

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



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR FISCAL YEAR ENDED JUNE 30, 2007



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2007

Prepared by
Department of Finance and Administration
Martin Keller, Deputy Director

Douglasville-Douglas County Water and Sewer Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2007

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

BOARD OF DIRECTORS

Dudley Spruill	Chairman
Craig McManus	Vice Chairman
Tom Worthan, Chairman of County Commission	Member
Mickey Thompson, Mayor of Douglasville	Member
Larry Yockey	Member
Rochelle Robinson	Member
Jack Tysor	Member
Helen McCoy	Secretary Treasurer

MANAGEMENT

Peter J. Frost	Executive Director
Martin T. Keller	Deputy Director for Finance and Administration
Michael Patton	Deputy Director for Operations
Ben Jones	Deputy Director for Systems and Engineering
Karen Cobb	Billing/Customer Service Manager
Barry Payne	Systems Maintenance Manager
Sidney Miller	Human Resources/General Services Manager
Aaron Gardenhire	MIS Manager

LEGAL COUNCIL

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
Jordan, Jones & Goulding	Wastewater and Stormwater Consulting Engineer
U.S. Bank	Debt Securities Advisor
Mauldin & Jenkins LLC	Independent Auditors

Additional System Information may be found at
www.ddcwsa.com

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, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Douglasville - Douglas County Water and Sewer Authority

Post Office Box 1157

Douglasville, Georgia 30133

Phone: (770) 949-7617

Fax: (770) 949-8669

Dudley Spruill
Chairman

Peter J. Frost
Executive Director

September 17, 2007

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

Gentlemen:

The Comprehensive Annual Financial Report of the Douglasville – Douglas County Water and Sewer Authority (“Authority”) for the Fiscal Year ended June 30, 2007, is hereby submitted. This submission is in compliance with the Act that created the Authority. 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 are accurate in all material respects and are 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.

OVERVIEW OF THE SYSTEM

Under an Act of the Georgia General Assembly (Georgia Laws 1985, Act No. 40), the Douglasville-Douglas County Water and Sewer Authority was created by the purchase of the City of Douglasville’s water and sanitary sewer system and the County’s water and sanitary sewer system, and commenced operations on December 27, 1985. 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 exclusively provides water and sanitary sewer services to Douglas County, with the exception 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. In addition, the Authority sells water at a wholesale rate to the City of Villa Rica, Georgia under contractual agreement.

The Authority operates under the auspices of a Board-approved annual budget. The budget, which is developed on a zero-base program concept, sets out the allocation of anticipated operating revenues. Since the Authority operates solely on its own revenues, there are no appropriations.

As the Authority does not operate under an appropriation, lapsed funds from one fiscal year are available to a succeeding fiscal year. However, budget policy prohibits these funds from being used for recurring expenditures, i.e., salaries, routine supplies, and the like. Carryover funds can be and are used for one-time type expenditures such as major renovations or system expansions.

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, 2007, the net property, plant and equipment value of the combined System was \$344,111,492.

The Water System

The Authority obtains water from four sources. Two of these sources, (1) Bear Creek and (2) Dog River provide raw water to the Authority's Bear Creek Water Treatment Plant. Raw water flows from Bear Creek into a 40-acre man-made reservoir prior to treatment, where withdrawals of up to 6.0 MGD are permitted by the State of Georgia. Although the Authority is currently permitted to withdraw up to 23.0 MGD of raw water directly from the 215-acre Dog River Reservoir, we are limited to the Bear Creek Water Treatment Plant's maximum treatment capacity of 16.4 MGD.

The third source of water to the System is a wholesale connection to the Cobb-Marietta Water Authority pursuant to a water supply agreement, which extends to the year 2026, and provisions adopted on September 25, 2003 by the Metropolitan North Georgia Water Planning District in the District's Long-Term Water Supply and Water Conservation Management Plan. The Authority can purchase an annual daily average of 1.0 MGD of treated water with no peak limits. These provisions allow for quantity adjustments every five years.

The fourth source of water to the System includes up to an estimated 2.0 MGD provided through a retail connection to the Cobb County Water System. The Authority believes that its sources of raw and potable water are currently adequate.

The Authority's Bear Creek Water Treatment Plant has been in operation since 1980. It has been expanded three times to its present day capacity of 16.4 million gallons per day (MGD). The plant is located in the southern portion of Douglas County, approximately 6 miles from the Dog River Reservoir and 4 miles from the Bear Creek Reservoir.

The most recent Bear Creek Water Treatment Plant expansion completed in the year 2000 included two emergency generators to allow the Authority to provide potable drinking water to its customers during electrical power outages. Plans include ultimately placing emergency generators at the Dog River Intake Pumping Station during 2009. Installation of these units will enable the Authority to treat and distribute potable drinking water to its customers during short and long term electrical power outages. Planning is underway to expand the Bear Creek Water Treatment Plant to 23 MGD by 2010.

The water is consistently treated to meet state and federal water quality guidelines. The Authority employs conventional water treatment procedures at its water treatment facilities. Raw water is pumped to the treatment plant for preliminary chemical application, followed by flocculation, sedimentation and filtration. Additional chemicals are added before the water flows into a clear well holding facility, prior to being pumped into the water distribution system.

The potable water storage of the water system consists of clear wells at the plant totaling 3.775 million gallons and six elevated storage tanks throughout the County totaling 8 million gallons. The total combined storage of potable water is 11.775 million gallons, slightly less than 90% of one day's annual average system wide usage. An additional 2.0 million gallon tank is scheduled to be constructed in 2008.

The System is served by approximately 966 miles of distribution lines in various diameter sizes through the County. The majority of the System's distribution lines were installed between 1985 and 2007, and is therefore up to 22 years old. The installation of water lines by outside contractors and the Authority's own forces are performed under the Authority's supervision.

To meet the demands of the rapidly growing population of Douglas County, the Authority is continually upgrading and expanding its water distribution system. Planned expansions in Fiscal Year 2008 are projected to total approximately 16,850 linear feet, or 3.2 miles of new line, with ninety five percent being 8-inch to 20-inch diameter. In addition, the Authority has invested in state-of-the-art leak detection equipment and a crew to locate and repair leaks found in the system. The Authority also works closely with County and City planning departments to ensure that the system will meet growing demands.

The Authority is currently undergoing the process of increasing the capacity of the Dog River Reservoir. This involves permanently raising the dam an additional ten feet to increase the reservoir's storage capacity from 1.2 billion gallons to 1.862 billion gallons. This will increase the permitted raw water withdrawal capacity from a safe reliable yield of 16.4 MGD to 23.0 MGD during a 100-year drought. This additional capacity is projected to meet the Authority's water supply needs beyond the year 2020.

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 10 years. The Authority won the Best Tasting Water in the State of Georgia in 1993 and 2003, as well as the Best Tasting Water in Metro Atlanta in 1999, 2003, and 2007. Also in 2003, the Authority won the United States Environmental Protection Agency's National Directors Award for 5 years of consecutive compliance with the Partnership for Safe Drinking Water Program. In 2003 and in previous years, the Bear Creek Laboratory won the best operated facility in its size category.

The Bear Creek Water Treatment Plant has received many Gold awards from the Georgia Association of Water Professionals (GAWP) for annual compliance with all drinking water regulations. The plant received a Platinum award in 2003, 2004, 2005, 2006 and 2007 for five (5) consecutive years of regulatory compliance. The Bear Creek plant has also, in previous years, received the highest award as best-operated facility in its respective size category in the State of Georgia from the Georgia Association of Water Professionals (GAWP). The Authority, in 1994, was recognized by the United States Environmental Protection Agency (USEPA) as having the best water system in Region IV.

The Sanitary Sewer Facilities

The System collects sewage through approximately 344 miles of 8-inch and larger sanitary sewer collection lines and force mains which lead to four major wastewater treatment plants and three smaller plants described in the following table. In addition, the Authority is a party to a contract with neighboring Cobb County, Georgia, pursuant to which Cobb County provides sewage treatment services to fewer than 50 customers in certain areas of the County for a processing fee of \$3.44 per 1,000 gallons of wastewater treated.

<u>Sewage Treatment Plant</u>	<u>Capacity (in MGD)</u>	<u>Type/Discharge</u>	<u>Year Installed</u>
Southside*	3.75	Activated sludge, extended aeration and conventional. Anneewakee Creek	1973, expanded in 1987 & 1990
Sweetwater Creek	3.0	Activated sludge, extended aeration. Chattahoochee River	1989
Northside*	0.6	Activated sludge, extended aeration. Gothards Creek	1975
South Central	0.5	Water Reuse facility with land application spray system.	1999
Beaver Estates	0.08	Activated sludge, extended aeration. Crooked Creek.	1974
Rebel Trails	0.04	Activated sludge, extended aeration. Anneewakee Creek	1975
New South Central	6.0	Activated sludge, extended aeration and tertiary treatment. Chattahoochee River	Under Construction- Planned Startup Spring 2008

*Plants to be decommissioned

The combined treatment capacity of the Authority's sewage treatment plants is 7.97 MGD (does not include the new South Central WWTP scheduled to commence operations in the Spring of 2008). During Fiscal Year ended June 30, 2007, the total sanitary sewer flow at all plants was 2,094 MG, which is an average of approximately 5.74 MGD, 72% of the design capacity of the plants. The Authority disposes of biosolids generated at its wastewater treatment plants in a sanitary landfill.

The Authority's South Central Urban Water Reuse Facility came on line in August 1999 to serve a new sanitary sewer service area and to meet the needs of a new golf course. This is a 500,000 gallon per day Unitank® "Zero Emission System." Public input influenced the need to provide a bio filter for odor control and enclose the facility with architectural treatment to complement houses to be built in the adjacent upscale golf course community.

The Authority's Unitank® facility was the first one to be constructed in the United States treating domestic wastewater. Filtered effluent can be pumped to a nearby golf course or onto a 150-acre spray field. The Unitank® facility is totally automated and controlled by a programmable logic controller (PLC) system that controls the process, monitors vital process parameters, makes process adjustments and generates reports. The system also provides automatic rejection of filtered effluent that exceeds the turbidity limit specified in the facility's operating permit.

The Authority installs all major sanitary sewer lines, generally referred to as outfalls or interceptors, by contract, usually utilizing the services of the consulting engineer's resident inspector. These lines will generally be 10" in diameter or larger. The smaller 8" collection lines are almost always installed by the land developer under the Authority's staff resident inspectors. Upon completion to Authority standards, the lines are accepted as part of the sanitary sewer system and are maintained by the Authority.

The Metropolitan North Georgia Water Planning District's Board adopted the Long-Term Wastewater Management Plan on September 25, 2003. The Long-Term Wastewater Management Plan incorporates a 30-year plan to address the wastewater service needs while balancing the utilization of water resources. The adopted plan calls for the Authority to consolidate its wastewater treatment facilities into two ultimate plants. The Sweetwater Creek Wastewater Treatment Plant (WWTP) will have an ultimate capacity of 6.0 MGD. A new 6.0 MGD South Central WWTP is scheduled to come on line in 2008. This facility will have an ultimate capacity of 12.0 MGD.

Inflow/infiltration is continually addressed by a complete inspection and rehabilitation of the system sanitary sewer lines. This task is accomplished with Authority crews who are trained in the use of Authority owned television and grouting equipment.

The Authority's Wastewater Divisions have been successful in gaining recognition from industry peers as noted by numerous awards won over the past ten years. During this period, five of the Authority's Wastewater Treatment Plants (WWTP's) have received numerous Best Operated Plant Awards in their respective size categories from the Georgia Association of Water Professionals (GAWP). A number of the Authority's WWTP's have received Gold and Platinum awards from the GAWP for having no permit violations of the National Pollutant Discharge Elimination System (NPDES) Permits. Gold awards are given for annual compliance with all wastewater treatment plant permit regulations. Platinum awards are presented for five (5) consecutive years of regulatory compliance with wastewater treatment plant permits. In addition to the awards for the plants, the GAWP recognized the Authority's Wastewater Collection System to be the best operated in the State of Georgia for 1999, 2000, 2001 and 2003. The Environmental Protection Agency (EPA) has recognized three (3) Authority WWTP's with a number of EPA's Operations and Maintenance Awards. The Beaver Estates Wastewater Treatment Plant received the First Place in EPA's 7-state Region 4 and a First Place national award in 1993. This WWTP received the First Place regional and Second Place national award in 2004. The Sweetwater Creek Wastewater Treatment Plant received First Place regional awards in 1995 and 1999 and First Place national award in 1999. The South Central Urban Water Reuse Facility received the First Place regional award in 2007 and is competing at the National level.

STORMWATER

In January 2003, the Authority acquired the City of Douglasville's stormwater system. At that time, the infrastructure associated with the City system consisted of approximately 41 miles of non-contiguous conveyance pipes and culvert systems along with 2,048 catch basins, 272 junction boxes, and two major retention ponds located within the City Limits.

In December 2003 with an amendment dated June 15, 2004, 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. At that time, the County system consisted of approximately 103 miles of non-contiguous conveyance pipes and culvert systems along with 5,192 catch basins and 658 junction boxes located within the County.

As of June 30, 2007, the combined Authority stormwater system consisted of 155 miles of conveyance pipe and culvert systems, 9,705 catch basins and junction boxes, and two major retention ponds.

SERVICE AREA AND CUSTOMERS

Service Area. 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. According to the U.S. 2006 Population Census estimates, the population in Douglas County in 2006 was 119,557. According to the Atlanta Regional Commission, in 2006 Douglas County ranked 7th in total population among the top ten largest counties in the Atlanta Region, and ranked 1st by rate of growth with a 6.6% increase of population from 2005 to 2006. According to the U.S. Census Bureau, from 2000-2006 Douglas County ranked 58th nationwide in population growth with an increase of 29.6%.

Interstate Highway I-20; U.S. Highway 78 and 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 approximately 20 trains per day bringing finished goods and raw materials in and out of the County. A new rail freight terminal was completed in mid-2002 near the eastern boundary of the County in Cobb County.

The Board of Education of the County currently operates 31 schools, all of which are Accredited by the Southern Association of Colleges and Schools. Higher Education facilities located in the County include a Satellite Campus of West Central Technical College and Mercer University.

Customers. The Authority's water and sanitary sewer systems serve approximately 90% to 95% of the residential population of the County for the year ended June 30, 2007. The system serves 56 elementary, middle and high schools, one Hospital, and 351 other Churches, state and local governmental accounts. Several suburban shopping centers, including a 1.4 million square-foot regional mall, numerous motels, restaurants and apartment complexes are served by the System. The 10 largest customers for the 12 months ending June 30, 2007 are listed in the statistical section of this report, along with other pertinent statistical information.

WATER, SANITARY SEWER, AND STORMWATER RATES

Water. The Authority's latest increase in water rates was effective during Fiscal Year 2007. A minimum monthly base charge is assessed based upon the size of the customer's meter. The minimum monthly base charges range from \$9.01 per month for customers with a 5/8-inch meter to \$634.78 per month for customers with an 8-inch meter. In addition to the minimum monthly base charges described, the Authority also currently charges its customers based on the monthly volume of water metered as follows: for a 5/8-inch meter, the rate is \$3.08 per 1,000 gallons for the first 10,000 gallons and \$5.00 per 1,000 gallons in excess of 10,000 gallons. The allocated number of gallons for the \$3.08 rate increases according to the meter size.

Sanitary Sewer. The latest increase in sanitary sewer rates was effective during Fiscal Year 2007. A minimum monthly base charge is assessed based upon the size of the customer's water meter. The minimum monthly base charges range from \$4.81 per month for customers with a 5/8-inch meter to \$110.22 per month for customers with an 8-inch meter. In addition to the base charge, a sewage treatment charge of \$5.02 per 1,000 gallons shall be levied based upon eighty percent (80%) of the water consumption.

Stormwater. In March, 2004 the Authority began billing city property owners a stormwater service fee, and in March, 2005, the Authority began billing county property owners. This fee is based on an equivalent residential unit (ERU) containing 2,543 square feet of impervious surface. All city and county properties are converted to ERU's and are charged a \$4.00 flat fee per ERU.

The Authority does not provide free service to any of its customers. The Authority requires the payment of all water and sewage treatment charges by the due date set forth on each monthly bill. A 15% penalty is assessed for payments not received by the due date. The Authority may discontinue water service without notice if it does not receive payment by the due date. Customers that do not pay prior to the discontinuing of service will be charged a minimum of \$50.00 for the restoration of water services. The Authority has collected more than 99% of its billings during the last five years.

In addition to water, sanitary sewer, and stormwater rates, the Authority establishes certain other rates, including fire hydrant meter fees, fire protection charges, user fees for the Reservoir, erosion control, inspection fees, penalties, deposits and water and sanitary sewer tap fees. The tap fees are assessed to each new customer based on the amount of water and/or sanitary sewer plant capacity they will use, as calculated by the Authority engineering department.

WATER AND SANITARY SEWER LINES

The Authority requires the developer to design and install, at the developer's expense, water and sanitary sewer lines for each subdivision. The design and installation of water and sanitary sewer lines installed by developers are reviewed and approved by the Authority's Engineering Department. The lines are subject to the Authority's Construction Standards, and inspected by the Authority during construction. The Authority requires testing and approval before lines are accepted into the system.

THE ORGANIZATIONAL STRUCTURE

The Douglasville-Douglas County Water and Sewer Authority have a Board of Directors – Administrators form of organization 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. Members serve for five-year staggered terms.

The Executive Director is appointed by the Board and serves by contract. The Board adopts a balanced budget annually and establishes billing rates for the operations of the Water and Sewer Authority. The Executive Director has the responsibility of administering operations in accordance with the Authority Bylaws and directives of the Authority Board of Directors.

FINANCIAL INFORMATION

Accounting System Internal Controls. The management of the Authority is responsible for establishing and maintaining an internal control structure which is designed to ensure 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 internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefit likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Budgetary Controls. As required by its Bylaws, the Authority adopts an Operating and Capital Works Budget 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 governments.

Debt Administration. On November 30, 2005, the Authority issued an additional \$52.3 million in long-term debt. At June 30, 2007, the Authority had \$98.0 million in long and short-term debt. All outstanding bonds carry an Aa2 and AA- rating from Moody's and Standard & Poor's respectively, based upon a Municipal Bond Insurance Policy. The current projection of cash flows anticipates issuing new debt of \$79.0 million in Fiscal Year 2008.

Cash Management. The Authority's available cash is invested in demand deposit accounts, money market accounts, U.S. Treasury Notes, flexible repurchase agreement, and the State of Georgia Local Government Investment Pool (LGIP).

Risk Management. The Authority is required to maintain adequate fidelity policies on its officers and employees and adequate public liability insurance, and to keep all properties of the system insured to the full insurable value thereof. The proceeds of all such insurance policies, except the public liability policies and fidelity policies, are pledged as security for the bonds, but shall be available for, and shall, to the extent necessary and desirable, be applied to, the repair and replacement of the damaged or destroyed property.

The Authority is self-insured for group health and any amounts in excess of limits are paid from a reinsurance policy purchased by the Authority.

The Authority has increased efforts to limit the exposure of workman's compensation injuries as well. An outside consultant is retained for training on various safety issues for all field employees, and employees are required to maintain certifications applicable to their positions, for example chlorine safety in the plant operations divisions, and trench safety in the maintenance division. All divisions are required to maintain confined space entry certifications.

Pension and Deferred Compensation Plans. The Authority's defined benefit pension plan or Retirement Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is affiliated with the Joint Municipal Employees Benefit System, an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for municipalities in the State of Georgia.

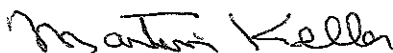
The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Plan participation is optional to Authority employees, and the Authority has no fiduciary responsibility for the plan.

Audit. State statutes require an annual audit by independent auditors. The firm of Mauldin & Jenkins LLC performed this function, and the auditors in conducting the engagement used auditing standards generally accepted in the United States. The auditors report on the basic financial statements is included in the financial section of this report.

ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report was made possible by the efficient and dedicated services of the entire staff of the Administration and Finance Departments. The Authority's Finance Division was honored to receive the "Award of Excellence in Financial Reporting" for the 2001, 2002, 2003, 2005 and 2006 Comprehensive Annual Financial Report. Each member of the department 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.

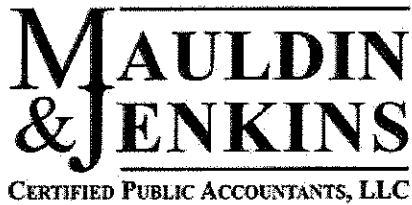
Respectfully submitted,



Martin Keller, Deputy Director
for Finance and Administration

FINANCIAL

**REPORT OF
INDEPENDENT AUDITORS**



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the **Douglasville-Douglas County Water and Sewer Authority** (the "Authority"), as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2007 and 2006, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2007 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis and Funding Progress Schedule on pages 5 - 18 and page 44, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, schedules of individual accounts, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of individual accounts have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 11, 2007

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Authority's annual financial report presents our analysis of the Authority's financial performance during the Fiscal Year that ended on June 30, 2007. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS – FISCAL YEAR 2007

- **“Net Assets”** The Authority's net assets increased by \$22.8 million or 9.3 percent, as infrastructure growth continues in Douglas County.
- **“Results of Operations”** During the year the Authority's **“operating revenues”** increased to \$30.9 million up from \$28.9 million in 2006 or 6.9 percent, while **“operating expenses”** increased to \$30.1 million up from \$27.4 million in 2006 or 9.9 percent which includes over \$1.0 million increase in depreciation in Fiscal 2007 relating to infrastructure growth.
- **“Economic Outlook”** Douglas County continues to enjoy the economic benefits of its proximity to Atlanta which has sustained an increase in new jobs and attracting new business. However, as is the case with Atlanta and across the nation, over the last half of Fiscal 2007, Douglas County experienced a sharp reduction in housing starts as external market forces hampered the growth in residential development. As of their latest report in 2006, the Atlanta Regional Commission ranked Douglas County 1st by rate of growth in the Atlanta Region. According to the U.S. Census Bureau, from 2000-2006, Douglas County ranked 58th nationwide in population growth with an increase of 29.6%.
- **“Capital Contributions”** During Fiscal Year 2007, the Authority experienced a decrease in tap sales down \$1.6 million to \$9.1 million in 2007, down from \$10.7 million in 2006, and in developer contributions down \$9.9 million to \$13.1 million in 2007, down from \$23.0 million in 2006. A direct result of the down-turn in housing starts in the last half of Fiscal 2007.

“Capital Assets”

- **“Capital Expenditures”** The Authority spent \$51.5 million in Capital Expenditures in Fiscal Year 2007, as work continued on the new South Central Wastewater Treatment Plant, and the rerouting and abandonment of the Southside Wastewater Treatment Plant. These major projects accounted for \$36.2 million of the \$51.5 million of Capital Expenditures in Fiscal Year 2007.

FINANCIAL HIGHLIGHTS – FISCAL YEAR 2007 (continued)

“Capital Assets” (continued)

- **“Developer Contributions”** The Authority capitalized \$13.1 million in capital contributions from developer lines, of which approximately \$5.0 million was related to sewer, \$4.0 million related to water, and \$2.4 million related to stormwater. Over 50 new subdivisions were being developed in Fiscal Year 2007 of which Bear Creek, Kensington, The Gates, New Manchester, Parkside, and Stonehaven were major contributors combining for \$5.3 million of the total.

These capital expenditures of \$51.5, coupled with the \$13.1 million in developer line contributions resulted in a \$64.6 million increase in Capital assets to \$437.5 million in Fiscal Year 2007 up from \$372.9 in Fiscal Year 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report includes; a Management’s Discussion and Analysis, Financial Statements, and Required Supplementary Information as well as additional schedules and a statistical section. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all of the Authority’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures 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 Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority’s cash receipts and cash payments during the reporting period. The statement reports 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.

FINANCIAL ANALYSIS OF THE AUTHORITY

Our analysis of the Authority begins on pages 20 and 21 in the Financial Statement Section. One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statements of Net Assets (Balance Sheets), and the Statements of Revenues, Expenses and Changes in Net Assets report information about the Authority's activities in a way that will help answer this question. You will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation.

NET ASSETS

To begin our analysis, a summary of the Authority's Statements of Net Assets (Balance Sheets) is presented in Table A-1.

TABLE A-1
Condensed Statements of Net Assets (Balance Sheets)
(In millions of dollars)

Description	Fiscal Year 2005 to 2006 Comparison				Fiscal Year 2006 to 2007 Comparison			
	FY 2005	FY 2006	Dollar Change	Total Percent Change	FY 2006	FY 2007	Dollar Change	Total Percent Change
Current and Other Assets	\$23.4	\$68.9	\$45.5	194.4%	\$68.9	\$38.3	(\$30.6)	(44.4%)
Capital Assets	246.4	291.1	44.7	18.1%	291.1	344.1	53.0	18.2%
Total Assets	269.8	360.0	90.2	33.4%	360.0	382.4	22.4	6.2%
Long-term Debt Outstanding	47.4	98.0	50.6	106.8%	98.0	95.4	(2.6)	(2.7%)
Other Liabilities	12.6	18.1	5.5	43.7%	18.1	20.3	2.2	12.2%
Total Liabilities	60.0	116.1	56.1	93.5%	116.1	115.7	(0.4)	(0.3%)
Invested in Capital Assets, Net of Related Debt	197.6	239.1	41.5	21.0%	239.1	266.3	27.2	11.4%
Restricted	6.1	0.7	(5.4)	(88.5%)	0.7	2.1	1.4	200.0%
Unrestricted	6.1	4.1	(2.0)	(32.8%)	4.1	(1.7)	(5.8)	(141.5%)
Total Net Assets	\$209.8	\$243.9	\$34.1	16.3%	\$243.9	\$266.7	\$22.8	9.3%

Fiscal Year 2005 to 2006 Comparison

As can be seen from the Table, net assets increased \$34.1 million to \$243.9 million in Fiscal Year 2006 up from \$209.8 million in Fiscal Year 2005. Looking at Table A-1, you can see that most of the change in net assets was realized in the category titled "Invested in Capital Assets Net of Related Debt", which increased \$41.5 million in Fiscal Year 2006.

NET ASSETS (continued)

Fiscal Year 2005 to 2006 Comparison (continued)

Unrestricted:

Unrestricted Assets (those that can be used to finance day-to-day operations) decreased \$2.0 million primarily as a result of cash transfers from operating accounts to finance capital projects. These changes are reflected in the Statements of Net Assets and Statements of Revenues, Expenses and Changes in Net Assets (see table A-2 of the Management's Discussion and Analysis, and pages 20-22 of the financial statements).

Fiscal Year 2006 to 2007 Comparison

As can be seen from the Table, net assets increased \$22.8 million to \$266.7 million in Fiscal Year 2007 up from \$243.9 million in Fiscal Year 2006. Looking at Table A-1, you can see that most of the change in net assets was realized in the category titled "**Invested in Capital Assets Net of Related Debt**", which increased \$27.2 million in Fiscal Year 2007 (see page 37 in Notes to Financial Statements).

Restricted:

If you return to Table A-1, a further review of net assets shows that **Restricted** Net Assets (those established by debt covenants, enabling legislation, or legal requirements) experienced an increase of \$1.4 million in Fiscal Year 2007. This increase was primarily the result of a transfer of \$4.0 million dollars of cash from unrestricted assets to restricted to finance Renewal and Extension capital projects.

Unrestricted:

Unrestricted Assets (those that can be used to finance day-to-day operations) decreased \$5.8 million primarily as a result of cash transferred as stated above from operating accounts and the operating capital reserve accounts to finance Renewal and Extension infrastructure projects.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets, 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 assets is discussed below.

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

Description	Fiscal Year 2005 to 2006 Comparison				Fiscal Year 2006 to 2007 Comparison			
	FY 2005	FY 2006	Dollar Change	Total Percent Change	FY 2006	FY 2007	Dollar Change	Total Percent Change
Revenues:								
Operating Revenues:								
Charges for services	\$ 23.1	\$28.0	\$4.9	21.2%	\$28.0	\$29.8	\$1.8	6.4%
Penalties	0.7	0.9	0.2	28.6%	0.9	1.1	0.2	22.2%
Total Operating Revenues	23.8	28.9	5.1	21.4%	28.9	30.9	2.0	6.9%
Total Non-Operating Revenues (Interest Income)	0.4	2.1	1.7	425.0%	2.1	2.3	0.2	9.5%
Total Revenues	24.2	31.0	6.8	28.1%	31.0	33.2	2.2	7.1%
Expenses:								
Operating Expenses:								
Employment costs	7.7	9.8	2.1	27.3%	9.8	10.7	0.9	9.2%
Repairs and maintenance	1.7	2.0	0.3	17.6%	2.0	1.9	(0.1)	(5.0%)
Supplies and materials	0.7	0.8	0.1	14.3%	0.8	0.9	0.1	12.5%
Depreciation	8.8	10.9	2.1	23.9%	10.9	11.9	1.0	9.2%
Utilities	1.6	1.9	0.3	18.8%	1.9	2.1	0.2	10.5%
Water and sewer services purchased	0.0	0.1	0.1	233.3%	0.1	0.3	0.2	200.0%
Administration	1.9	1.9	0.0	0.0%	1.9	2.3	0.4	21.1%
Total Operating Expenses	22.4	27.4	5.0	22.2%	27.4	30.1	2.7	9.9%
Non-operating revenues (expenses):								
Interest and fiscal charges, net of capitalized amount of \$2,477,729 in 2007 and \$844,553 in 2006	2.0	3.1	1.1	55.0%	3.1	2.4	(0.7)	(22.6)
Loss on disposal of capital assets	0.1	0.0	(-0.1)	(100.0%)	0.0	0.0	0.0	0.0%
Other Expenses	0.1	0.1	0.0	0.0%	0.1	0.1	0.0	0.0%
Total non-operating Expense	2.2	3.2	1.0	45.5%	3.2	2.5	(0.7)	(21.9%)
Total Expenses	24.6	30.6	6.0	24.4%	30.6	32.6	2.0	6.5%
Income (Loss) before Capital Contributions	(0.4)	0.4	0.8	(200.0%)	0.4	0.6	0.2	50.0%
Capital Contributions:								
Tap Fees	8.1	10.7	2.6	32.1%	10.7	9.1	(1.6)	(15.0%)
Developer Lines	16.5	23.0	6.5	39.4%	23.0	13.1	(9.9)	(43.0%)
City/County Contributions	18.5	0.0	(18.5)	(100.0%)	0.0	0.0	0.0	0.0%
Total Capital Contributions	43.1	33.7	(9.4)	(21.8%)	33.7	22.2	(11.5)	(34.1%)
Change In Net Assets	42.7	34.1	(8.6)	(20.1%)	34.1	22.8	(11.3)	(33.1%)
Beginning Net Assets	167.1	209.8	42.7	25.6%	209.8	243.9	34.1	16.3%
Ending Net Assets	\$209.8	\$243.9	\$34.1	16.3%	\$243.9	\$266.7	\$ 22.8	9.3 %

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (continued)

Fiscal Year 2005 to 2006 Comparison

As can be seen in Table A-2, the “**Income before Capital Contributions**” of \$0.4 million and “**Capital Contributions**” of \$33.7 million were the two sources of the change in net assets of \$34.1 million in Fiscal Year 2006.

Revenues:

Table A-2 shows that “**Total Revenues**” increased by \$6.8 million to \$31.0 million in Fiscal Year 2007, up from \$24.2 million in Fiscal Year 2006.

Operating Revenues:

Upon closer examination, you will notice “**Operating Revenues**” were up \$5.1 million or 21.4 percent over last year which was the direct result of a 6.2 percent growth in water customers, a 13.0 percent increase in sewer customers, and an increase of 19.5 percent in stormwater customers. In addition, a 2.8 percent increase in water rates and a 2.4 percent increase in sewer rates, became effective the second half of Fiscal Year 2006. The most significant increase was the implementation of county stormwater fees in March of 2005 with the effect of a full year of county stormwater charges in Fiscal Year 2006.

Non-Operating Revenues:

In the category “**Non Operating Revenues**” revenues were up \$1.7 million in Fiscal Year 2006 or 425.0 percent over Fiscal Year 2005 which reflected significant increases in interest income resulting from invested proceeds of a \$52.3 million bond issue on November 30, 2005, in a flexible repurchase agreement at a guaranteed 4.454 percent interest rate.

Expenses:

A further review of Table A-2 reveals that “**Total Expenses**” increased to \$30.6 million in Fiscal Year 2006 up \$6.0 million from \$24.6 million in Fiscal Year 2005.

Operating Expenses:

In reviewing “**Total Operating Expenses**” in detail you will notice that these expenses were up \$5.0 million to \$27.4 million in Fiscal Year 2006 from \$22.4 million in Fiscal Year 2005. The most significant areas were in the categories of **employment cost** up \$2.1 million or 27.3 percent primarily reflective of the following; **first**, a \$0.4 million increase in salary and wages due to a modest increase in personnel, an average merit/cola increase of 3.8 percent, and an increase in temporary labor; **second**, the authority experienced an increase of \$0.7 million in healthcare benefits resulting from a 15 percent increase in our underwriter’s premiums for our partially self insured plan and some increases in claims which equated to \$0.3 million in the rising cost of healthcare. In addition, the change in cost from last year was further exaggerated by a non-recurring adjustment in 2005 of \$0.4 million (reduction) for overstated accrued healthcare liability which artificially understated the actual healthcare expense in Fiscal Year 2005; **third**, a significant increase of \$0.8 million in pension funding was due primarily to enhancements in pension benefits (credit for prior government years of service), and an increase in vested employees.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (continued)

Operating Expenses (continued):

The most significant increase was \$0.6 million in the retirement expense liability required to be booked in 2006 to adjust for a shortened retirement date in the Executive Director's employment contract. In the category **Repairs and Maintenance**, the Authority experienced a \$0.3 million increase to \$2.0 million up from \$1.7 million in Fiscal Year 2005. This increase was primarily the result of the significant growth in infrastructure over the past few years, coupled with its continued emphasis on preventative maintenance program, and the desperately needed repair to stormwater assets conveyed to the Authority from the county and city in 2003 and 2005. **Depreciation** expense saw the greatest increase of \$2.1 million or 23.9 percent to \$10.9 million up from \$8.8 million in Fiscal Year 2005.

This increase was anticipated as infrastructure is continually being added to the Authority's growing system. It should be noted that the normal increase in depreciation expense was further aggravated by a significant additional depreciation expense of \$1.0 million on assets to be decommissioned (abandoned) in the next few years as a consequence of the Metropolitan North Georgia Water Planning Districts approved plant consolidation mandates. Finally, in the categories of **Supplies and Materials, Utilities, Water & Sewer Purchases, and Administration**, the total expenses increased \$0.5 million collectively in Fiscal Year 2006 or 11.9 percent collectively. In general, most of the increase in these expenditures was in chemicals, wholesale water purchases, and power which primarily reflect inflationary increases, and a 6.7 percent increase in customer demand.

Total Non-Operating Expense:

In the category titled "**Total Non-Operating Expense**", expenses were up \$1.0 million to \$3.2 million in Fiscal Year 2006, up from \$2.2 million in Fiscal Year 2005. This unfavorable increase was primarily the direct result of an additional \$1.5 million of interest expense associated with the Fiscal Year 2006 bond issue on November 30, 2005, partially offset by an increase in capitalized interest of \$0.4 million.

Capital Contributions:

As we continue our review of Table A-2, you will notice that Capital Contributions were down \$9.4 million to \$33.7 million in Fiscal Year 2006 from \$43.1 million in Fiscal Year 2005. The major reason for the reduction was the change in City and County contributions. As previously stated, in Fiscal Year 2005, the County and City conveyed \$18.5 million of stormwater infrastructure to the Authority which is a non-recurring event, and is reflected in the category "**City & County Contributions**" which are down \$18.5 million to \$0.0 million in Fiscal Year 2006 from \$18.5 million in Fiscal Year 2005. This negative impact on contributions was significantly offset by increases in the categories of "**Tap Fees**" up \$2.6 million to \$10.7 million in Fiscal Year 2006 from \$8.1 million in Fiscal Year 2005, and in the category "**Developer Lines**" which were up \$6.5 million to \$23.0 million in Fiscal Year 2006 from \$16.5 million in 2005. It should be stated that the increases in taps and developer contributions are reflective of continuing new development and economic growth in Douglas County. One final comment relates to the moratorium imposed in Fiscal Year 2005; the Authority was successful in freeing up capacity in the South and South Central areas of the county by diverting flow to other facilities until the new South Central Wastewater Treatment Plant is completed in 2007.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (continued)

Fiscal Year 2006 to 2007 Comparison

As can be seen in Table A-2, the “**Income before Capital Contributions**” of \$0.6 million and “**Capital Contributions**” of \$22.2 million were the two sources of the change in net assets of \$22.8 million in Fiscal Year 2007.

Revenues:

Table A-2 shows that “**Total Revenues**” increased by \$2.2 million to \$33.2 million in Fiscal Year 2007, up from \$31.0 million in Fiscal Year 2006.

Operating Revenues:

Upon closer examination, you will notice “**Operating Revenues**” were up \$2.0 million or 6.9 percent over last year which was the direct result of a 3.3 percent growth in water customers, a 6.8 percent increase in sewer customers, and an increase of 3.9 percent in stormwater customers. In addition, a 3.5 percent increase in water rates and a 5.0 percent increase in sewer rates became effective the last half of Fiscal Year 2007 (see page 47 “Comparative Schedule of Operating Revenues” for detail).

Non-Operating Revenues:

In the category “**Non Operating Revenues**” revenues were up \$0.2 million in Fiscal Year 2007 or 9.5 percent over Fiscal Year 2006 which reflected significant increases in interest income resulting from a full year of invested proceeds of a \$52.3 million bond issue on November 30, 2005, in a flexible repurchase agreement at a guaranteed 4.454 percent interest rate.

Expenses:

A further review of Table A-2 reveals that “**Total Expenses**” increased to \$32.6 million in Fiscal Year 2007 up \$2.0 million from \$30.6 million in Fiscal Year 2006. A direct result of a \$2.7 million increase in operating expense and a \$0.7 million decrease in non-operating expenses.

Operating Expenses:

In reviewing “**Total Operating Expenses**” in detail you will notice that these expenses were up \$2.7 million to \$30.1 million in Fiscal Year 2007 from \$27.4 million in Fiscal Year 2006. The most significant areas of change were in the categories of **employment cost** up \$0.9 million or 9.2 percent primarily reflective of the following; **first**, a \$0.4 million increase in salary and wages due to a modest 8% increase in personnel, an average merit/cola increase of 3.5 percent for payroll, offset by a decrease in temporary labor; **second**, the authority experienced an increase of \$0.2 million in healthcare benefits resulting from a 10 percent increase in our underwriter’s premiums for our partially self insured plan and an increase in participants; **third**, an increase of \$0.3 million in pension funding was due primarily to an increase in vested employees.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (continued)

Fiscal Year 2006 to 2007 Comparison (continued)

A significant increase was \$0.3 million in the retirement expense liability required to be booked in 2007 to adjust for actuary calculations on the Executive Director's post retirement pension and group health benefit obligation. In the category **Administration**, the Authority experienced a \$0.4 million increase to \$2.3 million up from \$1.9 million in Fiscal Year 2006. Most of the increases were for legal fees for general current litigation, a slight increase in bad debt write-offs, and an increase in general insurance due to added infrastructure and premiums and waste hauling expenses which are reflected in increased volume of sewage. **Depreciation** expense saw the greatest increase of \$1.0 million or 9.2 percent to \$11.9 million up from \$10.9 million in Fiscal Year 2006. This increase was anticipated as infrastructure is continually being added to the Authority's growing system.

Finally, in the categories of **Supplies and Materials, Utilities, Water & Sewer Purchases, and Repair and Maintenance**, the total expenses increased \$0.4 million collectively in Fiscal Year 2007 or 8.3 percent. Most of the increase in these expenditures was in chemicals, wholesale water purchases, and power which primarily reflect inflationary increases, and a 5.3 percent average increase in water and sewer customer demand.

Total Non-Operating Expense:

In the category titled "**Total Non-Operating Expense**", expenses were down \$0.7 million to \$2.5 million in Fiscal Year 2007, down from \$3.2 million in Fiscal Year 2006. This favorable decrease was the direct result of an additional \$1.9 million of interest expense associated with a full year of interest on the Fiscal Year 2006 bond issue on November 30, 2005, partially offset by an increase in capitalized interest of \$1.6 million.

Capital Contributions:

As we continue our review of Table A-2, you will notice that Capital Contributions were down \$11.5 million to \$22.2 million in Fiscal Year 2007 from \$33.7 million in Fiscal Year 2006. The major reason for the reduction is primarily due to "**Tap Fees**" being down \$1.6 million to \$9.1 million in Fiscal Year 2007 from \$10.7 million in Fiscal Year 2006, and in the category "**Developer Lines**" which were down \$9.9 million to \$13.1 million in Fiscal Year 2007 from \$23.0 million in 2006. It should be stated that the decrease in taps and developer contributions are reflective of a sharp decline in housing start in the last half of Fiscal 2007. External market forces hampered the growth of housing demands and thus tap sales and developer lines.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The table below provides a summary of the Authority's growth 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 on page 28 and pages 36-37.

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

Description	Fiscal Year 2005 to 2006 Comparison				Fiscal Year 2006 to 2007 Comparison			
	FY 2005	FY 2006	Dollar Change	Total Percent Change	FY 2006	FY 2007	Dollar Change	Total Percent Change
Land	\$8.3	\$8.7	\$0.4	4.8%	\$8.7	\$9.8	\$1.1	12.7%
Buildings	26.8	26.8	0.0	0.0%	26.8	28.0	1.2	4.2%
Machinery & Equipment	24.5	28.9	4.4	18.0%	28.9	32.1	3.2	11.1%
Improvements	247.5	278.7	31.2	12.6%	278.7	300.0	21.3	7.7%
Construction in Progress	10.6	29.8	19.2	181.1%	29.8	67.6	37.8	126.7%
Subtotal	317.7	372.9	55.2	17.4%	372.9	437.5	64.6	17.3%
Less Accumulated Depreciation	71.3	81.8	10.5	14.7%	81.8	93.4	11.6	14.2%
Net Property Plant Equipment	\$246.4	\$291.1	\$44.7	18.1%	\$291.1	\$344.1	\$53.0	18.2%

Fiscal Year 2005 to 2006 Comparison

At the end of 2006, the Authority had invested \$372.9 million in a broad range of infrastructure including water plants, wastewater plants, wastewater facilities, water & sewer lines, dam, reservoir, maintenance & administration facilities, and vehicles and equipment as shown in Table A-3. As you review Table A-3, you will notice that the asset value of "Land" increased \$0.4 million to \$8.7 million in Fiscal Year 2006 up from \$8.3 in Fiscal Year 2005. This was the direct result of the purchased land (easements) for the expansion of the Dog River reservoir. In the category titled "Buildings", building and structures remained unchanged at \$26.8 million in Fiscal Year 2006. In the Category of assets titled "Machinery and Equipment", asset values increased \$4.4 million to \$28.9 million in Fiscal Year 2006 up from \$24.5 million in Fiscal Year 2005. The major expenditures in this category included \$2.2 million for an aerobic digester at the Sweetwater Creek Wastewater Treatment Plant, and \$1.5 million for pumping equipment, transportation equipment and SCADA communication system. "Improvements other than buildings" saw an increase in asset value of \$31.2 million in Fiscal Year 2006 to \$278.7 million up from \$247.5 million in Fiscal Year 2005. This was primarily the result of the addition of \$23.0 million in developer line contributions, \$3.5 million in stormwater improvements, \$1.5 million for the Anneewakee Creek force main, and \$1.3 million for the Highway 5 water line. Finally, in the category "Construction in Progress", asset values were up \$19.2 million to \$29.8 million in Fiscal Year 2006 from \$10.6 million in Fiscal Year 2005. This increase in values was primarily the result of \$16.5 million in new construction on the South Central Wastewater Treatment Plant, and \$2.9 million for the Saint Andrews Force main and lift station project as of year ending June 30, 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

The following is a summary of the Capital expenditures to the system during Fiscal Year 2006.

Fiscal Year 2006 capital assets additions include (dollars in millions):

- \$0.4 million; (land for the Dog River expansion project).
- \$1.9 million; (vehicles-\$0.8 million; computers-\$0.2 million; pumps/motors-\$0.6 million, other equipment-\$0.3 million).
- \$2.8 million (treatment and disposal equipment).
- \$1.2 million; (St. Andrews lift station and force main).
- \$2.9 million; (Dog River reservoir expansion).
- \$3.3 million; (lift stations, force mains, water, sewer, stormwater system expansion).
- \$3.2 million; (water, wastewater, and stormwater line replacements and extensions).
- \$23.0 million; (in developer contributions (\$7.4 million-water lines, \$10.7 million-sewer lines, \$4.9 million-stormwater lines).
- \$17.8 million; (S. Central wastewater treatment plant expansion).
- \$1.3 million; (disposal of equipment-\$0.5 million, disposal of land \$0.8 million)

\$55.2 million – Total Asset Change

Fiscal Year 2006 to 2007 Comparison

At the end of 2007, the Authority had invested \$437.5 million in a broad range of infrastructure including water plants, wastewater plants, wastewater facilities, water & sewer lines, dam, reservoir, maintenance & administration facilities, and vehicles and equipment as shown in Table A-3. As you review Table A-3, you will notice that the asset value of “**Land**” increased \$1.1 million to \$9.8 million in Fiscal Year 2007 up from \$8.7 in Fiscal Year 2006. This was primarily the result of the purchased land for the expansion of the Dog River reservoir and water storage tank. In the category titled “**Buildings**”, buildings and structures increased \$1.2 million to \$28.0 million in Fiscal Year 2007 up from \$26.8 million in Fiscal Year 2006. This was the direct result of the completion of the Saint Andrews area lift station to reroute flow from the abandoned plant to the South Central facility. In the Category of assets titled “**Machinery and Equipment**”, asset values increased \$3.2 million to \$32.1 million in Fiscal Year 2007 up from \$28.9 million in Fiscal Year 2006. The major expenditures in this category included \$1.2 million for developer constructed lift stations, \$0.4 million in SCADA equipment, \$0.6 million for lift station generators and pumps, and \$0.7 million on vehicles, computers and other equipment. “**Improvements other than buildings**” saw an increase in asset value of \$21.3 million in Fiscal Year 2007 to \$300.0 million up from \$278.7 million in Fiscal Year 2006. This was primarily the result of the addition of \$13.1 million in developer line contributions of water, sewer and stormwater lines, \$3.0 million for Authority installed water, sewer, and stormwater improvements, \$0.4 million on Saint Andrews lift station, and \$0.2 million on the South Central 36-inch force main. Finally, in the category “**Construction in Progress**”, asset values were up \$37.8 million to \$67.6 million in Fiscal Year 2007 from \$29.8 million in Fiscal Year 2006. This increase in values was primarily the result of \$33.0 million in new construction on the South Central Wastewater Treatment Plant, \$3.2 million on the Southside plant abandonment, and \$1.6 million on the Sweetwater Wastewater plant expansion.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

The following is a summary of the Capital expenditures to the system during Fiscal Year 2007.

<p>Fiscal Year 2007 capital assets additions include (dollars in millions):</p> <ul style="list-style-type: none"> • \$1.1 million; (land acquisitions; reservoir expansion-\$0.6, water tank-\$0.3, easements-\$0.2). • \$1.2 million; (buildings & structures; St. Andrews lift station-\$1.1, miscellaneous-\$0.1). • \$3.2 million; (machinery and equip.; developer contributions-\$1.2, capital expenditures-\$2.0 (SCADA equip.-\$0.4, St. Andrews lift station generators/pumps-\$0.6, water plant VFD pump-\$0.4, vehicles, computer, misc-\$0.6). • \$21.3 million; (developer contributions-\$11.9 (sewer lines-\$5.0, water lines-\$4.0, stormwater lines-\$2.4, other-\$0.5). • \$37.8 million; (construction in progress; S. Central wastewater treatment plant-\$33.0, southside abandonment-\$3.2, Sweetwater wastewater treatment plant expansion-\$1.6). <p>\$64.6 million – Total Asset Change</p>
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LONG TERM DEBT

At year-end, the Authority had \$98.0 million in long- and short-term debt down from \$100.5 million in Fiscal Year 2006 for a decrease of \$2.5 million or 2.5 percent. This decrease was the direct result of principal payments on outstanding debt. More detailed information about the Authority’s long-term liabilities is presented in the Notes to the Financial Statements on pages 33-35. The Authority plans on issuing approximately \$79.0 million in new debt in Fiscal Year 2008 to finance major capital improvements, primarily the expansion of the Bear Creek Water Treatment Plant from 16.0 mgd to 23.0 mgd, and the expansion of the Dog River Reservoir.

<p>BOND RATINGS</p> <p>All outstanding bonds carry an Aaa and AAA rating from Moody’s and Standard & Poor’s respectively based upon a Municipal Bond Insurance Policy. During FY 2005, the Authority received a double upgrade in the stand-alone rating from an A1 to Aa2 by Moody’s, and a double upgrade from an A to an AA- from Standard & Poor’s.</p>	<p>LIMITATIONS ON DEBT</p> <p>Bond Covenants allow for the issuance of additional debt, on a parity, as to lien on the net revenues of the System provided certain net earning ratio(s) conditions are met. The major criteria are that all estimated future net earnings of the system must be at least 1.20 times the highest combined debt service requirement. The Authority currently enjoys a coverage ratio of 3.2</p>
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One area that demonstrates the Authority’s financial strength and future borrowing capability is seen in its debt coverage ratio with earning coverage of 3.2 times debt.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

The impact of this is that the Authority has the ability and the capacity to finance, at current market conditions, over \$150.0 million in additional debt from current earnings (as shown in Table A-4).

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

Description	Fiscal Year 2005 to 2006 Comparison			Fiscal Year 2006 to 2007 Comparison		
	FY 2005	FY 2006	Total Percent Change	FY 2006	FY 2007	Total Percent Change
Revenues						
Revenues from Operations	\$23.8	\$28.9	21.4%	\$28.9	\$30.9	6.9%
Interest Income (excludes construction fund)	0.4	0.8	100.0%	0.8	0.7	(12.5%)
Tap Fees	8.1	10.7	25.0%	10.7	9.1	(15.0%)
Total Revenues	32.3	40.4	26.0%	40.4	40.7	0.7%
Total Operating Expenses (less depreciation)	13.6	16.5	21.3%	16.5	18.2	10.3%
Net Earnings	\$18.7	\$23.9	27.8%	\$23.9	\$22.5	(5.9)
Maximum Annual Debt Service	\$4.3	\$7.0	62.8%	\$7.0	\$7.0	0.0%
Debt Coverage Ratio	4.3	3.4	(20.9%)	3.4	3.2	(5.9%)

The Authority has also been successful in taking advantage of available low financing, as was the case in a \$5.3 million State Revolving Fund loan at a rate of 2.0 percent in 1991. In addition, refinancing older bond issues at lower interest rates have resulted in savings of over \$3.0 million. The market timing of the Authority's latest bond issue (2005) resulted in an unusually low average coupon rate of 4.8 percent. As can be seen in Table A-5, the Authority's current average cost of capital is 4.8 percent in outstanding debt.

**TABLE A-5
Cost of Capital**

	Debt Balance	Average Coupon Rate
1993 Bonds	\$16.8	5.5%
1998 Bonds	28.1	4.6%
2005 Bonds	52.0	4.8%
State Rev. Fund	1.1	2.0%
Total	\$98.0	*4.8%

*Note: weighted average coupon rate.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, investors, 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 Financial Officer, P.O. Box 1157, Douglasville, Georgia 30133.

BASIC FINANCIAL STATEMENTS

Douglasville-Douglas County Water and Sewer Authority

Statements of Net Assets

	June 30,	
	2007	2006
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,038,296	\$ 4,109,408
Accounts receivable, less allowance for doubtful accounts of \$454,033 in 2007 and \$655,815 in 2006	4,663,732	4,270,179
Miscellaneous receivables	453,772	842,368
Inventories	638,582	845,481
Prepaid expenses	258,968	168,004
Restricted assets:		
Cash and cash equivalents	9,450,054	13,814,816
Investments	19,558,297	43,380,508
Receivables	-	175,308
Total current assets	<u>37,061,701</u>	<u>67,606,072</u>
Non-current assets:		
Capital Assets:		
Land and easements	9,766,496	8,668,269
Buildings	27,967,067	26,830,456
Machinery and equipment	32,124,065	28,925,568
Improvements other than buildings	300,047,469	278,680,632
Construction in progress	67,616,693	29,820,287
	<u>437,521,790</u>	<u>372,925,212</u>
Less accumulated depreciation	93,410,298	81,776,148
Net capital assets	<u>344,111,492</u>	<u>291,149,064</u>
Other assets:		
Prepaid loan costs, less accumulated amortization of \$174,738 in 2007 and \$165,030 in 2006	32,359	42,067
Bond issuance costs, less accumulated amortization of \$857,079 in 2007 and \$764,629 in 2006	1,110,938	1,203,388
Deposits	53,261	53,261
Total other assets	<u>1,196,558</u>	<u>1,298,716</u>
Total non-current assets	<u>345,308,050</u>	<u>292,447,780</u>
Total assets	<u><u>382,369,751</u></u>	<u><u>\$360,053,852</u></u>

	June 30,	
	2007	2006
Liabilities:		
Current liabilities:		
Accounts payable	\$ 4,291,208	\$ 4,042,843
Accrued expenses and other	676,137	613,989
Current liabilities payable from restricted assets:		
Accounts payable	6,986,352	4,482,614
Revenue bonds, portion due within one year	2,345,000	2,230,000
Notes payable, portion due within one year	312,984	306,802
Accrued interest on revenue bonds	391,979	401,562
Accrued interest on notes payable	3,744	4,767
Total current liabilities	<u>15,007,404</u>	<u>12,082,577</u>
Non-current liabilities:		
Long-term liabilities:		
Payable from restricted assets:		
Customer deposits	2,151,413	2,087,298
Deferred income	2,059,435	2,143,190
Total long-term liabilities payable from restricted assets	<u>4,210,848</u>	<u>4,230,488</u>
Other long-term liability	1,075,192	1,781,703
Long-term debt:		
Revenue bonds – portion due after one year, net of unamortized (premium)/discounts of (\$32,136) in 2007 and (\$9,091) in 2006	94,577,136	96,899,091
Notes payable	810,330	1,123,314
Total long-term debt	<u>95,387,466</u>	<u>98,022,405</u>
Total non-current liabilities	<u>100,673,506</u>	<u>104,034,596</u>
Total liabilities	<u>115,680,910</u>	<u>116,117,173</u>
Net assets:		
Invested in capital assets, net of related debt	266,288,821	239,156,932
Restricted net assets:		
Restricted for debt service	630,616	548,879
Restricted for capital projects	1,394,650	104,913
Restricted for meter deposits	88,370	17,505
Unrestricted net assets	<u>(1,713,616)</u>	<u>4,108,450</u>
Total net assets	<u>266,688,841</u>	<u>243,936,679</u>
Total liabilities and net assets	<u>382,369,751</u>	<u>\$360,053,852</u>

See accompanying notes.

Douglasville-Douglas County Water and Sewer Authority

Statements of Revenues, Expenses and Changes in Net Assets

	Year ended June 30,	
	2007	2006
Operating revenue:		
Charges for services	\$ 29,837,074	\$ 27,980,765
Penalties	1,064,234	896,317
	<u>30,901,308</u>	<u>28,877,082</u>
Operating expenses:		
Employment costs	10,717,320	9,804,758
Repairs and maintenance	1,915,063	1,980,471
Supplies and materials	875,123	785,378
Depreciation	11,881,812	10,930,618
Utilities	2,063,356	1,919,256
Water and sewer services purchased	338,396	86,899
Administration	2,323,374	1,898,629
	<u>30,114,444</u>	<u>27,406,009</u>
Operating income	786,864	1,471,073
Non-operating revenues (expenses):		
Interest and fiscal charges, net of capitalized amount of \$2,477,729 in 2007 and \$844,553 in 2006	(2,356,715)	(3,076,051)
Interest revenue	2,266,281	2,174,571
Gain/(loss) on disposal of capital assets	33,854	(21,857)
Other expenses	(100,989)	(106,650)
Total non-operating expenses, net	<u>(157,569)</u>	<u>(1,029,987)</u>
Gain before capital contributions	629,295	441,086
Capital contributions	22,122,867	33,698,728
Change in net assets	22,752,162	34,139,814
Total net assets – beginning	243,936,679	209,796,865
Total net assets – ending	<u>\$266,688,841</u>	<u>\$243,936,679</u>

See accompanying notes.

Douglasville-Douglas County Water and Sewer Authority

Statements of Cash Flows

	Year ended June 30,	
	2007	2006
Cash flows from operating activities:		
Cash received from customers	\$ 30,559,161	\$ 27,186,030
Cash payments for goods and services	(6,746,207)	(5,844,374)
Cash payments to employees	(11,365,184)	(9,264,792)
Net cash provided by operating activities	<u>12,447,770</u>	<u>12,076,864</u>
Cash flows from capital and related financing activities:		
Net proceeds from issuance of bonds	-	52,216,855
Proceeds from the sale of capital assets	37,279	74,738
Cash received for development	705,010	-
Cash received for water and sewer tap fees	9,055,525	10,690,000
Proceeds from construction bid packages	24,213	22,362
Payments for capital acquisitions	(47,387,574)	(28,257,870)
Principal repayments on long-term debt	(2,536,802)	(2,128,190)
Interest paid	(4,845,050)	(3,724,397)
Net cash provided by (used in) capital and related financing activities	<u>(44,947,399)</u>	<u>28,893,498</u>
Cash flows from investing activities:		
Proceeds from sales of investments	32,535,854	16,521,103
Receipts of interest and dividends	2,241,544	2,147,985
Payments for investments	(8,713,643)	(59,467,207)
Net cash provided by (used in) investing activities	<u>26,063,755</u>	<u>(40,798,119)</u>
Net increase (decrease) in cash and cash equivalents	(6,435,874)	172,243
Cash and cash equivalents, beginning of year	17,924,224	17,751,981
Cash and cash equivalents, end of year	<u>\$ 11,488,350</u>	<u>\$ 17,924,224</u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 2,038,296	\$ 4,109,408
Restricted assets:		
Cash and cash equivalents	9,450,054	13,814,816
	<u>\$ 11,488,350</u>	<u>\$ 17,924,224</u>

Douglasville-Douglas County Water and Sewer Authority

Statements of Cash Flows (continued)

	Year ended June 30,	
	2007	2006
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 786,864	\$ 1,471,073
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,881,812	10,930,618
Changes in operating assets and liabilities:		
Accounts and miscellaneous receivables	(4,957)	(1,755,159)
Inventories	206,899	299,575
Prepaid expenses	(90,964)	936
Deposits	-	10,000
Accounts payable	248,365	188,604
Accrued expenses and other	62,147	(253,488)
Customer deposits	64,115	390,252
Other long-term liabilities	(706,511)	794,453
Total adjustments	11,660,906	10,605,791
Net cash provided by operating activities	<u>\$ 12,447,770</u>	<u>\$ 12,076,864</u>
Non-cash capital financing activities:		
Capital assets acquired through:		
Developer contributions	\$12,362,332	\$23,008,727
Total non-cash capital financing activities	<u>\$12,362,332</u>	<u>\$23,008,727</u>

See accompanying notes.

**NOTES TO
FINANCIAL STATEMENTS**

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements

June 30, 2007 and 2006

1. Summary of Significant Accounting Policies

Basis of Presentation

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. The Authority is a primary government with no component units. 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 assets of the City and the County were transferred to the Authority's books at their historical cost, less accumulated depreciation, in a manner similar to a pooling of interests. In connection with a physical inventory of the assets transferred, the Authority also recorded certain water and sewerage system assets which had not previously been recorded on the books of the City or the County. Operating liabilities related to the City and the County's water and sewerage systems were also transferred to the Authority at book value. The net book value of the assets transferred was recorded as a capital contribution to the Authority.

On September 19, 2002, the Authority entered into a 30-year Intergovernmental Agreement ("Agreement") with the City of Douglasville whereby the City agreed to convey their stormwater system to the Authority in exchange for the waiver of future stormwater service fees. On January 1, 2003, the City transferred these assets to the Authority and they were recorded at their estimated fair value.

On December 9, 2003, the Authority entered into a 30-year Intergovernmental Agreement ("Agreement") with amendment dated June 15, 2004, with Douglas County whereby the County agreed to convey their stormwater system to the Authority in exchange for the waiver of future stormwater services fees. On July 1, 2004, the County transferred these assets to the Authority and they were recorded at their estimated fair value.

As stated in each Agreement, deferred 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 deferred revenue was recorded as a capital contribution.

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Method of Accounting

The Authority classified net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The financial statements of the Authority are prepared on the accrual basis of accounting and use the economic resources measurement focus, whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board (GASB) Statement No. 20, the Authority has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

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.

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Capital Assets

The capital assets transferred to the Authority in 1985 were recorded as capital contributions from the City and the County at estimated historical cost, less accumulated depreciation to the date of transfer. The Authority engaged an independent appraisal firm to take a complete physical inventory of the assets transferred from the City and the County. The physical inventory listing was priced at estimated cost at the date of acquisition. Because of the permitted governmental accounting practices for capital expenditures followed by the City and the County in prior years, the aggregate value of the assets acquired indicated by the physical inventory exceeded the amounts recorded on the books of the City and the County by \$20,896,727. The Authority also recorded this amount as capital contributions on December 27, 1985. The City's stormwater assets transferred to the Authority on January 1, 2003 and the County's stormwater assets transferred on July 1, 2004. These assets were recorded in the appropriate years as capital contributions at estimated fair value. The Authority engaged an independent appraisal firm to value the stormwater assets transferred from the City and the County. Current additions to capital assets are capitalized at historical cost with a capital threshold of \$500. 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	4 – 10 years
Buildings	25 – 40 years
Improvements other than buildings	30 – 50 years

Inventories

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

Bond Premiums, Bond Discounts, Bond Issuance and Prepaid Loan Costs

Bond premiums, bond discounts, and bond issuance costs are being amortized on the interest method over the term of the related obligation. Prepaid loan costs are being amortized on the straight-line method, which approximates the 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.

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Accumulated Unpaid Vacation and Sick Pay

The Authority accrues its liability for earned but unpaid vacation and sick pay costs.

Deferred Income

Deferred 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 on the interest method over the life of the respective agreements.

Water and Sewer Tap Fees

Water and sewer tap fees are recorded as capital contributions when received and related costs are capitalized in capital assets.

Developer Lines

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

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 assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Statement 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.

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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.

2. Deposits and Investments

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

	2007	2006
Demand deposit accounts	\$ 10,626,643	\$ 17,212,516
Money market accounts	861,707	711,708
Repurchase Agreement	19,079,482	42,839,006
U.S. Treasury notes	164,633	243,500
Local Government Investment Pool	314,182	298,002
	\$ 31,046,647	\$ 61,304,732

	2007	2006
Classification per Statements of Net Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,038,296	\$ 4,109,408
Restricted assets:		
Cash and cash equivalents	9,450,054	13,814,816
Investments	19,558,297	43,380,508
	\$31,046,647	\$61,304,732

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.

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

2. Deposits and Investments (continued)

At June 30, 2007, the Authority had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	15 day weighted average	\$314,182
U.S. Treasury Notes	336 day weighted average	164,633
Flexible Repurchase Agreement	1 day	19,079,482
Total Investments		<u>\$19,558,297</u>

At June 30, 2006, the Authority had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	28 day weighted average	\$298,002
U.S. Treasury Notes	280 day weighted average	243,500
Flexible Repurchase Agreement	1 day	42,839,006
Total Investments		<u>\$43,380,508</u>

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. This statement also allows investments in a 2a7-like pools 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 Statement of Net Assets. As of June 30, 2007 and 2006, the Authority's investment in Georgia Fund 1 was rated AAAM 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 AAAM 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 pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1.00 per share.

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

2. Deposits and Investments (continued)

U.S. Treasury Notes – The Authority, by means of a Forward Delivery Agreement, uses money deposited into the 1993 Debt Service Sinking Fund to purchase direct, full faith and credit, non-callable obligations of the United States of America, which will mature at such times and in such amounts as will permit the timely payment of principal and interest on the 1993 bonds.

Flexible Repurchase Agreement – The Flexible Repurchase Agreement (repo) is an investment contract between the Authority and an investment provider, Morgan Stanley, which consists of a series of overnight repos that mature in one day. The Authority repo represents bond proceeds restricted to expenditures for construction. Under the contract, the interest is reinvested monthly and the Authority may withdraw funds for construction expenditures in any amount at any time. A repurchase transaction requires a day to complete. The Authority may not withdraw funds for purposes of reinvestment nor can the Authority make the contemplated construction expenditures from other available funds in order to avoid expenditure of funds from the repo. The contract has no provisions for termination payments. Securities issued are guaranteed by the U.S. Government and are not considered to have credit risk, interest rate risk, or foreign currency risk. There is no custodial risk since the securities underlying the repo (the USTs purchased by the Authority and the collateral securities) are held by the custodian in a separate account in the name of the Authority.

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, 2007, all of the Authority's bank balances were adequately insured and collateralized as defined by the Governmental Accounting Standards Board.

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

3. Long-Term Debt

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 percent to 5.0 percent. The bonds will be used to finance the cost of making renovations, additions, and expansions of the system. The outstanding principal balance on the 2005 Series Bonds was \$51,970,000 and \$52,250,000 at June 30, 2007 and 2006, respectively.

On October 28, 1998, the Authority issued Water and Sewerage Revenue Bonds in the amount of \$28,620,000 with interest rates ranging from 3.25 percent to 4.9 percent. A portion of the proceeds from the bonds went to prepay in full the \$1,030,737 GEFA Loan, with an outstanding aggregate principal amount of \$746,755. The remaining portion of the Bond proceeds is being used to acquire, construct, and install certain additions, extensions, and improvements to the system. The outstanding principal balance on the 1998 Series Bonds was \$28,075,000 and \$28,145,000 at June 30, 2007 and 2006, respectively.

On June 15, 1993, the Authority issued Water and Sewerage Revenue Bonds in the amount of \$29,895,000 to partially defease the 1991 and 1988 bond issues. The outstanding principal balance on the 1993 series bonds was \$16,845,000 and \$18,725,000 at June 30, 2007 and 2006, 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 1	Principal Maturities and Scheduled		Total Debt Service on the Bonds
	Mandatory Redemption Payments	Interest Payable	
2008	\$2,345,000	\$4,703,748	\$7,048,748
2009	2,470,000	4,579,117	7,049,117
2010	2,600,000	4,447,593	7,047,593
2011	2,740,000	4,308,858	7,048,858
2012	2,885,000	4,162,733	7,047,733
2013-2017	16,830,000	18,408,135	35,238,135
2018-2022	21,235,000	14,005,159	35,240,159
2023-2027	26,540,000	8,701,049	35,241,049
2028-2030	19,245,000	1,895,180	21,140,180
Totals	96,890,000	\$65,211,572	\$162,101,572
Less: Portion due within one year	2,345,000		
Net Unamortized (premium)/discount	(32,136)		
Long-term debt at June 30, 2007	\$94,577,136		

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

3. Long-Term Debt (continued)

The Series 2005 Bonds maturing on or after June 1, 2016 may be redeemed at the option of the Authority on not less than thirty (30) days nor more than 60 days notice prior to their respective maturities, in whole or in part, at any time, not earlier than December 1, 2015, from any moneys available for such purpose as provided in the 2005 Resolution by payment of the principal amount thereof and accrued interest thereon to date of redemption.

The Series 1998 Bonds having stated maturities in 2018 and 2023 will be subject to scheduled mandatory redemption prior to maturity. These Bonds are to be redeemed each year beginning June 1, 2016 to May 31, 2018, and June 1, 2019 to May 31, 2023 respectively, at a redemption price equal to 100 percent.

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:

	Balance at June 30, 2005	Additions	Reductions	Balance at June 30, 2006	Due Within One Year
1993 Revenue Bonds	\$20,515,000	\$ -	\$(1,790,000)	\$ 18,725,000	\$ 1,880,000
1998 Revenue Bonds	28,215,000	-	(70,000)	28,145,000	70,000
2005 Revenue Bonds	-	52,250,000	-	52,250,000	280,000
State Revolving Fund	1,730,858	-	(300,742)	1,430,116	306,802
Premiums/(Discounts):					
1993 Revenue Bonds	(42,841)	-	7,802	(35,039)	-
1998 Revenue Bonds	(807,095)	-	57,285	(749,810)	-
2005 Revenue Bonds	-	818,129	(24,189)	793,940	-
Total long-term debt	\$49,610,922	\$53,068,129	\$(2,119,844)	\$100,559,207	\$ 2,536,802

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

3. Long-Term Debt (continued)

	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007	Due Within One Year
1993 Revenue Bonds	\$ 18,725,000	\$ -	\$ (1,880,000)	\$16,845,000	\$ 1,985,000
1998 Revenue Bonds	28,145,000	-	(70,000)	28,075,000	75,000
2005 Revenue Bonds	52,250,000	-	(280,000)	51,970,000	285,000
State Revolving Fund	1,430,116	-	(306,802)	1,123,314	312,984
Premiums/(Discounts):					
1993 Revenue Bonds	(35,039)	-	7,136	(27,902)	-
1998 Revenue Bonds	(749,810)	-	57,165	(692,645)	-
2005 Revenue Bonds	793,940	-	(41,257)	752,683	-
Total long-term debt	<u>\$100,559,207</u>	<u>\$ -</u>	<u>\$ (2,513,757)</u>	<u>\$98,045,450</u>	<u>\$ 2,657,984</u>

Other long-term debt is as follows:

	2007	2006
Note payable to State of Georgia, with interest at an annual rate of 2%, due in quarterly installments of principal and interest of \$83,278, through November 2010.	\$1,123,314	\$1,430,116
Less: Portion due within one year	312,984	306,802
	<u>\$810,330</u>	<u>\$1,123,314</u>

Maturities of other long-term debt obligations for the remaining Fiscal Years are:

	Principal	Interest	Total
2008	312,984	20,128	333,112
2009	319,291	13,821	333,112
2010	325,724	7,388	333,112
2011	165,315	1,241	166,556
	<u>\$1,123,314</u>	<u>\$42,578</u>	<u>\$1,165,892</u>

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

4. Capital Assets

A summary of capital asset activity and changes in accumulated depreciation for the years ended June 30, 2006 and 2007 follows:

	Balance at June 30, 2005	Additions	Deletions Retirements Transfers	Balance at June 30, 2006
Capital assets not being depreciated:				
Land and Easements	\$ 8,303,273	\$ 1,212,194	\$ (847,198)	\$ 8,668,269
Construction in progress	10,598,232	30,640,135	(11,418,080)	29,820,287
Total capital assets, not being depreciated	18,901,505	31,852,329	(12,265,278)	38,488,556
Capital assets being depreciated:				
Buildings and Structures	26,768,605	64,100	(2,249)	26,830,456
Machinery and Equipment	24,538,218	4,907,399	(520,049)	28,925,568
Improvements Other Than Buildings	247,447,029	31,241,371	(7,768)	278,680,632
Total capital assets being depreciated	298,753,852	36,212,870	(530,066)	334,436,656
Less accumulated depreciation for:				
Buildings and Structures	(4,985,200)	(866,822)	1,687	(5,850,335)
Machinery and Equipment	(13,044,717)	(2,092,470)	430,095	(14,707,092)
Improvements Other Than Buildings	(53,248,725)	(7,971,326)	1,330	(61,218,721)
Total accumulated depreciation	(71,278,642)	(10,930,618)	433,112	(81,776,148)
Total capital assets being depreciated, net	227,475,210	25,282,252	(96,954)	252,660,508
Net capital assets	\$246,376,715	\$ 57,134,581	\$(12,362,232)	\$291,149,064
	Balance at June 30, 2006	Additions	Deletions Retirements Transfers	Balance at June 30, 2007
Capital assets not being depreciated:				
Land and Easements	\$ 8,668,269	\$ 1,098,227	\$ -	\$ 9,766,496
Construction in progress	29,820,287	49,683,352	(11,886,946)	67,616,693
Total capital assets, not being depreciated	38,488,556	50,781,579	(11,886,946)	77,383,189
Capital assets being depreciated:				
Buildings and Structures	26,830,456	1,136,611	-	27,967,067
Machinery and Equipment	28,925,568	3,449,584	(251,087)	32,124,065
Improvements Other Than Buildings	278,680,632	21,366,837	-	300,047,469
Total capital assets being depreciated	334,436,656	25,953,032	(251,087)	360,138,601
Less accumulated depreciation for:				
Buildings and Structures	(5,850,335)	(936,065)	-	(6,786,400)
Machinery and Equipment	(14,707,092)	(2,358,564)	247,662	(16,817,994)
Improvements Other Than Buildings	(61,218,721)	(8,587,183)	-	(69,805,904)
Total accumulated depreciation	(81,776,148)	(11,881,812)	247,662	(93,410,298)
Total capital assets being depreciated, net	252,660,508	14,071,220	(3,425)	266,911,620
Net capital assets	\$291,149,064	\$ 64,852,799	\$(11,890,371)	\$344,111,492

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

4. Capital Assets (continued)

Total interest costs incurred during the year amounted to \$4,834,444 and \$3,920,604 in 2007 and 2006, respectively. From these amounts, \$2,477,729 and \$844,553 was capitalized as construction period interest in 2007 and 2006, respectively.

Depreciation expense incurred during the year amounted to \$11,881,812 and \$10,930,618 in 2007 and 2006, respectively.

5. Changes in Amounts Invested in Capital Assets, Net of Related Debt

The change in amounts invested in capital assets, net of related debt can be summarized as follows:

Balance at July 1, 2006	\$239,156,932
Change in capital assets	52,962,426
Change in related debt	(2,071,013)
Change in debt related to unspent proceeds	<u>(23,759,524)</u>
Balance at June 30, 2007	<u><u>\$266,288,821</u></u>

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:

	2007	2006
Legal:		
Capital improvements		
Renewal and Extension	\$ 1,566,615	\$ 4,591,068
Refundable meter deposits	2,063,226	1,921,362
Debt service sinking fund	1,026,340	955,208
Construction fund	<u>19,079,482</u>	<u>42,839,006</u>
	23,735,663	50,308,044
Receivables	-	175,308
Board enacted:		
Capital improvements	<u>5,272,688</u>	<u>6,888,680</u>
	<u>5,272,688</u>	<u>6,888,860</u>
	<u><u>\$29,008,351</u></u>	<u><u>\$57,370,632</u></u>

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

6. Restricted Assets (continued)

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 2008 total \$7,048,748.

7. Pension and Deferred Compensation Plans

Plan Description

The Authority's defined benefit pension plan, Douglasville-Douglas County Water & Sewer Authority Retirement Plan (the "Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is affiliated with the Joint Municipal Employees Benefit System (the "System"), an agent multiple-employer public employee retirement 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 or by calling (404) 688-0472.

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 \$1,194,880. 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 plan held no individual investments (other than U.S. Government and U.S. Government guaranteed obligations) whose market value exceeds five percent or more of net assets available for benefits. There are no long-term contracts for contributions.

For 2007, the Authority's annual pension cost of \$1,194,880 for the Plan was equal to the Authority's required and actual contributions. The required contribution was determined as part of the March 1, 2007 actuarial valuation using the projected unit credit actuarial cost method. This asset valuation method considers the sum of the actuarial value at the beginning of year and the cash flow during the year plus the assumed investment return,

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

7. Pension and Deferred Compensation Plans (continued)

adjusted by 10 percent 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 25% of the market value. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increase of 5.5% per year including 5.0% per year for inflation and 0.5% per year for merit or seniority.

The unfunded actuarial accrued liability is amortized using the level dollar method. The amortization periods of the unfunded actuarial accrued liability are as follows:

<u>Unfunded Actuarial Accrued Liability</u>	<u>Amortization Period</u>
Initial UALL	30 years
Change in UAAL due to plan changes	20 years
Change in UAAL based on experience gains and losses	15 years
Change in UAAL from assumption and method changes	30 years

These amortization periods, if applicable, are closed for this plan year.

Trend Information for the Plan			
<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$ 825,417	100%	\$ -
6/30/04	858,100	100%	-
6/30/05	974,735	100%	-
6/30/06	1,167,373	100%	-
6/30/07	1,194,880	100%	-

Membership of the Plan as of the valuation date of March 1, 2007 was:

<u>Members of the Plan</u>	<u>Participants</u>
Retirees and beneficiaries receiving benefits	24
Terminated plan members entitled to, but not yet receiving benefits	66
Active plan members	151
Total Membership	<u>241</u>

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

7. Pension and Deferred Compensation Plans (continued)

Deferred Compensation Plan

The Authority offers its employees a 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. 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.

On October 1, 1999, the Authority entered into an Employment Agreement with the Executive Director providing supplemental retirement benefits. The annual cost associated with this benefit was \$107,000. The actuarial determined net benefit obligation as of June 30, 2005 was \$987,250.

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. On December 19, 2005, the Authority had its actuary update the net benefit obligation. The impact was a significant increase in the remaining annual yearly obligation due to the shortened reserve period. The cost associated with this benefit is \$794,453 for the year ended June 30, 2006. The actuarial determined net benefit obligation as of June 30, 2006 is \$1,781,703.

On February 1, 2007, the Executive Director officially retired. During Fiscal Year 2007, the Authority purchased lump sum single premium life only annuities in the amount of \$1,651,197 to satisfy the pension retirement obligation to the Executive Director. The Authority further had the actuary update the net benefit obligation on the 1999 Employment Agreement as it relates to post retirement health care and pension cost-of-living increases. The actuarial determined net benefit obligation as of June 30, 2007 is \$1,075,192. In conjunction with his retirement, a new two-year Employment Agreement was authorized by the Board of Directors to allow for succession planning and a smooth transition.

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

7. Pension and Deferred Compensation Plans (continued)

The new Employment Agreement and/or the Authority's Pension Plan do not provide for any additional pension or group health benefit for the Executive Director.

Balance at June 30, 2006	\$1,781,703
Additional accrual	944,685
Payments	<u>1,651,197</u>
Balance at June 30, 2007	<u>\$1,075,192</u>

8. 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, 2007 and 2006, open contracts for construction totaled \$85,155,287 and \$70,460,217, respectively, of which \$53,940,519 and \$21,214,633 respectively, had been recorded as construction in progress.

During 1992, the Authority entered into a contract with Douglas County (the "County") whereby the Authority issued the \$1,400,000 Douglasville-Douglas County Water and Sewer Authority Revenue Bonds, Series 1992. The bonds were issued to finance certain water and sewer system infrastructure improvements and road construction in an area designated as Community Improvement District Number 1. After issuance costs, capitalized interest, and discounts, the Authority received approximately \$1,230,000 which was expended for water and sewer system improvements and roads. The amounts attributable to water and sewer system improvements were recorded as capital contributions. The contract with the County requires the County to assess additional property taxes on the benefited properties to service the debt. The Authority has not recorded the debt on its financial records as this is an obligation of the County. The Authority has pledged, as security for the bonds, the revenues to be received under the contract with the County.

Litigation

Various suits and claims arising in the ordinary course of Authority operations are pending. It is the opinion of the Authority's counsel that the potential amount of the Authority's liability in these matters will not be material to the financial statements. Accordingly, no provision has been made in the financial statements for these contingencies.

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

8. Commitments and Contingencies (continued)

Self Insurance

The Authority is self-insured for group health for health claims up to \$50,000 per individual occurrence and \$1,000,000 in the aggregate. The liability reflected on the Statements of Net Assets for unpaid claims has been based on historical experience.

	Self-Insurance Accrued Liability			
	FY'07 Group Health	FY'07 Worker's Comp.	FY'06 Group Health	FY'06 Worker's Comp.
Beginning Balance	\$199,865	-	\$100,604	\$36,733
Claims Incurred	984,716	-	916,448	-
Gross Claims Paid	(1,573,720)	-	(1,421,775)	(36,733)
Claims Reimbursed	694,455	-	604,588	-
Ending Balance	<u>\$305,316</u>	<u>\$ -</u>	<u>\$199,865</u>	<u>\$ -</u>

The Authority maintains commercial coverage for various other risks. Purchased coverage is at levels such that the Authority does not retain the risk of loss. The amount of claim settlements did not exceed insurance coverage for the past three years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Douglasville-Douglas County Water and Sewer Authority

Required Supplementary Information

Funding Progress Schedule

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 Percentage of Covered Payroll ((a - b)/c)
3/1/01	5,135,775	5,914,315	(778,540)	(86.8%)	4,285,626	(18.2%)
3/1/02	5,904,366	6,972,351	(1,067,985)	(84.7%)	4,783,284	(22.3%)
3/1/03	6,222,956	7,983,394	(1,760,438)	(77.9%)	4,949,384	(35.6%)
3/1/04	7,374,149	9,002,765	(1,628,618)	(81.9%)	5,142,544	(31.7%)
3/1/05	8,670,837	10,727,755	(2,056,918)	(80.8%)	5,436,082	(37.8%)
3/1/06	10,154,752	12,490,179	(2,335,427)	(81.3%)	5,862,666	(39.8%)
3/1/07	11,924,379	14,239,709	(2,315,330)	(83.7%)	6,035,687	(38.4%)

**SCHEDULES OF
INDIVIDUAL ACCOUNTS**

Douglasville-Douglas County Water and Sewer Authority

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.

Douglasville-Douglas County Water and Sewer Authority

COMPARATIVE SCHEDULE OF OPERATING REVENUES

Year Ended June 30, 2007

	<u>2007</u>	<u>2006</u>	<u>Variance</u> <u>Amount</u>	<u>Percent</u>
Operating Revenues				
Inspection Fees	\$ 120,600	\$ 166,250	\$ (45,650)	-27.46%
Operating Revenue - Water	17,362,199	15,856,618	1,505,581	9.49%
Operating Revenue - Sewer	7,967,673	7,201,798	765,875	10.63%
Operating Revenue - Stormwater	3,881,573	3,687,643	193,930	5.26%
Soil and Erosion Control Fees	104,355	163,844	(59,489)	-36.31%
Stormwater Fines	42,275	220,000	(177,725)	-80.78%
Cut Off Charges	134,525	131,080	3,445	2.63%
Sale of Materials and Supplies	7,159	1,988	5,171	260.11%
Miscellaneous Revenues	208,465	537,131	(328,666)	-61.19%
Penalties	1,064,234	896,317	167,917	18.73%
Dog River Recreational Complex	8,250	14,413	(6,163)	-42.76%
Total Operating Revenues	\$ 30,901,308	\$ 28,877,082	\$ 2,024,226	7.0%

Douglasville-Douglas County Water and Sewer Authority

COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT
SUMMARY OF OPERATIONS

Year Ended June 30, 2007

	Water Operations	Sewer Operations	Stormwater Operations	Engineering, Inspection & Construction Operations	Administrative Operations	2007 Total	2006 Total	Variance
Employment Costs	\$ 2,948,131	\$ 2,760,984	\$ 330,468	\$ 803,035	\$ 3,874,702	\$ 10,717,320	\$ 9,804,758	\$ 912,562
Repairs & Maintenance	821,720	571,411	86,588	98,860	336,484	1,915,063	1,980,471	(65,408)
Supplies & Materials	298,385	529,274	11,474	19,222	16,768	875,123	785,378	89,745
Utilities	1,091,087	879,464	400	2,042	90,363	2,063,356	1,919,256	144,100
Water and/or Sewer Services Purchased	313,874	24,522	-	-	-	338,396	86,899	251,497
Administrative Costs	60,448	536,279	40,350	59,196	1,627,101	2,323,374	1,898,629	424,745
Depreciation	4,183,567	5,537,999	1,706,765	170,145	283,336	11,881,812	10,930,618	951,194
TOTAL	\$ 9,717,212	\$ 10,839,933	\$ 2,176,045	\$ 1,152,500	\$ 6,228,754	\$ 30,114,444	\$ 27,406,009	\$ 2,708,435

Douglasville-Douglas County Water and Sewer Authority

COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT
WATER OPERATIONS

Year Ended June 30, 2007

	Water Plant Operations	Water Plant Maintenance	Water System Maintenance	Reservoir	Capitalized Salaries	2007 Total	2006 Total	Variance
Employment Costs	\$ 1,065,278	\$ 250,368	\$ 1,549,236	\$ 159,293	\$ (76,044)	\$ 2,948,131	\$ 2,600,592	\$ 347,539
Repairs & Maintenance	59,079	188,602	564,116	9,923	-	821,720	708,287	113,433
Supplies & Materials	270,727	2,115	24,134	1,409	-	298,385	288,266	10,119
Utilities	1,047,395	-	42,120	1,572	-	1,091,087	956,858	134,229
Water and/or Sewer Services Purchased	313,874	-	-	-	-	313,874	65,523	248,351
Administrative Costs	35,241	2,572	21,987	648	-	60,448	57,604	2,844
Depreciation	652,245	469,415	2,677,936	383,971	-	4,183,567	3,998,076	185,491
TOTAL	\$ 3,443,839	\$ 913,072	\$ 4,879,529	\$ 556,816	\$ (76,044)	\$ 9,717,212	\$ 8,675,206	\$ 1,042,006

Douglasville-Douglas County Water and Sewer Authority

COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT
SEWER OPERATIONS

Year Ended June 30, 2007

	Sewer Plant Operations	Sewer Plant Maintenance	Sewer System Maintenance	Capitalized Salaries	2007 Total	2006 Total	Variance
Employment Costs	\$ 1,411,742	\$ 272,704	\$ 1,087,129	\$ (10,591)	\$ 2,760,984	\$ 2,537,535	\$ 223,449
Repairs & Maintenance	25,058	257,785	288,568	-	571,411	642,858	(71,447)
Supplies & Materials	476,593	11,281	41,400	-	529,274	459,333	69,941
Utilities	473,592	-	405,872	-	879,464	864,085	15,379
Water and/or Sewer Services Purchased	-	-	24,522	-	24,522	21,376	3,146
Administrative Costs	508,992	4,153	23,134	-	536,279	424,635	111,644
Depreciation	2,192,569	1,037,339	2,308,091	-	5,537,999	5,014,490	523,509
TOTAL	\$ 5,088,546	\$ 1,583,262	\$ 4,178,716	\$ (10,591)	\$ 10,839,933	\$ 9,964,312	\$ 875,621

Douglasville-Douglas County Water and Sewer Authority

COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT
STORMWATER OPERATIONS

Year Ended June 30, 2007

	Stormwater Operations	Capitalized Salaries	2007 Total	2006 Total	Variance
Employment Costs	\$ 392,120	\$ (61,652)	\$ 330,468	\$ 412,062	\$ (81,594)
Repairs & Maintenance	86,588	-	86,588	189,957	(103,369)
Supplies & Materials	11,474	-	11,474	6,183	5,291
Utilities	400	-	400	380	20
Water and/or Sewer Services Purchased	-	-	-	-	-
Administrative Costs	40,350	-	40,350	3,690	36,660
Depreciation	1,706,765	-	1,706,765	1,498,873	207,892
TOTAL	\$ 2,237,697	\$ (61,652)	\$ 2,176,045	\$ 2,111,145	\$ 64,900

Douglasville-Douglas County Water and Sewer Authority

COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT
ENGINEERING, INSPECTION AND CONSTRUCTION OPERATIONS

Year Ended June 30, 2007

	Engineering	Inspection	Construction	Capitalized Salaries	2007 Total	2006 Total	Variance
Employment Costs	\$ 877,911	\$ 576,992	\$ 501,033	\$ (1,152,901)	\$ 803,035	\$ 659,069	\$ 143,966
Repairs & Maintenance	7,012	36,518	55,330	-	98,860	117,208	(18,348)
Supplies & Materials	2,764	3,116	13,342	-	19,222	16,802	2,420
Utilities	1,892	-	150	-	2,042	2,138	(96)
Administrative Costs	50,732	5,382	3,082	-	59,196	63,784	(4,588)
Depreciation	34,667	36,224	99,254	-	170,145	155,093	15,052
TOTAL	\$ 974,978	\$ 658,232	\$ 672,191	\$ (1,152,901)	\$ 1,152,500	\$ 1,014,094	\$ 138,406

Douglasville-Douglas County Water and Sewer Authority

COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT
ADMINISTRATIVE OPERATIONS

Year Ended June 30, 2007

	Billing	Meter Reading	Human Resources General Services	Executive Administration	Finance & Accounting	MIS	Capitalized Salaries	2007 Total	2006 Total	Variance
Employment Costs	\$ 709,572	\$ 447,816	\$ 449,282	\$ 1,442,389	\$ 543,700	\$ 281,943	\$ -	\$ 3,874,702	\$ 3,595,500	\$ 279,202
Repairs & Maintenance	434	90,760	162,646	8,866	-	73,778	-	336,484	322,161	14,323
Supplies & Materials	2,644	7,346	2,649	270	57	3,802	-	16,768	14,794	1,974
Utilities	-	-	87,341	2,922	-	100	-	90,363	95,795	(5,432)
Administrative Costs	750,129	1,923	400,832	381,458	78,772	13,987	-	1,627,101	1,348,916	278,185
Depreciation	32,797	176,468	43,616	9,370	14,055	7,030	-	283,336	264,086	19,250
TOTAL	\$ 1,495,576	\$ 724,313	\$ 1,146,366	\$ 1,845,275	\$ 636,584	\$ 380,640	\$ -	\$ 6,228,754	\$ 5,641,252	\$ 587,502

Douglasville-Douglas County Water and Sewer Authority

SUMMARY OF RESTRICTED ASSETS AND RELATED DEBT

Year Ended June 30, 2007

Restricted Cash and Investments:	Legally Restricted			Board Restricted		Total All Restricted Accounts
	Construction Accounts	Renewal and Extension Accounts	Meter Deposit Accounts	Debt Service Accounts	Operating Accounts	
Cash & Cash Equivalents:						
Money Market	\$ -	\$ 227,170	\$ -	\$ 861,707	\$ -	\$ 1,088,877
Checking	-	1,339,446	2,062,976	-	4,958,505	8,360,927
Cash	-	-	250	-	-	250
Total Cash & Cash Equivalents	\$ -	\$ 1,566,616	\$ 2,063,226	\$ 861,707	\$ 4,958,505	\$ 9,450,054
Investments:						
LGIP	-	-	-	-	314,182	314,182
Repurchase Agreement	19,079,482	-	-	-	-	19,079,482
U.S. Treasury Notes	-	-	-	164,633	-	164,633
Total Investments	\$ 19,079,482	\$ -	\$ -	\$ 164,633	\$ 314,182	\$ 19,558,297
Total Restricted Assets	\$ 19,079,482	\$ 1,566,616	\$ 2,063,226	\$ 1,026,340	\$ 5,272,687	\$ 29,008,351
Liabilities Payable from Restricted Assets:						
Accounts Payable	\$ 5,314,114	\$ 1,672,238	\$ -	\$ -	\$ -	\$ 6,986,352
Customer Deposits:						
Deposit Refunds	-	-	1,933,345	-	(50)	1,933,295
Unclaimed Refunds	-	-	41,511	-	4,642	46,153
Performance Deposits	-	171,965	-	-	-	171,965
	\$ -	\$ 171,965	\$ 1,974,856	\$ -	\$ 4,592	\$ 2,151,413
Revenue Bonds (due 1yr)	-	-	-	-	2,345,000	2,345,000
Notes Payable (due 1yr)	-	-	-	-	312,984	312,984
Accrued Interest Revenue Bonds	-	-	-	381,979	-	381,979
Accrued Interest Notes	-	-	-	-	3,744	3,744
Deferred Revenue	-	-	-	134,834	1,924,601	2,059,435
Total Liabilities Payable from Restricted Assets	\$ 5,314,114	\$ 1,844,203	\$ 1,974,856	\$ 526,813	\$ 4,590,921	\$ 14,250,907

Douglasville-Douglas County Water and Sewer Authority

OPERATING ACCOUNT
COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

BOARD RESTRICTED

Year Ended June 30, 2007

	2007	2006	Increase/ Decrease
Restricted Assets			
Cash & Cash Equivalents:			
Checking	\$ 4,958,505	\$ 6,590,678	\$ (1,632,173)
Investments:			
Investment (Georgia Fund 1)	314,182	298,002	16,180
Total Board Restricted Assets:	<u>\$ 5,272,687</u>	<u>\$ 6,888,680</u>	<u>\$ (1,615,993)</u>
Payables from Board Restricted Assets			
Customers Deposits:			
Deposit Refunds	\$ (50)	\$ (50)	-
Unclaimed Refunds	4,642	4,642	-
Revenue Bonds (due one year)	2,345,000	2,230,000	115,000
Notes Payable (due one year)	312,984	306,802	6,182
Accrued Interest Notes	3,744	4,767	(1,023)
Deferred Revenue	<u>1,924,601</u>	<u>1,983,619</u>	<u>(59,018)</u>
Total Payables From Board Restricted Assets	<u>\$ 4,590,921</u>	<u>\$ 4,529,780</u>	<u>\$ 61,141</u>

Douglasville-Douglas County Water and Sewer Authority

CONSTRUCTION ACCOUNT

The Resolution establishes 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.

Douglasville-Douglas County Water and Sewer Authority

**CONSTRUCTION ACCOUNT
COMPARATIVE SCHEDULE OF RESTRICTED ASSETS**

Year Ended June 30, 2007

Restricted Assets	2007	2006	Increase (Decrease)
Investments:			
Repurchase Agreement Receivable (Interest)	\$ 19,079,482	\$ 42,839,006	\$ (23,759,524)
	-	175,308	(175,308)
Total Restricted Assets - Construction Account	\$ 19,079,482	\$ 43,014,314	\$ (23,934,832)
Payables from Restricted Assets			
Restricted Payables Construction Projects	\$ 5,314,114	\$ 1,176,817	\$ 4,137,297
Total Payables from Restricted Assets	\$ 5,314,114	\$ 1,176,817	\$ 4,137,297

Detail of Investments as of June 30, 2007

Series	Type of Security (Cash Equivalents)	Date Purchased	Current Rate	Face Value
2005 Series	Flexible Repurchase Agreement	11/30/2005	4.454%	\$ 19,079,482

Note:

Flexible Repurchase Agreement - The Authority's repo represents bond proceeds restricted to expenditures for construction. Under the contract, the interest is reinvested monthly and the Authority may withdraw funds for construction expenditures in any amount at any time (a transaction reduction). A repurchase transaction requires a day to complete.

Douglasville-Douglas County Water and Sewer Authority

**CONSTRUCTION ACCOUNT
COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS**

Year Ended June 30, 2007

	<u>2007</u>	<u>2006</u>
Beginning Balance	\$ 42,839,006	\$ -
Increases:		
Interest Earned	1,577,592	1,118,555
Proceeds from Bonds	-	52,216,855
Total Increase	\$ 1,577,592	\$ 53,335,410
Decreases:		
Construction in Progress	25,337,116	10,496,404
Total Decrease	\$ 25,337,116	\$ 10,496,404
Ending Balance	\$ 19,079,482	\$ 42,839,006

Douglasville-Douglas County Water and Sewer Authority

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 Authority and bondholders, provided the consulting engineer's recommendations and written approval has first been obtained.
- 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.

Douglasville-Douglas County Water and Sewer Authority

**RENEWAL AND EXTENSION ACCOUNTS
COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES**

Year Ended June 30, 2007

	2007	2006	Increase/ Decrease
Restricted Assets			
Cash & Cash Equivalents:			
Checking	\$ 1,339,446	\$ 4,320,989	\$ (2,981,543)
Retainage Checking	227,170	270,079	(42,909)
Total Restricted Assets	\$ 1,566,616	\$ 4,591,068	\$ (3,024,452)
Payables from Restricted Assets			
Performance Deposit	\$ 171,965	\$ 178,849	\$ (6,884)
A/P Trade	1,055,144	468,757	586,387
Accrued A/P Trade	562,880	2,755,362	(2,192,482)
Retainage Due Contractors	54,214	81,676	(27,462)
Total Payables From Restricted Assets	\$ 1,844,203	\$ 3,484,644	\$ (1,640,441)

Douglasville-Douglas County Water and Sewer Authority

**RENEWAL AND EXTENSION ACCOUNTS
COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS**

Year Ended June 30, 2007

	<u>2007</u>	<u>2006</u>
Beginning Balance	\$ 4,591,068	\$ 6,203,778
Increase:		
Interest Earned	125,416	196,634
Performance Bonds, Retainage, Deposits	135,804	240,286
Transfer from Operating Account	15,300,000	9,000,000
Transfer in (within Funds)	50,100	685,331
Reclass	2,269,023	33,301
Total Increase	<u>17,880,343</u>	<u>10,155,552</u>
Decrease:		
Transfers out (within Funds)	735,000	685,331
Capital Expenditures Water & Sewer	19,997,410	11,069,924
Other Disbursements Bank Fees	-	7
Performance Bonds	96,389	13,000
Maint Bonds Refunds	75,996	-
Total Decrease	<u>20,904,795</u>	<u>11,768,262</u>
Ending Balance	<u>\$ 1,566,616</u>	<u>\$ 4,591,068</u>

Douglasville-Douglas County Water and Sewer Authority

METER DEPOSIT ACCOUNT

It is the policy of the Authority to collect a water and/or sewer deposit from customers based on the "water meter" size. This amount is collected or billed when customer's account is established. Refunds of deposits shall be made upon termination of service, or after 24 months of good payment history.

Douglasville-Douglas County Water and Sewer Authority

**METER DEPOSIT ACCOUNT
COMPARATIVE SCHEDULE OF RESTRICTED ASSETS**

Year Ended June 30, 2007

	2007	2006	Increase/ Decrease
<u>Restricted Assets</u>			
Cash & Cash Equivalents:			
Demand Deposit	\$ 2,062,976	\$ 1,920,412	\$ 142,564
Returned Checks	250	950	(700)
Total Restricted Cash/Investments	\$ 2,063,226	\$ 1,921,362	\$ 141,864
<u>Liabilities Payable From Restricted Assets</u>			
Customer Deposits (Refundable)	\$ 1,933,345	\$ 1,862,846	\$ 70,499
Payable to State of Georgia (Unclaimed Checks)	41,511	41,511	-
	\$ 1,974,856	\$ 1,904,357	\$ 70,499

Douglasville-Douglas County Water and Sewer Authority

METER DEPOSIT ACCOUNT
COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

Year Ended June 30, 2007

	<u>2007</u>	<u>2006</u>
Beginning Balance	\$ 1,921,362	\$ 1,688,041
Increase:		
Interest Earned	112,798	86,113
Returned Checks	6,025	6,754
Receipts	342,353	406,441
Transfer In	-	664,553
Total Increase	<u>\$ 461,176</u>	<u>\$ 1,163,861</u>
Decrease:		
Administration Fees (Bank Charges)	-	6
Transfer Out	-	664,558
Void Checks/Write-offs	6,725	6,235
Disbursements	312,587	259,741
Total Decrease	<u>\$ 319,312</u>	<u>\$ 930,540</u>
Ending Balance	<u>\$ 2,063,226</u>	<u>\$ 1,921,362</u>

Douglasville-Douglas County Water and Sewer Authority

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.

Douglasville-Douglas County Water and Sewer Authority

DEBT SERVICE ACCOUNTS
COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

Year Ended June 30, 2007

	2007	2006	Increase/ (Decrease)
Debt Service Sinking Fund			
<u>Restricted Assets</u>			
Cash & Cash Equivalent (Money Market)	\$ 861,707	\$ 711,708	\$ 149,999
Investments	164,633	243,500	(78,867)
	(1)		
Total Restricted Assets- Debt Service Accounts	\$ 1,026,340	\$ 955,208	\$ 71,132
<u>Payables From Restricted Assets</u>			
Accrued Interest On Revenue Bonds	391,979	401,562	(9,583)
Total Payables From Restricted Assets	\$ 391,979	\$ 401,562	\$ (9,583)
Deferred Revenue	\$ 134,834	\$ 159,571	\$ (24,737)

Notes:

(1) All bonds issued (1985 through 2005) 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, 2007 the Authority has the following investments:

Series	Type of Marketable Security	Purchase Date	Maturity Date	Rate	Yields at Market Rate	Cost Basis	Market Value
1993	Cash/Cash Equiv. Federal Treasury Obligations				4.74%	\$ 312,476	\$ 312,476
	Cash Equiv. U.S. Treasury Bills	5/29/2007	11/29/2007		4.85%	78,000	76,470
	U.S. Treasury Notes	6/1/2007	5/31/2008	4.88%	4.88%	164,633	156,652
1998	Cash Equiv. Federal Treasury Obligations				4.74%	188,577	188,577
2005	Cash Equiv. Fidelity Government Funds				5.13%	282,654	282,654
						<u>\$ 1,026,340</u>	<u>\$ 1,017,029</u>

Douglasville-Douglas County Water and Sewer Authority

**DEBT SERVICE ACCOUNTS
COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS**

Year Ended June 30, 2007

	<u>2007</u>	<u>2006</u>
Beginning Balance	\$ 955,208	\$ 694,410
Increase:		
Interest Earned	71,131	32,683
Transfer from Bond Issuance Account	-	72
Transfer from Operating Account	7,048,740	5,780,070
Total Increase	<u>\$ 7,119,871</u>	<u>\$ 5,812,825</u>
Decrease:		
Revenue Bond Interest	4,818,739	3,692,027
Revenue Bond Principal	2,230,000	1,860,000
Total Decrease	<u>\$ 7,048,739</u>	<u>\$ 5,552,027</u>
Ending Balance	<u>\$ 1,026,340</u>	<u>\$ 955,208</u>

Douglasville-Douglas County Water and Sewer Authority

DEBT SERVICE ACCOUNTS
SCHEDULE OF REVENUE BONDS PAYABLE

Year Ended June 30, 2007

Douglasville-Douglas County Water & Sewer Authority Series Bonds	Average Coupon Rate	Issue Date	Maturity Date	Annual Principal Payment		Authorized		Amounts		Outstanding
				Maximum	Minimum	Authorized	Issued	Retired		
1993 Water and Sewer Revenue Bonds	5.494%	1993	2015	\$ 2,615,000	\$ 195,000	\$ 29,895,000	\$ 29,895,000	\$ 13,050,000	\$ 16,845,000	
1998 Water and Sewer Revenue Bonds	4.613%	1998	2023	3,765,000	-	28,620,000	28,620,000	545,000	28,075,000	
2005 Water and Sewer Revenue Bonds	4.798%	2005	2030	6,730,000	-	52,250,000	52,250,000	280,000	51,970,000	
Total				\$ 13,110,000	\$ 195,000	\$ 110,765,000	\$ 110,765,000	\$ 13,875,000	\$ 96,890,000	

Douglasville-Douglas County Water & Sewer Authority Loans	Rate	Issue Date	Maturity Date	Annual Payment		Loan Amount	Amounts		Outstanding Balance
				Maximum	Minimum		Issued	Retired	
1990 State Revolving Fund Loan	2.000%	1990	2010	\$ 333,112	\$ 333,112	\$ 5,479,892	\$ 5,479,892	\$ 4,356,578	\$ 1,123,314
**1990 GEFA Loan	5.800%	1990	**2010	88,094	88,094	1,038,737	1,038,737	1,038,737	-
Total				\$ 421,206	\$ 421,206	\$ 6,518,629	\$ 6,518,629	\$ 5,395,315	\$ 1,123,314

NOTES: * Bonds: 1988 issue partially defeased (refunded) by 1993 issue, non defeased portion Matured on 6/1/1998.
1991 issue partially defeased (refunded) by 1993 issue, non defeased portion Matured on 6/1/2000.

**1990 GEFA issue paid off by 1998 Bond issue.

CAPITAL ASSETS

Douglasville-Douglas County Water and Sewer Authority

CAPITAL ASSETS

The following schedules provide information regarding the Water Authority's property, plant, equipment and related depreciation:

- a. Asset Classification Summary
- b. Asset Class – Sources of Funding

Douglasville-Douglas County Water and Sewer Authority
SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION
ASSET CLASSIFICATION SUMMARY
 Year Ended June 30, 2007

	ASSETS					ALLOWANCE FOR DEPRECIATION					Net Asset Value
	Beginning Of Period 06/30/06	Additions Purchases and Developer Lines	Additions Transfers From CIP	Disposals	End Of Period 06/30/07	Beginning Of Period 06/30/06	Current Depreciation	Disposals	End Of Period 06/30/07		
Land and Easements	\$0,686,269	\$1,098,227	\$ -	\$ -	\$9,766,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$9,766,496
Buildings and Structures											
Structures Administration	2,366,407				2,366,407	739,748	49,423		789,171		1,577,236
Structures and Improvements Sewer	9,982,484	1,570	1,135,041		11,128,105	1,840,517	546,244		2,386,761		8,742,344
Structures and Improvements Water	14,471,555				14,471,555	3,270,070	340,388		3,610,458		10,861,097
Total Building and Structures:	26,839,456	1,570	1,135,041	-	27,967,067	5,850,335	936,065	-	6,789,600	-	21,180,667
Machinery and Equipment											
Communication Equipment	2,008,184	345,843	96,066	(1,500)	2,448,623	845,315	211,465	(1,500)	1,055,280		1,393,343
Computer Equipment	1,232,824	88,823		(14,569)	1,316,678	696,428	177,365	(14,569)	799,224		517,454
Electronic Meter Reading Equipment	55,888				55,888	38,525	4,964		43,489		12,400
Flow Measuring Devices	134,113				134,113	71,036	9,568		80,604		53,509
Laboratory Equipment	171,023	84,134			255,157	129,948	22,762		148,700		106,457
Miscellaneous Equipment	663,361	43,830	691,621	(5,670)	1,393,142	398,140	54,290	(5,670)	444,760		246,861
Office Furniture and Equipment	707,953	32,702		(980)	740,095	675,348	16,442	(980)	691,231		48,864
Other Tangible Plant Equipment	6,960				6,960	6,960			6,960		0
Power Generation Equipment	289,428		77,933		367,361	40,203	32,775		72,978		294,383
Power Operated Equipment	50,098				50,098	48,797	869		49,663		435
Pumping Equipment Sewer	5,473,001	1,283,264	335,608	7,102,193	7,102,193	1,878,538	592,157		2,470,695		4,631,498
Pumping Equipment Water	3,676,355	21,147	339,145	4,036,647	4,036,647	2,068,885	179,365		2,272,250		1,764,397
Storage Equipment	37,791	2,964			40,755	35,946	706		36,652		4,103
Tools, Shop and Garage Equipment	491,463	10,518			501,981	432,856	29,056	(35,550)	428,341		40,090
Transportation Equipment	5,698,251	416,843			6,115,094	4,323,428	452,388	(189,813)	4,585,991		1,335,875
Treatment and Disposal Equipment	9,948,671	5,129	236,635	6,189,435	17,473,240	1,745,431	361,353		2,107,093		4,062,342
Water Treatment Equipment	2,290,394	9,750			2,300,144	1,308,998	219,095		1,526,093		774,051
Total Machinery and Equipment:	28,925,568	2,364,867	1,084,717	(251,087)	32,124,065	14,707,092	2,358,564	(247,662)	16,817,994	(247,662)	15,306,071
Improvements Other Than Buildings											
Collection Sewer Force Main	11,805,678	147,694	5,946,706		17,900,376	1,237,944	243,563		1,481,507		16,418,869
Collection Sewer Gravity Main	61,785,917	4,841,653	763,573		67,391,143	7,696,212	1,742,810		9,442,022		57,949,121
Distribution Reservoirs and Standpipes	8,799,803		166,562		8,966,365	2,528,904	226,601		2,795,505		6,210,860
Flow Measuring Installations	43,797				43,797	28,319	720		29,039		14,758
Hydrants	29,007				29,007	6,784	580		7,364		21,643
Lakes, Rivers and Intakes	10,320,028				10,320,028	3,754,116	399,307		4,113,423		6,206,605
Meters and Meter Installations	5,158,593	255,028			5,413,621	1,578,318	115,936		1,694,254		3,719,307
Outfall Sewer Lines	7,500,792		78,939		7,579,731	1,831,098	186,506		2,119,604		5,460,117
Plant Sewers	26,574,179				26,574,179	9,940,509	1,527,363		11,467,872		15,106,307
Sanitary - Water Customers	138,414				138,414	7,420	2,769		10,189		128,225
Sanitary - Sewer Customers	56,114				56,114	21,896	1,121		23,007		33,107
Service - Water Customers	112,663,802	4,019,848	469,377		117,143,027	29,576,768	2,505,735		32,082,531		85,060,496
Transmission and Distribution Mains	10,774				10,774	10,305	489		10,774		0
Wells and Springs	12,906,694				12,906,694	1,597,033	886,629		2,485,662		11,421,032
Stormwater Conveyance Pipes	7,364,208	433,520	598,884		8,396,612	447,012	336,344		783,356		7,613,256
Stormwater Culverts	11,243,919	1,265,741	133,418		12,643,078	610,768	367,392		978,158		11,664,918
Stormwater Catch Basins	1,933,642		974,318		2,907,960	67,679	80,693		148,372		2,759,588
Stormwater Other Improvements	345,353				345,353	174,820	18,645		193,265		152,088
Land Improvements											
Total Improvements Other:	278,680,632	11,689,649	9,667,188	-	300,047,469	61,218,721	8,587,183	-	69,805,904	-	230,241,565
Construction In Progress	29,820,287	49,683,352	(11,886,946)	-	67,616,693	-	-	-	-	-	67,616,693
Total Capital Assets:	\$372,925,212	\$64,847,665	\$ -	(\$251,087)	\$437,521,730	\$81,776,148	\$11,881,812	(\$247,662)	\$93,410,298	(\$247,662)	\$344,111,492

Douglasville-Douglas County Water and Sewer Authority
SCHEDULE OF CAPITAL ASSETS BY CLASS - SOURCE OF FUNDING
 Year Ended June 30, 2007

	Total Operations Taps/Revenues	Sales Tax	Total Loans	Total Bonds	Grants	Developer Contributions	Government Donations	Total Capital Assets
Land and Easements	\$ 4,484,010	\$ 4,069,882		\$ 1,028,330			\$ 184,273	\$ 9,766,496
Buildings and Structures								
Structures Administration	509,649	(51,713)					1,908,471	2,386,407
Structures Sewer	8,307,418	1,833,417		988,270			-	11,129,105
Structures Water	45,388	(89,379)		14,536,959			(21,413)	14,471,555
Total Building and Structures:	8,862,455	1,692,325		15,525,229			1,887,058	27,967,067
Machinery and Equipment								
Communication Equipment	1,846,164					576,743	25,716	2,448,623
Computer Equipment	1,316,678							1,316,678
Electronic Meter Reading Equipment	55,898							55,898
Flow Measuring Devices	134,113							134,113
Laboratory Equipment	255,157							255,157
Miscellaneous Equipment	691,621							691,621
Office Furniture and Equipment	740,095							740,095
Other Tangible Plant Equipment	6,960							6,960
Power Generation Equipment	367,361						1,046	367,361
Power Operated Equipment	49,052					3,469,638	70,800	50,098
Pumping Equipment Sewer	3,561,755						1,129,195	7,102,193
Pumping Equipment Water	2,907,452							4,036,647
Stores Equipment	40,755							40,755
Tools Shop and Garage Equipment	142,644							466,431
Transportation Equipment	5,792,836							5,921,856
Treatment and Disposal Equipment	6,189,435							6,189,435
Water Treatment Equipment	2,300,144							2,300,144
Total Machinery and Equipment:	26,398,120					4,046,381	1,679,664	32,124,065
Improvements Other Than Buildings								
Collection Sewer Force Main	13,833,783			729,308		3,337,285		17,900,376
Collection Sewer Gravity Main	6,257,727	4,927,550		9,723,847		46,482,019		67,391,143
Distribution Reservoir and Stand Pipes	3,189,275	2,364,820		2,122,611		(13,503)		8,966,365
Flow Measuring Installation	43,797							43,797
Hydrants	16,907					12,100		29,007
Lakes Rivers and Intakes	1,350,755	2,302,168		6,667,105				10,320,028
Meters and Meter Installation	3,665,276							5,413,561
Outfall Sewer Lines	590,296	3,412,915		2,127,258		1,449,254		7,579,721
Plant Sewers	5,640,204	1,625,757	6,518,629	12,789,589				26,574,179
Service to Water Customers	136,414							136,414
Service to Sewer Customers	56,114	707,202		7,792,480	76,263			56,114
Transmission and Distribution Mains	18,140,997							117,143,027
Wells and Springs	10,774							10,774
Stormwater Conveyance Pipes	985,365							13,929,088
Stormwater Culverts	3,109,491	2,471,996						8,635,486
Stormwater Catch Basins	338,594	3,879,103						12,663,076
Stormwater Other Improvements	2,512,422							2,907,960
Land Improvements	345,353							345,353
Total Improvements Other:	60,228,544	15,340,412	6,518,629	41,952,196	76,263	122,400,668	53,533,737	300,047,469
Construction In Progress	34,479,319			33,137,374				67,616,693
Total Capital Assets:	\$ 134,449,448	\$ 21,102,619	\$ 6,518,629	\$ 91,643,129	\$ 76,263	\$ 126,447,069	\$ 57,284,632	\$ 437,521,790

STATISTICAL

(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	Page
Financial Trends These schedules contain trend information to help the reader understand how the Authority's financial performance has changed over time.	75
Revenue Capacity These schedules contain trend information to help the reader assess the Authority's most significant local revenue source.	77
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.	80
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.	84
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.	86

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

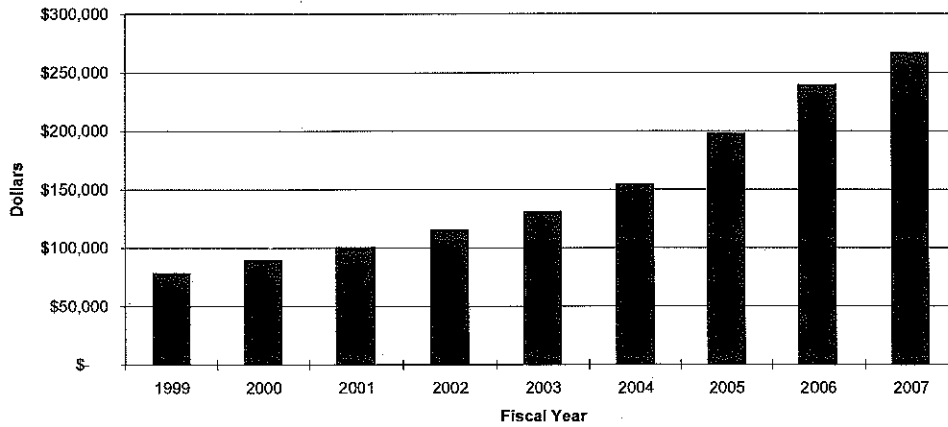
Douglasville-Douglas County Water and Sewer Authority

Financial Trends - Schedule 1 Net Assets by Component Last Nine Fiscal Years *(amount expressed in thousands)*

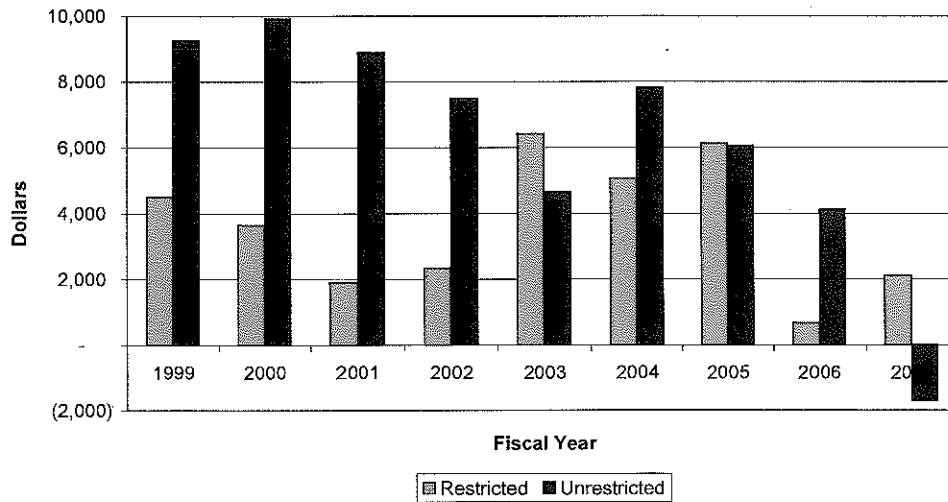
Fiscal Year	1999	2000	2001	2002	2003	2004	2005	2006	2007
Enterprise Fund									
Invested in capital assets, net of related debt	\$ 78,210	\$ 89,120	\$ 100,261	\$ 115,165	\$ 131,070	\$ 154,207	\$ 197,616	\$ 239,157	\$ 266,288
Restricted	4,500	3,652	1,903	2,340	6,411	5,071	6,124	671	2,114
Unrestricted	9,245	9,914	8,886	7,495	4,654	7,819	6,057	4,109	(1,713)
Total business-type activities net assets	<u>\$ 91,955</u>	<u>\$ 102,686</u>	<u>\$ 111,050</u>	<u>\$ 125,000</u>	<u>\$ 142,135</u>	<u>\$ 167,097</u>	<u>\$ 209,797</u>	<u>\$ 243,937</u>	<u>\$ 266,689</u>

Note: The Authority implemented GASB 34 in Fiscal Year 2000 and Restated Fiscal Year 1999

Invested in Capital Assets, Net of Related Debt



Restricted and Unrestricted



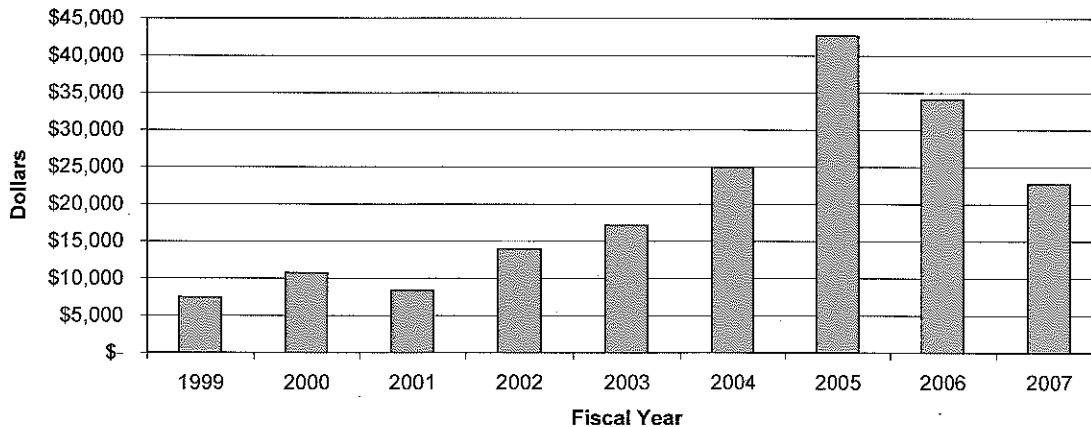
Financial Trends - Schedule 2
Change in Net Assets
Last Nine Fiscal Years
(amount expressed in thousands)

Fiscal Year	1999	2000	2001	2002	2003	2004	2005	2006	2007
Operating Revenues									
(1) Charges for services	\$ 14,803	\$ 16,684	\$ 16,967	\$ 17,740	\$ 18,555	\$ 20,735	\$ 23,093	\$ 27,981	\$ 29,837
Penalties	\$ 398	\$ 473	\$ 434	\$ 464	\$ 522	\$ 555	\$ 661	\$ 896	\$ 1,064
Total operating revenues	\$ 15,201	\$ 17,157	\$ 17,401	\$ 18,204	\$ 19,077	\$ 21,290	\$ 23,754	\$ 28,877	\$ 30,901
Operating Expenses									
(2) Employment costs	\$ 4,638	\$ 6,043	\$ 6,628	\$ 6,681	\$ 7,152	\$ 7,872	\$ 7,717	\$ 9,805	\$ 10,718
Repairs and maintenance	978	1,091	1,153	1,084	1,299	1,322	1,737	1,980	1,915
Supplies and materials	344	371	428	372	451	506	668	785	875
(3) Depreciation	3,830	4,102	5,571	5,985	6,543	7,213	8,764	10,931	11,881
Utilities	1,096	1,185	1,340	1,307	1,399	1,491	1,618	1,919	2,063
Water and sewer services purchased	823	1,090	432	32	41	29	31	87	338
Administration	1,036	1,237	1,468	1,252	1,527	1,567	1,810	1,899	2,323
Total operating expenses	\$ 12,745	\$ 15,119	\$ 17,020	\$ 16,713	\$ 18,412	\$ 20,000	\$ 22,345	\$ 27,406	\$ 30,113
Non-Operating Revenue (expenses)									
(4) Investment income	\$ 1,439	\$ 1,368	\$ 812	\$ 330	\$ 238	\$ 215	\$ 397	\$ 2,175	\$ 2,266
Interest on capital asset-related debt	(2,330)	(2,534)	(2,573)	(2,526)	(2,437)	(2,306)	(2,008)	(3,076)	(2,357)
Other non-operating revenue (expense)	(360)	(140)	(147)	(758)	(156)	(175)	(181)	(129)	(67)
Net non-operating revenue	\$ (1,251)	\$ (1,306)	\$ (1,908)	\$ (2,954)	\$ (2,355)	\$ (2,266)	\$ (1,792)	\$ (1,030)	\$ (158)
Gain or Loss before capital contributions	\$ 1,205	\$ 732	\$ (1,527)	\$ (1,463)	\$ (1,690)	\$ (976)	\$ (383)	\$ 441	\$ 629
(1) Capital contributions	6,250	9,999	9,891	15,413	18,825	25,938	43,083	33,699	22,123
Increase in net assets	\$ 7,455	\$ 10,731	\$ 8,364	\$ 13,950	\$ 17,135	\$ 24,962	\$ 42,700	\$ 34,140	\$ 22,752

Note:

- The Authority implemented GASB 34 in Fiscal Year 2000 and Restated Fiscal Year 1999
- (1) City and County stormwater infrastructure was conveyed through capital contributions to the Authority in Fiscal 2003 and 2005 respectively. In addition, the Authority began billing for stormwater services for the City during Fiscal 2003-04 and for the County in Fiscal 2005-06. Revenues from the City customers realized over \$1.0 million during Fiscal 03-04, and revenues from the County customers realized over \$3.0 million during 2005-06.
- (2) Employment cost for 2006 reflects a one time non-recurring cost to retirement expense due to a change in retirement benefits and early retirement date of Executive Director's employment contract.
- (3) Depreciation in Fiscal 2006 and 2007 reflects an additional \$1.0 million of depreciation required as a result of decommissioning three wastewater treatment plants scheduled to be done by Fiscal 2009.
- (4) Investment income reflects interest earned on a \$52,250,000 bond issue on November 30, 2005.

Increase in Net Assets



Douglasville-Douglas County Water and Sewer Authority

Revenue Capacity - Schedule 1 Operating Revenue By Source Last Ten Fiscal Years

(amount expressed in thousands)

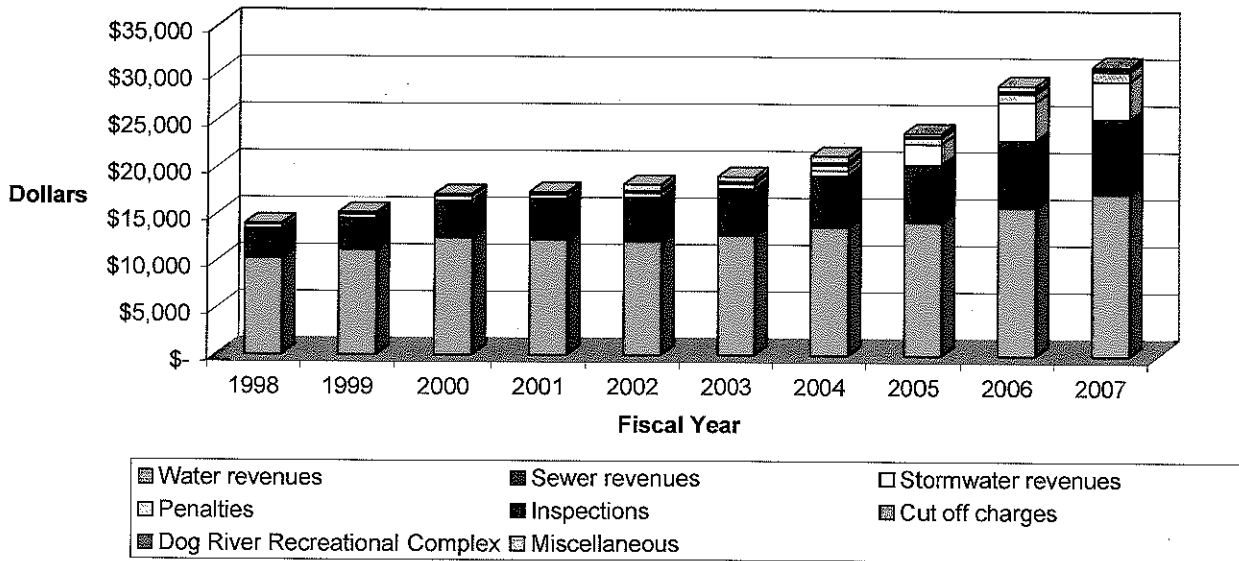
Fiscal Year	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Operating Revenues										
Water revenues	\$ 10,289	\$ 11,229	\$ 12,543	\$ 12,301	\$ 12,094	\$ 12,773	\$ 13,719	\$ 14,244	\$ 15,857	\$ 17,362
Sewer revenues	3,144	3,364	3,915	4,365	4,718	4,855	5,517	6,147	7,202	7,968
Stormwater revenues	-	-	-	-	-	132	532	2,208	4,072	4,028
Penalties	412	398	473	434	462	522	554	661	896	1,064
Inspections	40	38	63	72	94	148	176	123	166	121
Cut off charges	38	61	59	101	165	111	121	118	131	134
Dog River Recreational Complex	18	19	20	18	21	16	18	16	14	8
Miscellaneous	71	92	84	110	650	520	653	237	539	216
Total operating revenues	\$ 14,012	\$ 15,201	\$ 17,157	\$ 17,401	\$ 18,204	\$ 19,077	\$ 21,290	\$ 23,754	\$ 28,877	\$ 30,901

Notes:

The Authority implemented GASB 34 in Fiscal Year 2000 and Restated Fiscal Year 1999

During the period 1999 through 2001 there was an unusual growth in water revenue due to a contract with Carroll County at which time an average of 1.7 million gallons per day was sold.

Operating Revenue by Source



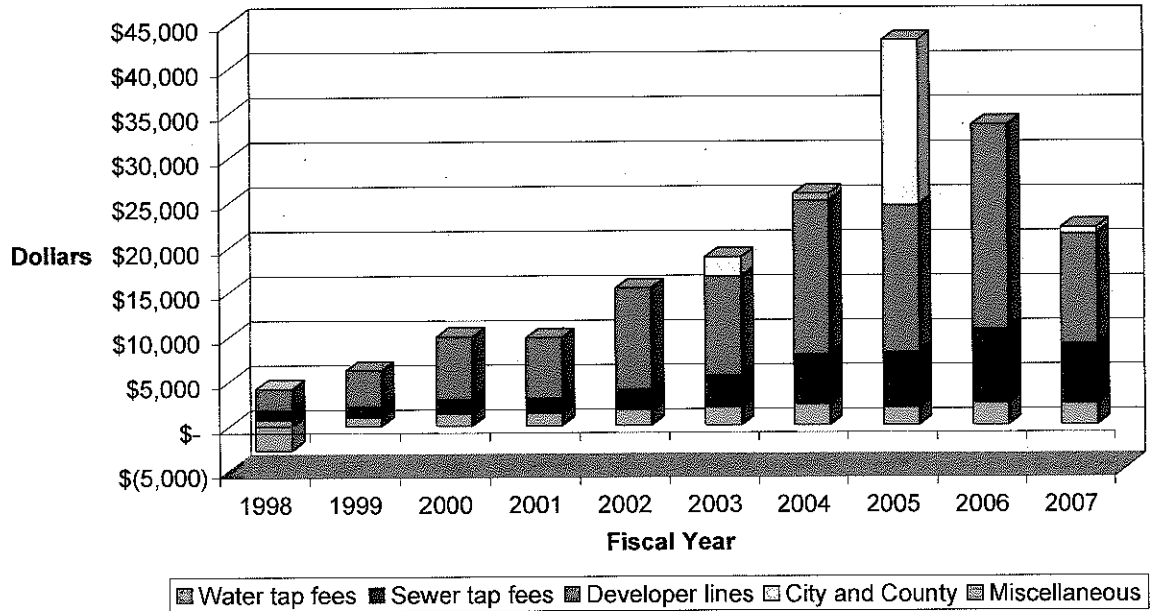
Douglasville-Douglas County Water and Sewer Authority

Revenue Capacity - Schedule 2 Capital Contributions By Source Last Ten Fiscal Years *(amount expressed in thousands)*

Fiscal Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Capital Contributions										
Water tap fees	\$ 734	\$ 983	\$ 1,361	\$ 1,401	\$ 1,745	\$ 2,019	\$ 2,377	\$ 2,018	\$ 2,482	\$ 2,405
Sewer tap fees	999	1,197	1,600	1,635	2,295	3,522	5,472	6,121	8,208	6,651
Developer lines	2,460	4,070	7,038	6,855	11,373	11,126	17,340	16,512	23,009	12,362
City and County	-	-	-	-	-	2,157	-	18,432	-	705
Miscellaneous	(2,700)	-	-	-	-	-	749	-	-	-
Total capital contributions	\$ 1,493	\$ 6,250	\$ 9,999	\$ 9,891	\$ 15,413	\$ 18,824	\$ 25,938	\$ 43,083	\$ 33,699	\$ 22,123

Note: The Authority implemented GASB 34 in Fiscal Year 2000 and Restated Fiscal Year 1999
 Note: The Authority acquired stormwater from city in 2003 and from the county in 2005

Capital Contributions by Source



Douglasville-Douglas County Water and Sewer Authority

Revenue Capacity - Schedule 3 Water, Sewer and Stormwater Rates Last Ten Fiscal Years

Fiscal Year	Water		Sewer		Stormwater
	Monthly Base Rate	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons	Monthly Base Rate
1998	\$ 7.21	\$ 2.47	\$ 3.82	\$ 3.35	
1999	7.21	2.47	3.82	3.35	
2000	7.21	2.47	3.82	3.99	
2001	7.39	2.53	3.84	4.01	
2002	7.64	2.62	3.90	4.07	
2003	8.14	2.79	4.16	4.34	
2004	8.37	2.87	4.28	4.46	\$ 4.00
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

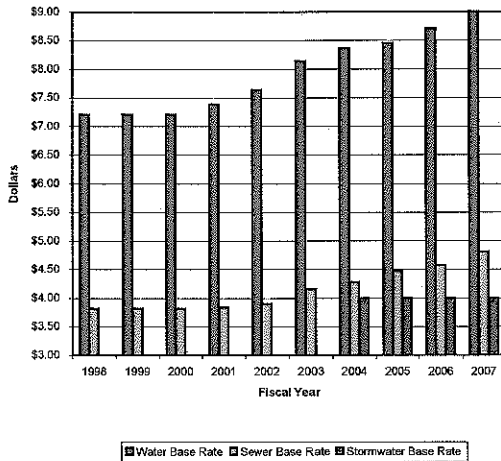
Notes:

Rates are based on 5/8" meter, which is the standard household meter size. The Authority charges an excess-use rate above normal demand.

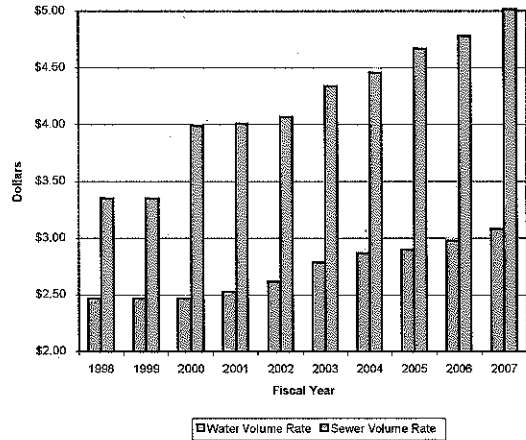
In 1998 the Authority adopted a resolution which authorized the executive director to increase water and sewer rates annually based on the cpi index. At his discretion, he can also increase rates an additional percent as long as the increase does not exceed 5% annually.

The Authority acquired the stormwater system of the City in 2003 and the County in 2004. A rate methodology was developed in early 2004 and the Authority began billing for service in March 2004.

Base Rate History



Volume Rate History



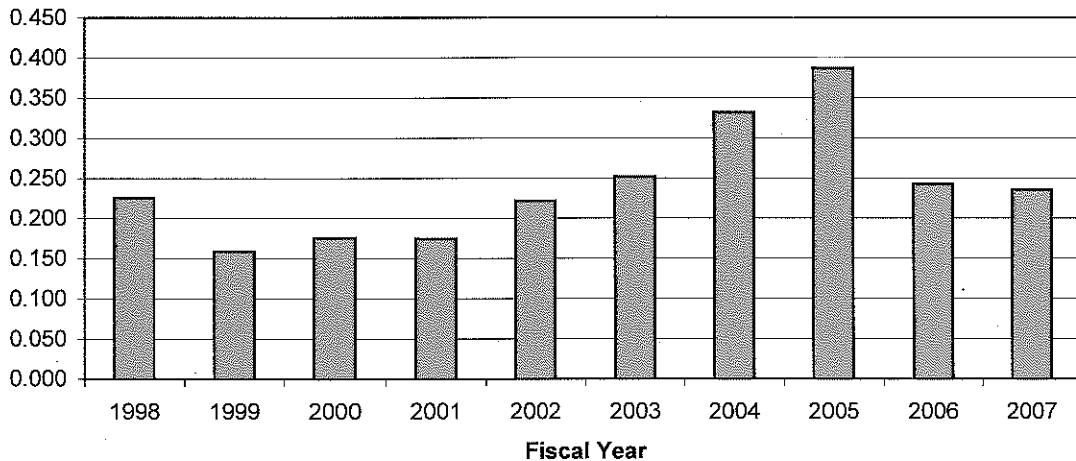
Douglasville-Douglas County Water and Sewer Authority

Debt Capacity - Schedule 1 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>Ratio of Net Earnings To Bonded Debt (1)</u>	<u>Per Capita (1)</u>
1998	\$ 30,775	\$ (564)	\$ 30,211	0.226	0.34
1999	58,110	(697)	57,413	0.159	0.63
2000	56,740	(708)	56,032	0.176	0.60
2001	55,290	(669)	54,621	0.175	0.57
2002	53,770	(680)	53,090	0.222	0.54
2003	52,170	(685)	51,485	0.252	0.51
2004	50,490	(688)	49,802	0.332	0.47
2005	48,730	(695)	48,035	0.387	0.43
2006	99,120	(955)	98,165	0.243	0.82
2007	96,890	(1,026)	95,864	0.236	

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

Ratio of Net Earnings to Bonded Debt



Douglasville-Douglas County Water and Sewer Authority

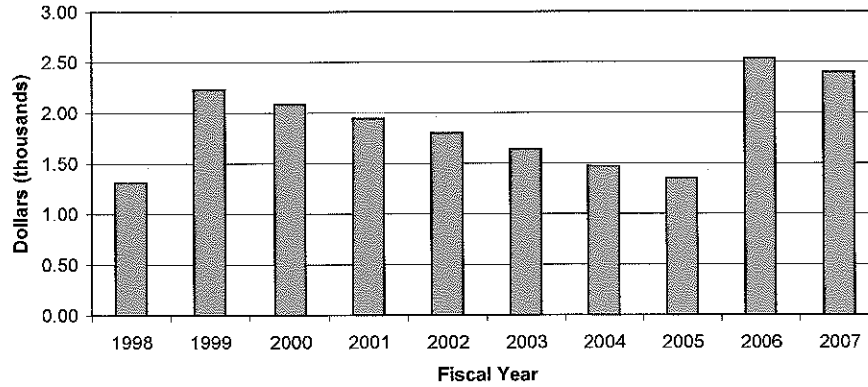
Debt Capacity - Schedule 2 Ratio of Outstanding Debt By Type Last Ten Fiscal Years

(amount expressed in thousands except per capita amounts)

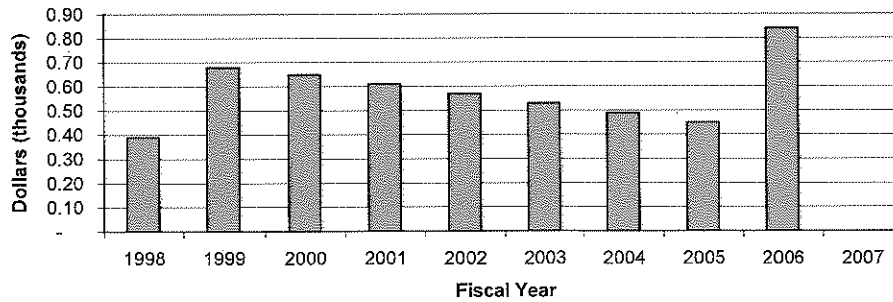
Fiscal Year	Revenue Bonds	Loans Notes	Total Outstanding Debt	Debt To Number of Customers	Debt Per Capita*	Debt to Personal Income Ratio*
1998	\$ 30,775	\$ 4,434	\$ 35,209	1.31	0.39	0.017
1999	58,110	3,415	61,525	2.23	0.68	0.028
2000	56,740	3,148	59,888	2.09	0.65	0.025
2001	55,290	2,876	58,166	1.95	0.61	0.023
2002	53,770	2,598	56,368	1.80	0.57	0.022
2003	52,170	2,315	54,485	1.64	0.53	0.021
2004	50,490	2,026	52,516	1.47	0.49	0.018
2005	48,730	1,731	50,461	1.35	0.45	0.017
2006	99,120	1,430	100,550	2.54	0.84	-
2007	96,890	1,123	98,013	2.40	-	-

* Note: Data not available on population or personal income for 2006 or 2007 as of June 30, 2007.
Sources: Bureau of Economic Analysis

Debt to Number of Customers



Debt Per Capita

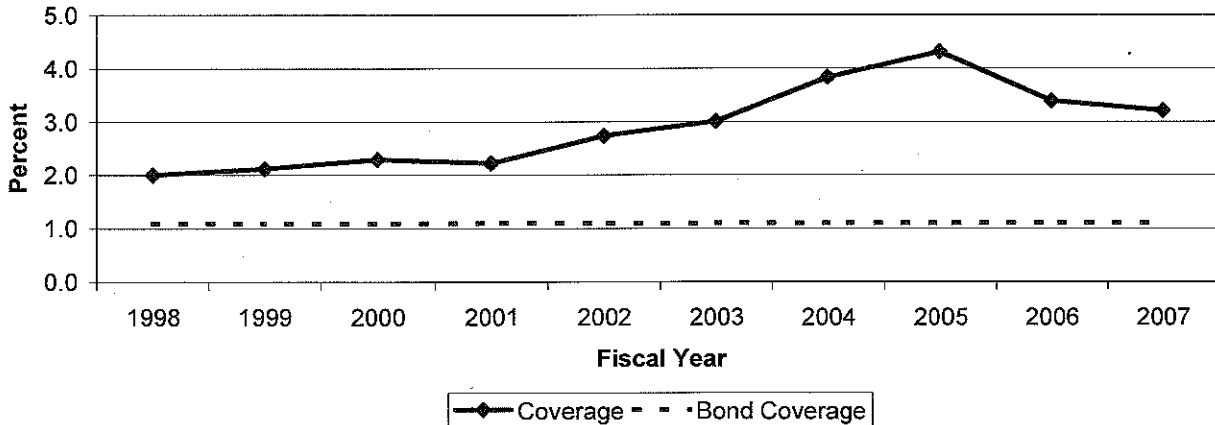


Douglasville-Douglas County Water and Sewer Authority

**Debt Capacity - Schedule 3
Pledged Revenue Coverage
Last Ten Fiscal Years**
(amount expressed in thousands)

Fiscal Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Gross Revenues	14,012	15,202	17,157	17,401	18,205	19,077	21,290	23,754	28,877	30,901
Service Charges										
Total Interest Income	669	1,439	1,367	812	330	238	215	397	2,175	2,266
Tap Fees Connection Charges	1,733	2,180	2,960	3,036	4,040	5,541	7,849	8,139	10,690	9,056
Gross Total Revenues	16,414	18,821	21,484	21,249	22,575	24,856	29,354	32,290	41,742	42,223
Less Operating Expenses Excluding Depreciation	7,690	8,915	11,017	11,449	10,728	11,869	12,787	13,582	16,475	18,232
Less Deferred Interest Income and Revenue	-	-	-	38	35	32	37	100	85	83
Less Interest Income Construction Account	-	771	600	183	7	1	-	-	1,284	1,304
Net Earnings Available	8,724	9,135	9,867	9,579	11,805	12,954	16,530	18,608	23,898	22,604
Maximum Annual Debt Service										
Principal	1,860	1,860	1,860	1,860	1,860	1,860	1,860	1,860	4,630	4,630
Interest	2,452	2,452	2,452	2,452	2,452	2,452	2,452	2,452	2,420	2,420
Total Maximum Annual Debt Service	4,312	4,312	4,312	4,312	4,312	4,312	4,312	4,312	7,050	7,050
Coverage Ratio	2.0	2.1	2.3	2.2	2.7	3.0	3.8	4.3	3.4	3.2

Bond Coverage



Douglasville-Douglas County Water and Sewer Authority

Debt Capacity - Schedule 4 Legal Debt Margin Information Last Ten Fiscal Years *(amount expressed in thousands)*

Fiscal Year	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net Earnings	\$ 8,724	\$ 9,135	\$ 9,867	\$ 9,579	\$ 11,805	\$ 12,954	\$ 16,530	\$ 18,608	\$ 23,898	\$ 22,604
Legal Debt Service Limit	7,931	8,305	8,970	8,708	10,732	11,776	15,027	16,917	21,726	20,549
Total MAD debt applicable to limit	<u>4,312</u>	<u>4,312</u>	<u>4,312</u>	<u>4,312</u>	<u>4,312</u>	<u>4,312</u>	<u>4,312</u>	<u>4,312</u>	<u>7,050</u>	<u>7,050</u>
Legal MAD debt margin	<u>\$ 3,619</u>	<u>\$ 3,993</u>	<u>\$ 4,658</u>	<u>\$ 4,396</u>	<u>\$ 6,420</u>	<u>\$ 7,464</u>	<u>\$ 10,715</u>	<u>\$ 12,605</u>	<u>\$ 14,676</u>	<u>\$ 13,499</u>
Total MAD debt applicable to the limit as a percentage of debt limit	54.4%	51.9%	48.1%	49.5%	40.2%	36.6%	28.7%	25.5%	32.4%	34.3%

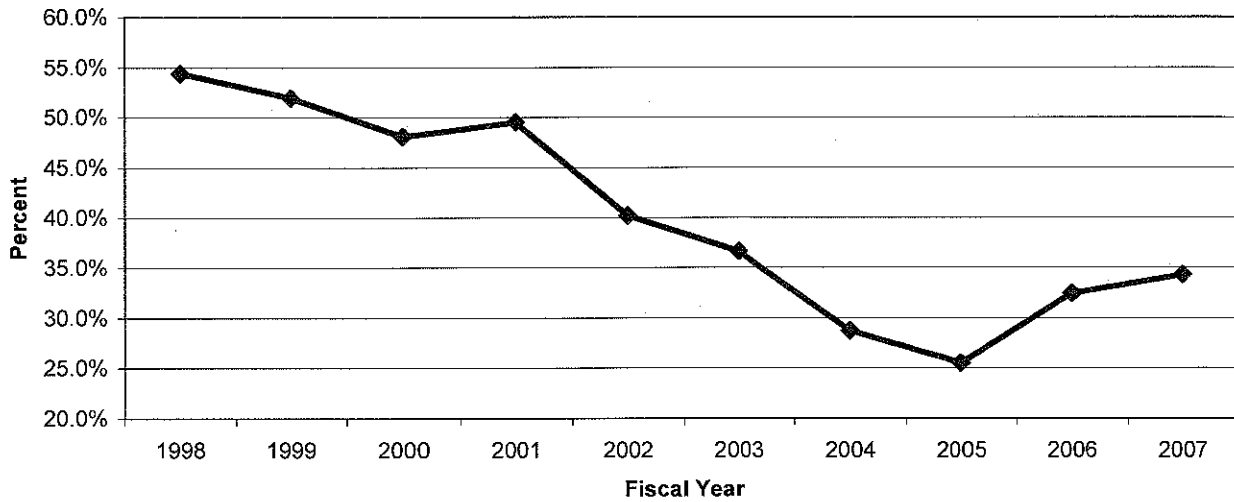
Notes:

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 Debit applicable to Limit as Percent of Limit



Douglasville-Douglas County Water and Sewer Authority

Demographic Information - Schedule 1 Douglas County Demographic and Economic Statistics Last Ten Calendar Years

Year	Population (1)	Personal Income (1) <i>(thousands of dollars)</i>	Per Capita Personal Income (1)	Median Age(2)	School Enrollment (3)	Unemployment Rate (4)
1997	86,415	1,934,487	22,386	—	16,486	3.1%
1998	89,144	2,068,257	23,201	—	16,770	3.0%
1999	90,955	2,224,481	24,457	—	16,978	2.7%
2000	92,741	2,436,534	26,272	33.8	17,489	2.9%
2001	95,634	2,529,998	26,455	33.6	18,101	3.2%
2002	98,460	2,578,777	26,191	33.6	18,790	4.5%
2003	101,938	2,655,269	26,048	33.5	19,697	4.6%
2004	107,084	2,857,701	26,687	33.2	20,997	4.7%
2005	112,914	3,058,455	27,087	32.8	22,490	5.4%
2006	119,557	—	—	—	24,144	4.9%

(1) Source: Bureau of Economic Analysis

* Source: U.S. Census Bureau, State and County Quickfacts 2006 estimate population

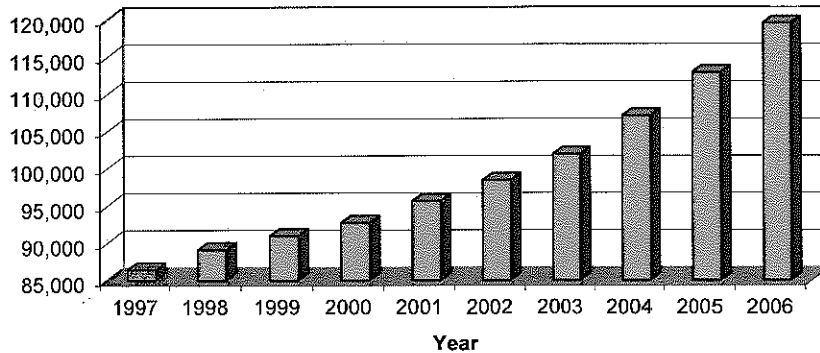
** Personal Income Information for 2006 was not available as of July 9, 2007

(2) Source: U.S. Census Bureau, 2000 Census Estimates, information not available prior to 2000

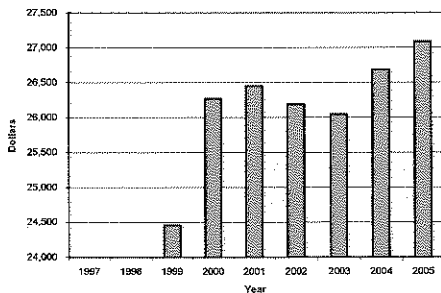
(3) Source: Georgia Department of Education, enrollment as of October each year.

(4) Source: U.S. Department of Labor, Bureau of Labor and Statistics (July 9, 2007) annual averages not seasonally adjusted

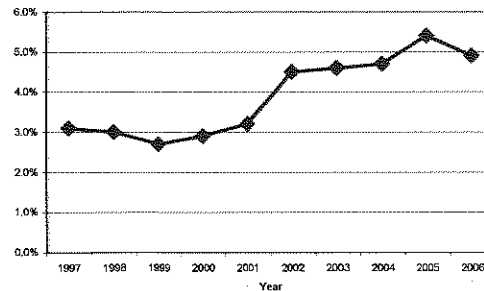
Population of Douglas County



Douglas County Per Capita Income



Douglas County Unemployment Rate



Douglasville-Douglas County Water and Sewer Authority

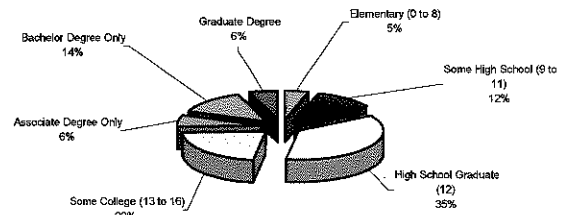
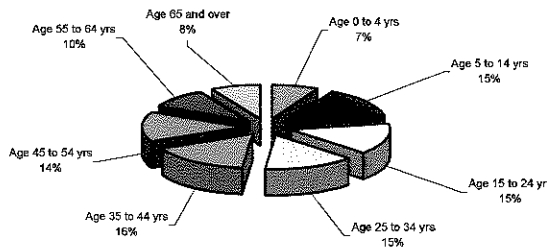
Demographic Information - Schedule 2 Douglas County Age and Educational Levels June 30, 2007

Age Distribution	Number	Percent
Age 0 to 4 yrs	8,262	7.4%
Age 5 to 14 yrs	16,615	14.9%
Age 15 to 24 yrs	16,390	14.7%
Age 25 to 34 yrs	16,671	14.9%
Age 35 to 44 yrs	18,052	16.1%
Age 45 to 54 yrs	15,818	14.1%
Age 55 to 64 yrs	10,891	9.7%
Age 65 and over	9,145	8.2%
Total Population	111,844	100.0%

Educational Attainment	Number	Percent
Elementary (0 to 8)	3,428	4.9%
Some High School (9 to 11)	8,230	11.7%
High School Graduate (12)	25,385	36.0%
Some College (13 to 16)	15,508	22.0%
Associate Degree Only	4,417	6.3%
Bachelor Degree Only	9,691	13.7%
Graduate Degree	3,918	5.6%
Adult Population (25 Years or Older)	70,577	100.0%

Age Distribution

Educational Attainment



Source: Greystone Power August 2006 Update

Douglasville-Douglas County Water and Sewer Authority

Demographic Information - Schedule 3 Douglas County Top Ten Employers June 30, 2007

Employer	2007		1997	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Douglas County School System	5,017	8.40%	*	*
Silver Line Building Products Corp.	1,500	2.51%	*	*
Wal-Mart	911	1.53%	*	*
Douglas County Government	857	1.44%	*	*
Inner Harbour, Ltd.	700	1.17%	*	*
Wellstar Douglas Hospital	549	0.92%	*	*
APL Logistics	370	0.62%	*	*
Publix Supermarkets	355	0.59%	*	*
Kroger	350	0.59%	*	*
Bellsouth	324	0.54%	*	*
Total County Employment	59,696		*	

* Information not available

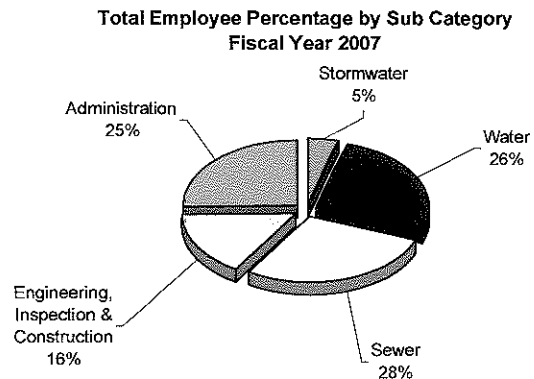
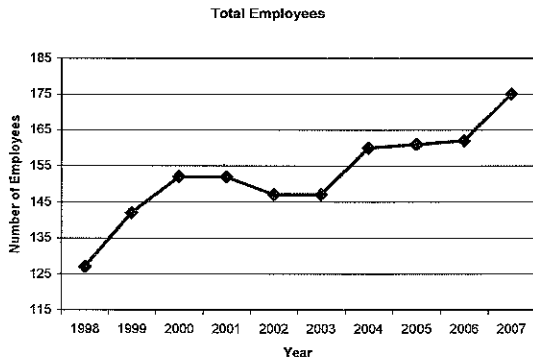
Source: Douglas County Board of Education, Douglas County Government, Douglas County Development Authority

Douglasville-Douglas County Water and Sewer Authority

Operating Information - Schedule 1 Full-Time Equivalent Water and Sewer Authority Employees Last Ten Fiscal Years Employees by Function

Fiscal Year	2007	2006	2005 ¹	2004	2003	2002	2001	2000	1999	1998
WATER:										
Water Plant Operations	14	14	13	13	13	12	14	12	12	17
(a) Water Plant Maintenance	3	4	5	5	5	5	6	7	3	-
Water Systems Maintenance	27	24	25	27	23	24	25	24	22	22
Reservoir Staff	2	2	4	2	2	2	2	4	4	2
WATER SUB TOTAL	46	44	47	47	43	43	47	47	41	41
SEWER:										
Sewer Plant Operations	23	20	21	20	19	18	19	19	17	18
(a) Sewer Plant Maintenance	6	3	3	3	3	3	3	2	4	-
Sewer Systems Maintenance	20	17	16	16	14	17	16	15	13	10
SEWER SUB TOTAL	49	40	40	39	36	38	38	36	34	28
ENGINEERING/INSPECTION/CONSTRUCTION:										
Engineering	12	11	9	9	9	8	8	7	7	6
Inspections	8	8	4	4	4	4	3	4	4	3
Construction	8	8	8	10	6	7	10	9	7	8
ENG/INSP/CONS SUB TOTAL	28	27	21	23	19	19	21	20	18	17
STORMWATER:										
(b) STORMWATER SUB TOTAL	8	6	9	10	6	3				
ADMINISTRATION:										
Billing/Customer Service	14	14	15	13	14	14	14	15	15	12
Meter Reading	9	9	8	8	7	7	9	10	9	9
Human Resources	8	8	8	8	8	9	9	10	11	10
Finance & Accounting	6	7	6	6	7	7	7	7	7	5
MIS	3	3	3	3	3	3	3	3	3	2
Executive Administration	4	4	4	3	4	4	4	4	4	3
ADMINISTRATION SUB TOTAL	44	45	44	41	43	44	46	49	49	41
TOTAL EMPLOYEES	175	162	161	160	147	147	152	152	142	127

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.
 (a) Plant maintenance was established as a separate department in FY2000. Previously budgeted with Plant Operations.
 (b) Stormwater Department was not in operation until Calendar Year 2003.
 Notes: All managers or directors are included with their divisions.



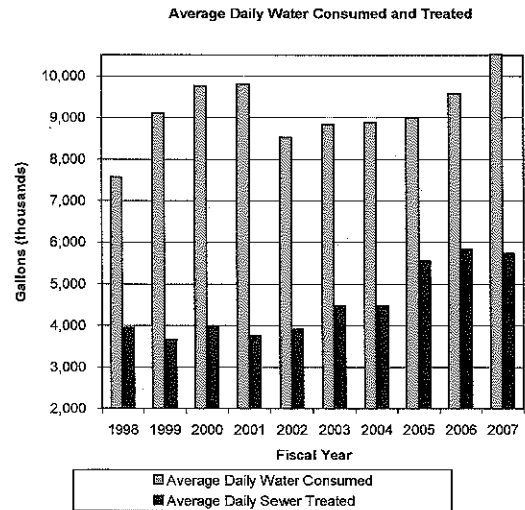
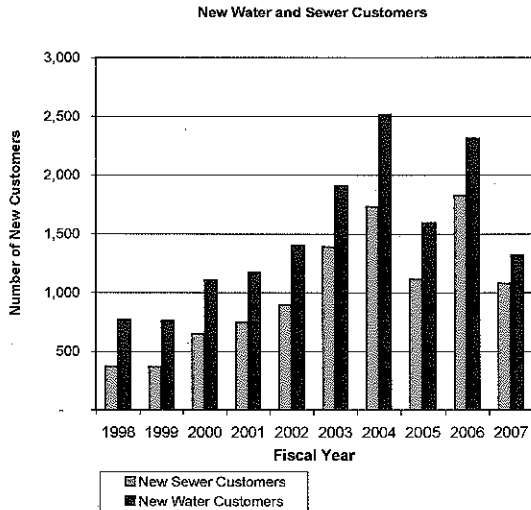
Douglasville-Douglas County Water and Sewer Authority

Operating Information - Schedule 2 Operating Indicators - Demand and Service Levels Last Ten Fiscal Years

Fiscal Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Demand or Level of Service										
Water										
Total customers	26,831	27,591	28,701	29,874	31,277	33,183	35,702	37,294	39,605	40,921
⁽⁶⁾ New customers	769	760	1,110	1,173	1,403	1,906	2,519	1,592	2,311	1,316
Water main breaks	285	277	268	240	164	146	105	139	131	150
^(3,4,5) Average daily consumption (thousands of gallons)	7,567	9,114	9,765	9,812	8,531	8,833	8,883	8,991	9,580	10,538
Sewer										
Total customers	7,138	7,508	8,160	8,909	9,807	11,197	12,930	14,045	15,872	16,952
⁽⁶⁾ New customers	373	370	652	749	898	1,390	1,733	1,115	1,827	1,080
Average daily sewer treatment (thousands of gallons)	3,948	3,658	3,995	3,748	3,912	4,474	4,479	5,545	5,826	5,738
Stormwater										
Total customers							6,862	34,620	40,329	41,891
^(1,2) New customers							6,862	27,758	5,709	1,562

Notes:

- (1) Acquired the city stormwater system in Fiscal 2003; developed stormwater rate structure and began billing customers in Fiscal 2004.
- (2) Acquired the county stormwater system in Fiscal 2005 and began billing county customers in Fiscal 2005.
- (3) Daily consumption for 1999 through 2002 is based upon gallons billed, consumption for 2003 through 2007 is based upon total metered gallons.
- (4) During the period 1999 through 2001 the unusual growth in consumption was due to a contract with Carroll County at which time an average of 1.7 million gallons per day was sold.
- (5) 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.
- (6) Increased Tap Sales in 2004 due to builders pre-purchasing in anticipation of an announced rate increase. Actual construction and connections occurred into fiscal year 2005.



Douglasville-Douglas County Water and Sewer Authority

**Operating Information - Schedule 3
Capital Assets - Indicators of Use and Volume
Last Ten Fiscal Years**

Fiscal Year		<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Capital Assets											
Water											
	Water main miles	661	672	685	700	743	771	787	806	947	966
	Fire hydrants	4,851	5,001	5,194	5,409	5,538	5,941	6,233	6,624	7,111	7,200
	Maximum daily design capacity (thousands of gallons)	10,000	10,000	16,400	16,400	16,400	16,400	16,400	16,400	16,400	16,400
(1,2,3,4)	Average Daily water production (thousands of gallons)	9,286	10,695	11,133	10,955	10,071	10,443	11,073	11,705	12,562	13,255
	Storage capacity - clear wells and water tanks (thousands of gallons)	11,550	11,550	11,875	11,875	11,775	11,775	11,775	11,775	11,775	11,775
	Reservoir capacity (thousands of gallons)	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000
Sewer											
	Sanitary sewer miles	172	186	199	205	230	257	272	287	322	344
	Maximum daily design treatment capacity (thousands of gallons)	6,990	6,990	7,490	7,490	7,490	7,490	7,490	7,490	7,490	7,990
	Average Daily sewer flow (thousands of gallons)	3,948	3,658	3,995	3,748	3,912	4,474	4,479	5,545	5,826	5,738
Stormwater											
(5)	Storm sewer lines						41	44	147	152	155

Notes:

- (1) During the period 1999 through 2001, the unusual growth in water production was the result of a 5 year contract to sell water to Carroll County during which time an average of 1.7 million gallons per day was sold, of which an average of 1.3 million gallons per day was purchased from Cobb County.
- (2) During the period 2002 through 2006, water was sold to the city of Villa Rica at a average of 345 thousand gallons per day.
- (3) During the period 1999 through 2003, and part of 2004 production was underestimated due to errors in the intake meter at the water treatment plant, estimates were used because the outflow meter was either not functioning or installed.
- (4) During the period 2004 through 2006, production was actual measured volume through the outflow meter at the water treatment plant.
- (5) The Authority acquired the stormwater system of the city in 2003 and the county's in 2005

Douglasville-Douglas County Water and Sewer Authority

Operating Information - Schedule 4 Top Ten Customers by Type 2000-2007 Comparison

Fiscal Year	2007			2000		
	Water Revenue	Rank	Percentage of Water Revenue	Water Revenue	Rank	Percentage of Water Revenue
<u>Water Customers</u>						
Google	\$ 207,277	1	1.19%	\$ 118,692	1	0.95%
Grove Skyview LTD	157,244	2	0.91%	96,386	2	0.77%
Tree Terrace Apartments	104,028	3	0.60%	60,247	7	0.48%
Arbor Place Mall	95,924	4	0.55%	74,072	5	0.59%
Douglas County Jail	86,152	6	0.50%	66,223	6	0.53%
Berwind Property- Westfork-Waterford	83,310	7	0.48%			
Silver Line Building Products	78,141	8	0.45%	78,842	3	0.63%
Sevo Miller, Inc. - Crestmark	66,913	9	0.39%			
Regency of Georgia	66,411	10	0.38%	54,495	8	0.43%
Golden Estates Mobile Home Pk				76,289	4	0.61%
HCA Parkway				49,283	9	0.39%
Brook Valley Apartments				48,563	10	0.39%
Oak Creek Apartments						
Totals	<u>\$ 1,036,750</u>		<u>5.97%</u>	<u>\$ 723,092</u>		<u>5.76%</u>

Fiscal Year	2007			2000		
	Sewer Revenue	Rank	Percentage of Sewer Revenue	Sewer Revenue	Rank	Percentage of Sewer Revenue
<u>Sewer Customers</u>						
Google	\$ 168,332	1	2.11%	\$ 90,604	1	2.31%
Grove Skyview LTD	136,010	2	1.71%	73,830	2	1.89%
Tree Terrace Apartments	92,089	3	1.16%	57,150	5	1.46%
Sevo Miller, Inc. - Crestmark	86,170	4	1.08%	44,552	7	1.14%
Arbor Place Mall	81,304	5		57,282	4	1.46%
Douglas County Jail	80,336	6	1.01%	54,937	6	1.40%
Berwind Property- Westfork-Waterford	78,985	7	0.99%			
Silver Line Building Products	63,077	8	0.79%			
Golden Estates Mobile Home Pk	62,010	9	0.78%	43,182	8	1.10%
Wellstar	54,744	10	0.69%			
Oak Creek Apartments				38,737	10	0.99%
HCA Parkway				58,019	3	1.48%
Brook Valley Apartments				42,144	9	1.08%
Totals	<u>\$ 903,058</u>		<u>11.33%</u>	<u>\$ 560,437</u>		<u>14.31%</u>

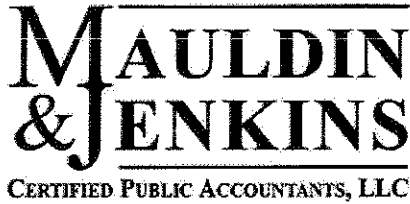
Fiscal Year	2007			2006		
	Stormwater Revenue	Rank	Percentage of Stormwater Revenue	Stormwater Revenue	Rank	Percentage of Stormwater Revenue
<u>Stormwater Customers</u>						
Conlan Company	\$ 33,782	1	0.87%	\$ 27,804	2	0.75%
APL Logistics	33,545	2	0.86%	33,545	1	0.91%
Hunt Partners Ref. Group-Jacoby Dev.	25,203	3	0.65%	24,163	4	0.66%
JVC Co. of America	23,452	4	0.60%	23,162	5	0.63%
Arbor Place Mall	20,604	5	0.53%	26,161	3	0.71%
Prologis	20,188	6	0.52%	13,086	9	0.35%
Grove Skyview, LTD	19,709	7	0.51%	19,709	6	0.53%
Medline Industries, Inc.	18,884	8	0.49%	18,884	7	0.51%
Maytag Appliance	17,035	9	0.44%	17,035	8	0.46%
Chapel Hill High School	16,412	10	0.42%	12,157	10	0.33%
Totals	<u>\$ 228,814</u>		<u>5.89%</u>	<u>\$ 215,706</u>		<u>5.85%</u>

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

* Note: 2000 was the first year that historical information is available for top 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***



**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 the accompanying basic financial statements of the Douglasville-Douglas County Water and Sewer Authority (the "Authority") as of and for the year ended June 30, 2007, and have issued our report thereon dated September 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

However, we noted certain matters that we reported to management of the Authority, in a separate letter dated September 11, 2007.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 11, 2007



