1 million or 5.9% over the previous year due to small increases in various accounts.

Total Non-Operating Revenues and Expenses:

Comparison 2014-2013

Non-operating interest income remained at the same level. Total non-operating expenses decreased \$1.1 million to \$6.7 million. Interest expense decreased 1.0 million due to reduced bonds outstanding and refinancing efforts. In addition, other expenses increased \$0.5 million due to the expense of 2013 bond costs.

Comparison 2013-2012

Non-operating interest income remained at the same level. Total non-operating expenses decreased \$0.5 million to \$7.8 million. Interest expense decreased 0.1 million due to reduced bonds outstanding. In addition, other expenses decreased \$0.5 million due to a decrease in non-capital grant funded projects being expensed.

Capital Contributions:

Comparison 2014-2013

Capital Contributions were down \$0.2 million to \$2.4 million. The tap fees were up \$0.4 million to \$1.5 million, developer lines were down \$0.6 million to \$0.5 million and grants down \$0.1 million to \$0.3 million. The increase in tap fees is reflective of the current housing increase over the past fiscal year. The developer contributions consist of non-cash contributions of a development that has declined in recent years. The grant contributions are FEMA grants for the purchase of flood homes.

Comparison 2013-2012

Capital Contributions were down \$1.6 million to \$2.6 million. The tap fees were up \$0.3 million to \$1.1 million, developer lines were down \$1.4 million to \$1.1 million and grants down \$0.5 million to \$0.4 million. The increase in tap fees is reflective of the current housing increase over the past fiscal year. The developer contributions consist of non-cash contributions of a development that has declined in recent years.. The grant contributions are FEMA grants for the purchase of flood homes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The tables below provides a summary of the Authority's changes in capital asset acquisitions financed by Authority expenditures, developer lines, and city and county contributions. More detailed information about the Authority's capital assets is presented in the Notes to the Financial Statements Note 4.

TABLE A-3
Capital Assets
(In millions of dollars)

Description	Fiscal Year 2014 to 2013 Comparison				Fiscal Year 2013 to 2012 Comparison			
	FY 2014	FY 2013	Dollar Change	% Change	FY 2013	FY 2012	Dollar Change	% Change
Land	\$ 13.8	\$ 13.6	\$ 0.2	1.5%	\$ 13.6	\$ 13.5	\$ 0.1	0.7%
Buildings	66.5	65.9	0.6	0.9%	65.9	66.6	(0.7)	-1.1%
Machinery & Equipment	67.5	66.3	1.2	1.8%	66.3	67.6	(1.3)	-1.9%
Improvements	433.2	427.7	5.5	1.3%	427.7	423.2	4.5	1.1%
Construction In Progress	12.3	3.8	8.5	223.7%	3.8	1.8	2.0	111.1%
Subtotal	593.3	577.3	16.0	2.8%	577.3	572.7	4.6	0.8%
Less Accumulated Depreciation	188.7	170.6	18.1	10.6%	170.6	155.6	15.0	9.6%
Net Property, Plant, Equipment	\$ 404.6	\$ 406.7	\$ (2.1)	-0.5%	\$ 406.7	\$ 417.1	\$ (10.4)	-2.5%

At the end of 2014, the Authority had invested \$593.3 million in a broad range of infrastructure including water plants, wastewater plants, wastewater facilities, water & sewer lines, dam construction, reservoir, maintenance and administration facilities, and vehicles and equipment.

Fiscal Year 2014 capital assets additions and changes (in millions of dollars):	
➤	\$ 0.2 – Land from easements
➤	\$ 0.6 – Buildings
➤	\$ 1.2 – Machinery & Equipment - Wastewater equipment (\$0.7), Pumps (\$0.4) Generators & Misc.. Equipment (\$0.2), Transportation (\$0.1) Dispositions - Transportation (-\$0.1), Miscellaneous equipment (-\$0.1)
➤	\$ 5.5 – Improvements - Stormwater (\$0.6), Sewer Lines (\$0.9), Water Lines (\$0.7), Meters (\$3.1), Land Improvements (\$0.2)
➤	\$8.5 –Construction in Progress - Maintenance Facility (\$0.5), Redundant Raw Water Line (\$6.5), Lee Rd GDOT project (\$0.1), Stormwater Projects (\$0.2), Water Line Repair (\$0.9), Redundant Power \$(0.3).
\$16.0 million – Total Asset Change	

Fiscal Year 2013 capital assets additions and changes (in millions of dollars):	
➤	\$ 0.1 – Land from FEMA grants
➤	(\$ 0.7) – Buildings - disposition of Bear Creek WTP structures
➤	(\$1.3) – Machinery & Equipment - SCADA & Computers (\$0.1), Pumps (\$0.2), Transportation (\$0.2), Wastewater equipment (\$0.2), Power & Misc.. Equipment (\$0.1), Dispositions - Pumps (-\$0.5), Water Treatment Equipment (-\$0.3) Computer & Office Equipment (-\$0.8), Transportation (-\$0.4), Other (-\$0.1)
➤	\$ 4.5 – Improvements - Stormwater (\$0.3), Sewer Lines (\$ 1.3), Water Lines (\$0.9), Meters (\$3.1), Disposition of Southside & Northside WWTP Improvements (-\$1.1)
➤	\$2.0 –Construction in Progress - Maintenance Facility (\$0.9), Redundant Raw Water Line (\$0.4), Lee Rd GDOT project (\$0.3), Stormwater Projects (\$0.2), Water Master Plan \$(0.1), Other Projects \$(0.1).
\$4.6 million – Total Asset Change	

DEBT

At June 30, 2014 year-end, the Authority had \$151.4 million in debt instruments down from \$151.7 million in fiscal year 2013. This decrease was due to scheduled payments on debt. The Authority was in compliance with all bond and loan covenants during the fiscal years 2014 and 2013. More detailed information about the Authority's debt liabilities is presented in Note 3 of the Notes to the Financial Statements.

In December 2013, the Authority issued \$53.2 million in 2013 Bonds at 2.8% interest rate for a defeasance of \$48.4 million of 2005 Series Bonds. Proceeds were placed in a trust for payment of the 2005 Bonds at the callable date of December 2015.

BOND RATINGS
With the 2009 Bond issue the Authority received a stand-alone rating of Aa2 by Moody's, and an affirmation of its AA- rating from Standard & Poor's. In August 2014 Moody's downgraded the Authority's rating to Aa3 .

LIMITATIONS ON DEBT
Bond Covenants allow for the issuance of additional debt, on parity, as to lien on the net revenues of the System provided certain net earnings ratio(s) conditions are met. The major criteria is that all estimated future net earnings of the system must be at least 1.20 times the highest combined debt service requirement. The Authority's current coverage ratio is 1.8

Debt Coverage Ratio:

During fiscal year 2014, the Authority's debt coverage ratio, based on maximum annual debt service, improved from 1.5 to 1.8. The refinancing of existing debt reduced the annual debt service payments. The current debt service structure remains rather level reaching maximum annual debt service in 2025 of \$11.8 million and declining after 2030.

TABLE A-4
Debt Coverage Ratio
(In millions of dollars)

	Fiscal Year 2014 to 2013 Comparison				Fiscal Year 2013 to 2012 Comparison			
	FY	FY	Dollar	%	FY	FY	Dollar	%
	2014	2013	Change	Change	2013	2012	Change	Change
Revenue from Operations	\$ 39.7	\$ 37.8	\$ 1.9	5.0%	\$ 37.8	\$ 37.1	\$ 0.7	1.9%
Interest Income	0.1	0.1	-	0.0%	0.1	0.2	(0.1)	-50.0%
Tap Fees	1.5	1.1	0.4	36.4%	1.1	1.0	0.1	10.0%
Total Revenues	41.3	39.0	2.3	5.9%	39.0	38.3	0.7	1.8%
Total Operating Expenses (less depreciation)	20.2	20.1	0.1	0.5%	20.1	18.7	1.4	7.5%
Net Earnings	21.1	18.9	2.2	11.6%	18.9	19.6	(0.7)	-3.6%
Current Annual Debt Service	11.9	12.3	(0.4)	-3.3%	12.3	12.3	-	0.0%
Debt Coverage Ratio	1.8	1.5	0.2	15.4%	1.5	1.6	(0.1)	-3.6%
Maximum Annual Debt Service	\$ 11.8	\$ 12.3	(0.5)	-4.1%	\$ 12.3	\$ 12.3	-	0.0%
Debt Coverage Ratio	1.8	1.5	\$ 0.3	0.0%	1.5	1.6	\$ (0.1)	0.0%

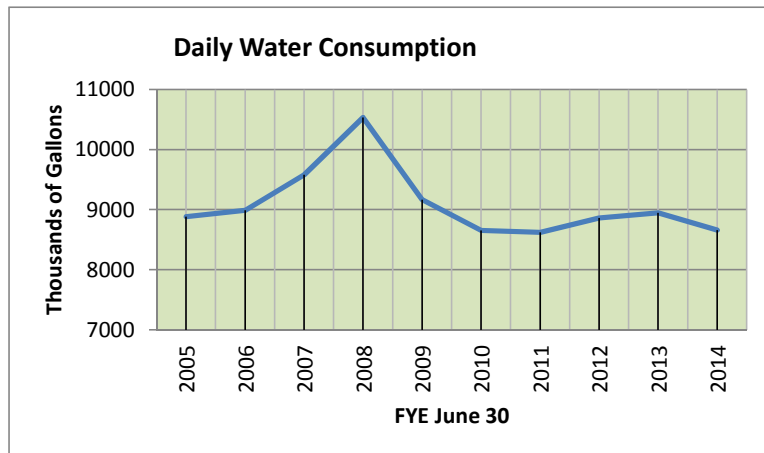
TABLE A-5
Cost of Capital
(In millions of dollars)

	Debt Balance	Average Coupon
1993 Bonds	\$1.6	5.50%
2005 Bonds	\$0.8	4.80%
2007 Bonds	\$70.4	4.80%
2009 Bonds	\$25.7	4.43%
2013 Bonds	\$52.9	2.80%
Total	\$151.4	*4.0%

*Note: weighted average coupon rate.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Conservation efforts brought on by the 2007 drought and adoption of a three tier rate structure have resulted in an 18% decrease in daily water consumption since the peak year ended June 30, 2007. The past 2 years experienced an unusually wet spring and summer causing consumption to be down slightly. Water consumption is not anticipated to change significantly in the next five years.



The 2015 budget, five year cash flow projections and capital improvement program have been prepared based on projected economic and population growth for the Authority's service area which is expected to remain stable with little growth anticipated in the next five years. Other factors affecting next year's and future budgets are listed below.

- The 2015 budget was prepared without any increase in water and sewer rates, however management will review conditions during the year to determine if operating expenses, coverage ratios, debt service, and future capital improvement needs warrant an increase.
- The Authority's Capital Improvement Program is funded through issuance of new debt, capital contributions from tap fees and from developers, and operating revenue in excess of operating expenses and debt service expenses. With the construction and tap fees anticipated to continue to be slow and a reluctance to issue new debt, the Authority will be relying more heavily 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 citizens, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Douglasville-Douglas County Water and Sewer Authority's Chief Financial Officer, P.O. Box 1157, Douglasville, Georgia 30133.

BASIC FINANCIAL STATEMENTS

Douglasville-Douglas County Water and Sewer Authority

Statements of Net Position

	June 30,	
	2014	2013
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,678,351	\$ 1,905,996
Accounts receivable, less allowance for doubtful accounts of \$411,316 in 2014 and \$402,264 in 2013	5,533,358	5,222,576
Miscellaneous receivables	146,884	117,014
Inventories	748,643	654,550
Prepaid expenses	293,722	307,835
Restricted assets:		
Cash and cash equivalents	11,093,613	13,052,133
Investments	4,600,651	6,838,235
Receivables	775,357	728,409
Total current assets	24,870,579	28,826,748
Non-current assets:		
Capital assets:		
Land and easements	13,810,311	13,609,223
Buildings	66,481,543	65,917,021
Machinery and equipment	67,457,633	66,265,026
Improvements other than buildings	433,160,368	427,715,031
Construction in progress	12,348,442	3,765,814
	593,258,297	577,272,115
Less accumulated depreciation	188,698,808	170,618,864
Net capital assets	404,559,489	406,653,251
Other assets:		
Miscellaneous receivables - non-current	274,447	797,007
Prepaid bond insurance costs	328,910	355,901
Net Pension Assets	1,233,931	1,002,322
Total other assets	1,837,288	2,155,230
Total Assets	431,267,356	437,635,229
Deferred Outflows		
Bond defeasance costs	4,918,818	868,771
Total Assets and Deferred Outflows	\$ 436,186,174	\$ 438,504,000

	June 30,	
	2014	2013
Liabilities:		
Current liabilities:		
Accounts payable	\$ 2,095,843	\$ 2,134,360
Accrued expenses and other	1,128,192	1,098,104
Revenue bonds, portion due within one year	5,495,000	4,860,000
Current liabilities payable from restricted assets:		
Notes payable, portion due within one year	-	16,990
Accrued interest on revenue bonds	514,337	601,647
Accounts payable	2,033,159	712,554
Customer deposits	2,718,644	2,468,637
Unearned income	1,495,075	1,569,055
Total current liabilities	<u>15,480,250</u>	<u>13,461,347</u>
Non-current liabilities:		
Other long-term liabilities	2,143,442	2,094,040
Long-term debt:		
Revenue bonds – portion due after one year, net of unamortized (premium)/discounts of (\$3,520,172) in 2014 and (\$3,887,167) in 2013	149,415,172	150,722,167
Total long-term debt	<u>149,415,172</u>	<u>150,722,167</u>
Total non-current liabilities	<u>151,558,614</u>	<u>152,816,207</u>
Total liabilities	<u>167,038,864</u>	<u>166,277,554</u>
Net Position:		
Net investment in capital assets	252,458,268	256,938,145
Amounts Restricted for:		
Debt service	459,252	395,359
Capital projects	1,946,069	2,605,642
Unrestricted Amounts	14,283,721	12,287,300
Total net position	<u>269,147,310</u>	<u>272,226,446</u>
Total Liabilities and Net Position	<u>\$ 436,186,174</u>	<u>\$ 438,504,000</u>

See accompanying notes.

Douglasville-Douglas County Water and Sewer Authority

Statements of Revenues, Expenses, and Changes in Net Position

	Year ended June 30,	
	2014	2013
Operating revenue:		
Charges for services (net of bad debt expense \$339,793 in 2014 and \$339,735 in 2013)	\$ 38,490,526	\$ 36,771,674
Penalties	1,206,009	1,070,404
	39,696,535	37,842,078
Operating expenses:		
Employment costs	11,449,310	10,992,670
Repairs and maintenance	2,090,925	2,468,479
Supplies and materials	1,029,076	972,404
Depreciation	18,321,224	18,226,657
Utilities	3,256,702	3,171,721
Water and sewer services purchased	595,177	760,700
Administration	1,819,755	1,763,969
	38,562,169	38,356,600
Operating income (loss)	1,134,366	(514,522)
Non-operating revenues (expenses):		
Interest and fiscal charges, net of capitalized amount of \$308,275 in 2014 and \$111,491 in 2013	(6,338,702)	(7,319,184)
Interest income	101,934	127,463
Gain (loss) on disposal of capital assets	30,710	(598,688)
Other income (expenses)	(386,113)	70,383
Total non-operating revenue and expenses, net	(6,592,171)	(7,720,026)
Loss before capital contributions	(5,457,805)	(8,234,548)
Capital contributions	2,378,669	2,614,884
Change in net position	(3,079,136)	(5,619,664)
Total net position - beginning	272,226,446	277,846,110
Total net position – ending	\$ 269,147,310	\$ 272,226,446

See accompanying notes.

Douglasville-Douglas County Water and Sewer Authority

Statements of Cash Flows

	Year ended June 30,	
	2014	2013
Cash flows from operating activities:		
Cash received from customers	\$ 40,128,450	\$ 37,918,414
Cash payments for goods and services	(8,910,132)	(9,116,173)
Cash payments to employees	(11,601,429)	(11,389,395)
Net cash provided by operating activities	19,616,889	17,412,846
Cash flows from noncapital financing activities:		
Proceeds from insurance & miscellaneous other	163,905	30,061
Cash received from grants	304,786	397,092
Non-capitalized grant expenses	(162,227)	(217,684)
Net cash provided by noncapital financing activities	306,464	209,469
Cash flows from capital and related financing activities:		
Payments for capital acquisitions	(14,160,584)	(6,148,899)
Principal repayments on bonds and notes payable	(5,141,990)	(4,734,965)
Interest paid	(6,734,287)	(7,449,739)
Proceeds for issuance of refunding bonds	53,180,000	-
Bond closing costs	(449,851)	-
Payment to bond escrow agent for defeasance	(52,687,991)	-
Proceeds from the sale of capital assets	30,710	41,646
Cash received for water and sewer tap fees	1,523,759	1,062,052
Net cash used in capital and related financing activities	(24,440,234)	(17,229,905)
Cash flows from investing activities:		
Proceeds from sales of investments	2,237,584	64,146
Receipts of interest and dividends	93,132	111,132
Net cash provided by investing activities	2,330,716	175,278
Net increase (decrease) in cash and cash equivalents	(2,186,165)	567,688
Cash and cash equivalents, beginning of year	14,958,129	14,390,441
Cash and cash equivalents, end of year	\$ 12,771,964	\$ 14,958,129
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 1,678,351	\$ 1,905,996
Restricted assets:		
Cash and cash equivalents	11,093,613	13,052,133
	\$ 12,771,964	\$ 14,958,129

Continued on next page

Douglasville-Douglas County Water and Sewer Authority

Statements of Cash Flows (Continued)

	Year ended June 30,	
	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 1,134,366	\$ (514,522)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	18,321,224	18,226,657
Bad debt expense	339,793	339,735
Changes in operating assets and liabilities:		
Accounts and miscellaneous receivables	(680,445)	(438,602)
Inventories	(94,093)	17,428
Prepaid expenses	14,113	(8,789)
Miscellaneous receivables - non-current	522,560	97,497
Net pension assets	(231,609)	(418,117)
Deposits	-	10,417
Accounts payable	(38,517)	2,044
Accrued expenses and other	30,088	16,110
Customer deposits	250,007	77,706
Other long-term liabilities	49,402	5,282
Total adjustments	18,482,523	17,927,368
Net cash provided by operating activities	\$ 19,616,889	\$ 17,412,846
 Non-cash capital and financing activities:		
Capital assets acquired through:		
Developer contributions	\$ 542,661	\$ 1,155,740
Total non-cash capital financing activities	\$ 542,661	\$ 1,155,740

See accompanying notes.

**NOTES TO
FINANCIAL STATEMENTS**

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

June 30, 2014 and 2013

1. Summary of Significant Accounting Policies

Formation and Governance of the Authority

The Douglasville-Douglas County Water and Sewer Authority (the “Authority”) was created by an act of the State of Georgia Legislature on March 7, 1985 for the purpose of providing water and sewerage services to the citizens of Douglas County. On December 27, 1985, the Authority accepted the transfer of the assets of water and sewerage systems of the City of Douglasville (the “City”) and Douglas County, Georgia (the “County”). The net book value of the assets transferred was recorded as a capital contribution to the Authority.

The Authority entered into 30-year Intergovernmental agreements with the City and the County to manage the stormwater systems. On January 1, 2003, the City transferred their stormwater system to the Authority in exchange for the waiver of future stormwater service fees. On July 1, 2004, the County transferred their stormwater system to the Authority in exchange for the waiver of future stormwater service fees. As stated in each Agreement, unearned revenue for the City and County was recorded at an amount equal to the present value of the future estimated stormwater service fees for a period of 30 years, and no operating liabilities were assumed or recorded at date of transfer. The estimated fair value of the assets transferred less the unearned revenue was recorded as a capital contribution.

The Authority’s governing body is composed of seven members. Two of the board members are the Mayor of Douglasville and the Chairman of the Board of Commissioners of Douglas County. The remaining five members are selected on a rotating basis by the City and County.

No participating government has access to resources or surpluses, nor are they liable for any of the Authority’s debts or deficits. The Authority has the ability to finance its capital projects through user charges or the sale of revenue bonds. The Authority is not a component unit of any participating government unit. There are no component units within the Authority’s financial statement.

The following is a summary of the Authority’s significant accounting policies:

A. Method of Accounting

The Authority operates as an enterprise activity, and its records are maintained on the accrual basis of accounting. Under this method revenues are recognized when earned and expenses are recognized when incurred. The Authority follows all applicable Governmental Accounting Standards Board (GASB) pronouncements and has implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. This Statement provides accounting and financial reporting guidance for certain pronouncements issued prior to November 30, 1989. The implementation of this Statement had no impact on the Authority statements for the years ending June 30, 2014 and June 30, 2013.

The Authority has also implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These Statements provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and identifies net position as the residual of all other elements presented in a statement of financial position.

The Authority classifies net position into three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. These classifications are defined as follows:

- 1) Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

1. Summary of Significant Accounting Policies (continued)

- 2) Restricted net position – This component consists of constraints placed on net position use through external constraints imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets”.

B. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, funds retained at banks and other highly liquid investments with a maturity of three months or less.

C. Investments

Investments are stated at fair value or amortized cost plus accrued interest in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and consist of federally insured or fully collateralized interest-bearing deposits, certificates of deposit and U.S. Treasury notes that mature in less than one year.

D. Capital Assets

Capital assets are defined by the Authority as individual assets with a life expectancy of more than one year and a minimum cost of \$5,000. The capital assets transferred to the Authority were recorded as capital contributions from the City and the County at estimated historical cost, less accumulated depreciation at the date of transfer. The Authority also capitalizes a portion of interest expense as part of the historical cost of constructing expansions to the system. The capital assets of the Authority are depreciated using the straight-line method over estimated useful lives as follows:

Machinery and equipment	5 – 10 years
Buildings	25 – 40 years
Improvements other than buildings	30 – 50 years

E. Inventories

Inventory of supplies and materials is valued at the lower of cost (first-in, first-out) or market.

F. Bond Premiums, Bond Discounts and Bond Issuance Costs

Bond premiums, bond discounts, and bond issuance insurance costs are being amortized on the effective interest method over the term of the related obligation. Bond premiums and discounts are presented as additions and reductions, respectively, to revenue bonds on the accompanying financial statements. Bond issuance costs consist of bond insurance purchased as part of a bond issue. Other related bond issuance costs are expensed in the year the bond is issued.

G. Deferred Outflows/ Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. Currently, deferred outflows consist of bond defeasance costs, (the difference between the reacquiring price and the net carrying amount of the bonds). This cost is amortized over the shorter of the remaining life of the old debt or the new debt. Deferred inflows represent an acquisition of net position that applies to future periods and will not be recognized as an inflow (revenue) until then. Currently the Authority does not have any deferred inflows.

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

1. Summary of Significant Accounting Policies (continued)

H. Accumulated Unpaid Vacation and Sick Pay (PTO)

The Authority accrues its liability for earned but unpaid vacation and sick pay costs (Paid Time Off).

I. Unearned Income

Unearned income represents both interest received in advance under a debt service forward delivery agreement, and prepayments from the City and County for stormwater management services. These amounts are being amortized using the interest method over the life of the respective agreements.

J. Water and Sewer Tap Fees

Water and sewer tap fees are recorded as capital contributions when received and used in capital assets acquisition.

K. Developer Contributions - Lines & Other Assets

Water and sewer lines, stormwater infrastructure and lift stations are constructed by private developers and dedicated to the Authority, which is then responsible for their future maintenance. These assets are recorded as capital contributions when they pass inspection by the Authority. The estimated costs, which approximate fair value, are capitalized as improvements other than buildings.

L. Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

M. Statements of Cash Flows

For purposes of the Statements of Cash Flows, the Authority considers all currency, demand deposits, and money market accounts with banks or other financial institutions to be cash equivalents.

N. Comparative Data

Comparative total data for the prior year have been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations of the Authority. Certain reclassifications have been made to prior year columns to conform to the classifications used in the current years columns.

O. Management Estimates

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

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

2. Deposits and Investments

The Authority's available cash is invested in demand deposit accounts, money market treasury accounts, U.S. Treasury notes and the State of Georgia Local Government Investment Pool (Georgia Fund 1). The carrying amounts of the cash and investments at June 30 consist of the following:

	2014	2013
Demand deposit accounts	\$ 12,771,964	\$ 14,958,129
Local Government Investment Pool	4,600,651	6,838,235
	\$ 17,372,615	\$ 21,796,364
Current assets:		
Unrestricted - cash and equivalents	\$ 1,678,351	\$ 1,905,996
Restricted - cash and equivalents	11,093,613	13,052,133
Restricted - investments	4,600,651	6,838,235
	\$ 17,372,615	\$ 21,796,364

Credit risk - State statutes authorize the Authority to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

The Authority has no formal credit risk policy. The current investment strategy of the Authority provides that safety of capital is the primary objective of all Authority investments and requires that all investments are managed to ensure preservation of and to limit exposure to principal losses due to credit, market and/or liquidity risks.

At June 30, 2014 and 2013, the Authority had the following investments listed at Fair Market Value:

Investment	2014	2013
Georgia Fund 1 LGIP	\$4,600,651	\$6,838,235
Maturities - in weighted average	62 days	43 days

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, allows governmental entities to report money market investments at amortized cost. U.S. Treasury and agency obligations with remaining maturities of one year or less when purchased are also reported at amortized cost which approximates fair value. This statement also allows investments in a 2a7-like pool to be determined by the pool's share price. The LGIP (Georgia Fund 1) is considered a 2a7-like pool and investments in this pool are reported at share price on the Statements of Net Position. As of June 30, 2014 and 2013, the Authority's investment in Georgia Fund 1 was rated AA+ by Standard & Poor's.

Georgia Fund 1 – Created by O.C.G.A. 36-83-8, is a stable net asset value investment pool which follows Standard & Poor's criteria for AA+ rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The regulatory oversight agency for Georgia Fund 1 is the Office of The State Treasurer of the State of Georgia.

Interest rate risk – The Authority 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.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized at 110% by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2014, all of the Authority's bank balances were insured and collateralized as required.

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

3. Long-Term Debt

On December 18, 2013, the Authority issued \$53,180,000 Water and Sewerage Revenue Bonds in a partial defeasance of \$48,360,000 of the 2005 Bonds principal outstanding balance. The 2013 Bonds were issued at a 2.8% interest rate with a maturity in 2030. The outstanding principal balance on the 2013 Series Bonds was \$52,915,000 at June 30, 2014.

On November 17, 2009, the Authority issued \$26,720,000 Water and Sewerage Revenue Bonds in a defeasance of the 1998 Bonds principal outstanding balance of \$27,925,000. Interest rates on the 2009 Bonds range from 3% to 5% with a maturity in 2023. The outstanding principal balance on the 2009 Series Bonds was \$25,735,000 and \$26,660,000 at June 30, 2014 and 2013, respectively.

On October 18, 2007, the Authority issued Water and Sewerage Revenue Bonds in the amount of \$76,755,000 with interest rates ranging from 4% to 5%. The Bonds are being used to finance the cost of making renovations, additions, extensions and expansions to the system. The outstanding principal balance on the 2007 Series Bonds was \$70,380,000 and \$72,070,000 at June 30, 2014 and 2013, respectively.

On November 30, 2005, the Authority issued Water and Sewerage Revenue Bonds in the amount of \$52,250,000 with interest rates ranging from 3.5% to 5.0%. The bonds were used to finance the cost of making renovations, additions, and expansions of the system. A defeasance of \$48,360,000 of this bond occurred with the issue of the 2013 Water and Sewerage Revenue Bond in December 2013 (see above). The defeasance was placed in a trust account and will be paid out on the December 2015 call date. The outstanding principal balance of the remaining 2005 Series Bonds was \$760,000 at June 30, 2014. At June 30, 2013 the outstanding principal balance was \$49,850,000.

On June 15, 1993, the Authority issued Water and Sewerage Revenue Bonds in the amount of \$29,895,000 in a partial defeasance of the 1991 and 1988 bond issues. Interest rates on the 2003 Bonds range from 2.6% to 5.45%. The outstanding principal balance on the 1993 Series Bonds was \$1,600,000 and \$3,115,000 at June 30, 2014 and 2013, respectively. The remaining proceeds were used primarily to fund construction.

All bonds are secured by the net revenues of the Authority. Interest is payable semi-annually on June 1 and December 1. Principal is payable annually on June 1.

Debt service over the remaining term of the bonds is summarized as follows:

Bond Year Ending June 30	Principal Maturities and Scheduled Mandatory Redemption Payments	Interest Payments	Total Debt Service on the Bonds
2015	\$ 5,495,000	\$ 6,172,045	\$ 11,667,045
2016	5,730,000	5,936,508	11,666,508
2017	5,925,000	5,739,617	11,664,617
2018	6,140,000	5,520,748	11,660,748
2019	6,405,000	4,992,237	11,397,237
2020-2024	36,660,000	21,837,975	58,497,975
2025-2029	44,965,000	14,211,510	59,176,510
2030-2034	25,900,000	6,735,600	32,635,600
2035-2039	14,170,000	1,440,000	15,610,000
Totals	151,390,000	\$ 72,586,240	\$ 223,976,240
Less: Portion due within one year	5,495,000		
Net Unamortized (premium) /discount	(3,520,172)		
Long-term debt at June 30, 2014	<u>\$ 149,415,172</u>		

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

3. Long-Term Debt (continued)

The Series 2013 Bonds having a stated maturity of June 1, 2030 may be redeemed in June 2023 at the option of the Authority in whole or in part with not less than thirty (30) days notice nor more than 60 days notice at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

The Series 2009 Bonds having a stated maturity of June 1, 2023 will be subject to scheduled mandatory redemption prior to maturity beginning June 1, 2011 to June 1, 2033 at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

The Series 2007 Bonds maturing on or after June 1, 2018 are redeemable at the option of the Authority, in whole or in part on any date, not earlier than June 1, 2017. The Series 2007 Bonds due on June 1, 2032 and on June 1, 2037, are subject to mandatory redemption prior to maturity beginning June 1, 2029 to May 31, 2032 and June 1, 2033 to May 31, 2037 respectively, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date. Notice of any redemption shall be mailed at least 30 days and no more than 60 days prior to the redemption date.

The Series 2005 Bonds had a partial defeasance with the issue of the 2013 Bonds in December 2013. The remaining 2005 Bonds have a maturing on June 1, 2015.

The Series 1993 Bonds having a stated maturity in 2015 will be subject to scheduled mandatory redemption prior to maturity. These Bonds are to be redeemed each year beginning June 1, 2008 to May 31, 2015 at a redemption price of 100 percent. Such redemption shall be made at the aforementioned redemption price (expressed as a percentage of the principal amount of the respective bond), plus accrued interest to the date fixed for redemption.

Bond indentures for the Authority's revenue bonds include provisions requiring the Authority to set up certain debt related accounts, the transfer of one-sixth interest and one-twelfth principal each month to a sinking fund and requirements relating to rate setting and maintaining certain coverage ratios.

Changes in long-term liabilities are as follows:

	June 30, 2013	Additions	Reductions	June 30, 2014	Due Within One Year
1993 Revenue Bonds	\$ 3,115,000	\$ -	\$ (1,515,000)	\$ 1,600,000	\$ 1,600,000
2005 Revenue Bonds	49,850,000	-	(49,090,000)	760,000	760,000
2007 Revenue Bonds	72,070,000	-	(1,690,000)	70,380,000	1,755,000
2009 Revenue Bonds	26,660,000	-	(925,000)	25,735,000	955,000
2013 Revenue Bonds	-	53,180,000	(265,000)	52,915,000	425,000
State Revolving Fund	16,990	-	(16,990)	-	-
	<u>151,711,990</u>	<u>53,180,000</u>	<u>(53,501,990)</u>	<u>151,390,000</u>	<u>5,495,000</u>
Premiums/(Discounts):					
1993 Revenue Bonds	(1,773)	-	1,152	(621)	-
2005 Revenue Bonds	508,952	-	(39,777)	469,175	-
2007 Revenue Bonds	2,188,760	-	(146,314)	2,042,446	-
2009 Revenue Bonds	1,191,228	-	(182,056)	1,009,172	-
Total long-term debt	<u>\$ 155,599,157</u>	<u>\$ 53,180,000</u>	<u>\$ (53,868,985)</u>	<u>\$ 154,910,172</u>	<u>\$ 5,495,000</u>
Current Portion	<u>(4,876,990)</u>			<u>(5,495,000)</u>	
Long-Term	<u>\$ 150,722,167</u>			<u>\$ 149,415,172</u>	

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

3. Long-Term Debt (continued)

	June 30, 2012	Additions	Reductions	June 30, 2013	Due Within One Year
1993 Revenue Bonds	\$ 5,730,000	\$ -	\$ (2,615,000)	\$ 3,115,000	\$ 1,515,000
2005 Revenue Bonds	50,275,000	-	(425,000)	49,850,000	730,000
2007 Revenue Bonds	73,695,000	-	(1,625,000)	72,070,000	1,690,000
2009 Revenue Bonds	26,680,000	-	(20,000)	26,660,000	925,000
State Revolving Fund	66,955	-	(49,965)	16,990	16,990
	<u>156,446,955</u>	<u>-</u>	<u>(4,734,965)</u>	<u>151,711,990</u>	<u>4,876,990</u>
Premiums/(Discounts):					
1993 Revenue Bonds	(3,898)	-	2,125	(1,773)	-
2005 Revenue Bonds	549,018	-	(40,066)	508,952	-
2007 Revenue Bonds	2,337,794	-	(149,034)	2,188,760	-
2009 Revenue Bonds	1,373,737	-	(182,509)	1,191,228	-
Total long-term debt	<u>\$ 160,703,606</u>	<u>\$ -</u>	<u>\$ (5,104,449)</u>	<u>\$ 155,599,157</u>	<u>\$ 4,876,990</u>
Current Portion	<u>(4,499,437)</u>			<u>(4,876,990)</u>	
Long-Term	<u>\$ 156,204,169</u>			<u>\$ 150,722,167</u>	

Other long-term debt is as follows:

	2014	2013
Note payable to State of Georgia, 3% annual interest, due monthly	\$ -	\$ 16,990
Less: Portion due within one year	-	16,990
Long-Term Portion	<u>\$ -</u>	<u>\$ -</u>

Maturities of notes payable for the remaining Fiscal Years are:

The 3% note payable to State of Georgia with an outstanding balance of \$0 and \$16,990 at June 30, 2014 and 2013, respectively, was for funding the toilet rebate program. The note was set up with 24 monthly payments starting in November 2011 and was paid off in October 2013.

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

4. Capital Assets

A summary of capital asset activity and changes in accumulated depreciation for the years ended June 30, 2014 and 2013 follows:

	Balance June 30, 2013	Additions	Retirements & Transfers	Balance June 30, 2014
Capital assets not being depreciated:				
Land and Easements	\$ 13,609,223	\$ 201,088	\$ -	\$ 13,810,311
Construction in progress	3,765,814	15,168,451	(6,585,823)	12,348,442
Total capital assets, not being depreciated	17,375,037	15,369,539	(6,585,823)	26,158,753
Capital assets being depreciated:				
Buildings and Structures	65,917,021	564,522	-	66,481,543
Machinery and Equipment	66,265,026	1,433,887	(241,280)	67,457,633
Improvements Other Than Buildings	427,715,031	5,445,337	-	433,160,368
Total capital assets being depreciated	559,897,078	7,443,746	(241,280)	567,099,544
Less accumulated depreciation for:				
Buildings and Structures	(12,267,519)	(2,081,869)	-	(14,349,388)
Machinery and Equipment	(33,096,391)	(4,389,783)	241,280	(37,244,894)
Improvements Other Than Buildings	(125,254,954)	(11,849,572)	-	(137,104,526)
Total accumulated depreciation	(170,618,864)	(18,321,224)	241,280	(188,698,808)
Total capital assets being depreciated, net	389,278,214	(10,877,478)	-	378,400,736
Net capital assets	\$ 406,653,251	\$ 4,492,061	\$ (6,585,823)	\$ 404,559,489

	Balance June 30, 2012	Additions	Retirements & Transfers	Balance June 30, 2013
Capital assets not being depreciated:				
Land and Easements	\$ 13,541,923	\$ 67,300	\$ -	\$ 13,609,223
Construction in progress	1,778,829	6,237,737	(4,250,752)	3,765,814
Total capital assets, not being depreciated	15,320,752	6,305,037	(4,250,752)	17,375,037
Capital assets being depreciated:				
Buildings and Structures	66,553,048	12,892	(648,919)	65,917,021
Machinery and Equipment	67,617,839	784,740	(2,137,553)	66,265,026
Improvements Other Than Buildings	423,199,826	5,587,116	(1,071,911)	427,715,031
Total capital assets being depreciated	557,370,713	6,384,748	(3,858,383)	559,897,078
Less accumulated depreciation for:				
Buildings and Structures	(10,355,711)	(2,073,554)	161,746	(12,267,519)
Machinery and Equipment	(30,662,312)	(4,539,527)	2,105,448	(33,096,391)
Improvements Other Than Buildings	(114,592,232)	(11,613,576)	950,854	(125,254,954)
Total accumulated depreciation - restated	(155,610,255)	(18,226,657)	3,218,048	(170,618,864)
Total capital assets being depreciated, net	401,760,458	(11,841,909)	(640,335)	389,278,214
Net capital assets	\$ 417,081,210	\$ (5,536,872)	\$ (4,891,087)	\$ 406,653,251

Total interest costs incurred during the year amounted to \$6,646,977 and \$7,430,675 in 2014 and 2013, respectively. From these amounts, \$308,275 (2014) and \$111,491 (2013) were capitalized as construction period interest.

Depreciation expense incurred during the year amounted to \$18,321,224 in 2014 and \$18,226,657 in 2013.

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

5. Net Investment in Capital Assets

Net investment in capital assets can be summarized by the year end balances as follows:

	2014	2013
Net capital assets	\$ 404,559,489	\$ 406,653,251
Unspent debt proceeds for capital projects	2,808,950	5,015,281
Related debt to capital assets	(154,910,171)	(155,599,157)
Depreciation taken in prior period adjustment	-	868,770
End of year	\$ 252,458,268	\$ 256,938,145

6. Restricted Assets

Certain of the Authority's assets are restricted for specified purposes. Legal or contractual agreements restrict amounts for debt service, refunding of meter deposits and capital improvements, while Board enacted restrictions restrict funds for additional capital improvements. A breakdown of the specified purposes of the restricted assets is as follows:

	2014	2013
Legal:		
Renewal and extension cash	\$ 784,031	\$ 2,936,426
Refundable meter deposits	2,119,800	1,924,958
Debt service sinking fund	981,483	1,013,703
Construction fund	2,808,950	5,015,281
	6,694,264	10,890,368
Receivables	775,357	728,409
Board enacted:		
Capital reserves	9,000,000	9,000,000
	9,775,357	9,728,409
	\$ 16,469,621	\$ 20,618,777

Amounts in the Debt Service Sinking Fund are restricted to the payment of current bond principal and interest requirements as they become due, as well as required fiscal charges. Sinking fund payments required by the Authority for bond year 2014 and 2013 total \$11,859,181 and \$12,133,529, respectively.

7. Other Long-Term Liabilities

Other long-term liabilities consisted of pension and other post employment benefits as follows:

	2014	2013
Pension - Executive Director (see note 9)	\$ 1,552,785	\$ 1,579,345
Other Post Employment Benefits - Retired Executive Director & Former Deputy Director (see note 10)	590,657	514,695
Total	\$ 2,143,442	\$ 2,094,040

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

8. Pensions

Plan Description

The Douglasville-Douglas County Water & Sewer Authority Retirement Plan (the "Plan") is an agent multiple-employer public employee defined benefit retirement plan. The plan covers all employees of the Authority and is affiliated with the Georgia Municipal Employees Benefit System (the "System"), which acts as a common investment and administrative agent for municipalities in the State of Georgia. The benefit provisions and all other requirements are established by State law. The System issues a publicly available financial report that includes financial statements for the Plan. That report may be obtained by writing to Georgia Municipal Employees Benefit System (GMEBS), 201 Pryor Street SW, Atlanta, Georgia 30303.

General

The following brief description of the pension plan terms is provided for general information purposes only. Participants should refer to the plan document for more complete information. The original date of the plan was March 1, 1986. The plan was amended June 1, 1994, January 1, 1997, December 1, 1999, July 1, 2003 and January 1, 2009.

Retirement Options / Benefit Provisions

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in the Authority's retirement plan. No employee contributions are allowed in the plan. Normal retirement age under the Plan is 65 with at least 5 years service and early retirement is at age 55 with 10 years of service. Employees are eligible for coverage after one year of continuous service, who work a scheduled 30 hour week (20 hours for employees hired before June 1, 1994). Maximum credit for years of service for employees hired after December 1, 1999 is 30 years. The plan was amended in January 1, 2009, and differences in benefits are:

Employees hired before January 1, 2009: Vesting after 5 years service, normal retirement benefits are calculated at 2% per year of service based on average of highest 36 consecutive months, with early retirement at 55, and under the rule of 80. Disability benefits apply without minimum service. Benefits contain a cost of living provision not to exceed 5% annually.

Employees hired on or after January 1, 2009: Vesting after 10 years service, normal retirement benefits are calculated at 1 ½ % per year of service based on the average of highest 60 consecutive months. Rule of 80 early retirement benefits do not apply, disability benefits do not apply and there is no cost of living adjustment.

Membership

Membership of the Plan as of the valuation date of January 1, 2014 was:

Members of the Plan	Participants
Retirees and beneficiaries receiving benefits	46
Terminated plan members entitled to, but not yet receiving benefits	69
Active plan members	184
Total Membership	299

Funding Policy

The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards is \$917,697. The GMEBS Board of Trustees had adopted an actuarial funding policy that exceeds State law requirements, but is in accordance with required contributions as defined by generally accepted accounting principles. This policy requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan. There are no assets legally reserved for purposes other than the payment of plan member benefits for the plan.

The annual pension cost and net pension obligation (asset) for the current year is as follows:

Annual required contribution (ARC)	\$ 982,954
Interest on net pension obligation	(21,625)
Adjustments to ARC	21,625
Annual pension cost	982,954
Contributions made	1,214,563
Increase in net pension asset	231,609
Net pension asset, beginning of year	1,002,322
Net pension asset, end of year	<u>\$ 1,233,931</u>

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

8. Pensions (continued)

The Authority contributed \$1,214,563 for the Plan in 2014 or \$231,609 in excess of the Authority's annual pension cost of \$982,954. This net pension asset appears under non-current other assets in the financial statements.

Fiscal Year	Annual Pension Cost	Actual Contribution	Percentage of ARC Contributed	Net Pension (Asset) End of Year
2009	\$ 1,288,450	\$ 1,288,450	100%	\$ -
2010	\$ 1,651,491	\$ 1,651,491	100%	\$ -
2011	\$ 1,405,339	\$ 1,651,491	118%	\$(246,152)
2012	\$ 873,433	\$ 1,211,486	139%	\$(584,205)
2013	\$ 917,697	\$ 1,335,814	146%	\$(1,002,322)
2014	\$ 982,954	\$ 1,214,563	124%	\$(1,233,931)

As of the most recent valuation date, January 1, 2014, the funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Surplus) Actuarial Accrued Liability (AAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2014	\$25,411,864	\$24,242,834	(\$1,169,030)	104.82%	\$8,110,115	0.00%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term prospective and are based on the substantive plan in effect as of January 1, 2014. The assumptions used are as follows:

Valuation Date	1/1/2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	10 year level percentage of payroll amortization of surplus
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and beyond.
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Projected Salary Increases	3.5% plus age and service base merit increases
Cost of Living Adjustments (inflation)	3.50%

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

8. Pensions (continued)

Deferred Compensation Plan

The Authority offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As required by Federal regulations, these plan assets are held in trust for the exclusive benefit of participants and their beneficiaries.

The Authority has no fiduciary relationship with the trust that is administered by a third party. In accordance with the provisions of Statement of Governmental Accounting Standards No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the plan assets are not reported in the Authority's financial statements.

9. Pensions – Former Executive Director

Plan Description

The Douglasville-Douglas County Water & Sewer Authority - Executive Director Plan is a single employer – single employee defined benefit plan that offers the Former Executive Director additional supplemental pension retirement benefits. The plan is a defined benefits retirement plan based on number of years service, cost of living adjustment, and is reduced by any benefits paid by the main retirement plan. The plan does not issue a stand-alone report.

General

The following is a brief description of the plan for general information purposes. The Authority entered into an Employment Agreement with the Executive Director on October 1, 1999 providing supplemental pension retirement benefits. During Fiscal Year 2006, the Authority adopted a resolution to allow for credited years of service for prior government service. This change significantly reduced the retirement date of the Executive Director from October 1, 2010 to December 31, 2006. The impact was a significant increase in the remaining annual yearly obligation due to the shortened reserve period. The Executive Director is not required to contribute to the plan.

On February 1, 2007, the Executive Director officially retired. In conjunction with his retirement, a revised Employment Agreement for an indefinite period was authorized by the Board of Directors on April 22, 2008. Under the new employment agreement, the Former Executive Director received a salary without any benefits including pension coverage. There are no provisions for changes other than by mutual agreement by both parties.

Retirement Options/ Benefit Provision

This is a single employee plan with 4% of employee's average annual compensation multiplied by the number of years of service with the average annual compensation based on three highest years worked before retirement less any payments received from GMEBS (see pension information above). Full retirement is at 65 or under the rule of 80 at 55 with 25 years of service. Benefits are to be adjusted annually with prior year's CPI inflation rate.

Membership

Membership of the Plan as of January 1, 2014 was:

<u>Members of the Plan</u>	<u>Participants</u>
Retirees and beneficiaries receiving benefits	1
Terminated plan members entitled to, but not yet receiving benefits	0
Active plan members	0
Total Membership	1

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

9. Pensions – Former Executive Director (Continued)

Funding Policy

During Fiscal Year 2007, the Authority purchased lump sum single premium life only annuities in the amount of \$1,651,197 for this pension retirement obligation to the Former Executive Director. The cost of living adjustments have not been funded. In January of each year a payment is made to the Executive Director to pay for any pension liability due to cost of living provisions not covered by the annuities or GMEBS pension payments. The liability associated with this plan is listed as other long-term liabilities in the statements of net position.

The annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$	-
Interest from net pension obligations		46,982
Adjustment to annual required contribution		(46,982)
Annual pension cost		-
Contributions made		26,560
Increase (decrease) in net pension obligation		(26,560)
Net pension obligation, beginning of year		1,579,345
Net pension obligation, end of year	\$	1,552,785 <i>Note 7</i>

Fiscal Year	Annual Pension Cost	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation End of Year
2009	\$262,515	\$10,470	4%	\$1,052,158
2010	\$188,610	\$10,470	6%	\$1,230,298
2011	\$167,453	\$13,945	8%	\$1,383,806
2012	\$9,051	\$24,294	268%	\$1,369,013
2013	\$239,782	\$29,450	12.3%	\$1,579,345
2014	\$0	\$26,560	100.0%	\$1,552,785

As of the most recent valuation date, January 1, 2013, the funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (AAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2013	\$1,628,168	\$3,236,963	\$1,608,795	50.30%	N/A	N/A

The required schedule of funding progress immediately following the notes to the financial statement presents multi-year trend information about whether the actuarial value of plan net assets, actuarial accrued liabilities, and total unfunded actuarial liabilities are increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective and calculations are based on the substantive plan in effect as of January 1, 2013.

Valuation Date	January 1, 2013
Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar for remaining unfunded liability
Remaining Amortization Period	5 years, closed
Asset Valuation Method	Fair market value
Actuarial Assumptions:	
Investment Rate of Return	3%
Projected salary increase	N/A
Cost of living adjustment (inflation)	4%

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

10. Other Post Employment Benefits

Plan Description

The Authority does not provide post-retirement benefits to its employees with the exception of hospitalization and medical coverage of a former Executive Director who retired effective February 1, 2007 and hospitalization insurance coverage for a Deputy Director who retired effective June 30, 2014. Douglasville-Douglas County Water & Sewer Authority's - Executive – Employment Agreement Plan is a single-employer defined benefit plan. The plan was created on October 1, 1999, when the Authority entered into an employment agreement with the Executive Director providing supplemental retirement benefits. After retirement on February 1, 2007, services of an actuary were obtained and the estimated costs associated with this benefit amortized over a 5 year period. The actuary determined actuarial accrued liability as of January 1, 2013 was \$523,826. The calculations are based on the OPEB benefits provided under terms of the substantive plan in effect at the time of each valuation and terms of sharing cost. The Authority entered into a retirement agreement with the Deputy Director on May 28, 2013 whereby agreeing to reimburse \$1,046.05 per month for hospitalization insurance upon retirement on June 30, 2014 until the age of 65 is reached or other employment and insurance is obtained. The plan does not issue a stand-alone report.

Retirement Options / Benefits

The Authority agreed to pay all health insurance and reimbursement for medical expenses for the former Executive Director and any dependents for the rest of his life after retirement. The benefits were created by the 1999 employment agreement between Peter Frost and the Board of Directors. There are no provisions for changes other than by mutual agreement from both parties. The Authority agreed to pay \$1,046.05 monthly for hospitalization insurance coverage for Michael Patton upon retirement on June 30, 2014 until he reaches age 65. No changes or amendments are allowed except by mutual agreement from both parties.

Eligibility

Only two employees are eligible to receive benefits under this plan – the retired Executive Director and Deputy Director.

Membership

Membership of the Plan as of January 1, 2014 was:

<u>Members of the Plan</u>	<u>Participants</u>
Retirees and beneficiaries receiving benefits	1
Terminated plan members entitled to, but not yet receiving benefits	1
Active plan members	0
Total Membership	<u>2</u>

Contributions – Funding

The Authority funds this benefit on a pay-as-you-go basis. The actuarial accrued liability for the plan is amortized over a closed five-year period which at June 30, 2013 had been fully met. For the fiscal year ending June 30, 2014, \$100,420 liability was added to account for the Deputy Director's agreement. The liability appears on the statements of net position as other long term liabilities. During the past fiscal year, \$24,458 was paid out in benefits.

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

10. Other Post Employment Benefits (continued)

The annual OPEB cost and net OPEB liability for the current year is as follows:

Annual required contribution	\$	100,420
Interest from net OPEB obligations		15,441
Adjustment to annual required contribution		(15,441)
Annual OPEB cost		100,420
Contributions made		24,458
Increase in net OPEB obligation		75,962
Net OPEB obligation, beginning of year		514,695
Net OPEB obligation, end of year	\$	590,657

Note 7

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of APC Contributed	Net Obligation End of Year
2008	\$0	\$41,604	100%	\$519,678
2009	\$201,273	\$25,950	13%	\$695,001
2010	\$125,739	\$25,597	20%	\$795,143
2011	(\$10,279)	\$29,413	100%	\$755,491
2012	\$0	\$35,706	100%	\$719,745
2013	(\$180,687)	\$24,363	100%	\$514,695
2014	\$100,420	\$24,458	24%	\$590,657

As of the most recent valuation date, January 1, 2013, the funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (AAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2013	\$0	\$523,826	\$523,826	0%	N/A	N/A

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective and calculations are based on the substantive plan in effect as of January 1, 2013.

Valuation Date	January 1, 2013
Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar for remaining unfunded liability
Amortization Period	5 years, closed
Actuarial Assumptions:	
Investment rate of return	3.00%
Projected salary increases	N/A
Medical cost adjustment factor pre-Medicare	1.10%
Cost Adjustment at age 65	0.46%
Medical benefits value	3% interest
Medical cost trend (inflation rate)	7%
Life Expectancy	20 years

The unfunded actuarial accrued liability was fully amortized and closed at June 30, 2013.

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

11. Commitments and Contingencies

Commitments

In the normal course of business, the Authority enters into agreements with contractors for the construction and expansion of the system. As of June 30, 2014 and 2013, outstanding construction commitments totaled \$7,118,767 and \$3,344,196, respectively.

Litigation

As of June 30, 2014 and 2013 there were no pending or threatened litigation, claims or assessments against the Authority that would have a material impact on the financial position of the Authority in legal counsel's opinion.

12. Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority continues to carry commercial insurance for most risk of loss, including workers' compensation and employee health and accidental insurance. There have been no significant reductions in insurance coverage and no settlements exceeding insurance coverage for the past two years.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

Douglasville-Douglas County Water and Sewer Authority

Required Supplementary Information

Funding Progress Schedules

Defined Benefit Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding Excess (Deficiency) of AAL (FEAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	FEALL as a Percent of Covered Payroll [(a-b)/c]
3/1/2009	\$12,621,566	\$18,108,514	(\$5,486,948)	69.70%	\$7,004,015	78.34%
1/1/2010	\$16,731,253	\$17,137,920	(\$406,667)	97.63%	\$7,190,905	5.66%
1/1/2011	\$18,932,553	\$18,763,100	\$169,453	100.90%	\$7,071,980	0.00%
1/1/2012	\$20,971,592	\$20,696,304	\$275,288	101.33%	\$7,430,367	0.00%
1/1/2013	\$23,017,935	\$22,692,137	\$325,798	101.44%	\$8,023,273	0.00%
1/1/2014	\$25,411,864	\$24,242,834	\$1,169,030	104.82%	\$8,110,115	0.00%

Executive Director - Additional Pension Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding Excess (Deficiency) of AAL (FEAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	FEALL as a Percent of Covered Payroll [(a-b)/c]
1/1/2008	\$1,838,847	\$2,966,492	(\$1,127,645)	62.00%	N/A	N/A
1/1/2009	\$1,757,920	\$3,002,842	(\$1,230,298)	58.54%	N/A	N/A
1/1/2011	\$1,694,816	\$3,116,920	(\$1,422,104)	54.37%	N/A	N/A
1/1/2013	\$1,628,168	\$3,236,963	(\$1,608,795)	50.30%	N/A	N/A

Other Post-Employment Benefits - Executive Employment Agreement Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding Excess (Deficiency) of AAL (FEAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	FEALL as a Percent of Covered Payroll [(a-b)/c]
1/1/2008	\$-0-	\$757,052	\$ (757,052)	0.00%	N/A	N/A
1/1/2009	\$-0-	\$795,143	\$ (795,143)	0.00%	N/A	N/A
1/1/2011	\$-0-	\$755,451	\$ (755,451)	0.00%	N/A	N/A
1/1/2013	\$-0-	\$523,826	\$ (523,826)	0.00%	N/A	N/A

Note: The assumptions used in the preparation of the above schedule are disclosed in Notes 8,9 & 10 to the financial statements.

**SCHEDULE OF
INDIVIDUAL ACCOUNTS**

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 1

OPERATING ACCOUNT

All revenues received from the operations of the System are collected by the Authority and deposited into the Revenue "Operating" Accounts. Disbursements made from the Operating Accounts are payments for, and in order as follows:

- *a) Operating, maintaining and repairing the system in accordance with sound business practices.
- b) Debt Service and/or Debt Service Reserve
- c) Renewal and Extension Funds

*The Authority's Board of Directors has set aside moneys in the Operating accounts, (via resolution), which have been reserved and restricted for potential catastrophic or disaster emergencies.

COMPARATIVE SCHEDULE OF OPERATING REVENUES

	<u>2014</u>	<u>2013</u>	<u>Variance Amount</u>	<u>Percent</u>
Operating Revenues				
Operating Revenue - Water	\$ 21,552,125	\$ 20,822,637	\$ 729,488	3.50%
Operating Revenue - Sewer	11,533,698	10,483,387	1,050,311	10.02%
Operating Revenue - Stormwater	4,505,278	4,462,494	42,784	0.96%
Reuse Revenue	354,630	422,287	(67,657)	-16.02%
Inspection Fees	15,850	15,600	250	1.60%
Soil and Erosion Control Fees	25,360	17,734	7,626	43.00%
Stormwater Fines	3,750	500	3,250	650.00%
Cut Off Charges	344,850	400,600	(55,750)	-13.92%
Sale of Materials and Supplies	47,006	66,948	(19,942)	-29.79%
Miscellaneous Revenues	427,364	400,625	26,739	6.67%
Penalties	1,206,009	1,070,404	135,605	12.67%
Dog River Recreational Complex	20,408	18,597	1,811	9.74%
Total Operating Revenues	40,036,328	38,181,813	1,854,515	4.86%
Bad Debt Expense	(339,793)	(339,735)	(58)	0.02%
Net Operating Revenues	<u><u>\$ 39,696,535</u></u>	<u><u>\$ 37,842,078</u></u>	<u><u>\$ 1,854,457</u></u>	<u><u>4.90%</u></u>

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 2

SUMMARY OF OPERATIONS								
Year Ended June 30, 2014								
	Employment Costs	Repairs & Maintenance	Supplies & Materials	Utilities	Water-Sewer Purchased	Administrative Costs	Depreciation	Total
Water Operations	\$ 2,562,230	\$ 665,383	\$ 269,486	\$ 1,344,605	\$ 302,559	\$ 76,897	\$ 7,198,340	\$ 12,419,500
Sewer Operations	3,293,004	705,146	693,311	1,732,002	292,618	86,690	8,999,521	15,802,292
Stormwater Operations	517,348	192,238	24,479	9,780	-	82,290	1,815,193	2,641,328
Engineering, Inspection & Constructions Operations	1,253,677	138,781	23,093	24,009	-	67,687	11,997	1,519,244
Administrative Operations	3,823,051	389,377	18,707	146,306	-	1,506,191	296,173	6,179,805
2014 Total	<u>\$ 11,449,310</u>	<u>\$ 2,090,925</u>	<u>\$ 1,029,076</u>	<u>\$ 3,256,702</u>	<u>\$ 595,177</u>	<u>\$ 1,819,755</u>	<u>\$ 18,321,224</u>	<u>\$ 38,562,169</u>
2013 Total	<u>\$ 10,992,670</u>	<u>\$ 2,468,479</u>	<u>\$ 972,404</u>	<u>\$ 3,171,721</u>	<u>\$ 760,700</u>	<u>\$ 1,763,969</u>	<u>\$ 18,226,657</u>	<u>\$ 38,356,600</u>
Variance	<u>\$ 456,640</u>	<u>\$ (377,554)</u>	<u>\$ 56,672</u>	<u>\$ 84,981</u>	<u>\$ (165,523)</u>	<u>\$ 55,786</u>	<u>\$ 94,567</u>	<u>\$ 205,569</u>

COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT

	Employment Costs	Repairs & Maintenance	Supplies & Materials	Utilities	Water-Sewer Purchased	Administrative Costs	Depreciation	Total
WATER OPERATIONS								
Water Plant Operations	\$ 1,227,461	\$ 31,765	\$ 232,745	\$ 1,290,601	\$ 302,559	\$ 43,293	\$ 2,174,217	\$ 5,302,641
Water Plant Maintenance	261,003	152,098	6,159	5,936	-	6,464	84,310	515,970
Water System Maintenance	972,659	472,272	29,953	45,999	-	25,886	4,248,105	5,794,874
Reservoir	125,458	9,248	629	2,069	-	1,254	691,708	830,366
Capitalized Salaries	(24,351)	-	-	-	-	-	-	(24,351)
2014 Total	<u>\$ 2,562,230</u>	<u>\$ 665,383</u>	<u>\$ 269,486</u>	<u>\$ 1,344,605</u>	<u>\$ 302,559</u>	<u>\$ 76,897</u>	<u>\$ 7,198,340</u>	<u>\$ 12,419,500</u>
2013 Total	<u>\$ 2,461,340</u>	<u>\$ 867,620</u>	<u>\$ 272,998</u>	<u>\$ 1,375,801</u>	<u>\$ 462,486</u>	<u>\$ 94,288</u>	<u>\$ 6,914,024</u>	<u>\$ 12,448,557</u>
Variance	<u>\$ 100,890</u>	<u>\$ (202,237)</u>	<u>\$ (3,512)</u>	<u>\$ (31,196)</u>	<u>\$ (159,927)</u>	<u>\$ (17,391)</u>	<u>\$ 284,316</u>	<u>\$ (29,057)</u>
SEWER OPERATIONS								
Sewer Plant Operations	\$ 1,423,986	\$ 21,970	\$ 612,733	\$ 762,303	\$ 275,390	\$ 48,575	\$ 3,846,600	\$ 6,991,557
Reuse Facilities Operations	125,800	13,233	12,124	58,185	-	1,070	-	210,412
Sewer Plant Maintenance	814,801	408,505	42,124	896,742	-	27,495	36,133	2,225,800
Sewer System Maintenance	962,199	261,438	26,330	14,772	17,228	9,550	5,116,788	6,408,305
Capitalized Salaries	(33,782)	-	-	-	-	-	-	(33,782)
2014 Total	<u>\$ 3,293,004</u>	<u>\$ 705,146</u>	<u>\$ 693,311</u>	<u>\$ 1,732,002</u>	<u>\$ 292,618</u>	<u>\$ 86,690</u>	<u>\$ 8,999,521</u>	<u>\$ 15,802,292</u>
2013 Total	<u>\$ 3,308,859</u>	<u>\$ 859,015</u>	<u>\$ 627,513</u>	<u>\$ 1,612,472</u>	<u>\$ 298,214</u>	<u>\$ 110,905</u>	<u>\$ 9,116,915</u>	<u>\$ 15,933,893</u>
Variance	<u>\$ (15,855)</u>	<u>\$ (153,869)</u>	<u>\$ 65,798</u>	<u>\$ 119,530</u>	<u>\$ (5,596)</u>	<u>\$ (24,215)</u>	<u>\$ (117,394)</u>	<u>\$ (131,601)</u>
STORMWATER OPERATIONS								
Stormwater Operations	\$ 576,923	\$ 192,238	\$ 24,479	\$ 9,780	\$ -	\$ 82,290	\$ 1,815,193	\$ 2,700,903
Capitalized Salaries	(59,575)	-	-	-	-	-	-	(59,575)
2014 Total	<u>\$ 517,348</u>	<u>\$ 192,238</u>	<u>\$ 24,479</u>	<u>\$ 9,780</u>	<u>\$ -</u>	<u>\$ 82,290</u>	<u>\$ 1,815,193</u>	<u>\$ 2,641,328</u>
2013 Total	<u>\$ 652,148</u>	<u>\$ 204,239</u>	<u>\$ 15,942</u>	<u>\$ 7,804</u>	<u>\$ -</u>	<u>\$ 65,652</u>	<u>\$ 1,875,862</u>	<u>\$ 2,821,647</u>
Variance	<u>\$ (134,800)</u>	<u>\$ (12,001)</u>	<u>\$ 8,537</u>	<u>\$ 1,976</u>	<u>\$ -</u>	<u>\$ 16,638</u>	<u>\$ (60,669)</u>	<u>\$ (180,319)</u>
ENGINEERING, INSPECTION AND CONSTRUCTION OPERATIONS								
Engineering	\$ 1,048,149	\$ 18,056	\$ 798	\$ 4,367	\$ -	\$ 52,633	\$ 5,660	\$ 1,129,663
Inspection	510,571	51,378	10,526	7,465	-	9,656	6,337	595,933
Construction	895,704	69,347	11,769	12,177	-	5,398	-	994,395
Capitalized Salaries	(1,200,747)	-	-	-	-	-	-	(1,200,747)
2014 Total	<u>\$ 1,253,677</u>	<u>\$ 138,781</u>	<u>\$ 23,093</u>	<u>\$ 24,009</u>	<u>\$ -</u>	<u>\$ 67,687</u>	<u>\$ 11,997</u>	<u>\$ 1,519,244</u>
2013 Total	<u>\$ 947,337</u>	<u>\$ 157,702</u>	<u>\$ 38,114</u>	<u>\$ 16,390</u>	<u>\$ -</u>	<u>\$ 52,879</u>	<u>\$ 113,402</u>	<u>\$ 1,325,824</u>
Variance	<u>\$ 306,340</u>	<u>\$ (18,921)</u>	<u>\$ (15,021)</u>	<u>\$ 7,619</u>	<u>\$ -</u>	<u>\$ 14,808</u>	<u>\$ (101,405)</u>	<u>\$ 193,420</u>
ADMINISTRATIVE OPERATIONS								
Billing	\$ 844,084	\$ -	\$ 3,077	\$ 882	\$ -	\$ 595,333	\$ -	\$ 1,443,376
Meter Reading	588,231	90,168	11,267	12,073	-	12,017	23,322	737,078
Human Res. / General Services	807,048	161,508	2,596	130,101	-	492,100	182,237	1,775,590
Executive Administration	675,187	8,742	14	-	-	211,804	-	895,747
Finance & Accounting	456,903	-	172	-	-	65,949	-	523,024
MIS	451,598	128,959	1,581	3,250	-	128,988	90,614	804,990
2014 Total	<u>\$ 3,823,051</u>	<u>\$ 389,377</u>	<u>\$ 18,707</u>	<u>\$ 146,306</u>	<u>\$ -</u>	<u>\$ 1,506,191</u>	<u>\$ 296,173</u>	<u>\$ 6,179,805</u>
2013 Total	<u>\$ 3,622,986</u>	<u>\$ 379,903</u>	<u>\$ 17,837</u>	<u>\$ 159,254</u>	<u>\$ -</u>	<u>\$ 1,440,245</u>	<u>\$ 206,454</u>	<u>\$ 5,826,679</u>
Variance	<u>\$ 200,065</u>	<u>\$ 9,474</u>	<u>\$ 870</u>	<u>\$ (12,948)</u>	<u>\$ -</u>	<u>\$ 65,946</u>	<u>\$ 89,719</u>	<u>\$ 353,126</u>

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 3

SUMMARY OF RESTRICTED ASSETS AND RELATED DEBT

Year Ended June 30, 2014

	Restricted			Other		Total All Restricted Accounts
	Construction Accounts	Renewal and Extension Accounts	Restricted for Capital Projects	Debt Service Accounts	Deposit & Operating Accounts	
Restricted Cash and Investments:						
Cash & Cash Equivalents:						
Checking- R & E Account	\$ -	\$ 784,031	\$ 784,031	\$ -	\$ -	\$ 784,031
Meter Deposits Accounts					\$ 1,309,582	1,309,582
Capital Improvements Reserve					\$ 9,000,000	9,000,000
	<u>\$ -</u>	<u>\$ 784,031</u>	<u>\$ 784,031</u>	<u>\$ -</u>	<u>\$ 10,309,582</u>	<u>\$ 11,093,613</u>
Investments:						
LGIP (Georgia Fund 1)	2,808,950	-	2,808,950	981,484	810,217	\$ 4,600,651
Restricted Receivables	-	775,357	775,357	-	-	775,357
Total Restricted Assets	<u>\$ 2,808,950</u>	<u>\$ 1,559,388</u>	<u>\$ 4,368,338</u>	<u>\$ 981,484</u>	<u>\$ 11,119,799</u>	<u>\$ 16,469,621</u>
Liabilities from Restricted Assets:						
Accounts Payable	\$ 212,162	\$ 1,820,997	\$ 2,033,159	\$ -	\$ -	\$ 2,033,159
Customer Deposits:						
Deposit Refunds	-	-	-	-	2,119,533	2,119,533
Customer Credit Balances					131,392	131,392
Unclaimed Refunds	-	3,034	3,034	-	78,609	81,643
Performance Deposits	-	386,076	386,076	-	-	386,076
Revenue Bonds (due 1yr)	-	-	-	-	-	-
Accrued Interest Revenue Bonds	-	-	-	514,337	-	514,337
Unearned Revenue	-	-	-	7,895	1,487,180	1,495,075
Total Liabilities Payable	<u>\$ 212,162</u>	<u>\$ 2,210,107</u>	<u>\$ 2,422,269</u>	<u>\$ 522,232</u>	<u>\$ 3,816,714</u>	<u>\$ 6,761,215</u>
Net Position:	<u>\$ 2,596,788</u>	<u>\$ (650,719)</u>	<u>\$ 1,946,069</u>	<u>\$ 459,252</u>	<u>\$ 7,303,085</u>	<u>\$ 9,708,406</u>

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 4

OPERATING & CUSTOMER DEPOSITS COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

Restricted Assets	2014	2013	Increase (Decrease)
Cash & Cash Equivalents:			
Checking - Capital Project Reserve	\$ 9,000,000	\$ 9,000,000	\$ -
Checking - Deposit Account	1,309,582	1,237,242	72,340
Investments - LGIP (Georgia Fund I)	810,217	809,251	966
Total Restricted Assets:	\$ 11,119,799	\$ 11,046,493	\$ 73,306
Payables from Restricted Assets			
Customers Deposits:			-
Customer Deposits (Refundable)	\$ 2,119,533	\$ 2,015,205	104,328
Unclaimed Refunds	78,609	31,288	47,321
Customer Credit Balances	131,392	197,040	(65,648)
Unearned Revenue	1,487,180	1,552,358	(65,178)
Total Payables Restricted	\$ 3,816,714	\$ 3,795,891	\$ 20,823
Net Restricted	\$ 7,303,085	\$ 7,250,602	\$ 52,483

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

	2014	2013
Beginning Balance	\$ 11,046,493	\$ 11,353,657
Increases:		
Interest Earned	59,859	65,825
Receipts in deposit account	262,750	384,554
Total Increase	\$ 322,609	\$ 450,379
Decreases:		
Transfers out (Other Funds)	51,645	56,533
Deposits refunded	197,154	700,284
Other Disbursements (Bank Fees)	504	726
Total Decrease	\$ 249,303	\$ 757,543
Ending Balance	\$ 11,119,799	\$ 11,046,493

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 5

CONSTRUCTION ACCOUNT

A Resolution established the Douglasville-Douglas County Water and Sewer Authority Construction Fund (the "Construction Fund"). Withdrawals of moneys from the Construction Fund may be made for the purpose of paying the cost of acquiring, constructing, and equipping the project, including reimbursing the Authority for advances from its other funds. All moneys in, and all securities held for the Construction Fund will be subject to a lien in favor of the holders of the Bonds. All moneys remaining in the Construction Fund after the completion of the acquisition, construction, and equipping of the Project shall be transferred into the Debt Service Reserve Account. Should such transfer cause the balance in the Debt Service Reserve Account to exceed the Debt Service Reserve requirement, then any such excess funds shall be retained in the Sinking Fund but shall be applied to purposes of the Sinking Fund other than the creation and maintenance of the Debt Service Reserve Account.

COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

Restricted Assets	2014	2013	Increase (Decrease)
Investments:			
LGIP Geogia Fund I (2007 Bond Issue)	\$ 2,808,950	\$ 5,015,281	\$ (2,206,331)
Total Restricted Assets - Construction Account	\$ 2,808,950	\$ 5,015,281	\$ (2,206,331)
Payables from Restricted Assets			
Restricted Payables Construction Projects	\$ 212,162	-	\$ 212,162
Total Payables from Restricted Assets	\$ 212,162	\$ -	\$ 212,162

Detail of Investments as of June 30, 2014			
Type of Security (Cash Equivalents)	Maturity	Current Rate	Face Value
LGIP (Local Govt. Inv. Pool) Georgia Fund 1	Avg. 62 Days	0.13%	\$ 2,808,950
Notes:			
<i>Georgia Fund 1; See Note to Financial Statements - Note 2</i>			

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

	2014	2013
Beginning Balance	\$ 5,015,281	\$ 5,077,574
Increases:		
Interest Earned	5,208	7,812
Total Increase	\$ 5,208	\$ 7,812
Decreases:		
Construction in Progress	2,211,539	70,105
Total Decrease	\$ 2,211,539	\$ 70,105
Ending Balance	\$ 2,808,950	\$ 5,015,281

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 6

RENEWAL AND EXTENSION ACCOUNT

A Renewal and Extension account is maintained in order to assure that funds are available for plant renewal and replacement. The bond resolutions state that when the amount in the account is:

- I. Greater than \$100,000 - payments are restricted to the following uses:
 - a) Paying bond principal and interest falling due at any time when money is not available in the Debt Service Account.
 - b) An emergency having a major effect upon the water and sewerage system, caused by an extraordinary occurrence, and provided the Revenue Fund has insufficient money to meet the emergency.
 - c) Making replacements, additions, extensions, and improvements deemed reasonable and necessary and in the best interest of the System.
- II. Less than \$100,000 - payments are restricted to the following uses:
 - a) Paying bond principal and interest falling due at any time when money is not available in the Debt Service Account.
 - b) An emergency having a major effect upon the water and sewerage system, caused by an extraordinary occurrence, and provided the Revenue Fund has insufficient money to meet the emergency.

COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

	Year Ended June 30,		Increase (Decrease)
	2014	2013	
Restricted Assets			
Cash & Cash Equivalents:			
Checking	\$ 345,383	\$ 2,604,304	\$ (2,258,921)
Retainage Checking	438,648	210,587	228,061
Total Restricted Cash	784,031	2,814,891	(2,030,860)
Restricted Receivables	775,357	728,409	46,948
Total Restricted Assets	\$ 1,559,388	\$ 3,543,300	\$ (1,983,912)
Payables from Restricted Assets			
A/P Trade	\$ 1,501,628	\$ 472,481	\$ 1,029,147
Accrued A/P Trade	285,026	240,073	44,953
A/P Retainage Due Contractors	34,343	-	34,343
Payable to State of Georgia (Unclaimed Checks)	3,034	-	3,034
Performance Deposit	386,076	225,104	160,972
Total Payables From Restricted Assets	\$ 2,210,107	\$ 937,658	\$ 1,272,449

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED CASH

	Year Ended June 30,	
	2014	2013
Beginning Balance	\$ 2,814,891	\$ 1,851,657
Increase:		
Interest Earned	8,903	17,315
Retainage & Bonds	376,338	70,130
Transfer from Operating Account	6,500,000	3,700,000
2013 Bond Proceeds	38,554	-
Transfer from Other Funds	173,179	600,083
Contributed Capital & Insurance Recoveries	284,994	895,199
Total Increase	7,381,968	5,282,727
Decrease:		
Capital Expenditures Water & Sewer	9,264,533	4,288,393
Bank Service Charges	18	-
Retainage & Bonds Paid	148,277	31,100
Total Decrease	9,412,828	4,319,493
Ending Balance	\$ 784,031	\$ 2,814,891

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 7

DEBT SERVICE ACCOUNTS

The various bond resolutions require the creation of accounts designated as Water and Sewerage System Sinking Funds, for the purpose of receiving and disbursing funds for principal and interest on the bonds and for maintaining designated reserves.

The resolutions require monthly transfers into these accounts which are sufficient to pay the principal of and interest on the bonds as each mature in each current year.

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

- a) Interest
- b) Principal at maturity
- c) Redemption prior to maturity
- d) Paying agent fees

Funds may be invested in securities which are direct and general obligations of the United States or are guaranteed by the United States as to both principal and interest and which are 100% insured or collateralized by United States direct and general obligations.

COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

Debt Service Sinking Fund	2014	2013	Increase (Decrease)
<u>Restricted Assets</u>			
Investments - LGIP (Georgia Fund 1) (1)	\$ 981,484	\$ 1,013,703	\$ (32,219)
Total Restricted Assets- Debt Service Accounts	<u>\$ 981,484</u>	<u>\$ 1,013,703</u>	<u>\$ (32,219)</u>
<u>Payables From Restricted Assets</u>			
Accrued Interest On Revenue Bonds	514,337	601,647	(87,310)
Total Payables From Restricted Assets	<u>\$ 514,337</u>	<u>\$ 601,647</u>	<u>\$ (87,310)</u>
Unearned Revenue (2)	<u>\$ 7,895</u>	<u>\$ 16,697</u>	<u>\$ (8,802)</u>
Net Position Reserved for Debt Service	<u>\$ 459,252</u>	<u>\$ 395,359</u>	<u>\$ 63,893</u>

Notes:

(1) All bonds issued (1993 through 2013) rank on a parity with each other and have first lien on the net revenues of the Authority.

(2) In 1993 The Authority received \$651,390.93 in prepaid interest from Lehman Bros (for its future Debt Service Payments) which was deposited in the Operating Fund (Cash Account). The amount shown above represents the net amortized value of this transaction.

At June 30, 2014 the Authority has the following investments:

Series	Type of Marketable Security	Maturity Date (*)	Yield (*)	Cost Basis	Market Value
1993	Investment LGIP (Georgia Fund 1)	62 Days	0.13%	142,005	142,005
2005	Investment LGIP (Georgia Fund 1)	62 Days	0.13%	67,210	67,210
2007	Investment LGIP (Georgia Fund 1)	62 Days	0.13%	435,709	435,709
2009	Investment LGIP (Georgia Fund 1)	62 Days	0.13%	174,119	174,119
2013	Investment LGIP (Georgia Fund 1)	62 Days	0.13%	162,441	162,441
				<u>\$ 981,484</u>	<u>\$ 981,484</u>

Notes:

(*) LGIP (Local Government Investment Pool) stability constant Net Asset Value \$1.00; average maturity date 62 days and Interest Yield as of 6/30/2014 at 0.13%.

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 8

DEBT SERVICE ACCOUNTS

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

	2014	2013
Beginning Balance	\$ 1,013,703	\$ 1,016,816
Increase:		
Interest Earned	13,867	22,954
Transfer from Operating Account	11,731,476	12,093,917
Total Increase	\$ 11,745,343	\$ 12,116,871
Decrease:		
Bank Service Charges	5,691	5,519
Revenue Bond Interest	6,646,871	7,429,465
Revenue Bond Principal	5,125,000	4,685,000
Total Decrease	\$ 11,777,562	\$ 12,119,984
Ending Balance	\$ 981,484	\$ 1,013,703

SCHEDULE OF REVENUE BONDS PAYABLE & OTHER LOANS

Douglasville-Douglas County Water & Sewer Authority Series Bonds	Average Coupon Rate	Issue Date	Maturity Date	Annual Principal Payment		Amounts			
				Maximum	Minimum	Authorized	Issued	Retired	Outstanding
1993 Water and Sewer Revenue Bonds	5.494%	1993	2015	\$ 2,615,000	\$ 1,515,000	\$ 29,895,000	\$ 29,895,000	\$ 28,295,000	\$ 1,600,000
2005 Water and Sewer Revenue Bonds	4.798%	2005	2030	6,730,000	295,000	52,250,000	52,250,000	51,490,000	760,000
2007 Water and Sewer Revenue Bonds	4.822%	2007	2037	4,955,000	-	76,755,000	76,755,000	6,375,000	70,380,000
2009 Water and Sewer Revenue Bonds	4.426%	2009	2023	3,630,000	-	26,720,000	26,720,000	985,000	25,735,000
2013 Water and Sewer Revenue Bonds	2.800%	2013	2030	6,450,000	265,000	53,180,000	53,180,000	265,000	52,915,000
Total Revenue Bonds				\$ 24,380,000	\$ 2,075,000	\$ 238,800,000	\$ 238,800,000	\$ 87,410,000	\$ 151,390,000
Total Debt				\$ 24,380,000	\$ 2,075,000	\$ 238,800,000	\$ 238,800,000	\$ 87,410,000	\$ 151,390,000

NOTES: Bonds: 1993 Bond issued for defeasance of 1993 Bond.
 1993 Bond issued for defeasance of 1991 Bond.
 2009 Bond issued for defeasance of 1998 Bond.
 2013 Bond issued for partial defeasance of 2005 Bond, non defeasance portion matures on 12/1/2015.

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STATISTICAL

SECTION

(unaudited)

Douglasville-Douglas County Water and Sewer Authority

STATISTICAL SECTION

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

CONTENTS	Table
Financial Trends These schedules contain trend information to help the reader understand how the Authority's financial performance has changed over time.	1 & 2
Revenue Capacity These schedules contain trend information to help the reader assess the Authority's most significant local revenue source.	3-5
Debt Service and Debt Capacity These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.	6-9
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	10-11
Operating Information 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.	12-15

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual

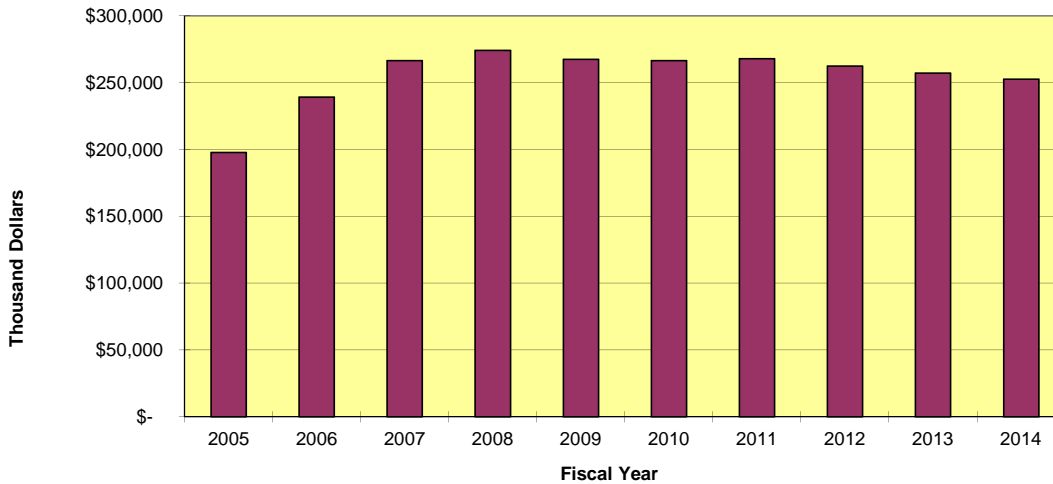
Douglasville-Douglas County Water and Sewer Authority

TABLE 1

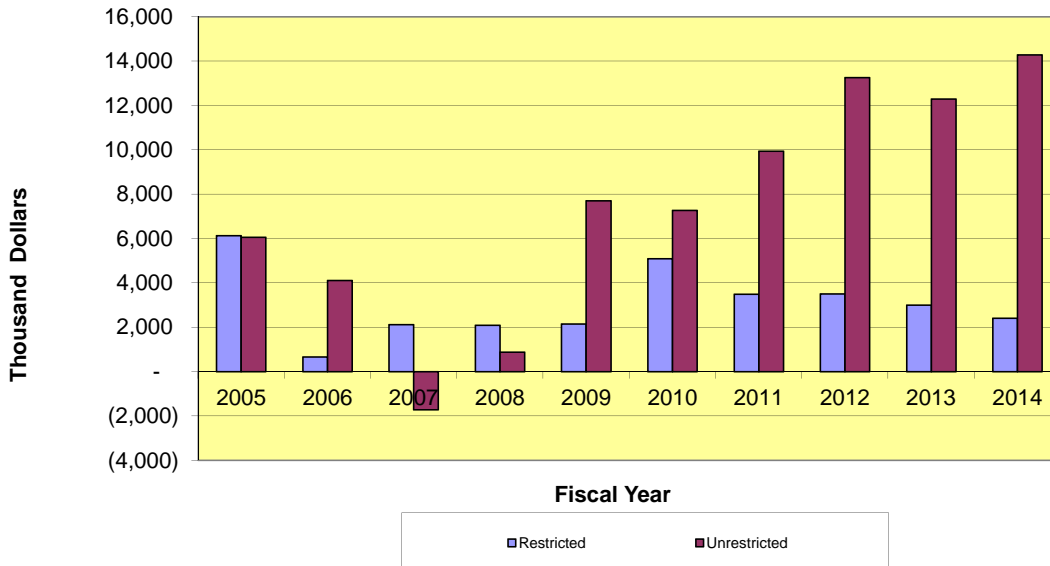
Net Position by Component Last Ten Fiscal Years *(amount expressed in thousands)*

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Enterprise Fund										
Net Investment in capital asset	\$ 197,616	\$ 239,157	\$ 266,288	\$ 274,102	\$ 267,324	\$ 266,325	\$ 267,838	\$ 262,407	\$ 256,938	\$ 252,458
Restricted	6,124	671	2,114	2,089	2,148	5,092	3,486	3,501	3,001	2,405
Unrestricted	6,057	4,108	(1,713)	878	7,707	7,268	9,935	13,248	12,287	14,284
Total business-type activities net position	\$ 209,797	\$ 243,936	\$ 266,689	\$ 277,069	\$ 277,179	\$ 278,685	\$ 281,259	\$ 279,156	\$ 272,226	\$ 269,147

Net Investment in Capital Assets



Restricted and Unrestricted



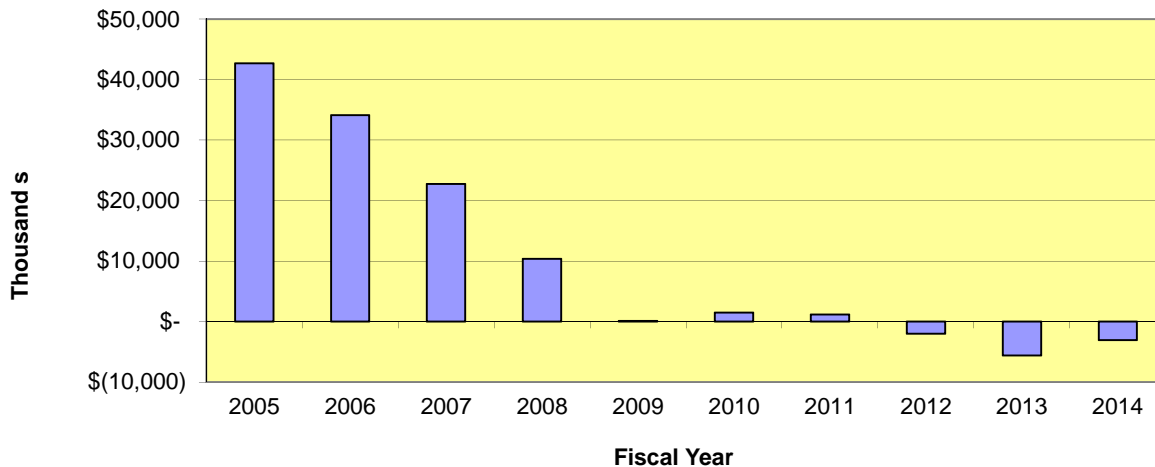
Douglasville-Douglas County Water and Sewer Authority

TABLE 2

Change in Net Position Last Ten Fiscal Years *(amount expressed in thousands)*

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues										
Charges for services	\$23,093	\$27,981	\$ 29,837	\$ 31,190	\$ 33,284	\$ 35,220	\$36,596	\$ 36,765	\$37,112	\$ 38,831
Penalties	661	896	1,064	1,050	1,101	1,103	924	1,054	1,070	1,206
Charges to bad debt allowance	(209)	(326)	(401)	(815)	(417)	(478)	(442)	(390)	(340)	(340)
Total operating revenues	\$23,545	\$28,551	\$ 30,500	\$ 31,425	\$ 33,968	\$ 35,845	\$37,078	\$ 37,429	\$37,842	\$ 39,697
Operating Expenses										
Employment costs	\$ 7,717	\$ 9,805	\$ 10,718	\$ 10,322	\$ 11,028	\$ 11,837	\$10,931	\$ 10,460	\$10,993	\$ 11,449
Repairs and maintenance	1,737	1,980	1,915	2,141	2,013	2,894	2,075	2,069	2,468	2,091
Supplies and materials	668	785	875	795	790	952	901	914	972	1,029
Depreciation	8,764	10,931	11,881	12,541	13,856	14,759	15,069	16,702	18,227	18,321
Utilities	1,618	1,919	2,063	2,119	2,779	2,960	2,892	3,070	3,172	3,257
Water and sewer services purchased	31	87	338	1,569	22	426	429	511	761	595
Administration	1,601	1,573	1,922	2,544	1,904	1,423	1,491	1,666	1,764	1,820
Total operating expenses	\$22,136	\$27,080	\$ 29,712	\$ 32,031	\$ 32,392	\$ 35,251	\$33,788	\$ 35,392	\$38,357	\$ 38,562
Non-Operating Revenue (expenses)										
Investment income	397	2,175	2,266	2,588	1,029	238	169	115	127	102
Interest expense	(2,008)	(3,076)	(2,357)	(3,432)	(6,523)	(7,469)	(6,263)	(7,457)	(7,319)	(6,339)
Other non-operating revenue (expense)	(181)	(129)	(67)	(1,151)	(645)	(105)	(2,581)	(870)	(528)	(356)
Net non-operating revenue	\$ (1,792)	\$ (1,030)	\$ (158)	\$ (1,995)	\$ (6,139)	\$ (7,336)	\$ (8,675)	\$ (8,212)	\$ (7,720)	\$ (6,593)
Gain or Loss before capital contributions	\$ (383)	\$ 441	\$ 630	\$ (2,601)	\$ (4,563)	\$ (6,742)	\$ (5,385)	\$ (6,175)	\$ (8,235)	\$ (5,458)
Capital contributions	43,083	33,699	22,123	12,981	4,674	8,249	6,534	4,188	2,615	2,379
Increase (decrease) in net position	\$42,700	\$34,140	\$ 22,753	\$ 10,380	\$ 111	\$ 1,507	\$ 1,149	\$ (1,987)	\$ (5,620)	\$ (3,079)

Increase (Decrease) in Net Position



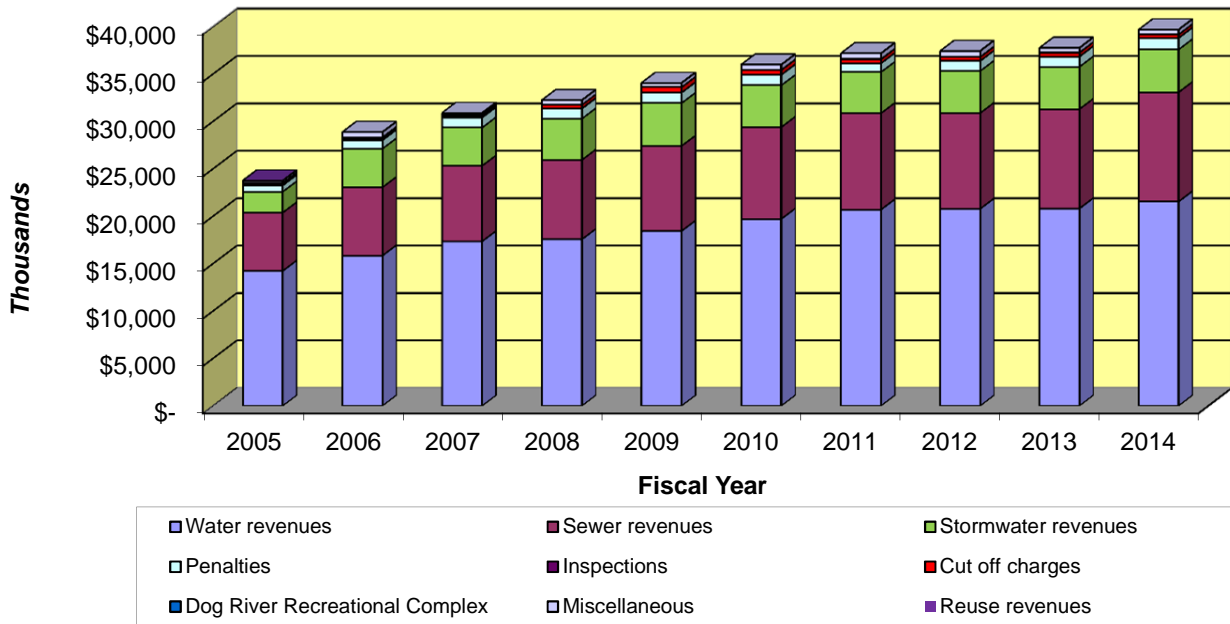
Douglasville-Douglas County Water and Sewer Authority

TABLE 3

Operating Revenue By Source Last Ten Fiscal Years *(amount expressed in thousands)*

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues										
Water revenues	\$ 14,244	\$ 15,857	\$ 17,362	\$ 17,572	\$ 18,453	\$ 19,721	\$ 20,707	\$ 20,796	\$ 20,823	\$ 21,552
Sewer revenues	6,147	7,202	7,968	8,376	8,973	9,685	10,164	10,102	10,483	11,534
Stormwater revenues	2,208	4,072	4,028	4,350	4,513	4,408	4,340	4,431	4,462	4,505
Reuse revenues	-	-	-	-	321	334	337	380	422	355
Penalties	661	896	1,064	1,050	1,101	1,103	924	1,054	1,070	1,206
Inspections	123	166	121	38	10	11	5	8	16	16
Cut off charges	118	131	134	366	567	496	422	409	401	345
Dog River Recreational Complex	16	14	8	1	-	17	26	20	19	20
Miscellaneous	237	539	216	487	447	548	595	620	486	504
Total operating revenues	\$ 23,754	\$ 28,877	\$ 30,901	\$ 32,240	\$ 34,385	\$ 36,323	\$ 37,520	\$ 37,820	\$ 38,182	\$ 40,037
Bad debt expense	209	326	401	815	417	478	442	391	340	340
Net operating revenue	\$ 23,545	\$ 28,551	\$ 30,500	\$ 31,425	\$ 33,968	\$ 35,845	\$ 37,078	\$ 37,429	\$ 37,842	\$ 39,697

Operating Revenue by Source



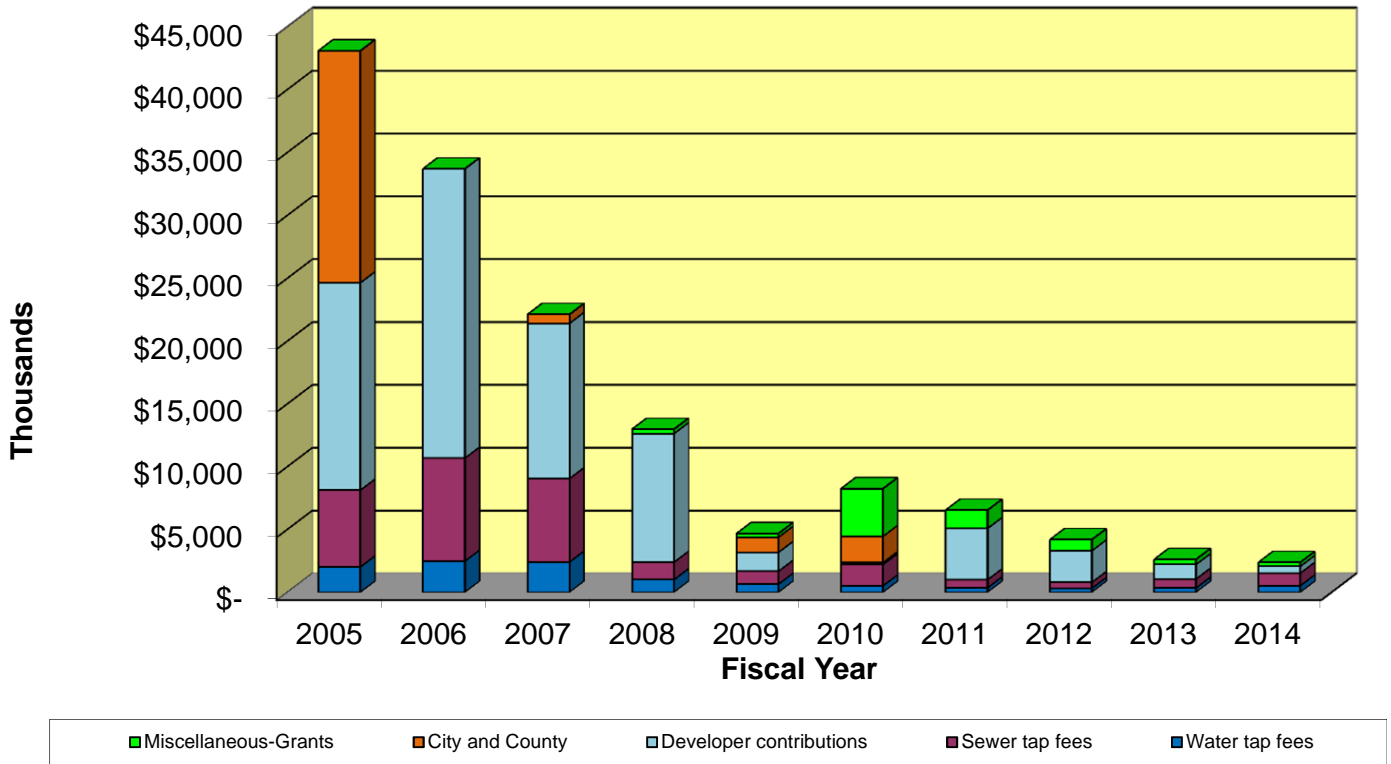
Douglasville-Douglas County Water and Sewer Authority

TABLE 4

Capital Contributions By Source Last Ten Fiscal Years *(amount expressed in thousands)*

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Capital Contributions										
Water tap fees	\$ 2,018	\$ 2,482	\$ 2,405	\$ 1,005	\$ 646	\$ 515	\$ 360	\$ 313	\$ 342	\$ 523
Sewer tap fees	6,121	8,208	6,651	1,388	1,034	1,700	641	475	720	1,001
Developer contributions	16,512	23,009	12,362	10,247	1,501	150	4,085	2,518	1,156	543
City and County	18,432	-	705	-	1,208	2,089	-	-	-	-
Miscellaneous-Grants	-	-	-	341	285	3,795	1,448	882	397	312
Total capital contributions	\$ 43,083	\$ 33,699	\$ 22,123	\$ 12,981	\$ 4,674	\$ 8,249	\$ 6,534	\$ 4,188	\$ 2,615	\$ 2,379

Capital Contributions by Source



Douglasville-Douglas County Water and Sewer Authority

TABLE 5

Water, Sewer and Stormwater Rates Last Ten Fiscal Years

Fiscal Year	Water		Sewer		Stormwater
	Monthly Base Rate (3)	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons (2)	Monthly Base Rate
2005	\$ 8.46	\$ 2.90	\$ 4.48	\$ 4.67	\$ 4.00
2006	\$ 8.71	\$ 2.98	\$ 4.58	\$ 4.78	\$ 4.00
2007	\$ 9.01	\$ 3.08	\$ 4.81	\$ 5.02	\$ 4.00
2008	\$ 9.01	\$ 3.30 ⁽¹⁾	\$ 4.81	\$ 5.40	\$ 4.00
2009	\$ 9.01	\$ 3.64 ⁽¹⁾	\$ 4.81	\$ 5.97	\$ 4.00
2010	\$ 9.60	\$ 3.88 ⁽¹⁾	\$ 5.13	\$ 6.36	\$ 4.00
2011	\$ 9.60	\$ 4.02 ⁽¹⁾	\$ 5.13	\$ 6.68	\$ 4.00
2012	\$ 9.60	\$ 4.02 ⁽¹⁾	\$ 5.13	\$ 7.01	\$ 4.00
2013	\$ 10.00	\$ 4.30 ⁽¹⁾	\$ 5.50	\$ 7.50	\$ 4.00
2014	\$ 10.00	\$ 4.30 ⁽¹⁾	\$ 5.50	\$ 7.50	\$ 4.00

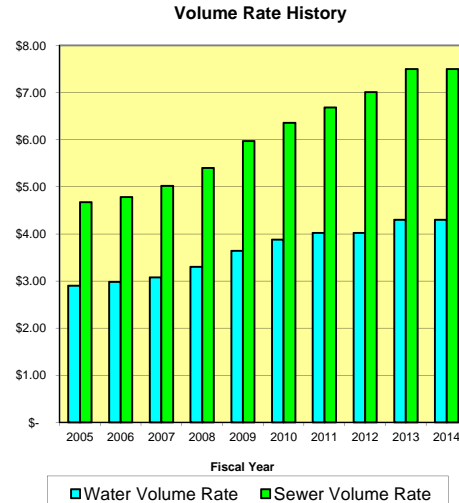
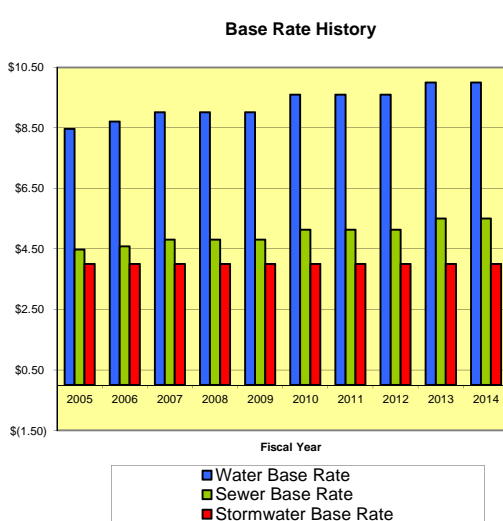
Notes:

⁽¹⁾ In 2008 the Authority implemented a 3-tier water rate structure with Tier 1 (0-6,000 gallons), Tier 2 (6,001 to 9,000 gallons), and Tier 3 (9,001 gallons & up) billing rates on residential customers. In 2014 the tiers were adjusted with Tier 1 (0-5,000 gallons), Tier 2 (5,001- 8,000 gallons) and tier 3 (8,001 and up) rates as in the tables below. Also in 2014 sewer rates were adopted with a 2-tier system with Tier 1 (0-5,000 gallons water consumption) and Tier 2 (5,001 gallons & up) rates.

	WATER			SEWER	
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2
2008	\$ 3.30	\$ 4.13	\$ 6.60		
2009	\$ 3.64	\$ 4.56	\$ 7.29		
2010	\$ 3.88	\$ 4.86	\$ 7.77		
2011	\$ 4.02	\$ 5.04	\$ 8.05		
2012	\$ 4.02	\$ 5.04	\$ 8.05		
2013	\$ 4.30	\$ 5.38	\$ 8.60		
2014	\$ 4.30	\$ 5.38	\$ 8.60	\$ 7.50	\$ 8.77

(2) Sewer volume is calculated at 80% of water volume

(3) Rates are based on 5/8" meter, which is the standard household meter size.



Douglasville-Douglas County Water and Sewer Authority

TABLE 6

Ratio of Revenue Bonded Debt Outstanding Last Ten Fiscal Years

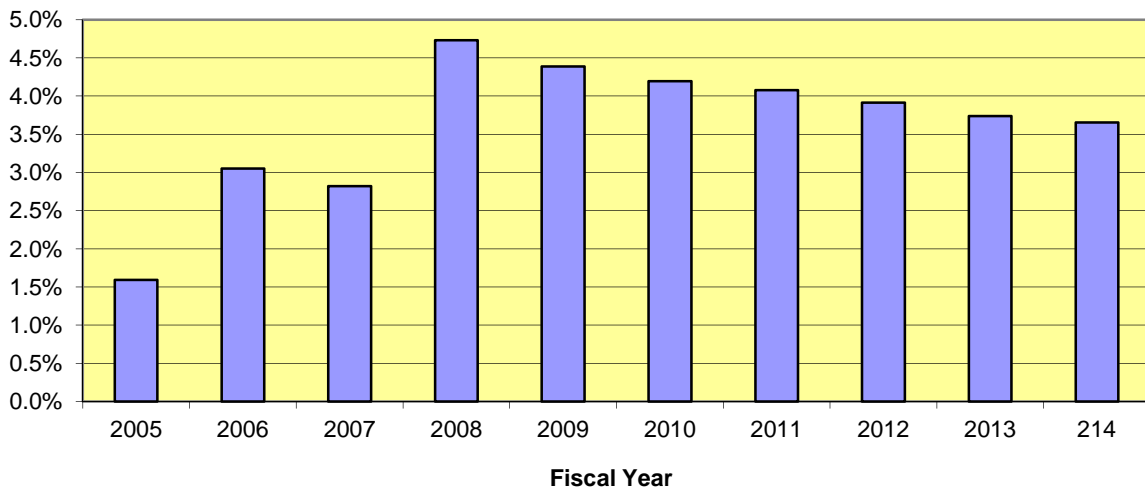
(amount expressed in thousands except per capita amounts)

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Less Debt Service Fund</u>	<u>Total</u>	<u>Per Capita (1)</u>	<u>Percentage Of Personal Income (1)</u>
2005	\$ 48,730	\$ (695)	\$ 48,035	\$ 425	1.6%
2006	\$ 99,120	\$ (955)	\$ 98,165	\$ 826	3.0%
2007	\$ 96,890	\$ (1,026)	\$ 95,864	\$ 770	2.8%
2008	\$ 171,300	\$ (1,401)	\$ 169,899	\$ 1,328	4.7%
2009	\$ 168,830	\$ (1,440)	\$ 167,390	\$ 1,291	4.4%
2010	\$ 165,105	\$ (1,438)	\$ 163,667	\$ 1,236	4.2%
2011	\$ 160,845	\$ (1,019)	\$ 159,826	\$ 1,199	4.1%
2012	\$ 156,380	\$ (1,017)	\$ 155,363	\$ 1,165	3.9%
2013	\$ 155,582	\$ (1,014)	\$ 154,568	\$ 1,154	3.7%
214	\$ 154,910	\$ (981)	\$ 153,929	\$ 1,129	3.7% *

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

*Based on Previous Year Demographic Data - current year unavailable.

Percentage of Debt to Personal Income



Douglasville-Douglas County Water and Sewer Authority

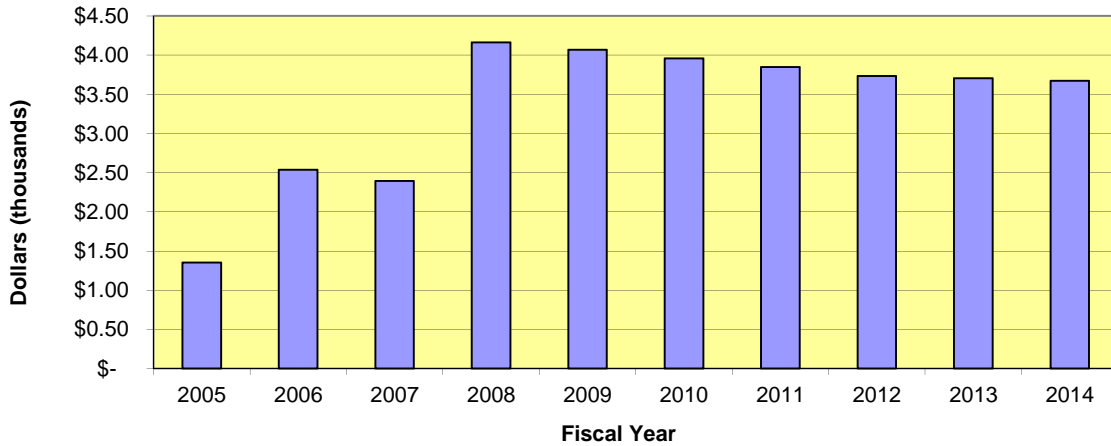
TABLE 7

**Ratio of Outstanding Debt By Type
Last Ten Fiscal Years**
(amount expressed in thousands except per capita amounts)

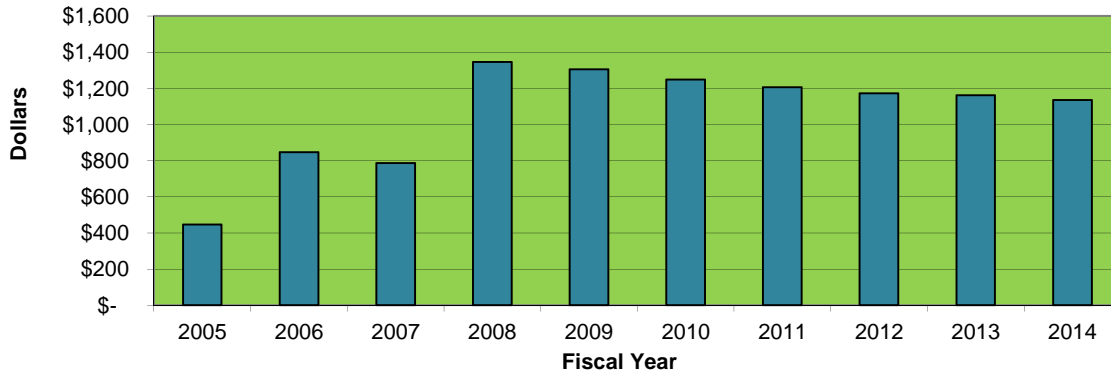
Fiscal Year	Revenue Bonds	Loans Notes	Total Outstanding Debt	Debt To Number of Customers	Debt Per Capita*	Debt As Share Of Personal Income
2005	\$ 48,730	\$ 1,731	\$ 50,461	\$ 1.35	\$ 447	1.7%
2006	\$ 99,120	\$ 1,430	\$ 100,550	\$ 2.54	\$ 846	3.1%
2007	\$ 96,890	\$ 1,123	\$ 98,013	\$ 2.40	\$ 787	2.9%
2008	\$ 171,300	\$ 810	\$ 172,110	\$ 4.16	\$ 1,345	4.8%
2009	\$ 168,830	\$ 491	\$ 169,321	\$ 4.07	\$ 1,305	4.4%
2010	\$ 165,105	\$ 202	\$ 165,307	\$ 3.96	\$ 1,249	4.2%
2011	\$ 160,845	\$ 92	\$ 160,937	\$ 3.85	\$ 1,207	4.1%
2012	\$ 156,380	\$ 67	\$ 156,447	\$ 3.73	\$ 1,173	4.0%
2013	\$ 155,582	\$ 17	\$ 155,599	\$ 3.71	\$ 1,161	3.8%
2014	\$ 154,910	\$ -	\$ 154,910	\$ 3.67	\$ 1,136	3.7%

* Note: Data on population and personal income not available - Used last available year's figure
Sources: Bureau of Economic Analysis

Debt to Number of Customers



Debt Per Capita



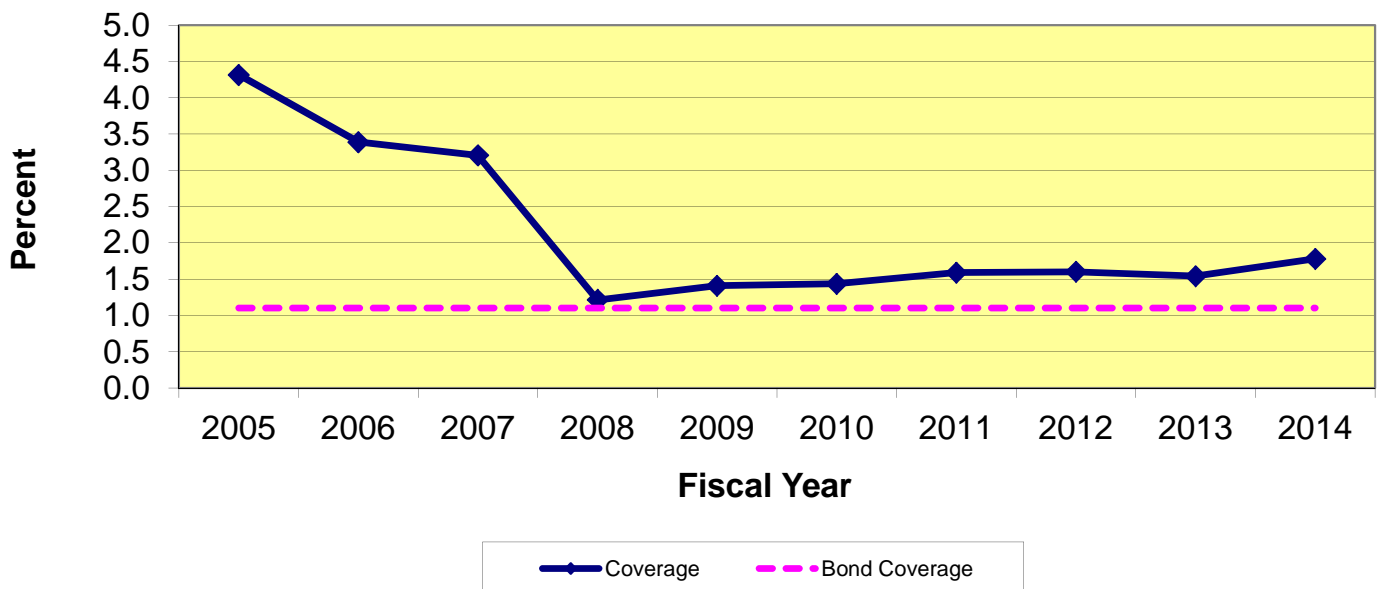
Douglasville-Douglas County Water and Sewer Authority

TABLE 8

Pledged Revenue Coverage Last Ten Fiscal Years *(amount expressed in thousands)*

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Revenues	23,754	28,877	30,901	32,240	34,385	36,323	37,520	37,820	38,182	39,697
Service Charges										
Total Interest Income	397	2,175	2,266	2,588	1,029	238	169	115	127	102
Tap Fees Connection Charges	8,139	10,690	9,056	2,393	1,680	2,215	1,001	788	1,062	1,524
Gross Total Revenues	32,290	41,742	42,223	37,221	37,094	38,776	38,690	38,723	39,371	41,323
Less Operating Expenses Excluding Depreciation	13,582	16,475	18,232	20,305	18,953	20,970	19,162	19,080	20,470	20,241
Less Unearned Interest Income Amortized	100	85	83	83	82	82	19	18	16	9
Less Interest Income Construction Account	-	1,284	1,304	1,966	776	113	34	7	8	5
Net Earnings Available	18,608	23,898	22,604	14,867	17,283	17,611	19,475	19,618	18,877	21,068
Maximum Annual Debt Service										
Principal	1,860	4,630	4,630	7,015	7,015	9,300	9,300	9,300	9,300	8,380
Interest	2,452	2,420	2,420	5,239	5,239	2,951	2,951	2,951	2,951	3,456
Total Maximum Annual Debt Service	4,312	7,050	7,050	12,254	12,254	12,251	12,251	12,251	12,251	11,836
Coverage Ratio	4.3	3.4	3.2	1.2	1.4	1.4	1.6	1.6	1.5	1.8

Bond Coverage



Douglasville-Douglas County Water and Sewer Authority

TABLE 9

Legal Debt Margin Information Last Ten Fiscal Years *(amount expressed in thousands)*

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net Earnings	\$ 18,608	\$ 23,898	\$ 22,604	\$ 22,604	\$ 14,867	\$ 17,283	\$ 17,611	\$ 19,475	\$ 19,618	\$ 21,068
Legal Debt Service Limit	16,917	21,726	20,549	13,516	13,515	15,712	16,010	17,705	17,835	19,153
Total MAD debt applicable to limit	<u>4,312</u>	<u>7,050</u>	<u>7,050</u>	<u>12,254</u>	<u>12,254</u>	<u>12,251</u>	<u>12,251</u>	<u>12,251</u>	<u>12,251</u>	<u>11,836</u>
Legal MAD debt margin	<u>\$ 12,605</u>	<u>\$ 14,676</u>	<u>\$ 13,499</u>	<u>\$ 1,262</u>	<u>\$ 1,261</u>	<u>\$ 3,461</u>	<u>\$ 3,759</u>	<u>\$ 5,454</u>	<u>\$ 5,584</u>	<u>\$ 7,317</u>
Total MAD debt applicable to the limit as a percentage of debt limit	25.5%	32.4%	34.3%	90.7%	90.7%	78.0%	76.5%	69.2%	68.7%	61.8%

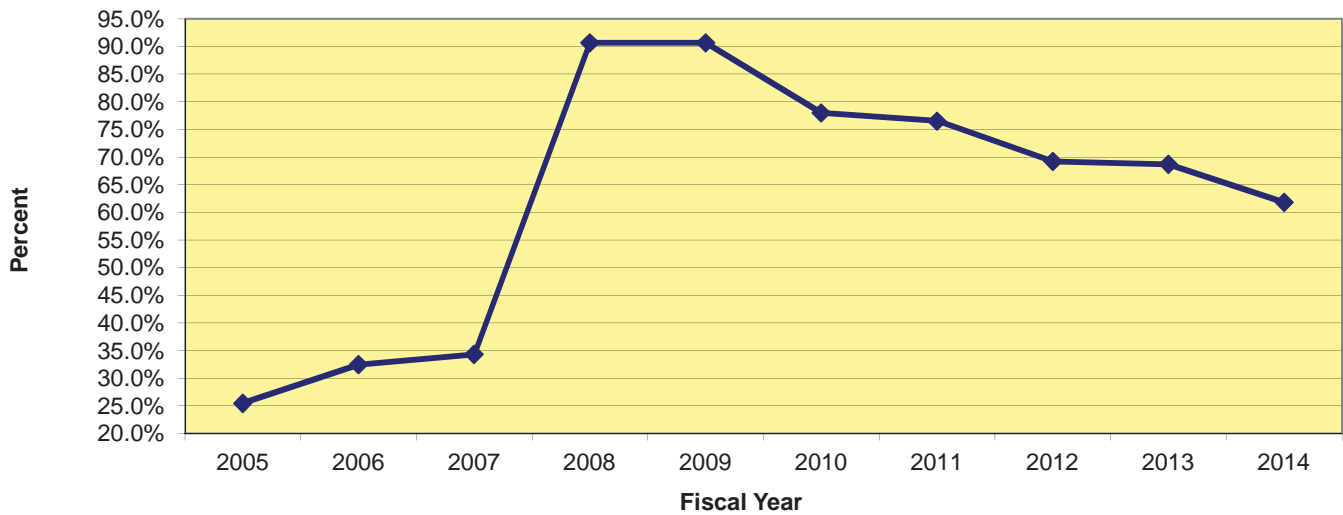
Notes:

MAD - Maximum Annual Debt Service (largest debt service payment during life of bond issue)

*Debt limit is calculated based upon bond covenants requiring a ratio of 1.10 x maximum annual debt service.

**New Debt limit is calculated based upon bond covenants requiring a ratio of 1.20 x maximum annual debt service.

MAD Debt applicable to Limit as Percent of Limit



Douglasville-Douglas County Water and Sewer Authority

TABLE 10

Demographic Information Douglas County Demographic and Economic Statistics Last Ten Calendar Years

Calendar Year	Population (2)	Personal Income (1) <i>(millions of dollars)</i>	Per Capita Personal Income (1)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2004	107,084	\$ 2,879,258	\$ 26,687	33.2	20,997	4.8%
2005	112,914	\$ 3,123,757	\$ 27,087	32.8	22,490	5.5%
2006	118,835	\$ 3,377,727	\$ 27,312	33.3	24,144	5.0%
2007	124,495	\$ 3,670,553	\$ 28,083	32.8	24,730	4.8%
2008	127,932	\$ 3,844,533	\$ 29,424	33.0	24,800	6.5%
2009	129,703	\$ 3,823,091	\$ 29,475	34.6	24,866	10.6%
2010	132,403	\$ 3,801,770	\$ 29,397	33.5	24,601	11.1%
2011	133,355	\$ 3,892,285	\$ 29,761	35.0	24,742	10.2%
2012	133,971	\$ 4,136,346	\$ 30,875	35.0	25,175	9.2%
2013	136,379	\$ 4,136,346 **	\$ 30,875 **	35.0	25,577	8.2%

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

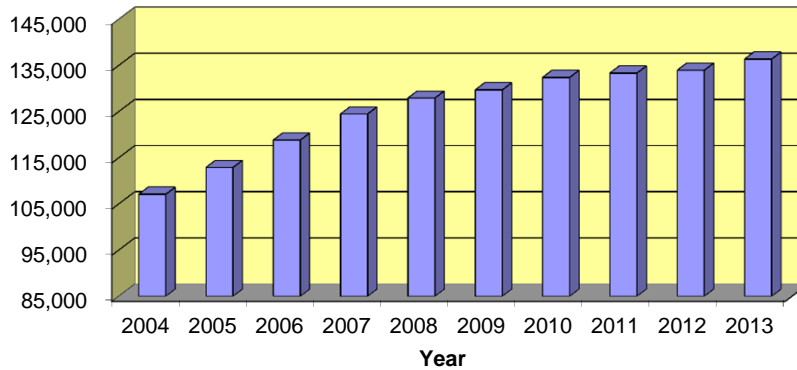
** Information for 2013 was not available as of July 31, 2014

(2) Source: U.S. Census Bureau - State and County Quick facts

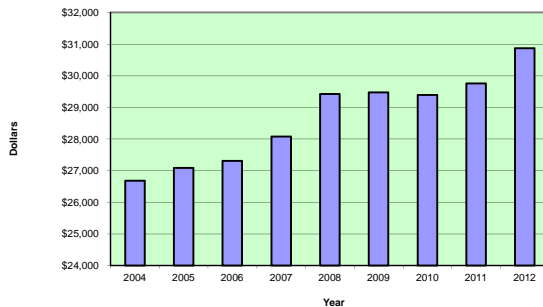
(3) Source: Georgia Department of Education, enrollment as of October each year.

(4) Source: U.S. Department of Labor, Bureau of Labor and Statistics (July 31, 2014) annual averages not seasonally adjusted

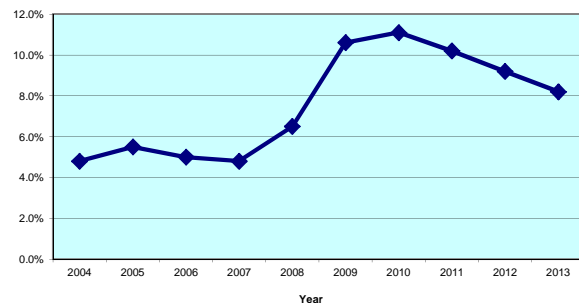
Population of Douglas County



Douglas County Per Capita Income



Douglas County Unemployment Rate



Douglasville-Douglas County Water and Sewer Authority

TABLE 11

Principal Employers Douglas County

2014				
Employer	Type of Business	Employees	Rank	Percentage of Total County Employment
Douglas County School System	Government	3,200	1	5.6%
Douglas County Government	Government	1,046	2	1.8%
Silver Line Building Products Corp.	Building products	900	3	1.6%
Walmart	Retail	750	4	1.3%
WellStar Douglas Hospital	Healthcare	700	5	1.2%
American Red Cross Blood Services	Healthcare	500	6	0.9%
Medline Medical Ind	Medical Supplies	345	7	0.6%
Google	Internet Information Provider	300	8	0.5%
Benton-Georgia Inc.	Construction	300	9	0.5%
Staples Customer Fulfillment Center	Retail - customer service	258	10	0.5%
Total Principal Employment		8,299		14.6%
Other Employees		48,575		85.4%
Total County Employment		56,874		100.0%

2005				
Employer	Type of Business	Employees	Rank	Percentage of Total County Employment
Silver Line Building Products Corp.	Building products	1,250	1	2.59%
Wal-Mart	Retail	911	2	1.89%
Douglas County Government	Government	873	3	1.81%
Wellstar Douglas Hospital	Healthcare	549	4	1.14%
Inner Harbor Hospitals, Ltd.	Healthcare	493	5	1.02%
APL Logistics	Distribution	370	6	0.77%
Publix Supermarkets	Retail	355	7	0.74%
Kroger	Grocery	350	8	0.73%
Bellsouth	Telecommunications	324	9	0.67%
Benton-Georgia Inc.	Construction	300	10	0.62%
Total Principal Employment		5,775		11.98%
Other Employers		42,433		88.02%
Total County Employment		48,208		100.00%

* Source Douglasville Development Authority & Douglas County Development Authority

Douglasville-Douglas County Water and Sewer Authority

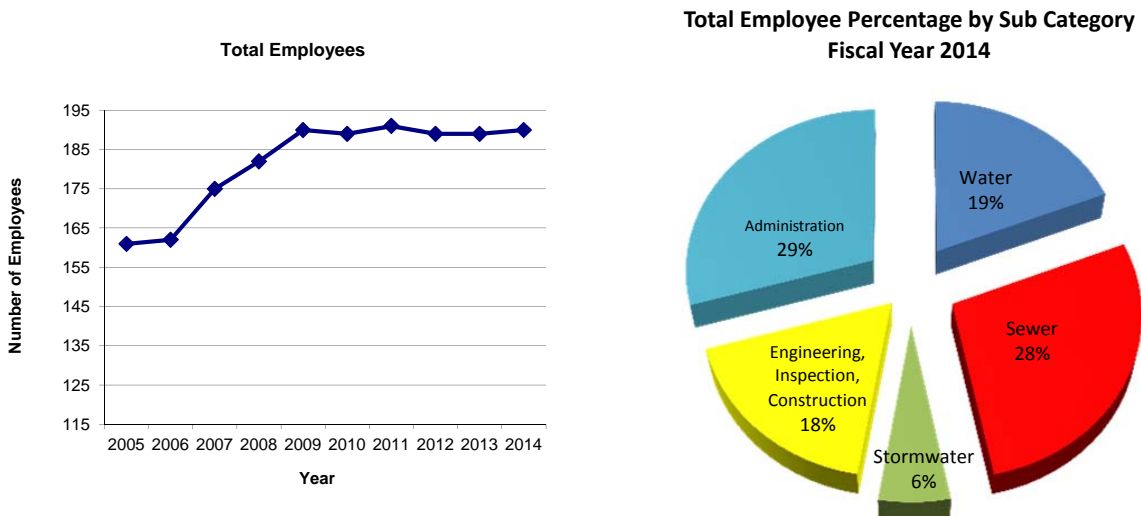
TABLE 12

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

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
WATER:										
Water Plant Operations	13	14	14	14	14	14	14	15	15	15
Water Operations Maintenance	5	4	3	2	2	3	3	3	4	4
Water Systems Maintenance	25	24	27	24	27	27	19	16	15	15
Reservoir Staff	4	2	2	2	1	2	2	2	3	2
WATER TOTAL	47	44	46	42	44	46	38	36	37	36
SEWER:										
Sewer Plant Operations	21	20	23	27	25	23	23	23	24	23
Sewer Operations Maintenance	3	3	6	7	6	9	14	13	11	13
Sewer Systems Maintenance	16	17	20	19	24	21	16	16	16	17
SEWER TOTAL	40	40	49	53	55	53	53	52	51	53
ENGINEERING/INSPECTION/ CONSTRUCTION:										
Engineering	9	11	12	13	13	13	12	12	12	12
Inspections	4	8	8	8	7	7	7	7	7	7
Construction	8	8	8	9	12	11	15	15	15	15
ENG/INSP/CONS TOTAL	21	27	28	30	32	31	34	34	34	34
STORMWATER:										
STORMWATER TOTAL	9	6	8	10	13	12	13	13	13	11
ADMINISTRATION:										
Billing/Customer Service	15	14	14	15	15	14	16	16	16	17
Meter Reading	8	9	9	11	10	10	11	12	12	12
Human Resources	8	8	8	8	8	9	12	12	11	12
Finance & Accounting	6	7	6	6	6	7	7	7	7	6
MIS	3	3	3	3	3	3	3	3	4	4
Executive Administration	4	4	4	4	4	4	4	4	4	5
ADMINISTRATION TOTAL	44	45	44	47	46	47	53	54	54	56
TOTAL EMPLOYEES	161	162	175	182	190	189	191	189	189	190

Notes:

¹ Figures beginning in 2005 reflect the average number of employees by department based on payrolls for the fiscal year 2005; figures for prior years reflect the number of employees by department for the December payroll.



Douglasville-Douglas County Water and Sewer Authority

TABLE 13

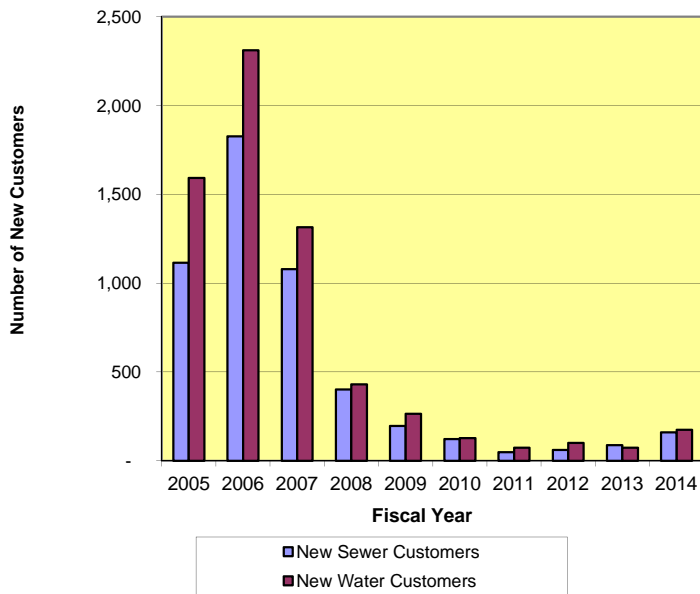
Operating Indicators - Demand and Service Levels Last Ten Fiscal Years

Fiscal Year	<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>
<u>Demand or Level of Service</u>										
Water										
Total customers	37,294	39,605	40,921	41,352	41,617	41,744	41,817	41,918	41,991	42,166
New customers	1,592	2,311	1,316	431	265	127	73	101	73	175
Water main breaks	139	131	150	204	212	113	154	147	184	178
⁽³⁾ Average daily consumption (thousands of gallons)	8,991	9,580	10,538	9,169	8,656	8,623	8,862	8,949	8,659	8,571
Sewer										
Total customers	14,045	15,872	16,952	17,353	17,550	17,673	17,721	17,782	17,871	18,032
New customers	1,115	1,827	1,080	401	197	123	48	61	89	161
Average daily sewer treatment (thousands of gallons)	5,545	5,826	5,738	5,764	5,579	6,038	5,255	4,794	5,274	5,456
Stormwater										
Total customers	34,620	40,329	41,891	42,271	42,505	42,636	42,684	42,738	43,108	43,299
^(1,2) New customers	27,758	5,709	1,562	380	234	131	48	54	370	191

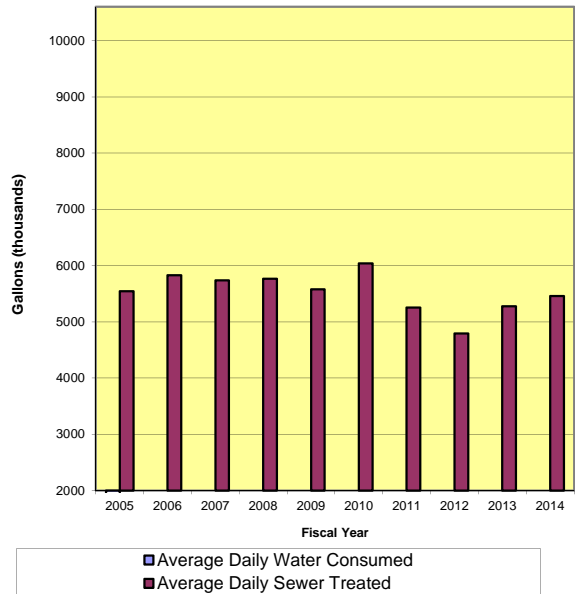
Notes:

- (1) Acquired the City stormwater system in Fiscal Year 2003; developed stormwater rate structure and began billing customers in Fiscal Year 2004.
- (2) Acquired the County stormwater system in Fiscal Year 2005 and began billing County customers in Fiscal Year 2005.
- (3) During the period 2002 through 2007 consumption was increased due to the City of Villa Rica purchasing an average of 345 thousand gallons per day.

New Water and Sewer Customers



Average Daily Water Consumed and Treated



Douglasville-Douglas County Water and Sewer Authority

TABLE 14

Capital Assets - Indicators of Use and Volume Last Ten Fiscal Years

Fiscal Year	<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>
Capital Assets										
Water										
Water main miles	843	888	907	918	920	921	927	929	929	930
Fire hydrants	5,582	6,069	6,158	6,310	6,326	6,347	6,471	6,524	6,545	6,765
Maximum daily design capacity (thousands of gallons)	16,400	16,400	16,400	16,400	16,400	16,400	16,400	23,940	23,940	23,940
^(1,2,3) Average daily water production (thousands of gallons)	11,705	12,562	13,255	10,986	10,666	10,841	10,941	11,015	10,753	10,651
Storage capacity - clear wells and water tanks (thousands of gallons)	11,775	11,775	11,775	11,775	11,775	11,775	11,775	14,775	14,775	14,775
Reservoir capacity (thousands of gallons)	1,288,000	1,288,000	1,288,000	1,288,000	1,988,000	1,988,000	1,988,000	1,988,000	1,988,000	1,988,000
Sewer										
Sanitary sewer miles	376	385	407	427	429	440	442	450	450	459
Maximum daily design treatment capacity (thousands of gallons)	7,490	7,490	7,990	7,970	10,220	10,140	10,140	10,140	10,140	10,140
Average Daily sewer flow (thousands of gallons)	5,545	5,826	5,738	5,764	5,579	6,038	5,255	4,794	5,274	5,456
Stormwater										
^(*) Storm sewer lines	140	145	150	155	156	112	115	120	120	120

Note:

(*) Storm sewer lines in 2010 include only those in right of way or easements.

Douglasville-Douglas County Water and Sewer Authority

TABLE 15

Operating Information Top Ten Customers by Type Current and Nine Years Ago

Fiscal Year	2014			2005		
	Water Revenue	Rank	% of Water Revenue	Water Revenue	Rank	% of Water Revenue
Water Customers						
Google, Inc	\$ 432,873	1	2.01%			
Grove Skyview LTD	236,290	2	1.10%	\$ 133,925	2	0.94%
Douglas County Jail	229,218	3	1.06%	74,561	7	0.52%
Sevo Miller, Inc. - Crestmark	151,320	4	0.70%	83,090	5	0.58%
Birch Landing	148,933	5	0.69%			
Wellstar Hospital	145,907	6	0.68%			
Abor Place Mall	102,385	7	0.48%	81,194	6	0.57%
Pinnacle Homes at Rocky Ridge	92,427	8	0.43%			
Reflek Mfg	90,171	9	0.42%			
Strand Atlanta Apartments	88,473	10	0.41%			
City of Villa Rica				264,716	1	1.86%
Tree Terrace Apartments				101,351	3	0.71%
Berwind Properties - Westfolk				93,808	4	0.66%
Silver Line Building Products				77,554	8	0.54%
Golden Estates Mobile Home Park				49,702	9	0.35%
Oak Creek Apartments				54,649	10	0.38%
Totals	<u>\$ 1,717,997</u>		<u>7.97%</u>	<u>\$ 1,014,550</u>		<u>7.12%</u>

Fiscal Year	2014			2005		
	Sewer Revenue	Rank	% of Sewer Revenue	Sewer Revenue	Rank	% of Sewer Revenue
Sewer Customers						
Google, Inc	\$ 318,018	1	2.76%			
Grove Skyview LTD	197,437	2	1.71%	\$ 114,374	1	1.86%
Douglas County Jail	192,458	3	1.67%	64,294	6	1.05%
Birch Landing	129,082	4	1.12%			
Sevo Miller, Inc. - Crestmark	121,407	5	1.05%	68,260	5	1.11%
Wellstar	107,523	6	0.93%			
Arbor Place Mall	97,748	7	0.85%	68,404	4	1.11%
Oak Creek Apartments	79,220	8	0.69%	38,189	10	0.62%
Golden Estates Mobile Home Pk	77,801	9	0.67%	44,732	8	0.73%
Pinnacle Homes at Rocky Ridge	77,461	10	0.67%			
Tree Terrace Apartments				87,144	2	1.42%
Berwind Property- Westfork-Waterford				82,689	3	1.35%
Silver Line Building Products				58,014	7	0.94%
Wilwat Properties				38,687	9	0.63%
Totals	<u>\$ 1,398,155</u>		<u>12.12%</u>	<u>\$ 664,787</u>		<u>10.82%</u>

Fiscal Year	2014			2006 (a)		
	Stormwater Revenue	Rank	% of Stormwater Revenue	Stormwater Revenue	Rank	% of Stormwater Revenue
Stormwater Customers						
DC Board of Education	\$ 216,673	1	4.81%	\$ 12,157	10	0.33%
Hunt Partners Ret. Group-Jacoby Dev.	25,401	2	0.56%	24,163	4	0.66%
JVC Co. of America	25,093	3	0.56%	23,162	5	0.63%
Grove Skyview, LTD	20,837	4	0.46%	19,709	6	0.53%
Arbor Place Mall	20,604	5	0.46%	26,161	3	0.71%
Google, Inc	19,508	6	0.43%			
Excel-Hon, Inc	19,392	7	0.43%			
Prologis	19,330	8	0.43%	13,086	9	0.35%
Medline Industries, Inc.	18,884	9	0.42%	18,884	7	0.51%
APL Logistics	18,450	10	0.41%	33,545	1	0.91%
Conlan Company	-			27,804	2	0.75%
Maytag Appliance	-			17,035	8	0.46%
Totals	<u>\$ 404,172</u>		<u>8.97%</u>	<u>\$ 215,706</u>		<u>5.84%</u>

(a) Note: 2006 was the first year that the Authority had an entire year of billing for stormwater customers

COMPLIANCE SECTION

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

To the Board of Directors
Douglasville-Douglas County Water and Sewer Authority
Douglasville, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Douglasville-Douglas County Water and Sewer Authority (the "Authority"), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Douglasville-Douglas County Water and Sewer 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Douglasville-Douglas County Water and Sewer Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Douglasville-Douglas County Water and Sewer 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies.

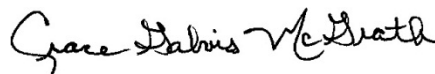
Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Douglasville-Douglas County Water and Sewer Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.



Crace Galvis McGrath, LLC
Kennesaw, GA

November 4, 2014