

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



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR FISCAL YEAR ENDED JUNE 30, 2008**



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR FISCAL YEAR ENDED JUNE 30, 2008**

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, 2008

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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](http://www.ddcwsa.com)

# DOUGLASVILLE-DOUGLAS COUNTY WATER AND SEWER AUTHORITY ORGANIZATIONAL CHART





# 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, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emery*

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, 2008

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, 2008, 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, 2008, the net property, plant and equipment value of the combined System was \$383,757,316.

## **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 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 23.0 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 in service by 2009.

The System is served by approximately 977 miles of distribution lines in various diameter sizes through the County. The majority of the System's distribution lines was installed between 1985 and 2008, and is therefore up to 23 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 2009 are projected to total approximately 28,250 linear feet, or 5.4 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 received the United States Environmental Protection Agency's National Director's 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. In 2008, the Authority received the United States Environmental Protection Agency's National Directors Award for 10 years of consecutive compliance with the Partnership for Safe Drinking Water Program.

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 364 miles of 8-inch and larger sanitary sewer collection lines and force mains which lead to four major wastewater treatment plants and two 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 \$3.58 per 1,000 gallons of wastewater treated.

Sewage Treatment Plant	Capacity (in MGD)	Type/Discharge	Year Installed
Southside*	3.75	Activated sludge, extended aeration and conventional. Anneewakee Creek	1973, expanded in 1987 & 1990
Sweetwater Creek	3.00	Activated sludge, extended aeration. Chattahoochee River	1989
Northside	0.60	Activated sludge, extended aeration. Gothards Creek	1975
South Central	0.50	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	6.00	Activated sludge, extended aeration and tertiary treatment. Chattahoochee River	Under Construction-Planned Startup Summer 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 Summer of 2008). During Fiscal Year ended June 30, 2008, the total sanitary sewer flow at all plants was 2,104 MG, which is an average of approximately 5.76 MGD, 72% of the design capacity of the plants. The Authority disposes of biosolids generated at its wastewater treatment plants in a sanitary landfill.

A new 1.75 MGD side-stream treatment facility is being constructed at the Sweetwater Creek WWTP. Treated effluent from the Sweetwater Creek WWTP will receive additional treatment at the side-stream facility before being provided as cooling tower make-up water for a large data processing center that has recently come onto the Authority's system. The new side-stream facility is scheduled to begin operations during the summer of 2008.

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 and the new 6.0 MGD South Central WWTP, scheduled to come on line in 2008, 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 award 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 First Place State, Regional, and National awards in 2007.

## 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, 2008, the combined Authority stormwater system consisted of 162 miles of conveyance pipe and culvert systems, 10,029 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. 2007 Population Census estimates, the population in Douglas County in 2007 was 124,495. According to the Atlanta Regional Commission, in 2007 Douglas County ranked 8<sup>th</sup> in total population among the top ten largest counties in the Atlanta Region, and ranked 3<sup>rd</sup> by rate of growth with a 4.6% increase of population from 2006 to 2007. According to the U.S. Census Bureau, from 2000-2007 Douglas County ranked 44<sup>th</sup> nationwide in population growth with an increase of 35 percent.

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 32 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, 2008. The system serves 86 elementary, middle and high schools, and day-care facilities, one Hospital, and 375 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, 2008 are listed in the statistical section of this report, along with other pertinent statistical information.

## WATER, SANITARY SEWER, AND STORMWATER RATES

Effective December 1, 2007, the Authority implemented a three-tier rate structure in accordance with the general mandates of the Metropolitan North Georgia Water Planning District. Rates are as follows:

Water. The Authority's latest increase in water rates was effective during Fiscal Year 2008. 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:

### *Base Fees & Water Rates*

Meter Size	Water Base	Sewer Base	Tier 1 (\$3.30 per 1,000 Gal for consumption between)	Tier 2 (\$4.13 per 1,000 Gal for consumption between)	Tier 3 (\$6.60 per 1,000 Gal for consumption over)
Senior 5/8"	\$ 2.50	\$ 2.50	0 to 6,000	6,001 to 9,000	over 9,000
Senior 3/4"	\$ 2.50	\$ 2.50	0 to 9,000	9,001 to 13,500	over 13,500
5/8"	\$ 9.01	\$ 4.81	0 to 6,000	6,001 to 9,000	over 9,000
3/4"	\$ 9.01	\$ 4.81	0 to 9,000	9,001 to 13,500	over 13,500
1"	\$ 17.39	\$ 6.88	0 to 15,500	15,501 to 22,500	over 22,500
1 1/2"	\$ 31.18	\$ 13.76	0 to 30,000	30,001 to 45,000	over 45,000
2"	\$ 46.71	\$ 27.53	0 to 48,000	48,001 to 72,000	over 72,000
3"	\$ 214.18	\$ 41.31	0 to 90,000	90,001 to 135,000	over 135,000
4"	\$ 252.94	\$ 55.10	0 to 150,000	150,001 to 225,000	over 225,000
6"	\$ 414.61	\$ 82.65	0 to 300,000	300,001 to 450,000	over 450,000
8"	\$ 634.78	\$ 110.22	0 to 480,000	480,001 to 720,000	over 720,000
10"	\$ 634.78	\$ 110.22	0 to 690,000	690,001 to 1,035,000	over 1,035,000

Sanitary Sewer. The latest increase in sanitary sewer rates was effective during Fiscal Year 2008. 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 \$5.40 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. In June of 2007 the Authority began billing non-system water and sewer users within the county. 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. There was no increase in stormwater rates during Fiscal Year 2008.



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 98% 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 has 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 October 18, 2007, the Authority issued an additional \$76.8 million in long-term debt. At June 30, 2008, the Authority had \$172.1 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 \$78.5 million in Fiscal Year 2011.

Cash Management. The Authority's available cash is invested in demand deposit accounts, money market accounts, U.S. Treasury Notes, U.S. Treasury Bills, 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 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 Finance and Administration Departments. The Authority's Finance Division was honored to receive the "Award of Excellence in Financial Reporting" for the 2001, 2002, 2003 and 2005, 2006, and 2007 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,

A handwritten signature in black ink that reads "Martin Keller". The signature is written in a cursive style with a prominent horizontal line across the top of the name.

Martin Keller, Deputy Director  
for Finance and Administration

# FINANCIAL

**REPORT OF  
INDEPENDENT AUDITORS**

## INDEPENDENT AUDITOR'S REPORT

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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, 2008 and 2007, 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, 2008 and 2007, 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 9, 2008 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.

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The Management's Discussion and Analysis and Funding Progress Schedule on pages 5 - 21 and page 47, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 9, 2008

# **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, 2008. Please read it in conjunction with the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS – FISCAL YEAR 2008

- **Net Assets** - The Authority's net assets increased by \$10.4 million or 3.9 percent, as infrastructure growth continued in Douglas County.
- **Authority Borrows \$76,755,000 in Revenue Bonds** - In October 2007, the Authority borrowed \$76,755,000 in Long Term Debt to finance major water projects projected to be completed by the end of calendar year 2010. These projects will double the Authority's water supply capacity and increase production capacity by 7.0 mgd. The borrowing will increase the Authority's annual debt service payments by \$5.2 million by June 30, 2011.
- **Results of Operations:**

**Overall**, during the year the Authority's "**operating revenues**" increased to \$32.2 million up from \$30.9 million in 2007 or 4.2 percent, while "**operating expenses**" increased to \$32.8 million up from \$30.1 million in 2007 or 9.0 percent. The increase in operating expenses can mainly be attributed to non-recurring litigation legal fees of \$0.4 million and drought related purchased water of \$1.3 million. In addition, depreciation increased \$0.6 million in Fiscal 2008 due to increased capital works projects put into service, resulting from increased system demands.

**Drought Impacts Operating Revenues and Expenses of Authority** - While managing a modest 1.4 percent growth in customers, operating revenues of the Authority suffered during Fiscal 2008 as a result of a strict watering ban on all outdoor watering. It is estimated that consumption demand declined approximately 17 percent. In addition, cost of purchased water increased \$1.3 million during Fiscal 2008 in efforts to preserve the Authority's reservoir and supply customer demands.

**Authority Implements 3-tier rate structure into water rates** - In December 2007 the Authority implemented a 3-tier rate structure into its water rates. The purpose of the structure is to promote water conservation. The design of the structure should promote reduced consumption by large water users through a series of increasing block rates at defined tiers of consumption and place greater fiscal responsibility on higher demand users.

**Authority Raises Water & Sewer Rates** - On December 1, 2007 the Authority increased its water and sewer rates by 7.2 percent. As in past years, the Authority increases rates to stay pace with inflation, ensure recovery of all its operating costs, and to cover increases in annual debt service payments.

## FINANCIAL HIGHLIGHTS – FISCAL YEAR 2008 (continued)

- **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, during Fiscal Year 2008, Douglas County experienced a sharp reduction in housing starts as external market forces hampered the growth in residential development. On a favorable note, there continues to be greater interest and growth in commercial and industrial development in Douglas County. As of their latest report in 2007, the Atlanta Regional Commission ranked Douglas County 3rd by rate of growth in the Atlanta Region. According to the U.S. Census Bureau, from 2000-2007 Douglas County ranked 44<sup>th</sup> nationwide in population growth with an increase of 35 percent.

- **Capital Assets:**

The Authority's capital assets increased \$52.0 million in Fiscal 2008 of which \$43.6 million came from Authority expenditures, \$9.6 million in non-cash developer infrastructure contributions, and a reduction of assets of \$1.2 million in disposals (\$1.0 million of which was sewer and stormwater infrastructure conveyed to the City of Villa Rica). Of the \$43.6 million in Authority expenditures, over \$28.0 million was spent on three major projects; South Central Wastewater Treatment Plant which will be placed into service in August, shortly after current year end, the Bear Creek Water Plant Expansion, and the rerouting and abandonment of the Southside Wastewater Treatment Plant.

- **Capital Contributions:**

**Capital Contributions** - During Fiscal Year 2008, the Authority experienced a decrease in **tap sales** down \$6.7 million to \$2.4 million in 2008, down from \$9.1 million in 2007, and in **developer contributions** down \$2.9 million to \$10.2 million in 2008, down from \$13.1 million in 2007. These decreases were a direct result of the down-turn in housing starts through Fiscal 2008.

## 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 Statements 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 Statements of Revenues, Expenses, and Changes in Net Assets. These statements measure the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

## **FINANCIAL ANALYSIS OF THE AUTHORITY**

Our analysis of the Authority begins on pages 23 and 24 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.

## STATEMENTS OF 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 2006 to 2007 Comparison				Fiscal Year 2007 to 2008 Comparison			
	FY 2006	FY 2007	Dollar Change	Total Percent Change	FY 2007	FY 2008	Dollar Change	Total Percent Change
Current and Other Assets	\$68.9	\$38.3	(\$30.6)	(44.4%)	\$38.3	\$86.8	\$48.5	126.6%
Capital Assets	291.1	344.1	53.0	18.2%	344.1	383.8	39.7	11.5%
<b>Total Assets</b>	<b>360.0</b>	<b>382.4</b>	<b>22.4</b>	<b>6.2%</b>	<b>382.4</b>	<b>470.6</b>	<b>88.2</b>	<b>23.1%</b>
Long-term Debt Outstanding	98.0	95.4	(2.6)	(2.7%)	95.4	172.3	76.9	80.6%
Other Liabilities	18.1	20.3	2.2	12.2%	20.3	21.2	0.9	4.4%
<b>Total Liabilities</b>	<b>116.1</b>	<b>115.7</b>	<b>(0.4)</b>	<b>(0.3%)</b>	<b>115.7</b>	<b>193.5</b>	<b>77.8</b>	<b>67.2%</b>
Invested in Capital Assets, Net of Related Debt	239.1	266.3	27.2	11.4%	266.3	274.1	7.8	2.9%
Restricted	0.7	2.1	1.4	200.0%	2.1	2.1	0.0	0.0%
Unrestricted	4.1	(1.7)	(5.8)	(141.5%)	(1.7)	0.9	2.6	(152.9%)
<b>Total Net Assets</b>	<b>\$243.9</b>	<b>\$266.7</b>	<b>\$22.8</b>	<b>9.3%</b>	<b>\$266.7</b>	<b>\$277.1</b>	<b>\$10.4</b>	<b>3.9%</b>

### 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. This increase was the direct result of a \$52.9 million increase in net fixed assets partially offset by \$2.0 million reduction in debt and a \$23.8 million offset to net assets related to unspent bond proceeds.

#### **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.

## **Fiscal Year 2007 to 2008 Comparison**

As can be seen from the Table, net assets increased \$10.4 million to \$277.1 million in Fiscal Year 2008 up from \$266.7 million in Fiscal Year 2007. Looking at Table A-1, in the category titled “**Invested in Capital Assets Net of Related Debt**”, an increase of \$7.8 million from Fiscal 2007 is the direct result of a \$39.7 million increase in net fixed assets partially offset by \$77.1 million of additional debt less unspent proceeds of \$45.2 million relating to the debt (see page 40 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) was relatively unchanged in Fiscal Year 2008.

### **Unrestricted:**

**Unrestricted** Net Assets (those that can be used to finance day-to-day operations) increased \$2.6 million primarily as a result of the change in net assets invested in capital assets, net of related debt and restricted net assets, as well as the Authority’s overall change in net assets.

## STATEMENTS 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 2006 to 2007 Comparison				Fiscal Year 2007 to 2008 Comparison			
	FY 2006	FY 2007	Dollar Change	Total Percent Change	FY 2007	FY 2008	Dollar Change	Total Percent Change
<b>Revenues:</b>								
Operating Revenues:								
Charges for services	\$28.0	\$29.8	\$1.8	6.4%	\$29.8	\$31.2	\$1.4	4.7%
Penalties	0.9	1.1	0.2	22.2%	1.1	1.0	(0.1)	(9.1%)
<b>Total Operating Revenues</b>	<b>28.9</b>	<b>30.9</b>	<b>2.0</b>	<b>6.9%</b>	<b>30.9</b>	<b>32.2</b>	<b>1.3</b>	<b>4.2%</b>
<b>Total Non-Operating Revenues (Interest Income)</b>	<b>2.1</b>	<b>2.3</b>	<b>0.2</b>	<b>9.5%</b>	<b>2.3</b>	<b>2.6</b>	<b>0.3</b>	<b>13.0%</b>
<b>Total Revenues</b>	<b>31.0</b>	<b>33.2</b>	<b>2.2</b>	<b>7.1%</b>	<b>33.2</b>	<b>34.8</b>	<b>1.6</b>	<b>4.8%</b>
<b>Expenses:</b>								
<b>Operating Expenses:</b>								
Employment costs	9.8	10.7	0.9	9.2%	10.7	10.3	(0.4)	(3.7%)
Repairs and maintenance	2.0	1.9	(0.1)	(5.0%)	1.9	2.1	0.2	10.5%
Supplies and materials	0.8	0.9	0.1	12.5%	0.9	0.8	(0.1)	(11.1%)
Depreciation	10.9	11.9	1.0	9.2%	11.9	12.5	0.6	5.0%
Utilities	1.9	2.1	0.2	10.5%	2.1	2.1	0.0	0.0%
Water and sewer services purchased	0.1	0.3	0.2	200.0%	0.3	1.6	1.3	433.3%
Administration	1.9	2.3	0.4	21.1%	2.3	3.4	1.1	47.8%
<b>Total Operating Expenses</b>	<b>27.4</b>	<b>30.1</b>	<b>2.7</b>	<b>9.9%</b>	<b>30.1</b>	<b>32.8</b>	<b>2.7</b>	<b>9.0%</b>
<b>Non-operating expenses:</b>								
Interest and fiscal charges, net of capitalized amount of \$3,881,876 in 2008 and \$2,477,729 in 2007	3.1	2.4	(0.7)	(22.6)	2.4	3.4	1.0	41.7%
Loss on disposal of capital assets	0.0	0.0	0.0	0.0%	0.0	1.1	1.1	100.0%
Other Expenses	0.1	0.1	0.0	0.0%	0.1	0.0	(0.1)	(100.0%)
<b>Total non-operating Expense</b>	<b>3.2</b>	<b>2.5</b>	<b>(0.7)</b>	<b>(21.9%)</b>	<b>2.5</b>	<b>4.5</b>	<b>2.0</b>	<b>80.0%</b>
<b>Total Expenses</b>	<b>30.6</b>	<b>32.6</b>	<b>2.0</b>	<b>6.5%</b>	<b>32.6</b>	<b>37.3</b>	<b>4.7</b>	<b>14.4%</b>
<b>Income (Loss) before Capital Contributions</b>	<b>0.4</b>	<b>0.6</b>	<b>0.2</b>	<b>50.0%</b>	<b>0.6</b>	<b>(2.6)</b>	<b>(3.2)</b>	<b>(533.3%)</b>
<b>Capital Contributions:</b>								
<b>Tap Fees</b>	10.7	9.1	(1.6)	(15.0%)	9.1	2.4	(6.7)	(73.6%)
<b>Developer Lines</b>	23.0	13.1	(9.9)	(43.0%)	13.1	10.2	(2.9)	(22.1%)
<b>Grant Contributions</b>	0.0	0.0	0.0	0.0%	0.0	0.4	0.4	100.0%
<b>Total Capital Contributions</b>	<b>33.7</b>	<b>22.2</b>	<b>(11.5)</b>	<b>(34.1%)</b>	<b>22.2</b>	<b>13.0</b>	<b>(9.2)</b>	<b>(41.4%)</b>
<b>Change In Net Assets</b>	<b>34.1</b>	<b>22.8</b>	<b>(11.3)</b>	<b>(33.1%)</b>	<b>22.8</b>	<b>10.4</b>	<b>(12.4)</b>	<b>(54.4%)</b>
<b>Beginning Net Assets</b>	<b>209.8</b>	<b>243.9</b>	<b>34.1</b>	<b>16.3%</b>	<b>243.9</b>	<b>266.7</b>	<b>22.8</b>	<b>9.3%</b>
<b>Ending Net Assets</b>	<b>\$243.9</b>	<b>\$266.7</b>	<b>\$ 22.8</b>	<b>9.3 %</b>	<b>\$266.7</b>	<b>\$277.1</b>	<b>\$10.4</b>	<b>3.9%</b>

## STATEMENTS 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 51 “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 percent 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.

## STATEMENTS 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.



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

### Fiscal Year 2007 to 2008 Comparison

As can be seen in Table A-2, the “**Loss before Capital Contributions**” of \$2.6 million and “**Capital Contributions**” of \$13.0 million were the two sources of the change in net assets of \$10.4 million in Fiscal Year 2008.

#### **Revenues:**

Table A-2 shows that “**Total Revenues**” increased by \$1.6 million to \$34.8 million in Fiscal Year 2008, up from \$33.2 million in Fiscal Year 2007.

#### **Operating Revenues:**

Upon closer examination, you will notice “**Total operating revenues**” were up \$1.3 million or 4.2 percent over last year. **Water** - In Fiscal Year 2008 water revenues increased \$0.2 million or 1.2 percent. During Fiscal Year 2008 the growth in customers was a modest 1.5 percent. In addition, in December the Authority introduced and implemented a 3-tier rate structure and also increased water and sewer rates by 7.2 percent. The rate increase was ear-marked to cover increased operating costs and additional debt service costs resulting from the series 2007 bonds issued on October 18, 2007. The 3-Tier rate structure was designed to encourage water conservation through a series of increased rates at defined consumption levels, and shifting (increasing) greater financial responsibilities to larger water users. On the negative side, operating revenues suffered during Fiscal Year 2008 due to a ban on outside watering and continued severe drought, resulting in approximately 17 percent reduction in demand. The net effect of the combination of modest growth in customers coupled with the rate increase and implementation of the 3-tier rate structure, slightly more than offset the loss in demand from the ban on outside watering. **Sewer** - In Fiscal Year 2008 sewer revenues increased \$0.4 million or 5.1 percent. This was the direct result of a 7.2 percent rate increase implemented in the second half of Fiscal Year 2008 coupled with a the modest growth in customers of approximately 1.5 percent. **Stormwater** - In Fiscal Year 2008 stormwater revenues increased \$0.3 million or 10.3 percent. This significant increase was primarily the result of data corrections to billed impervious surface, and new construction on commercial property. The last major change in revenues during Fiscal Year 2008 came in the area of **Cut Off Charges**. In Fiscal Year 2008 cut off charges increased \$0.2 million or 172.3 percent. This increase was the direct result of stricter and greater efforts to collect on delinquent paying customers coupled with increased enforcement measures and fines on violators of the ban on outdoor watering, enacted as a result of the severe drought. (see page 50 “Comparative Schedule of Operating Revenues” for detail) .

#### **Non-Operating Revenues:**

In the category “**Non-operating revenues**”, revenues were up \$0.3 million in Fiscal Year 2008 or 13.0 percent over Fiscal Year 2007. This increase was the direct result of a significant increase in interest income resulting from 8 months of invested proceeds of a \$76.8 million dollar bond issue, partially offset by lower interest rates during the year.

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

### Expenses:

A further review of Table A-2 reveals that **“Total Expenses”** increased to \$37.3 million in Fiscal Year 2008 up \$4.7 million from \$32.6 million in Fiscal Year 2007. This overall increase was a direct result of a \$2.7 million increase in operating expense and a \$2.0 million increase in non-operating expenses for a total increase of 14.4 percent.

### Operating Expenses:

In reviewing **“Total Operating Expenses”** in detail you will notice that these expenses were up \$2.7 million to \$32.8 million in Fiscal Year 2008 from \$30.1 million in Fiscal Year 2007. The most significant areas of change were in the categories of; **(1) Water and sewer services purchased** account for the largest increase in expenses up \$1.3 million or 433.3 percent to \$1.6 million in Fiscal Year 2008 up from \$0.3 million in Fiscal Year 2007. This was the direct result of increased purchases from Cobb-Marietta in order to supply water and preserve the Authority’s reservoir during the severe summer drought, **(2) Administration** - the Authority experienced a \$1.1 million or 47.8 percent increase, to \$3.4 million up from \$2.3 million in Fiscal Year 2007. Most of the increases were for legal fees up \$0.5 million for current litigation, and a \$0.4 million increase in bad debt write-offs in Fiscal Year 2008, **(3) Depreciation** expense saw an increase of \$0.6 million or 5.0 percent to \$12.5 million up from \$11.9 million in Fiscal Year 2007. This increase was anticipated as infrastructure is continually being added to the Authority’s growing system. **Employment** costs were down \$0.4 million or 3.7 percent primarily reflective of the following; **(1)** a \$0.4 million increase in salary and wages due to a modest 0.4 percent increase in personnel, and an average merit/cola increase of 3.5 percent for payroll, partially offset by a decrease in temporary labor, **(2)** a decrease of \$0.3 million in health care benefits by converting from a self-insured to a fully insured premium base plan, **(3)** and a decrease of \$0.6 million in pension funding which was due primarily to a significant reduction in the amount of accrued expenses in Fiscal Year 2008 for the Executive Director’s post retirement pension and group health benefit obligation.

### Total Non-Operating Expense:

In the category titled **“Total Non-Operating Expense”**, expenses were up \$2.0 million to \$4.5 million in Fiscal Year 2008, up from \$2.5 million in Fiscal Year 2007. This unfavorable increase was the direct result of an additional \$2.3 million of increased interest expense associated with the Fiscal Year 2008 bond issue on October 18, 2007. This expense was partially offset by an increase in capitalized interest of \$1.4 million relating to expenditures on construction projects of over \$43.6 million in Fiscal Year 2008. In addition, a significant non-recurring loss on disposition of assets of \$1.1 million was recorded due to the transfer of a section of sewer and stormwater infrastructure to the City of Villa Rica.

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

**Fiscal Year 2007 to 2008 Comparison (continued)**

**Capital Contributions:**

As we continue our review of Table A-2, you will notice that Capital Contributions were down \$9.2 million to \$13.0 million in Fiscal Year 2008 down from \$22.2 million in Fiscal Year 2007. The major reason for the reduction is due to “**Tap Fees**” down \$6.7 million to \$2.4 million in Fiscal Year 2008 from \$9.1 million in Fiscal Year 2007, and in the category “**Developer Lines**” which were down \$2.9 million to \$10.2 million in Fiscal Year 2008 from \$13.1 million in 2007 and an increase in grants of \$0.4 million in Fiscal Year 2008. The decrease in taps and developer contributions are reflective of a sharp decline in housing starts during Fiscal Year 2008 in Douglas County as external market forces hampered the growth of housing demands resulting in a significant drop in tap sales and decrease in real estate development and developer line contributions.

## 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 31 and pages 39-40.

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

Description	Fiscal Year 2006 to 2007 Comparison				Fiscal Year 2007 to 2008 Comparison			
	FY 2006	FY 2007	Dollar Change	Total Percent Change	FY 2007	FY 2008	Dollar Change	Total Percent Change
Land	\$8.7	\$9.8	\$1.1	12.7%	\$9.8	\$11.0	\$1.2	12.2%
Buildings	26.8	28.0	1.2	4.2%	28.0	28.0	0.0	0.0%
Machinery & Equipment	28.9	32.1	3.2	11.1%	32.1	33.4	1.3	4.0%
Improvements other than Buildings	278.7	300.0	21.3	7.7%	300.0	321.7	21.7	7.2%
Construction in Progress	29.8	67.6	37.8	126.7%	67.6	95.4	27.8	41.1%
<b>Subtotal</b>	<b>372.9</b>	<b>437.5</b>	<b>64.6</b>	<b>17.3%</b>	<b>437.5</b>	<b>489.5</b>	<b>52.0</b>	<b>11.9%</b>
Less Accumulated Depreciation	81.8	93.4	11.6	14.2%	93.4	105.7	12.3	13.2%
<b>Net Property Plant Equipment</b>	<b>\$291.1</b>	<b>\$344.1</b>	<b>\$53.0</b>	<b>18.2%</b>	<b>\$344.1</b>	<b>\$383.8</b>	<b>\$39.7</b>	<b>11.5%</b>

### 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.

## CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

### Fiscal Year 2006 to 2007 Comparison (continued)

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.

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

#### **Fiscal Year 2007 capital assets additions include (dollars in millions):**

- \$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).

**\$64.6 million – Total Asset Change**

### Fiscal Year 2007 to 2008 Comparison

At the end of 2008, the Authority had invested \$489.5 million in a broad range of infrastructure including water plants, wastewater plants, wastewater facilities, water & sewer lines, dam construction, reservoir, maintenance and administration facilities, and vehicles and equipment as shown in Table A-3. As you review Table A-3, you will notice that the asset value of “**Land**” increased \$1.2 million to \$11.0 million in Fiscal Year 2008 up from \$9.8 in Fiscal Year 2007. This was the direct result of the purchase of land for wetland mitigation relating to the Dog River reservoir expansion. In the category titled “**Buildings**”, there were no direct purchases or construction in progress brought into service. The asset category remained at \$28.0 million in 2008, no change from \$28.0 million in Fiscal Year 2007. In the Category of assets titled “**Machinery and Equipment**”, asset values increased \$1.3 million to \$33.4 million in Fiscal Year 2008 up from \$32.1 million in Fiscal Year 2007. The major expenditures in this category included \$0.5 million for heavy and light duty vehicles, \$0.3 million in water meters, \$0.2 million for pumping equipment, and \$0.2 million for tools and miscellaneous equipment. In the Category “**Improvements other than buildings**”, assets increased \$21.7 million to \$321.7 million in Fiscal Year 2008 up from \$300.0 million in Fiscal Year 2007. This was primarily the result of \$9.6 million in developer line contributions and \$12.1 million in Authority expenditures on closed projects.

## CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

### Fiscal Year 2007 to 2008 Comparison (continued)

In this category sewer mains and outfalls increased a total of \$13.1 million, water lines and mains increased a total of \$4.3 million, and stormwater catch basins, conveyance pipe and culverts increased a total of \$4.3 million. Finally, in the category “**Construction in Progress**”, asset values were up \$27.8 million to \$95.4 million in Fiscal Year 2008 from \$67.6 million in Fiscal Year 2007. This net increase in values was the direct result of additional expenditures in Fiscal Year 2008 of \$41.7 million less \$13.9 million of closed projects transferred to depreciable assets. Some of the major expenditures not totally inclusive were \$18.1 million for the new South Central wastewater plant, \$2.8 million for the South Central 36-inch sewer line, \$8.5 million for a Southside lift station, \$2.1 million on the Southside Plant Abandonment, \$1.9 million on the Dog River reservoir expansion, and \$1.3 million for the Bear Creek Plant Expansion. The following is a summary of the Capital expenditures to the system during Fiscal Year 2008.

#### **Fiscal Year 2008 capital assets additions include (dollars in millions):**

- \$1.2 million; Land acquisitions - Dog River Mitigation.
- \$21.7 million; (Improvements; sewer mains/outfall - \$13.1 million, water mains - \$4.3 million, stormwater infrastructure - \$4.3 million).
- \$1.3 million; (Equipment; computers - \$0.1 million, vehicles - \$0.5 million, meters - \$0.3 million, pumping equipment - \$0.2 million, tools - \$0.1 million, misc. \$0.1 million).
- \$27.8 million; (Construction in progress; \$41.7 million in FY 2008 expenditures less \$13.9 million in closed projects). New expenditures were; South Central Wastewater Treatment Plant-\$18.1 million, Southside lift station - \$8.5 million, Dog River Dam - \$1.9 million, Bear Creek plant expansion - \$1.3 million, Southside abandonment - \$2.1 million, South Central 36-inch sewer line - \$2.8 million, all other - 7.0 million).

**\$52.0 million – Total Asset Change**

### LONG TERM DEBT

At year-end, the Authority had \$172.1 million in long- and short-term debt up from \$98.0 million in Fiscal Year 2007 for an increase of \$74.1 million or 75.6 percent. This increase was the direct result of a new borrowing during Fiscal 2008 of \$76.7 million partially offset by increases in Fiscal Year 2008 debt service payments of \$2.6 million. More detailed information about the Authority’s long-term liabilities is presented in the Notes to the Financial Statements on pages 35-38. The Authority plans on issuing approximately \$78.5 million in new debt in Fiscal Year 2011 to finance major capital improvements, primarily the expansion of the Sweetwater Creek wastewater treatment plant from 3.0 mgd to 6.0 mgd, and a new 32-inch Raw Water Line.

<b>BOND RATINGS</b>	<b>LIMITATIONS ON DEBT</b>
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 2007, the Authority received an affirmation in its stand-alone rating of <b>Aa2</b> by Moody’s, and an affirmation of its <b>AA-</b> rating from Standard & Poor’s.	Bond Covenants allow for the issuance of additional debt, on 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 current coverage ratio is 1.2.

## LONG TERM DEBT (continued)

### Fiscal Year 2007 to 2008 Comparison (continued)

#### Debt Coverage Ratio:

During Fiscal 2008 the Authority's debt coverage ratio, based on maximum annual debt service, dropped from 3.2 in Fiscal Year 2007 to 1.2 in Fiscal Year 2008. The major reason for this significant drop was the addition of \$5.3 million in maximum annual debt service relating to the 2007 bond issue. This debt service structure allows for a gradual ramp up (interest only) through 2010 and level debt structure in 2011. In addition, the Authority's coverage ratio suffered as a result of a number of non-recurring operating costs including \$0.3 million for retirement accrual and increased water purchases of \$1.3 million due to severe drought in Douglas County. In addition, a ban on outdoor watering significantly reduced revenues during the year. All of the above contributed to a temporary drop in the coverage ratio.

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

Description	Fiscal Year 2006 to 2007 Comparison			Fiscal Year 2007 to 2008 Comparison		
	FY 2006	FY 2007	Total Percent Change	FY 2007	FY 2008	Total Percent Change
<b>Revenues</b>						
Revenues from Operations	\$28.9	\$30.9	6.9%	\$30.9	\$32.2	4.2%
Interest Income (excludes construction fund)	0.8	0.7	(12.5%)	0.7	0.5	(28.6%)
Tap Fees	10.7	9.1	(15.0%)	9.1	2.4	(73.6%)
<b>Total Revenues</b>	<b>40.4</b>	<b>40.7</b>	<b>0.7%</b>	<b>40.7</b>	<b>35.1</b>	<b>(13.8%)</b>
<b>Total Operating Expenses (less depreciation)</b>	<b>16.5</b>	<b>18.2</b>	<b>10.3%</b>	<b>18.2</b>	<b>20.3</b>	<b>11.5%</b>
<b>Net Earnings</b>	<b>\$23.9</b>	<b>\$22.5</b>	<b>(5.9%)</b>	<b>\$22.5</b>	<b>\$14.8</b>	<b>(34.2%)</b>
<b>Current Fiscal 2008 Annual Debt Service</b>	<b>7.0</b>	<b>7.0</b>	<b>0%</b>	<b>7.0</b>	<b>9.3</b>	<b>32.9%</b>
<b>Current Debt Coverage Ratio</b>	<b>3.4</b>	<b>3.2</b>	<b>(5.9%)</b>	<b>3.2</b>	<b>1.6</b>	<b>(50.0%)</b>
<b>Maximum Annual Debt Service</b>	<b>\$7.0</b>	<b>\$7.0</b>	<b>0.0%</b>	<b>\$7.0</b>	<b>\$12.3</b>	<b>75.7%</b>
<b>Debt Coverage Ratio</b>	<b>3.4</b>	<b>3.2</b>	<b>(5.9%)</b>	<b>3.2</b>	<b>1.2</b>	<b>(62.5%)</b>

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.

## LONG TERM DEBT (continued)

### Fiscal Year 2007 to 2008 Comparison (continued)

The market timing of the Authority's latest bond issues (2005 and 2007) resulted in historically favorable 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**

	<b>Debt Balance</b>	<b>Average Coupon Rate</b>
1993 Bonds	\$14.9	5.5%
1998 Bonds	28.0	4.6%
2005 Bonds	51.7	4.8%
2007 Bonds	76.7	4.8%
State Rev. Fund	0.8	2.0%
<b>Total</b>	<b>\$172.1</b>	<b>*4.8%</b>

\*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,	
	2008	2007
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 961,740	\$ 2,038,296
Accounts receivable, less allowance for doubtful accounts of \$496,225 in 2008 and \$454,033 in 2007	4,000,720	4,663,732
Miscellaneous receivables	1,490,514	453,772
Inventories	662,666	638,582
Prepaid expenses	231,690	258,968
Restricted assets:		
Cash and cash equivalents	13,538,528	9,450,054
Investments	63,393,809	19,558,297
Receivables	340,304	-
Total current assets	<u>84,619,971</u>	<u>37,061,701</u>
Non-current assets:		
Capital assets:		
Land and easements	10,978,198	9,766,496
Buildings	27,967,067	27,967,067
Machinery and equipment	33,391,885	32,124,065
Improvements other than buildings	321,660,089	300,047,469
Construction in progress	95,419,212	67,616,693
	<u>489,416,451</u>	<u>437,521,790</u>
Less accumulated depreciation	105,659,135	93,410,298
Net capital assets	<u>383,757,316</u>	<u>344,111,492</u>
Other assets:		
Prepaid loan costs, less accumulated amortization of \$184,445 in 2008 and \$174,738 in 2007	22,652	32,359
Bond issuance costs, less accumulated amortization of \$985,749 in 2008 and \$857,079 in 2007	2,099,803	1,110,938
Deposits	58,261	53,261
Total other assets	<u>2,180,716</u>	<u>1,196,558</u>
Total non-current assets	<u>385,938,032</u>	<u>345,308,050</u>
<b>Total assets</b>	<u><u>\$ 470,558,003</u></u>	<u><u>\$ 382,369,751</u></u>

	<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 3,408,095	\$ 4,291,208
Accrued expenses and other	676,128	676,137
Claims/Judgments payable	800,000	-
Current liabilities payable from restricted assets:		
Accounts payable	7,378,013	6,986,352
Revenue bonds, portion due within one year	2,470,000	2,345,000
Notes payable, portion due within one year	319,291	312,984
Accrued interest on revenue bonds	690,040	391,979
Accrued interest on notes payable	2,701	3,744
Customer deposits	2,121,189	2,151,413
Deferred income	1,976,374	2,059,435
Total current liabilities	<b>19,841,831</b>	19,218,252
Non-current liabilities:		
Other long-term liability	1,319,791	1,075,192
Long-term debt:		
Revenue bonds – portion due after one year, net of unamortized (premium)/discounts of (\$3,006,839) in 2008 and (\$32,136) in 2007	171,836,839	94,577,136
Notes payable	491,039	810,330
Total long-term debt	<b>172,327,878</b>	95,387,466
Total non-current liabilities	<b>173,647,669</b>	96,462,658
Total liabilities	<b>193,489,500</b>	115,680,910
<b>Net assets:</b>		
Invested in capital assets, net of related debt	274,101,551	266,288,821
Restricted net assets:		
Restricted for debt service	707,879	630,616
Restricted for capital projects	1,154,341	1,394,650
Restricted for meter deposits	227,210	88,370
Unrestricted net assets	877,522	(1,713,616)
Total net assets	<b>277,068,503</b>	266,688,841
<b>Total liabilities and net assets</b>	<b>\$ 470,558,003</b>	<b>\$ 382,369,751</b>

*See accompanying notes.*

Douglasville-Douglas County Water and Sewer Authority

Statements of Revenues, Expenses and Changes in Net Assets

	<b>Year ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
Operating revenue:		
Charges for services	\$ 31,190,153	\$ 29,837,074
Penalties	1,049,687	1,064,234
	<u>32,239,840</u>	<u>30,901,308</u>
Operating expenses:		
Employment costs	10,321,340	10,717,320
Repairs and maintenance	2,140,590	1,915,063
Supplies and materials	795,170	875,123
Depreciation	12,541,438	11,881,812
Utilities	2,119,249	2,063,356
Water and sewer services purchased	1,569,095	338,396
Administration	3,359,049	2,323,374
	<u>32,845,931</u>	<u>30,114,444</u>
Operating income (loss)	(606,091)	786,864
Non-operating revenues (expenses):		
Interest and fiscal charges, net of capitalized amount of \$3,881,876 in 2008 and \$2,477,729 in 2007	(3,431,790)	(2,356,715)
Interest revenue	2,588,310	2,266,281
Gain/(loss) on disposal of capital assets	(1,127,254)	33,854
Other expenses	(24,546)	(100,989)
Total non-operating expenses, net	<u>(1,995,280)</u>	<u>(157,569)</u>
Gain/(loss) before capital contributions	(2,601,371)	629,295
Capital contributions	12,981,033	22,122,867
Change in net assets	10,379,662	22,752,162
Total net assets – beginning	266,688,841	243,936,679
Total net assets – ending	<u>\$ 277,068,503</u>	<u>\$ 266,688,841</u>

See accompanying notes.

Douglasville-Douglas County Water and Sewer Authority

Statements of Cash Flows

	<b>Year ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 31,020,492	\$ 30,559,161
Cash payments for goods and services	(9,244,178)	(6,746,207)
Cash payments to employees	(10,085,250)	(11,365,184)
Net cash provided by operating activities	<u>11,691,064</u>	<u>12,447,770</u>
<b>Cash flows from capital and related financing activities:</b>		
Net proceeds from issuance of bonds	78,698,271	-
Proceeds from the sale of capital assets	17,910	37,279
Cash received for development	298,391	705,010
Cash received for water and sewer tap fees	2,393,329	9,055,525
Cash received from capital grants	1,050	-
Proceeds from construction bid packages	27,730	24,213
Payments for capital acquisitions	(39,170,792)	(47,387,574)
Principal repayments on long-term debt	(2,657,984)	(2,536,802)
Interest paid	(7,016,650)	(4,845,050)
Net cash provided by (used in) capital and related financing activities	<u>32,591,255</u>	<u>(44,947,399)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	47,117,377	32,535,854
Receipts of interest and dividends	2,565,111	2,241,544
Payments for investments	(90,952,889)	(8,713,643)
Net cash provided by (used in) investing activities	<u>(41,270,401)</u>	<u>26,063,755</u>
Net increase (decrease) in cash and cash equivalents	3,011,918	(6,435,874)
Cash and cash equivalents, beginning of year	11,488,350	17,924,224
Cash and cash equivalents, end of year	<u>\$ 14,500,268</u>	<u>\$ 11,488,350</u>
<b>Reconciliation to Statement of Net Assets:</b>		
Cash and cash equivalents	\$ 961,740	\$ 2,038,296
<b>Restricted assets:</b>		
Cash and cash equivalents	13,538,528	9,450,054
	<u>\$ 14,500,268</u>	<u>\$ 11,488,350</u>

Douglasville-Douglas County Water and Sewer Authority

Statements of Cash Flows (continued)

	<b>Year ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Reconciliation of operating income/(loss) to net cash provided by operating activities:</b>		
Operating income/(loss)	\$ (606,091)	\$ 786,864
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:		
Depreciation	12,541,438	11,881,812
Changes in operating assets and liabilities:		
Accounts and miscellaneous receivables	(373,730)	(4,957)
Inventories	(24,084)	206,899
Prepaid expenses	27,278	(90,964)
Deposits	(5,000)	-
Accounts payable	(883,113)	248,365
Accrued expenses and other	(9)	62,147
Claims/Judgements payable	800,000	-
Customer deposits	(30,224)	64,115
Other long-term liabilities	244,599	(706,511)
Total adjustments	12,297,155	11,660,906
Net cash provided by operating activities	<u>\$ 11,691,064</u>	<u>\$ 12,447,770</u>
Non-cash capital financing activities:		
Capital assets acquired through:		
Developer contributions	\$ 9,566,053	12,362,332
Total non-cash capital financing activities	<u>\$ 9,566,053</u>	<u>\$ 12,362,332</u>

*See accompanying notes.*

**NOTES TO  
FINANCIAL STATEMENTS**

# Douglasville-Douglas County Water and Sewer Authority

## Notes to Financial Statements

June 30, 2008 and 2007

### **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; (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. These classifications are defined as follows:

- 1) 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 is not included in the calculation for 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.
- 2) 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.
- 3) 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 effective interest method over the term of the related obligation. Prepaid loan costs are being amortized on the straight-line method, which approximates the effective interest method over the term of the related obligation. Bond premiums and discounts are presented as additions and reductions, respectively, to revenue bonds on the accompanying financial statements.

# 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. The estimated costs, which approximate 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.

#### **Statements of Cash Flows**

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

# 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:

	<u>2008</u>	<u>2007</u>
Demand deposit accounts	\$ 10,705,193	\$ 10,626,643
Money market treasury accounts	3,795,075	861,707
Repurchase Agreement	-	19,079,482
U.S. Treasury Bills/Obligations	243,048	164,633
Local Government Investment Pool	63,150,761	314,182
	<u>\$ 77,894,077</u>	<u>\$ 31,046,647</u>
	<u>2008</u>	<u>2007</u>
Classification per Statements of Net Assets:		
Current assets:		
Cash and cash equivalents	\$ 961,740	\$ 2,038,296
Restricted assets:		
Cash and cash equivalents	13,538,528	9,450,054
Investments	63,393,809	19,558,297
	<u>\$ 77,894,077</u>	<u>\$ 31,046,647</u>

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

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

# Douglasville-Douglas County Water and Sewer Authority

## Notes to Financial Statements (continued)

### 2. Deposits and Investments (continued)

At June 30, 2008, the Authority had the following investments:

<b>Investment</b>	<b>Maturities</b>	<b>Fair Value</b>
Georgia Fund 1	40 day weighted average	\$63,150,761
U.S. Treasury Notes	313 day weighted average	<u>243,048</u>
Total Investments		<u>\$63,393,809</u>

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

<b>Investment</b>	<b>Maturities</b>	<b>Fair Value</b>
Georgia Fund 1	28 day weighted average	\$ 314,182
U.S. Treasury Notes	280 day weighted average	164,633
Flexible Repurchase Agreement	1 day	<u>19,079,482</u>
Total Investments		<u>\$19,558,297</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 pool to be determined by the pool's share price. The LGIP (Georgia Fund 1) is considered a 2a7-like pool and investments in this pool are reported at share price on the Statement of Net Assets. As of June 30, 2008 and 2007, the Authority's investment in Georgia Fund 1 was rated AAA 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.

**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.

# Douglasville-Douglas County Water and Sewer Authority

## Notes to Financial Statements (continued)

### 2. Deposits and Investments (continued)

**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, 2008, all of the Authority's bank balances were adequately insured and collateralized as defined by the Governmental Accounting Standards Board and State Statutes.

### 3. Long-Term Debt

On October 18, 2007, the Authority issued Water and Sewerage Revenue Bonds in the amount of \$76,755,000 with interest rates ranging from 4.0 percent to 5.0 percent. The Bonds will be used to finance the cost of making renovations, additions, extensions and expansions to the system. The outstanding principal balance on the 2007 Series Bonds was \$76,755,000 at June 30, 2008.

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 \$51,685,000 and \$51,970,000 at June 30, 2008 and 2007, respectively.

# Douglasville-Douglas County Water and Sewer Authority

## Notes to Financial Statements (continued)

### 3. Long-Term Debt (continued)

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 \$28,000,000 and \$28,075,000 at June 30, 2008 and 2007, 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 \$14,860,000 and \$16,845,000 at June 30, 2008 and 2007, 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:

<b>Bond Year Ending June 1</b>	<b>Principal Maturities and Scheduled Mandatory Redemption Payments</b>		<b>Interest Payable</b>	<b>Total Debt Service on the Bonds</b>
2009	\$	2,470,000	\$ 8,280,455	\$ 10,750,455
2010		2,600,000	8,148,931	10,748,931
2011		4,240,000	8,010,196	12,250,196
2012		4,445,000	7,804,071	12,249,071
2013		4,665,000	7,587,171	12,252,171
2014-2018		26,850,000	34,396,084	61,246,084
2019-2023		33,595,000	27,657,088	61,252,088
2024-2028		42,320,000	18,926,074	61,246,074
2029-2033		31,665,000	8,434,370	40,099,370
2034-2037		18,450,000	2,362,500	20,812,500
<b>Totals</b>		171,300,000	\$ 131,606,940	\$ 302,906,940
Less: Portion due within one year		2,470,000		
Net Unamortized (premium)/discount		(3,006,839)		
Long-term debt at June 30, 2008		\$ 171,836,839		

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

# 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:

	<b>Balance at June 30, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at June 30, 2007</b>	<b>Due Within One Year</b>
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)	-	7,137	(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>



Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

**3. Long-Term Debt (continued)**

Changes in long-term liabilities (continued):

	<b>Balance at June 30, 2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at June 30, 2008</b>	<b>Due Within One Year</b>
1993 Revenue Bonds	\$16,845,000	\$ -	\$(1,985,000)	\$ 14,860,000	\$2,100,000
1998 Revenue Bonds	28,075,000	-	(75,000)	28,000,000	75,000
2005 Revenue Bonds	51,970,000	-	(285,000)	51,685,000	295,000
2007 Revenue Bonds	-	76,755,000	-	76,755,000	-
State Revolving Fund	1,123,314	-	(312,984)	810,330	319,291
Premiums/(Discounts):					
1993 Revenue Bonds	(27,902)	-	6,429	(21,474)	-
1998 Revenue Bonds	(692,645)	-	57,044	(635,601)	-
2005 Revenue Bonds	752,683	-	(41,092)	711,591	-
2007 Revenue Bonds	-	3,060,806	(108,484)	2,952,323	-
Total long-term debt	<u>\$98,045,450</u>	<u>\$79,815,806</u>	<u>\$(2,744,087)</u>	<u>\$175,117,169</u>	<u>\$2,789,291</u>

Other long-term debt is as follows:

	<b>2008</b>	<b>2007</b>
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.	\$ 810,330	\$ 1,123,314
Less: Portion due within one year	319,291	312,984
	<u>\$ 491,039</u>	<u>\$ 810,330</u>

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 319,291	\$ 13,821	\$ 333,112
2010	325,724	7,388	333,112
2011	165,315	1,241	166,556
	<u>\$ 810,330</u>	<u>\$ 22,450</u>	<u>\$ 832,780</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, 2007 and 2008 follows:

	<b>Balance at June 30, 2006</b>	<b>Additions</b>	<b>Deletions Retirements Transfers</b>	<b>Balance at June 30, 2007</b>
Capital assets not being depreciated:				
Land and Easements	\$ 8,668,269	\$ 1,098,227	\$ -	<b>\$ 9,766,496</b>
Construction in progress	29,820,287	49,683,352	(11,886,946)	<b>67,616,693</b>
Total capital assets, not being depreciated	38,488,556	50,781,579	(11,886,946)	<b>77,383,189</b>
Capital assets being depreciated:				
Buildings and Structures	26,830,456	1,136,611	-	<b>27,967,067</b>
Machinery and Equipment	28,925,568	3,449,584	(251,087)	<b>32,124,065</b>
Improvements Other Than Buildings	278,680,632	21,366,837	-	<b>300,047,469</b>
Total capital assets being depreciated	334,436,656	25,953,032	(251,087)	<b>360,138,601</b>
Less accumulated depreciation for:				
Buildings and Structures	(5,850,335)	(936,065)	-	<b>(6,786,400)</b>
Machinery and Equipment	(14,707,092)	(2,358,564)	247,662	<b>(16,817,994)</b>
Improvements Other Than Buildings	(61,218,721)	(8,587,183)	-	<b>(69,805,904)</b>
Total accumulated depreciation	(81,776,148)	(11,881,812)	247,662	<b>(93,410,298)</b>
Total capital assets being depreciated, net	252,660,508	14,071,220	(3,425)	<b>266,728,303</b>
Net capital assets	<b>\$291,149,064</b>	<b>\$ 64,852,799</b>	<b>\$(11,890,371)</b>	<b>\$344,111,492</b>
	<b>Balance at June 30, 2007</b>	<b>Additions</b>	<b>Deletions Retirements Transfers</b>	<b>Balance at June 30, 2008</b>
Capital assets not being depreciated:				
Land and Easements	\$ 9,766,496	\$ 1,211,702	\$ -	<b>\$10,978,198</b>
Construction in progress	67,616,693	41,112,061	(13,309,542)	<b>95,419,212</b>
Total capital assets, not being depreciated	77,383,189	42,323,763	(13,309,542)	<b>106,397,410</b>
Capital assets being depreciated:				
Buildings and Structures	27,967,067	-	-	<b>27,967,067</b>
Machinery and Equipment	32,124,065	1,560,838	(293,018)	<b>33,391,885</b>
Improvements Other Than Buildings	300,047,469	22,795,118	(1,182,498)	<b>321,660,089</b>
Total capital assets being depreciated	360,138,601	24,355,956	(1,475,516)	<b>383,019,041</b>
Less accumulated depreciation for:				
Buildings and Structures	(6,786,400)	(957,521)	-	<b>(7,743,921)</b>
Machinery and Equipment	(16,817,994)	(2,537,215)	183,362	<b>(19,171,847)</b>
Improvements Other Than Buildings	(69,805,904)	(9,046,702)	109,239	<b>(78,743,367)</b>
Total accumulated depreciation	(93,410,298)	(12,541,438)	292,601	<b>(105,659,135)</b>
Total capital assets being depreciated, net	266,728,303	11,814,518	(1,182,915)	<b>277,359,906</b>
Net capital assets	<b>\$344,111,492</b>	<b>\$ 54,138,281</b>	<b>\$(14,492,457)</b>	<b>\$383,757,316</b>

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 \$7,313,666 and \$4,834,444 in 2008 and 2007, respectively. From these amounts, \$3,881,876 and \$2,477,729 was capitalized as construction period interest in 2008 and 2007, respectively.

Depreciation expense incurred during the year amounted to \$12,541,438 and \$11,881,812 in 2008 and 2007, 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, 2007	<b>\$ 266,288,821</b>
Change in capital assets	<b>39,645,824</b>
Change in related debt	<b>(77,071,719)</b>
Change in debt related to unspent proceeds	<b>45,238,625</b>
Balance at June 30, 2008	<b><u>\$ 274,101,551</u></b>

**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:

	<u>2008</u>	<u>2007</u>
Legal:		
Capital improvements		
Renewal and Extension	\$ 965,887	\$ 1,566,615
Refundable meter deposits	2,191,958	2,063,226
Debt service sinking fund	1,400,620	1,026,340
Construction fund	<b>65,461,404</b>	19,079,482
	<b><u>70,019,869</u></b>	<u>23,735,663</u>
Receivables	<b>340,304</b>	-
Board enacted:		
Capital reserves	<b>6,912,468</b>	5,272,688
	<b><u>7,252,772</u></b>	<u>5,272,688</u>
	<b><u>\$ 77,272,641</u></b>	<u>\$ 29,008,351</u>

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 2009 total \$10,750,455.

# Douglasville-Douglas County Water and Sewer Authority

## Notes to Financial Statements (continued)

### **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 \$1,288,450. 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 2008, the Authority's annual pension cost of \$1,288,450 for the Plan was equal to the Authority's required and actual contributions. The required contribution was determined as part of the March 1, 2008 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, 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.

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

**7. Pension and Deferred Compensation Plans (continued)**

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**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
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%	-
6/30/08	1,288,450	100%	-

Membership of the Plan as of the valuation date of March 1, 2008 was:

<u>Members of the Plan</u>	<u>Participants</u>
Retirees and beneficiaries receiving benefits	26
Terminated plan members entitled to, but not yet receiving benefits	67
Active plan members	162
<b>Total Membership</b>	<u>255</u>

As of the most recent valuation date, March 1, 2008, the funded status of the plan was as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Funding Excess (deficiency) of AAL (FEAAL) (a - b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>FEALL as a Percentage of Covered Payroll ((a - b)/c)</b>
3/1/08	13,793,086	16,401,982	(2,608,896)	(84.1%)	6,707,250	(38.9%)

# Douglasville-Douglas County Water and Sewer Authority

## Notes to Financial Statements (continued)

### 7. Pension and Deferred Compensation Plans

#### 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 actuarial accrued liability 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 actuarial accrued liability on the 1999 Employment Agreement as it relates to post retirement health care and pension cost-of-living increases. The actuary determined actuarial accrued liability as of June 30, 2008 is \$1,319,791. The unfunded actuarial accrued liability at June 30, 2008 was \$547,422 to be amortized over a two-year period ending June 30, 2010. In conjunction with his retirement, a revised Employment Agreement for an indefinite period was authorized by the Board of Directors on April 22, 2008.

# 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, 2007	\$1,075,192
Additional accrual	290,240
Payments	<u>45,641</u>
Balance at June 30, 2008	<u>\$1,319,791</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2008.

### 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, 2008 and 2007, open contracts for construction totaled \$92,160,056 and \$85,155,287, respectively, of which \$78,335,845 and \$53,940,519 respectively, had been recorded as construction in progress.

#### Litigation

##### Noble Builders (Subsequent Event)

On August 12, 2008, the Authority executed a Settlement Agreement with Noble Builders, Inc. relating to litigation for water drainage onto their property resulting in standing water around four houses and in the yards. The basic terms of the settlement are that the Authority will purchase these four affected properties from Noble Builders, Inc. for \$900,000 including undesignated amounts to be paid to Noble's counsel for attorney fees. The Authority has recorded an \$800,000 liability which represents the Authority's obligation at year end (\$900,000 less \$100,000 which will be paid directly to Noble from Insurance), and has recorded \$100,000 in revenues from the Authority's water consulting engineer for recovery of legal fees. The Authority will recover the \$900,000 settlement payment from insurance carriers and through in-kind contributions from the Authority's water consulting engineer. The Authority has recorded \$900,000 of accrued receivables of which \$300,000 will be received from insurance carriers and \$600,000 from the Authority's water consulting engineer. The Authority has recorded these transactions in the financial statements at June 30, 2008.

Douglasville-Douglas County Water and Sewer Authority

Notes to Financial Statements (continued)

**8. Commitments and Contingencies (continued)**

**Litigation (continued)**

**Other Suits and Claims**

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.

**Self Insurance**

The Authority was self-insured for group health during the first six months of the fiscal year ended June 30, 2008 for health claims up to \$50,000 per individual occurrence and \$1,000,000 in the aggregate. On January 1, 2008, the Authority changed to a fully insured Health Plan. The liability reflected on the Statements of Net Assets for unpaid claims has been based on historical experience and the amount of unpaid claims at year end.

**Self-Insurance Accrued Liability**

	<b>FY'08</b>	<b>FY'07</b>
	<b>Group</b>	<b>Group</b>
	<b>Health</b>	<b>Health</b>
Beginning Balance	\$ 305,316	\$ 199,865
Claims Incurred	265,538	984,716
Gross Claims Paid	(861,955)	(1,573,720)
Claims Reimbursed	292,393	694,455
Ending Balance	<u>\$ 1,292</u>	<u>\$ 305,316</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**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Funding Excess (deficiency) of AAL (FEAAL) (a - b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>FEALL as a Percentage of Covered Payroll ((a - b)/c)</b>
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%)
3/1/08	13,793,086	16,401,982	(2,608,896)	(84.1%)	6,707,250	(38.9%)

**Note:** The assumptions used in the preparation of the above schedule are disclosed in Note 7 to the financial statements.

**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, 2008

	<u>2008</u>	<u>2007</u>	<u>Variance Amount</u>	<u>Percent</u>
<b>Operating Revenues</b>				
Inspection Fees	\$ 37,925	\$ 120,600	\$ (82,675)	-68.55%
Operating Revenue - Water	17,571,573	17,362,199	209,374	1.21%
Operating Revenue - Sewer	8,375,983	7,967,673	408,310	5.12%
Operating Revenue - Stormwater	4,270,914	3,881,573	389,341	10.03%
Soil and Erosion Control Fees	43,484	104,355	(60,871)	-58.33%
Stormwater Fines	36,100	42,275	(6,175)	-14.61%
Cut Off Charges	366,360	134,525	231,835	172.34%
Sale of Materials and Supplies	21,834	7,159	14,675	204.99%
Miscellaneous Revenues	465,140	208,465	256,675	123.13%
Penalties	1,049,687	1,064,234	(14,547)	-1.37%
Dog River Recreational Complex	840	8,250	(7,410)	-89.82%
<b>Total Operating Revenues</b>	<b><u>\$ 32,239,840</u></b>	<b><u>\$ 30,901,308</u></b>	<b><u>\$ 1,338,532</u></b>	<b><u>4.3%</u></b>

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

**COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT  
SUMMARY OF OPERATIONS**

Year Ended June 30, 2008

	<b>Water Operations</b>	<b>Sewer Operations</b>	<b>Stormwater Operations</b>	<b>Engineering, Inspection &amp; Construction Operations</b>	<b>Administrative Operations</b>	<b>2008 Total</b>	<b>2007 Total</b>	<b>Variance</b>
<b>Employment Costs</b>	\$2,630,063	\$3,012,984	\$514,400	\$860,441	\$3,303,452	\$10,321,340	\$10,717,320	(\$395,980)
<b>Repairs &amp; Maintenance</b>	856,608	656,910	122,367	124,765	379,940	2,140,590	1,915,063	225,527
<b>Supplies &amp; Materials</b>	234,798	516,498	16,410	11,191	16,273	795,170	875,123	(79,953)
<b>Utilities</b>	995,269	992,529	8,188	21,174	102,089	2,119,249	2,063,356	55,893
<b>Water and/or Sewer Services Purchased</b>	1,550,377	18,718	-	-	-	1,569,095	338,396	1,230,699
<b>Administrative Costs</b>	83,693	518,975	123,968	45,385	2,587,028	3,359,049	2,323,374	1,035,675
<b>Depreciation</b>	4,284,128	6,003,658	1,777,685	178,960	297,007	12,541,438	11,881,812	659,626
<b>TOTAL</b>	<b>\$10,634,936</b>	<b>\$11,720,272</b>	<b>\$2,563,018</b>	<b>\$1,241,916</b>	<b>\$6,685,789</b>	<b>\$32,845,931</b>	<b>\$30,114,444</b>	<b>\$2,731,487</b>

Douglasville-Douglas County Water and Sewer Authority

COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT  
WATER OPERATIONS

Year Ended June 30, 2008

	Water Plant Operations	Water Plant Maintenance	Water System Maintenance	Reservoir	Capitalized Salaries	2008 Total	2007 Total	Variance
<b>Employment Costs</b>	\$946,842	\$158,526	\$1,547,152	\$95,734	(\$118,191)	\$2,630,063	\$2,948,131	(\$318,068)
<b>Repairs &amp; Maintenance</b>	34,326	126,121	686,076	10,085	-	856,608	821,720	34,888
<b>Supplies &amp; Materials</b>	210,307	931	22,996	564	-	234,798	298,385	(63,587)
<b>Utilities</b>	881,539	1,829	109,088	2,813	-	995,269	1,091,087	(95,818)
<b>Water and/or Sewer Services Purchased</b>	1,550,377	-	-	-	-	1,550,377	313,874	1,236,503
<b>Administrative Costs</b>	32,213	18,987	31,946	547	-	83,693	60,448	23,245
<b>Depreciation</b>	658,966	472,164	2,768,328	384,670	-	4,284,128	4,183,567	100,561
<b>TOTAL</b>	<b>\$4,314,570</b>	<b>\$778,558</b>	<b>\$5,165,586</b>	<b>\$494,413</b>	<b>(\$118,191)</b>	<b>\$10,634,936</b>	<b>\$9,717,212</b>	<b>\$917,724</b>

Douglasville-Douglas County Water and Sewer Authority

COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT  
SEWER OPERATIONS

Year Ended June 30, 2008

	<b>Sewer Plant Operations</b>	<b>Sewer Plant Maintenance</b>	<b>Sewer System Maintenance</b>	<b>Capitalized Salaries</b>	<b>2008 Total</b>	<b>2007 Total</b>	<b>Variance</b>
<b>Employment Costs</b>	\$1,382,309	\$354,945	\$1,279,486	(\$3,756)	\$3,012,984	\$2,760,984	\$252,000
<b>Repairs &amp; Maintenance</b>	27,955	237,360	391,595	-	656,910	571,411	85,499
<b>Supplies &amp; Materials</b>	476,821	6,895	32,782	-	516,498	529,274	(12,776)
<b>Utilities</b>	523,330	3,219	465,980	-	992,529	879,464	113,065
<b>Water and/or Sewer Services Purchased</b>	-	-	18,718	-	18,718	24,522	(5,804)
<b>Administrative Costs</b>	482,449	3,855	32,671	-	518,975	536,279	(17,304)
<b>Depreciation</b>	<u>2,222,353</u>	<u>1,160,320</u>	<u>2,620,985</u>	<u>-</u>	<u>6,003,658</u>	<u>5,537,999</u>	<u>465,659</u>
<b>TOTAL</b>	<b><u>\$5,115,217</u></b>	<b><u>\$1,766,594</u></b>	<b><u>\$4,842,217</u></b>	<b><u>(\$3,756)</u></b>	<b><u>\$11,720,272</u></b>	<b><u>\$10,839,933</u></b>	<b><u>\$880,339</u></b>



Douglasville-Douglas County Water and Sewer Authority

**COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT  
STORMWATER OPERATIONS**

Year Ended June 30, 2008

	<b>Stormwater Operations</b>	<b>Capitalized Salaries</b>	<b>2008 Total</b>	<b>2007 Total</b>	<b>Variance</b>
<b>Employment Costs</b>	\$515,710	(\$1,310)	\$514,400	\$330,468	\$183,932
<b>Repairs &amp; Maintenance</b>	122,367	-	122,367	86,588	35,779
<b>Supplies &amp; Materials</b>	16,410	-	16,410	11,474	4,936
<b>Utilities</b>	8,188	-	8,188	400	7,788
<b>Administrative Costs</b>	123,968	-	123,968	40,350	83,618
<b>Depreciation</b>	<u>1,777,685</u>	<u>-</u>	<u>1,777,685</u>	<u>1,706,765</u>	<u>70,920</u>
<b>TOTAL</b>	<u><b>\$2,564,328</b></u>	<u><b>(\$1,310)</b></u>	<u><b>\$2,563,018</b></u>	<u><b>\$2,176,045</b></u>	<u><b>\$386,973</b></u>

Douglasville-Douglas County Water and Sewer Authority

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

Year Ended June 30, 2008

	<b>Engineering</b>	<b>Inspection</b>	<b>Construction</b>	<b>Capitalized Salaries</b>	<b>2008 Total</b>	<b>2007 Total</b>	<b>Variance</b>
<b>Employment Costs</b>	\$1,010,392	\$535,184	\$499,594	(\$1,184,729)	\$860,441	\$803,035	\$57,406
<b>Repairs &amp; Maintenance</b>	9,465	40,259	75,041	-	124,765	98,860	25,905
<b>Supplies &amp; Materials</b>	1,244	1,021	8,926	-	11,191	19,222	(8,031)
<b>Utilities</b>	5,803	9,805	5,566	-	21,174	2,042	19,132
<b>Administrative Costs</b>	36,049	5,041	4,295	-	45,385	59,196	(13,811)
<b>Depreciation</b>	37,319	34,796	106,845	-	178,960	170,145	8,815
<b>TOTAL</b>	<b><u>\$1,100,272</u></b>	<b><u>\$626,106</u></b>	<b><u>\$700,267</u></b>	<b><u>(\$1,184,729)</u></b>	<b><u>\$1,241,916</u></b>	<b><u>\$1,152,500</u></b>	<b><u>\$89,416</u></b>

Douglasville-Douglas County Water and Sewer Authority

**COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT  
ADMINISTRATIVE OPERATIONS**

Year Ended June 30, 2008

	Billing	Meter Reading	Human Resources General Services	Executive Administration	Finance & Accounting	MIS	Capitalized Salaries	2008 Total	2007 Total	Variance
<b>Employment Costs</b>	\$746,840	\$492,334	\$508,429	\$740,460	\$518,387	\$297,002	\$ -	\$3,303,452	\$3,874,702	(\$571,250)
<b>Repairs &amp; Maintenance</b>	173	137,093	178,433	8,825	-	55,416	-	379,940	336,484	43,456
<b>Supplies &amp; Materials</b>	1,029	7,116	2,767	1,057	169	4,135	-	16,273	16,768	(495)
<b>Utilities</b>	284	7,499	92,179	2,127	-	-	-	102,089	90,363	11,726
<b>Administrative Costs</b>	1,217,708	1,895	381,007	856,342	91,843	38,233	-	2,587,028	1,627,101	959,927
<b>Depreciation</b>	35,091	190,488	43,352	9,358	11,697	7,021	-	297,007	283,336	13,671
<b>TOTAL</b>	<b>\$2,001,125</b>	<b>\$836,425</b>	<b>\$1,206,167</b>	<b>\$1,618,169</b>	<b>\$622,096</b>	<b>\$401,807</b>	<b>\$ -</b>	<b>\$6,685,789</b>	<b>\$6,228,754</b>	<b>\$457,035</b>

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

**SUMMARY OF RESTRICTED ASSETS AND RELATED DEBT**

**Year Ended June 30, 2008**

	Legally Restricted			Debt Service Accounts	Board Restricted	Total All Restricted Accounts
	Construction Accounts	Renewal and Extension Accounts	Meter Deposit Accounts		Operating Accounts	
<b>Restricted Cash and Investments:</b>						
<b>Cash &amp; Cash Equivalents:</b>						
Money Market	\$ 3,470,727	\$ -	\$ -	\$ 324,348	\$ -	\$ 3,795,075
Checking	-	965,887	2,191,658	-	6,585,608	9,743,153
Cash	-	-	300	-	-	300
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$ 3,470,727</b>	<b>\$ 965,887</b>	<b>\$ 2,191,958</b>	<b>\$ 324,348</b>	<b>\$ 6,585,608</b>	<b>\$ 13,538,528</b>
<b>Investments:</b>						
LGIP	61,990,677	-	-	833,224	326,860	63,150,761
Repurchase Agreement	-	-	-	-	-	-
U.S. Treasury Notes	-	-	-	243,048	-	243,048
<b>Total Investments</b>	<b>\$ 61,990,677</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,076,272</b>	<b>\$ 326,860</b>	<b>\$ 63,393,809</b>
<b>Total Restricted Cash</b>	<b>65,461,404</b>	<b>965,887</b>	<b>2,191,958</b>	<b>1,400,620</b>	<b>6,912,468</b>	<b>76,932,337</b>
<b>Restricted Receivables</b>	<b>-</b>	<b>340,304</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>340,304</b>
<b>Total Restricted Assets</b>	<b>\$ 65,461,404</b>	<b>\$ 1,306,191</b>	<b>\$ 2,191,958</b>	<b>\$ 1,400,620</b>	<b>\$ 6,912,468</b>	<b>\$ 77,272,641</b>
<b>Liabilities Payable from Restricted Assets:</b>						
<b>Accounts Payable</b>	<b>\$ 4,544,065</b>	<b>\$ 2,833,948</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,378,013</b>
<b>Customer Deposits:</b>						
Deposit Refunds	-	-	1,923,235	-	(50)	1,923,185
Unclaimed Refunds	-	-	41,512	-	4,642	46,154
Performance Deposits	-	151,850	-	-	-	151,850
	<b>\$ -</b>	<b>\$ 151,850</b>	<b>\$ 1,964,747</b>	<b>\$ -</b>	<b>\$ 4,592</b>	<b>\$ 2,121,189</b>
Revenue Bonds (due 1yr)	-	-	-	-	2,470,000	2,470,000
Notes Payable (due 1yr)	-	-	-	-	319,291	319,291
Accrued Interest Revenue Bonds	-	-	-	690,040	-	690,040
Accrued Interest Notes	-	-	-	-	2,701	2,701
Deferred Revenue	-	-	-	111,635	1,864,739	1,976,374
<b>Total Liabilities Payable from Restricted Assets</b>	<b>\$ 4,544,065</b>	<b>\$ 2,985,798</b>	<b>\$ 1,964,747</b>	<b>\$ 801,675</b>	<b>\$ 4,661,323</b>	<b>\$ 14,957,608</b>

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

**OPERATING ACCOUNT  
COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES**

**BOARD RESTRICTED**

Year Ended June 30, 2008

	<b>2008</b>	<b>2007</b>	<b>Increase/ Decrease</b>
<b><u>Restricted Assets</u></b>			
<b>Cash &amp; Cash Equivalents:</b>			
Checking	\$ 6,585,608	\$ 4,958,505	\$ 1,627,103
<b>Investments:</b>			
Investment (Georgia Fund 1)	326,860	314,182	12,678
<b>Total Board Restricted Assets:</b>	<b>\$ 6,912,468</b>	<b>\$ 5,272,687</b>	<b>\$ 1,639,781</b>
 <b><u>Payables from Board Restricted Assets</u></b>			
<b>Customers Deposits:</b>			
Deposit Refunds	\$ (50)	\$ (50)	\$ -
Unclaimed Refunds	4,642	4,642	-
Revenue Bonds (due one year)	2,470,000	2,345,000	125,000
Notes Payable (due one year)	319,291	312,984	6,307
Accrued Interest Notes	2,701	3,744	(1,043)
Deferred Revenue	1,864,739	1,924,601	(59,862)
<b>Total Payables From Board Restricted Assets</b>	<b>\$ 4,661,323</b>	<b>\$ 4,590,921</b>	<b>\$ 70,402</b>

Douglasville-Douglas County Water and Sewer Authority

OPERATING ACCOUNT  
COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS AND RELATED PAYABLES

BOARD RESTRICTED

Year Ended June 30, 2008

	<u>2008</u>	<u>2007</u>
<b>Beginning Balance</b>	<b>\$ 5,272,687</b>	<b>\$ 6,888,680</b>
<b>Increases:</b>		
Interest Earned	239,885	384,109
Transfer in Operating Account	300,000	300,000
Transfer in R&E (Money Market Account)	6,100,000	-
<b>Total Increase</b>	<b><u>\$ 6,639,885</u></b>	<b><u>\$ 684,109</u></b>
<b>Decreases:</b>		
Transfers out (Other Funds)	5,000,000	2,300,000
Other Disbursements (Bank Fees)	105	102
<b>Total Decrease</b>	<b><u>\$ 5,000,105</u></b>	<b><u>\$ 2,300,102</u></b>
<b>Ending Balance</b>	<b><u><u>\$ 6,912,467</u></u></b>	<b><u><u>\$ 5,272,687</u></u></b>

## **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, 2008

<u>Restricted Assets</u>	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
<b>Cash &amp; Cash Equivalents (Money Markets)</b>			
Fidelity Institutional Treasury (2005 Bond Issue)	\$ 3,455,410	\$ -	\$ 3,455,410
Fidelity Institutional Treasury (2007 Bond Issue)	15,317	-	15,317
<b>Investments:</b>			
Repurchase Agreement (2005 Bond Issue)	-	19,079,482	(19,079,482)
Local Government Investment Pool (2007 Bond Issue)	61,990,677	-	61,990,677
<b>Total Restricted Assets - Construction Account</b>	<b><u>\$ 65,461,404</u></b>	<b><u>\$ 19,079,482</u></b>	<b><u>\$ 46,381,922</u></b>
<b>Payables from Restricted Assets</b>			
Accounts Payable Due to Government	-	-	-
Restricted Payables Construction Projects	\$ 4,544,065	\$ 5,314,114	\$ (770,049)
<b>Total Payables from Restricted Assets</b>	<b><u>\$ 4,544,065</u></b>	<b><u>\$ 5,314,114</u></b>	<b><u>\$ (770,049)</u></b>

**Detail of Investments as of June 30, 2008:**

<u>Series</u>	<u>Type of Security (Cash Equivalents)</u>	<u>Date Purchased</u>	<u>Date Matured</u>	<u>Current Rate</u>	<u>Face Value</u>
2005 Series	Flexible Repurchase Agreement	11/30/2005	4/1/2008	0.000%	\$0
2007 Series	LGIP (Local Govt. Inv. Pool) Georgia Fund 1		Avg. 40 Days	2.10%	\$ 61,990,677

**Notes:**

Flexible Repurchase Agreement earned 4.45% during Fiscal 2008; expired 4/1/08  
Georgia Fund 1; See Note to Financial Statements page 34



Douglasville-Douglas County Water and Sewer Authority

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

Year Ended June 30, 2008

	<u>2008</u>	<u>2007</u>
<b>Beginning Balance</b>	<b>\$ 19,079,482</b>	<b>\$ 42,839,006</b>
<b>Increases:</b>		
Interest Earned	2,077,877	1,577,592
Deposits	15,317	-
Proceeds from Bonds	78,683,325	-
<b>Total Increase</b>	<b>\$ 80,776,519</b>	<b>\$ 1,577,592</b>
<b>Decreases:</b>		
Construction in Progress	32,157,388	25,337,116
Transfer to Debt Service Account	2,237,209	-
<b>Total Decrease</b>	<b>\$ 34,394,597</b>	<b>\$ 25,337,116</b>
<b>Ending Balance</b>	<b>\$ 65,461,404</b>	<b>\$ 19,079,482</b>

# 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, 2008		
	<u>2008</u>	<u>2007</u>	<u>Increase/ Decrease</u>
<b><u>Restricted Assets</u></b>			
<b>Cash &amp; Cash Equivalents:</b>			
Checking	\$ 210,518	\$ 1,339,445	\$ (1,128,927)
Retainage Checking	755,369	227,170	528,199
<b>Total Restricted Cash</b>	<u>965,887</u>	<u>1,566,615</u>	<u>(600,728)</u>
<b>Restricted Receivables</b>	340,304	-	340,304
<b>Total Restricted Assets</b>	<u><u>\$ 1,306,191</u></u>	<u><u>\$ 1,566,615</u></u>	<u><u>\$ (260,424)</u></u>
<b><u>Payables from Restricted Assets</u></b>			
Performance Deposit	\$ 151,850	\$ 171,965	\$ (20,115)
A/P Trade	1,038,392	1,055,144	(16,752)
Accrued A/P Trade	1,201,552	562,880	638,672
Retainage Due Contractors	594,004	54,214	539,790
<b>Total Payables From Restricted Assets</b>	<u><u>\$ 2,985,798</u></u>	<u><u>\$ 1,844,203</u></u>	<u><u>\$ 1,141,595</u></u>

Douglasville-Douglas County Water and Sewer Authority

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

Year Ended June 30, 2008

	<u>2008</u>	<u>2007</u>
<b>Beginning Balance</b>	<b>\$ 1,566,616</b>	<b>\$ 4,591,068</b>
<b>Increase:</b>		
Interest Earned	97,040	125,416
Retainage	690,484	135,804
Performance/Bid Bonds	40,163	-
Transfer in (within funds) Capital Reserve	5,000,000	50,100
Transfer from Operating Account	3,000,000	15,300,000
Transfer from Construction Fund	16,078,890	-
Reclass	-	2,269,023
<b>Total Increase</b>	<b><u>24,906,577</u></b>	<b><u>17,880,343</u></b>
<b>Decrease:</b>		
Transfers out (within Funds)	4,800,000	735,000
Capital Expenditures Water & Sewer	20,484,295	19,997,410
Other Disbursements Bank Fees	96,232	-
Performance Bonds	57,779	96,389
Maint Bonds Refunds	69,000	75,996
<b>Total Decrease</b>	<b><u>25,507,306</u></b>	<b><u>20,904,795</u></b>
<b>Ending Balance</b>	<b><u><u>\$ 965,887</u></u></b>	<b><u><u>\$ 1,566,616</u></u></b>

## **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, 2008

	<u>2008</u>	<u>2007</u>	<u>Increase/ Decrease</u>
<b><u>Restricted Assets</u></b>			
<b>Cash &amp; Cash Equivalents:</b>			
Demand Deposit	\$ 2,191,658	\$ 2,062,976	\$ 128,682
Returned Checks	300	250	50
<b>Total Restricted Cash/Investments</b>	<b><u>\$ 2,191,958</u></b>	<b><u>\$ 2,063,226</u></b>	<b><u>\$ 128,732</u></b>
<b><u>Liabilities Payable From Restricted Assets</u></b>			
Customer Deposits (Refundable) Payable to State of Georgia (Unclaimed Checks)	\$ 1,923,235	\$ 1,933,345	\$ (10,110)
	41,512	41,511	1
	<b><u>\$ 1,964,747</u></b>	<b><u>\$ 1,974,856</u></b>	<b><u>\$ (10,109)</u></b>

Douglasville-Douglas County Water and Sewer Authority

METER DEPOSIT ACCOUNT  
COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

Year Ended June 30, 2008

	<u>2008</u>	<u>2007</u>
<b>Beginning Balance</b>	<b>\$ 2,063,226</b>	<b>\$ 1,921,362</b>
<b>Increase:</b>		
Interest Earned	94,714	112,798
Returned Checks	6,650	6,025
Receipts	309,456	342,353
<b>Total Increase</b>	<b>\$ 410,820</b>	<b>\$ 461,176</b>
<b>Decrease:</b>		
Administration Fees (Bank Charges)	1,370	-
Void Checks/Write-offs	13,250	6,725
Disbursements	267,468	312,587
<b>Total Decrease</b>	<b>\$ 282,088</b>	<b>\$ 319,312</b>
<b>Ending Balance</b>	<b><u>\$ 2,191,958</u></b>	<b><u>\$ 2,063,226</u></b>

## 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, 2008

	<u>2008</u>	<u>2007</u>	<u>Increase/ (Decrease)</u>
<b>Debt Service Sinking Fund</b>			
<b><u>Restricted Assets</u></b>			
Cash & Cash Equivalent (Money Market)	\$ 324,348	\$ 861,707	\$ (537,359)
Investments	(1) 833,224	-	833,224
LGIP (Georgia Fund 1)	243,048	164,633	78,415
U.S. Treasury Notes			
<b>Total Restricted Assets- Debt Service Accounts</b>	<b><u>\$ 1,400,620</u></b>	<b><u>\$ 1,026,340</u></b>	<b><u>\$ 374,280</u></b>
<b><u>Payables From Restricted Assets</u></b>			
Accrued Interest On Revenue Bonds	690,038	391,979	298,059
<b>Total Payables From Restricted Assets</b>	<b><u>\$ 690,038</u></b>	<b><u>\$ 391,979</u></b>	<b><u>\$ 298,059</u></b>
<b>Deferred Revenue</b>	(2) <b><u>\$ 111,635</u></b>	<b><u>\$ 134,834</u></b>	<b><u>\$ (23,199)</u></b>

**Notes:**

(1) All bonds issued (1985 through 2007) 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.

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At June 30, 2008 the Authority has the following investments:

<u>Series</u>	<u>Type of Marketable Security</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Rate</u>	<u>Avg. Maturity Date (1)</u>	<u>Yield (2)</u>	<u>Cost Basis</u>	<u>Market Value</u>
1993	Cash/Cash Equiv. Federal Treasury Obligations						\$ 324,348	\$ 324,348
	Cash Equiv. U.S. Treasury Bills	5/30/2008	11/28/2009				69,000	68,411
	U.S. Treasury Notes	5/30/2008	5/31/2009	4.88%		4.88% Market	174,048	169,735
	Investment (Georgia Fund 1)				40 days	6/30/2008	200	200
1998	Investment (Georgia Fund 1)				40 days	2.21% 6/30/2008	205,504	205,504
						2.21%		
2005	Investment (Georgia Fund 1)				40 days	2.21% 6/30/2008	314,516	314,516
2007	Investment (Georgia Fund 1)				40 days	2.21% 6/30/2008	313,004	313,004
							<b><u>\$ 1,400,620</u></b>	<b><u>\$ 1,395,718</u></b>

**Notes:**

(1) LGIP (Local Government Investment Pool) stability constant Net Asset Value \$1.00; average maturity date 40 days; Interest Yield as of 6/30/2008 2.21%.

(2) Bond Insurance MBIA value of policies \$12,253,947

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

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

Year Ended June 30, 2008

	<u>2008</u>	<u>2007</u>
<b>Beginning Balance</b>	<b>\$ 1,026,340</b>	<b>\$ 955,208</b>
<b>Increase:</b>		
Interest Earned	107,450	71,131
Transfer from Bond Issuance Account	-	-
Transfer from Operating Account	9,608,351	7,048,740
<b>Total Increase</b>	<b><u>\$ 9,715,801</u></b>	<b><u>\$ 7,119,871</u></b>
<b>Decrease:</b>		
Revenue Bond Interest	8,033,990	4,818,739
Revenue Bond Principal	1,307,531	2,230,000
<b>Total Decrease</b>	<b><u>\$ 9,341,521</u></b>	<b><u>\$ 7,048,739</u></b>
<b>Ending Balance</b>	<b><u><u>\$ 1,400,620</u></u></b>	<b><u><u>\$ 1,026,340</u></u></b>

Douglasville-Douglas County Water and Sewer Authority

DEBT SERVICE ACCOUNTS  
SCHEDULE OF REVENUE BONDS PAYABLE

Year Ended June 30, 2008

Douglasville-Douglas County Water & Sewer Authority Series Bonds	Average Coupon Rate	Issue Date	Maturity Date	Annual Principal Payment		Amounts			
				Maximum	Minimum	Authorized	Issued	Retired	Outstanding
1993 Water and Sewer Revenue Bonds	5.494%	1993	2015	\$ 2,615,000	\$ 1,515,000	\$ 29,895,000	\$ 29,895,000	\$ 15,035,000	\$ 14,860,000
1998 Water and Sewer Revenue Bonds	4.613%	1998	2023	3,765,000	-	28,620,000	28,620,000	620,000	28,000,000
2005 Water and Sewer Revenue Bonds	4.798%	2005	2030	6,730,000	295,000	52,250,000	52,250,000	565,000	51,685,000
2007 Water and Sewer Revenue Bonds	4.822%	2007	2037	4,955,000	-	76,755,000	76,755,000	-	76,755,000
<b>Total</b>				<b>\$ 18,065,000</b>	<b>\$ 1,810,000</b>	<b>\$ 187,520,000</b>	<b>\$ 187,520,000</b>	<b>\$ 16,220,000</b>	<b>\$ 171,300,000</b>

Douglasville-Douglas County Water & Sewer Authority Loans	Rate	Issue Date	Maturity Date	Annual Payment		Loan Amount	Issued	Retired	Outstanding Balance
				Maximum	Minimum				
1990 State Revolving Fund Loan	2.000%	1990	2010	\$ 333,112	\$ 333,112	\$ 5,479,892	\$ 5,479,892	\$ 4,669,562	\$ 810,330
<b>Total</b>				<b>\$ 333,112</b>	<b>\$ 333,112</b>	<b>\$ 5,479,892</b>	<b>\$ 5,479,892</b>	<b>\$ 4,669,562</b>	<b>\$ 810,330</b>

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.

# **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, 2008

	ASSETS					ALLOWANCE FOR DEPRECIATION					Net Asset Value
	Beginning Of Period 06/30/07	Additions Purchases and Developer Lines	Additions Transfers From CIP	Disposals	End Of Period 06/30/08	Beginning Of Period 06/30/07	Current Depreciation	Disposals	End Of Period 06/30/08		
<b>Land and Easements</b>	\$9,766,496	\$1,211,702	\$ -	\$ -	\$10,978,198	\$ -	\$ -	\$ -	\$ -	\$10,978,198	
<b>Buildings and Structures</b>											
Structures Administration	2,366,407				2,366,407	789,171	48,518		837,689	1,528,718	
Structures and Improvements Sewer	11,129,105				11,129,105	2,386,761	568,592		2,955,353	8,173,752	
Structures and Improvements Water	14,471,555				14,471,555	3,610,468	340,411		3,950,879	10,520,676	
<b>Total Building and Structures:</b>	<b>27,967,067</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,967,067</b>	<b>6,786,400</b>	<b>957,521</b>	<b>-</b>	<b>7,743,921</b>	<b>20,223,146</b>	
<b>Machinery and Equipment</b>											
Communication Equipment	2,448,623	55,024		(18,175)	2,485,472	1,055,280	224,443	(11,387)	1,268,336	1,217,136	
Computer Equipment	1,316,678	40,253		(43,906)	1,313,025	799,224	183,385	(43,663)	938,946	374,079	
Electronic Meter Reading Equipment	55,898				55,898	43,489	4,963		48,452	7,446	
Flow Measuring Devices	134,113	3,747			137,860	80,604	9,647		90,251	47,609	
Laboratory Equipment	255,157	22,843		(3,601)	274,399	148,700	31,509	(2,879)	177,330	97,069	
Miscellaneous Equipment	691,621	15,136			706,757	444,760	56,819		501,579	205,178	
Office Furniture and Equipment	740,095	2,760		(7,122)	735,733	691,231	15,608	(5,064)	701,775	33,958	
Other Tangible Plant Equipment	6,960				6,960	6,960			6,960	-	
Power Generation Equipment	367,361		2,805		370,166	72,978	36,811		109,789	260,377	
Power Operated Equipment	50,098				50,098	49,663	290		49,953	145	
Pumping Equipment Sewer	7,102,193	694,519	104,095	(138,658)	7,762,149	2,470,695	701,329	(41,561)	3,130,463	4,631,686	
Pumping Equipment Water	4,036,647	27,347			4,063,994	2,272,250	179,193		2,451,443	1,612,551	
Storage Equipment	40,755				40,755	36,652	1,003		37,655	3,100	
Tools, Shop and Garage Equipment	466,431	8,159			474,590	426,341	20,443		446,784	27,806	
Transportation Equipment	5,921,856	467,777		(72,318)	6,317,315	4,585,981	490,421	(69,570)	5,006,832	1,310,483	
Treatment and Disposal Equipment	6,189,435	19,863	93,126	(9,238)	6,293,186	2,107,093	366,672	(9,238)	2,464,527	3,828,659	
Water Treatment Equipment	2,300,144	3,384			2,303,528	1,526,093	214,679		1,740,772	562,756	
<b>Total Machinery and Equipment:</b>	<b>32,124,065</b>	<b>1,360,812</b>	<b>200,026</b>	<b>(293,018)</b>	<b>33,391,885</b>	<b>16,817,994</b>	<b>2,537,215</b>	<b>(183,362)</b>	<b>19,171,847</b>	<b>14,220,038</b>	
<b>Improvements Other Than Buildings</b>											
Collection Sewer Force Main	17,900,376	256,039	6,012,519	(145,992)	24,022,942	1,481,507	522,841	(9,317)	1,995,031	22,027,911	
Collection Sewer Gravity Main	67,391,143	3,700,048		(969,832)	70,121,359	9,442,022	1,720,262	(91,469)	11,070,815	59,050,544	
Distribution Reservoirs and Standpipes	8,966,365				8,966,365	2,755,505	228,683		2,984,188	5,982,177	
Flow Measuring Installations	43,797				43,797	29,039	720		29,759	14,038	
Hydrants	29,007				29,007	7,364	581		7,945	21,062	
Lakes, Rivers and Intakes	10,320,028				10,320,028	4,113,423	359,307		4,472,730	5,847,298	
Meters and Meter Installations	5,413,561	257,125			5,670,686	1,694,254	121,057		1,815,311	3,855,375	
Outfall Sewer Lines	7,579,721		3,369,046		10,948,767	2,119,604	231,606		2,351,210	8,597,557	
Plant Sewers	26,574,179				26,574,179	11,467,872	1,530,122		12,997,994	13,576,185	
Service - Water Customers	138,414		30,686		169,100	10,189	3,075		13,264	155,836	
Service - Sewer Customers	56,114				56,114	23,007	1,122		24,129	31,985	
Transmission and Distribution Mains	117,143,027	2,989,161	1,870,998	(37,453)	121,965,733	32,082,531	2,598,337	(5,091)	34,675,777	87,289,956	
Wells and Springs	10,774				10,774	10,774			10,774	-	
Stormwater Conveyance Pipes	13,929,088	563,614	648,085	(29,221)	15,111,566	2,465,662	900,371	(3,362)	3,362,671	11,748,895	
Stormwater Culverts	8,635,486	710,876	630,450		9,976,812	783,356	305,302		1,088,658	8,888,154	
Stormwater Catch Basins	12,663,076	1,208,739	210,027		14,081,842	978,158	402,847		1,381,005	12,700,837	
Stormwater Other Improvements	2,907,960		303,328		3,211,288	148,372	101,987		250,359	2,960,929	
Land Improvements	345,353		34,377		379,730	193,265	18,482		211,747	167,983	
<b>Total Improvements Other:</b>	<b>300,047,469</b>	<b>9,685,602</b>	<b>13,109,516</b>	<b>(1,182,498)</b>	<b>321,660,089</b>	<b>69,805,904</b>	<b>9,046,702</b>	<b>(109,239)</b>	<b>78,743,367</b>	<b>242,916,722</b>	
<b>Construction in Progress</b>	<b>67,616,693</b>	<b>41,112,061</b>	<b>(13,309,542)</b>	<b>-</b>	<b>95,419,212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95,419,212</b>	
<b>Total Capital Assets:</b>	<b>\$437,521,790</b>	<b>\$53,370,177</b>	<b>\$ -</b>	<b>(\$1,475,516)</b>	<b>\$489,416,451</b>	<b>\$93,410,298</b>	<b>\$12,541,438</b>	<b>(292,601)</b>	<b>\$105,659,135</b>	<b>\$383,757,316</b>	

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**Douglasville-Douglas County Water and Sewer Authority**  
**SCHEDULE OF CAPITAL ASSETS BY CLASS - SOURCE OF FUNDING**  
Year Ended June 30, 2008

	Total Operations Taps/Revenues	Sales Tax	Total Loans	Total Bonds	Grants	Developer Contributions	Total Government Donations	Total Capital Assets
<b>Land and Easements</b>	\$ 5,354,358	\$ 4,069,882	\$ -	\$ 1,028,330	\$ 341,354	\$ -	\$ 184,273	\$ 10,978,198
<b>Buildings and Structures</b>								
Structures Administration	509,649	(51,713)					1,908,471	2,366,407
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
<b>Total Building and Structures:</b>	<b>8,862,455</b>	<b>1,692,325</b>	<b>-</b>	<b>15,525,229</b>	<b>-</b>	<b>-</b>	<b>1,887,058</b>	<b>27,967,067</b>
<b>Machinery and Equipment</b>								
Communication Equipment	1,831,317					628,439	25,716	2,485,472
Computer Equipment	1,313,025							1,313,025
Electronic Meter Reading Equipment	55,898							55,898
Flow Measuring Devices	137,860							137,860
Laboratory Equipment	274,399							274,399
Miscellaneous Equipment	706,757							706,757
Office Furniture and Equipment	735,733							735,733
Other Tangible Plant Equipment	6,960							6,960
Power Generation Equipment	370,166							370,166
Power Operated Equipment	49,052						1,046	50,098
Pumping Equipment Sewer	3,616,572					4,074,777	70,800	7,762,149
Pumping Equipment Water	2,934,799						1,129,195	4,063,994
Stores Equipment	40,755							40,755
Tools Shop and Garage Equipment	150,803						323,787	474,590
Transportation Equipment	6,188,295						129,020	6,317,315
Treatment and Disposal Equipment	6,293,186							6,293,186
Water Treatment Equipment	2,303,528							2,303,528
<b>Total Machinery and Equipment:</b>	<b>27,009,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,703,216</b>	<b>1,679,564</b>	<b>33,391,885</b>
<b>Improvements Other Than Buildings</b>								
Collection Sewer Force Main	19,715,794			729,308		3,577,840		24,022,942
Collection Sewer Gravity Main	4,788,017	4,927,550		9,723,847		50,681,945		70,121,359
Distribution Reservoir and Stand Pipes	3,189,275	2,364,820		2,122,611		(13,503)	1,303,162	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	3,922,401						1,748,285	5,670,686
Outfall Sewer Lines	3,959,342	3,412,915		2,127,256		1,449,254		10,948,767
Plant Sewers	5,640,204	1,625,757	6,518,629	12,789,589				26,574,179
Service to Water Customers	169,100							169,100
Service to Sewer Customers	56,114							56,114
Transmission and Distribution Mains	20,155,314	707,202		7,792,480	76,263	65,460,045	27,774,429	121,965,733
Wells and Springs	10,774							10,774
Stormwater Conveyance Pipes	1,630,722					2,667,899	10,812,945	15,111,566
Stormwater Culverts	3,782,932					3,139,881	3,053,999	9,976,812
Stormwater Catch Basins	621,721					5,014,742	8,445,379	14,081,842
Stormwater Other Improvements	2,815,750						395,538	3,211,288
Land Improvements	379,730							379,730
<b>Total Improvements Other:</b>	<b>72,248,649</b>	<b>15,340,412</b>	<b>6,518,629</b>	<b>41,952,196</b>	<b>76,263</b>	<b>131,990,203</b>	<b>53,533,737</b>	<b>321,660,089</b>
<b>Construction in Progress</b>	<b>32,217,643</b>	<b>-</b>	<b>-</b>	<b>63,201,569</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95,419,212</b>
<b>Total Capital Assets:</b>	<b>\$ 145,692,210</b>	<b>\$ 21,102,619</b>	<b>\$ 6,518,629</b>	<b>\$ 121,707,324</b>	<b>\$ 417,617</b>	<b>\$ 136,693,419</b>	<b>\$ 57,284,632</b>	<b>\$ 489,416,451</b>

# **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.

<b>CONTENTS</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Authority's financial performance has changed over time.	<b>79</b>
<b>Revenue Capacity</b> These schedules contain trend information to help the reader assess the Authority's most significant local revenue source.	<b>81</b>
<b>Debt Capacity</b> 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.	<b>84</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	<b>88</b>
<b>Operating Information</b> 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.	<b>91</b>

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

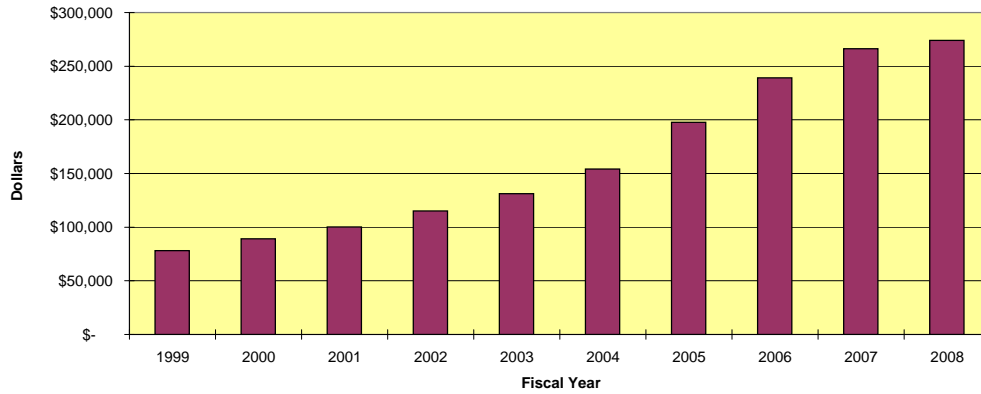
**Douglasville-Douglas County Water and Sewer Authority**

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

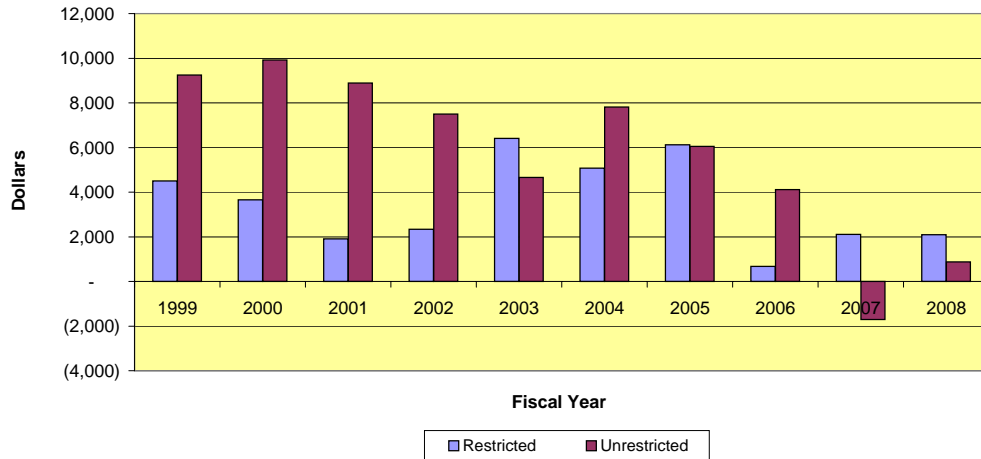
Fiscal Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Enterprise Fund										
Invested in capital assets, net of related debt	\$ 78,210	\$ 89,120	\$ 100,261	\$ 115,165	\$ 131,070	\$ 154,207	\$ 197,616	\$ 239,157	\$ 266,288	\$ 274,102
Restricted	4,500	3,652	1,903	2,340	6,411	5,071	6,124	671	2,114	2,089
Unrestricted	9,245	9,914	8,886	7,495	4,654	7,819	6,057	4,108	(1,713)	878
Total business-type activities net assets	\$ 91,955	\$ 102,686	\$ 111,050	\$ 125,000	\$ 142,135	\$ 167,097	\$ 209,797	\$ 243,936	\$ 266,689	\$ 277,069

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**



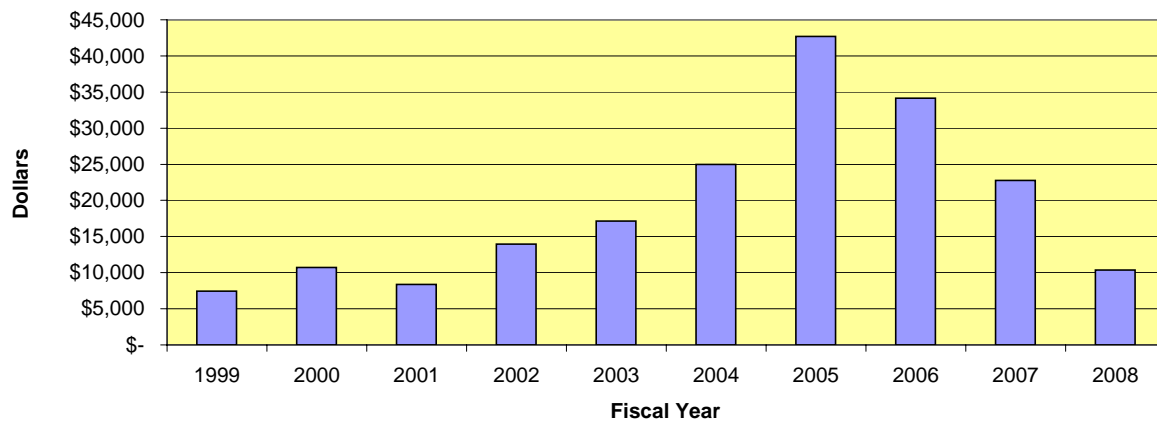
**Financial Trends - Schedule 2**  
**Change in Net Assets**  
**Last Ten Fiscal Years**  
*(amount expressed in thousands)*

Fiscal Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Operating Revenues</b>										
(1) Charges for services	\$ 14,803	\$ 16,684	\$ 16,967	\$ 17,740	\$ 18,555	\$ 20,735	\$ 23,093	\$ 27,981	\$ 29,837	\$ 31,190
Penalties	398	473	434	464	522	555	661	896	1,064	1,050
Total operating revenues	<u>\$ 15,201</u>	<u>\$ 17,157</u>	<u>\$ 17,401</u>	<u>\$ 18,204</u>	<u>\$ 19,077</u>	<u>\$ 21,290</u>	<u>\$ 23,754</u>	<u>\$ 28,877</u>	<u>\$ 30,901</u>	<u>\$ 32,240</u>
<b>Operating Expenses</b>										
(2) Employment costs	\$ 4,638	\$ 6,043	\$ 6,628	\$ 6,681	\$ 7,152	\$ 7,872	\$ 7,717	\$ 9,805	\$ 10,718	\$ 10,322
Repairs and maintenance	978	1,091	1,153	1,084	1,299	1,322	1,737	1,980	1,915	2,141
Supplies and materials	344	371	428	372	451	506	668	785	875	795
(3) Depreciation	3,830	4,102	5,571	5,985	6,543	7,213	8,764	10,931	11,881	12,541
Utilities	1,096	1,185	1,340	1,307	1,399	1,491	1,618	1,919	2,063	2,119
Water and sewer services purchased	823	1,090	432	32	41	29	31	87	338	1,569
Administration	1,036	1,237	1,468	1,252	1,527	1,567	1,810	1,899	2,323	3,359
Total operating expenses	<u>\$ 12,745</u>	<u>\$ 15,119</u>	<u>\$ 17,020</u>	<u>\$ 16,713</u>	<u>\$ 18,412</u>	<u>\$ 20,000</u>	<u>\$ 22,345</u>	<u>\$ 27,406</u>	<u>\$ 30,113</u>	<u>\$ 32,846</u>
<b>Non-Operating Revenue (expenses)</b>										
(4) Investment income	1,439	1,368	812	330	238	215	397	2,175	2,266	2,588
Interest on capital asset-related debt	(2,330)	(2,534)	(2,573)	(2,526)	(2,437)	(2,306)	(2,008)	(3,076)	(2,357)	(3,432)
Other non-operating revenue (expense)	(360)	(140)	(147)	(758)	(156)	(175)	(181)	(129)	(67)	(1,151)
Net non-operating revenue	<u>\$ (1,251)</u>	<u>\$ (1,306)</u>	<u>\$ (1,908)</u>	<u>\$ (2,954)</u>	<u>\$ (2,355)</u>	<u>\$ (2,266)</u>	<u>\$ (1,792)</u>	<u>\$ (1,030)</u>	<u>\$ (158)</u>	<u>\$ (1,995)</u>
Gain or Loss before capital contributions	<u>\$ 1,205</u>	<u>\$ 732</u>	<u>\$ (1,527)</u>	<u>\$ (1,463)</u>	<u>\$ (1,690)</u>	<u>\$ (976)</u>	<u>\$ (383)</u>	<u>\$ 441</u>	<u>\$ 630</u>	<u>\$ (2,601)</u>
(1) Capital contributions	6,250	9,999	9,891	15,413	18,825	25,938	43,083	33,699	22,123	12,981
Increase in net assets	<u>\$ 7,455</u>	<u>\$ 10,731</u>	<u>\$ 8,364</u>	<u>\$ 13,950</u>	<u>\$ 17,135</u>	<u>\$ 24,962</u>	<u>\$ 42,700</u>	<u>\$ 34,140</u>	<u>\$ 22,753</u>	<u>\$ 10,380</u>

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 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 primarily reflects interest earned on unspent bond proceeds.

**Increase in Net Assets**



## Douglasville-Douglas County Water and Sewer Authority

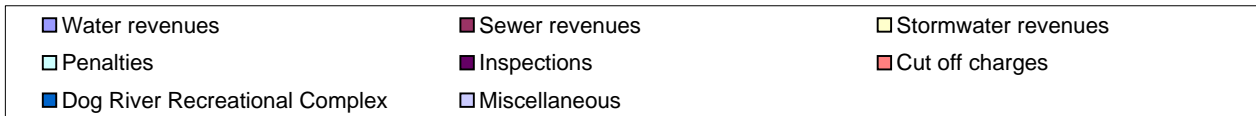
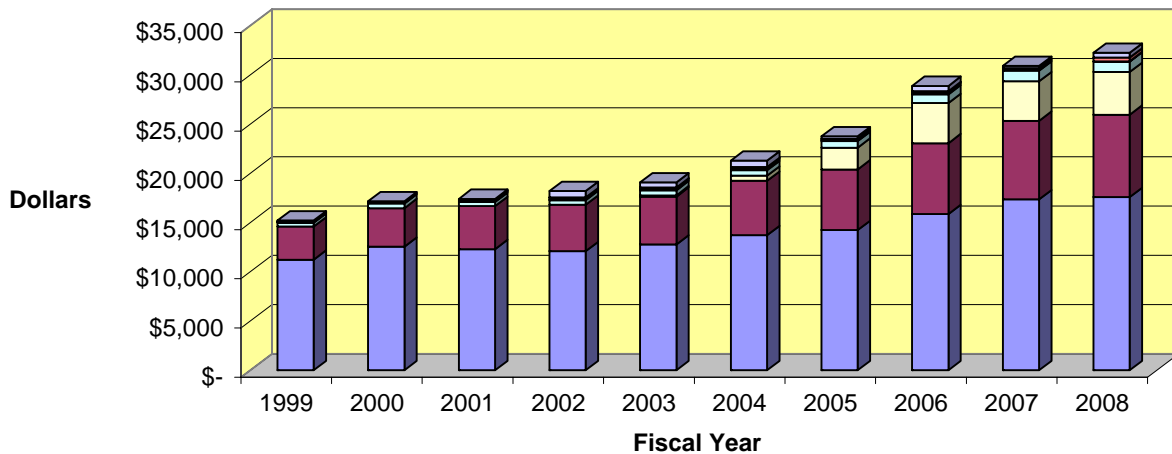
### Revenue Capacity - Schedule 1 Operating Revenue By Source Last Ten Fiscal Years *(amount expressed in thousands)*

Fiscal Year	<u>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>	<u>2008</u>
Operating Revenues										
Water revenues	\$ 11,229	\$ 12,543	\$ 12,301	\$ 12,094	\$ 12,773	\$ 13,719	\$ 14,244	\$ 15,857	\$ 17,362	\$ 17,572
Sewer revenues	3,364	3,915	4,365	4,718	4,855	5,517	6,147	7,202	7,968	8,376
Stormwater revenues	-	-	-	-	132	532	2,208	4,072	4,028	4,350
Penalties	398	473	434	462	522	554	661	896	1,064	1,050
Inspections	38	63	72	94	148	176	123	166	121	38
Cut off charges	61	59	101	165	111	121	118	131	134	366
Dog River Recreational Complex	19	20	18	21	16	18	16	14	8	1
Miscellaneous	92	84	110	650	520	653	237	539	216	487
Total operating revenues	<u>\$ 15,201</u>	<u>\$ 17,157</u>	<u>\$ 17,401</u>	<u>\$ 18,204</u>	<u>\$ 19,077</u>	<u>\$ 21,290</u>	<u>\$ 23,754</u>	<u>\$ 28,877</u>	<u>\$ 30,901</u>	<u>\$ 32,240</u>

**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



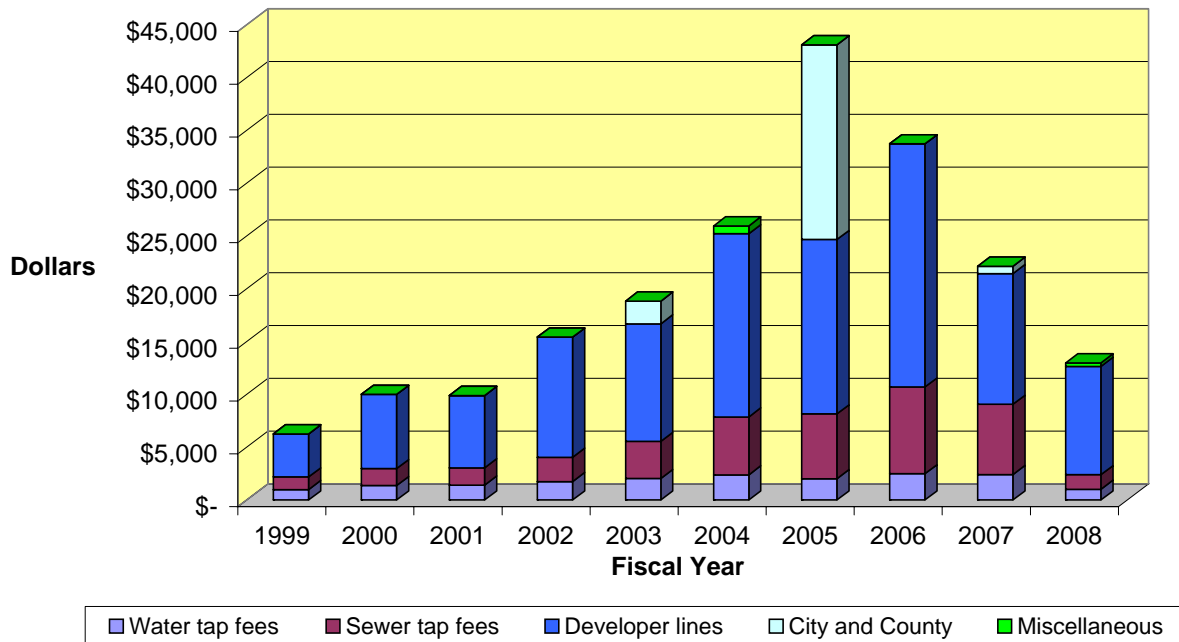
## Douglasville-Douglas County Water and Sewer Authority

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

Fiscal Year	<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>	<u>2008</u>
Capital Contributions										
Water tap fees	\$ 983	\$ 1,361	\$ 1,401	\$ 1,745	\$ 2,019	\$ 2,377	\$ 2,018	\$ 2,482	\$ 2,405	\$ 1,005
Sewer tap fees	1,197	1,600	1,635	2,295	3,522	5,472	6,121	8,208	6,651	1,388
Developer lines	4,070	7,038	6,855	11,373	11,126	17,340	16,512	23,009	12,362	10,247
City and County	-	-	-	-	2,157	-	18,432	-	705	-
Miscellaneous	-	-	-	-	-	749	-	-	-	341
<b>Total capital contributions</b>	<b>\$ 6,250</b>	<b>\$ 9,999</b>	<b>\$ 9,891</b>	<b>\$ 15,413</b>	<b>\$ 18,824</b>	<b>\$ 25,938</b>	<b>\$ 43,083</b>	<b>\$ 33,699</b>	<b>\$ 22,123</b>	<b>\$ 12,981</b>

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
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
2008	9.01	3.30 <sup>(1)</sup>	4.81	5.40	4.00

**Notes:**

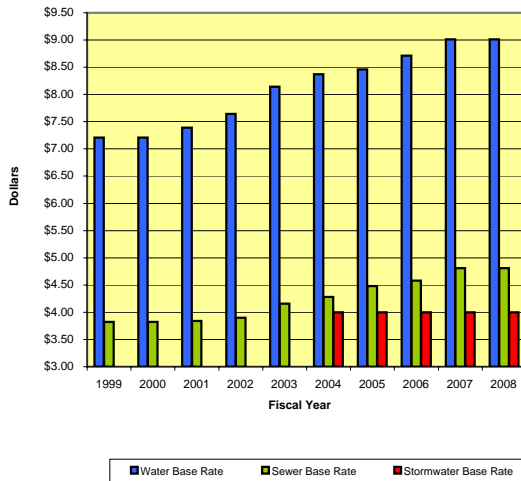
<sup>(1)</sup> In 2008 the Authority implemented a 3-tier rate structure. The \$3.30 is for consumption from 0 - 6,000 gallons (see page xiv for rate schedule showing other tiers).

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

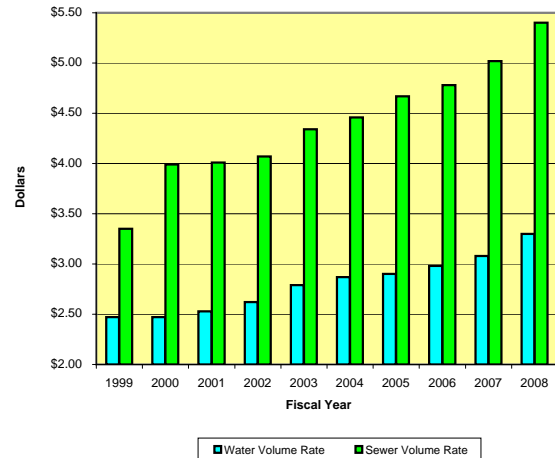
In 1998 the Authority adopted a resolution which authorized the executive director to increase water and sewer rates annually based on the cpi index. At his discretion, he can also increase rates an additional percent as long as the increase does not exceed 5% annually.

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

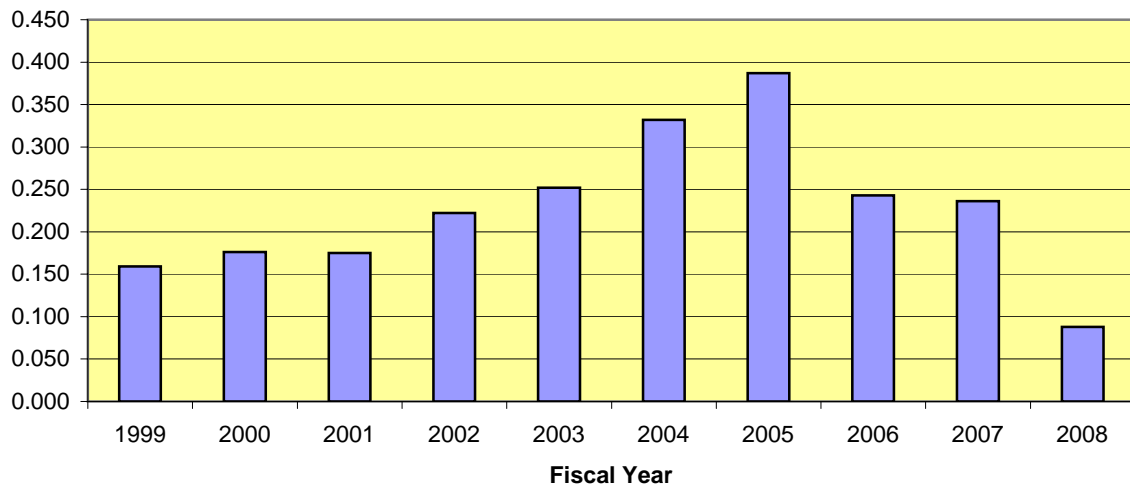
## Debt Capacity - Schedule 1 Ratio of Revenue Bonded Debt Outstanding Last Ten Fiscal Years

(amount expressed in thousands except per capita amounts)

Fiscal Year	Revenue Bonds	Less Debt Service Fund	Total	Ratio of Net Earnings To Bonded Debt (1)	Per Capita (1)
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	0.83
2007	96,890	(1,026)	95,864	0.236	0.77
2008	171,300	(1,401)	169,899	0.088	

(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

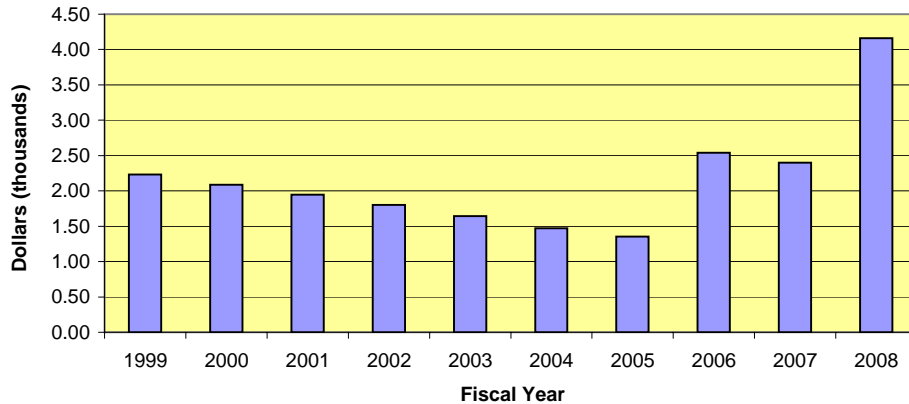
### Debt Capacity - Schedule 2 Ratio of Outstanding Debt By Type Last Ten Fiscal Years

*(amount expressed in thousands except per capita amounts)*

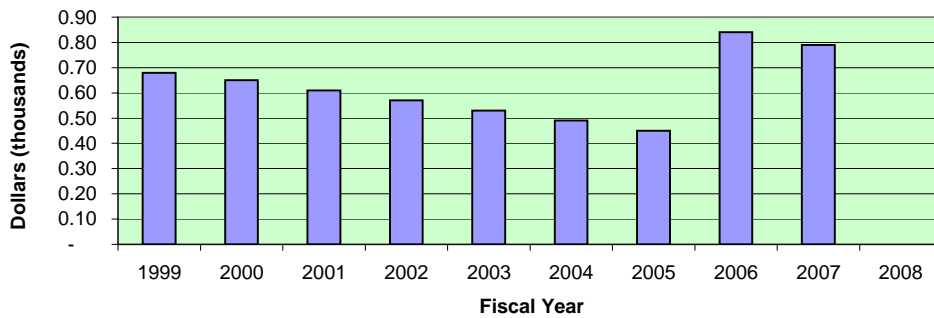
Fiscal Year	Revenue Bonds	Loans Notes	Total Outstanding Debt	Debt To Number of Customers	Debt Per Capita*	Debt to Personal Income Ratio*
1999	58,110	3,415	\$ 61,525	2.23	0.68	0.028
2000	56,740	3,148	\$ 59,888	2.09	0.65	0.025
2001	55,290	2,876	\$ 58,166	1.95	0.61	0.023
2002	53,770	2,598	\$ 56,368	1.80	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	0.016
2006	99,120	1,430	\$100,550	2.54	0.84	0.031
2007	96,890	1,123	\$ 98,013	2.40	0.79	-
2008	171,300	810	\$172,110	4.16	-	-

\* Note: Data on population and personal income not available for 2007 and 2008 as of June 30, 2008  
Sources: Bureau of Economic Analysis

**Debt to Number of Customers**



**Debt Per Capita**



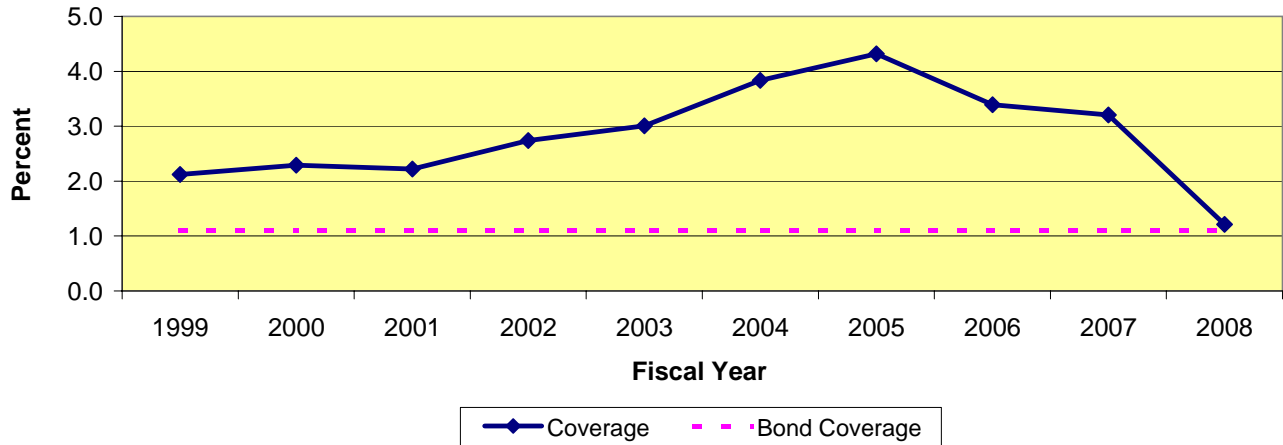


## Douglasville-Douglas County Water and Sewer Authority

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

Fiscal Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Gross Revenues	15,202	17,157	17,401	18,205	19,077	21,290	23,754	28,877	30,901	32,240
Service Charges										
Total Interest Income	1,439	1,367	812	330	238	215	397	2,175	2,266	2,588
Tap Fees Connection Charges	2,180	2,960	3,036	4,040	5,541	7,849	8,139	10,690	9,056	2,393
Gross Total Revenues	18,821	21,484	21,249	22,575	24,856	29,354	32,290	41,742	42,223	37,221
Less Operating Expenses Excluding Depreciation	8,915	11,017	11,449	10,728	11,869	12,787	13,582	16,475	18,232	20,305
Less Deferred Interest Income and Revenue	-	-	38	35	32	37	100	85	83	83
Less Interest Income Construction Account	771	600	183	7	1	-	-	1,284	1,304	1,966
Net Earnings Available	9,135	9,867	9,579	11,805	12,954	16,530	18,608	23,898	22,604	14,867
<b>Maximum Annual Debt Service</b>										
Principal	1,860	1,860	1,860	1,860	1,860	1,860	1,860	4,630	4,630	7,015
Interest	2,452	2,452	2,452	2,452	2,452	2,452	2,452	2,420	2,420	5,239
<b>Total Maximum Annual Debt Service</b>	4,312	4,312	4,312	4,312	4,312	4,312	4,312	7,050	7,050	12,254
Coverage Ratio	2.1	2.3	2.2	2.7	3.0	3.8	4.3	3.4	3.2	1.2

### 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	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net Earnings	\$ 9,135	\$ 9,867	\$ 9,579	\$ 11,805	\$ 12,954	\$ 16,530	\$ 18,608	\$ 23,898	\$ 22,604	\$ 14,867
Legal Debt Service Limit	8,305	8,970	8,708	10,732	11,776	15,027	16,917	21,726	20,549	13,516
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>7,050</u>	<u>7,050</u>	<u>12,254</u>
Legal MAD debt margin	<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>	<u>\$ 1,262</u>
Total MAD debt applicable to the limit as a percentage of debt limit	51.9%	48.1%	49.5%	40.2%	36.6%	28.7%	25.5%	32.4%	34.3%	90.7%

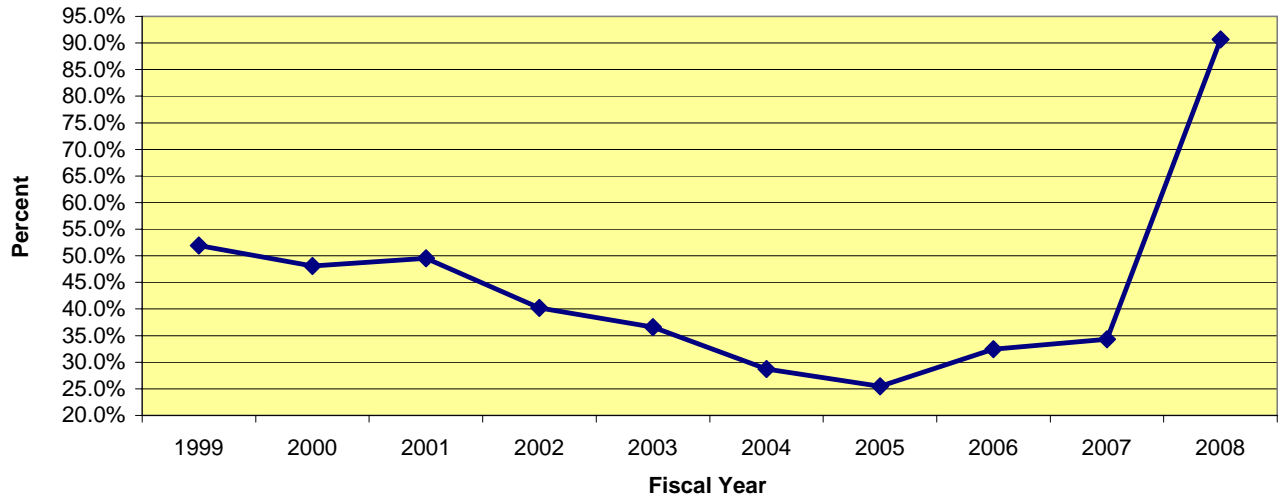
Notes:

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)
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	118,835	3,245,643	27,312	33.3	24,144	4.9%
2007	124,495	---	---	---	24,730	4.5%

(1) Source: Bureau of Economic Analysis

\* Source: U.S. Census Bureau, State and County Quickfacts 2007 estimate population

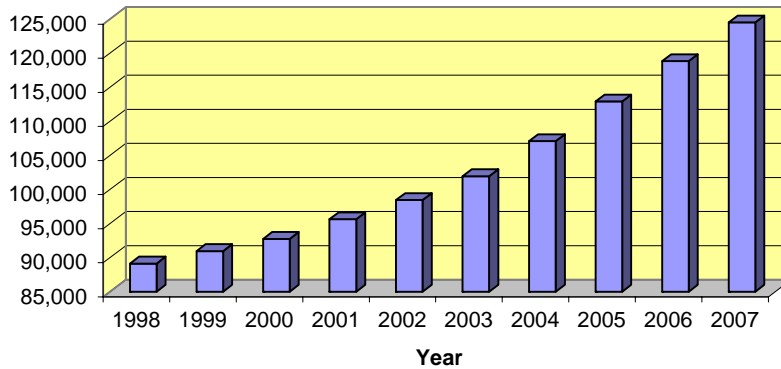
\*\* Personal Income Information for 2007 was not available as of July 14, 2008

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

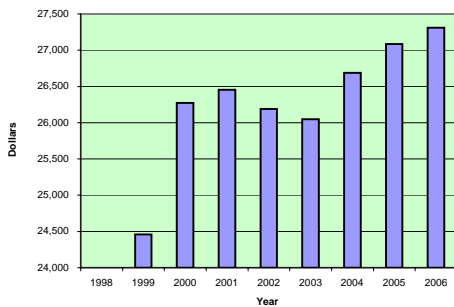
(3) Source: Georgia Department of Education, enrollment as of October each year.

(4) Source: U.S. Department of Labor, Bureau of Labor and Statistics (July 14, 2008) annual averages not seasonally adjusted

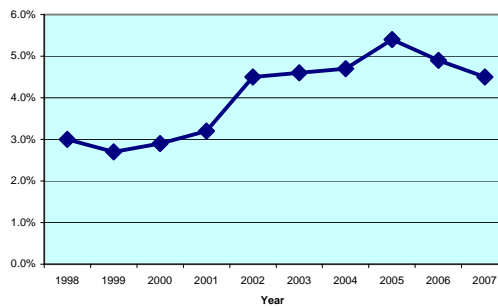
### Population of Douglas County



### Douglas County Per Capita Income



### Douglas County Unemployment Rate

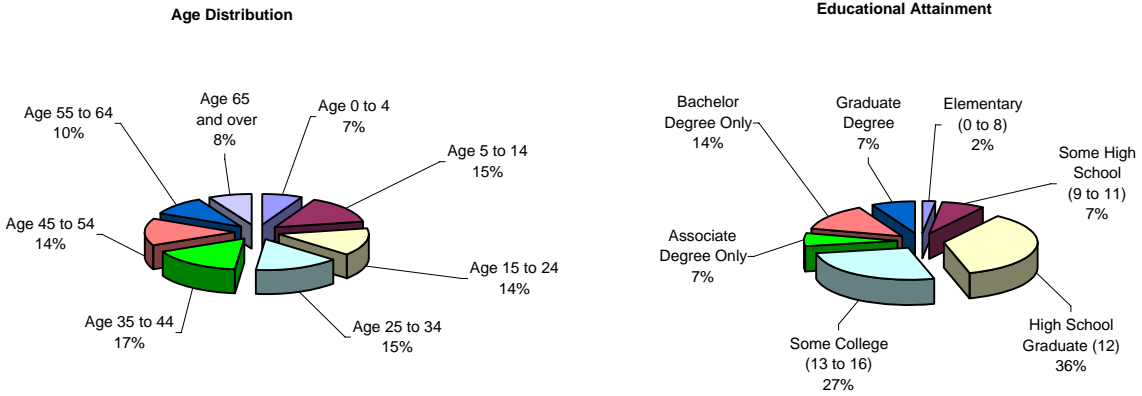


## Douglasville-Douglas County Water and Sewer Authority

### Demographic Information - Schedule 2 Douglas County Age and Educational Levels June 30, 2008

Age Distribution	Number	Percent	Educational Attainment	Number	Percent
Age 0 to 4	8,755	7.2%	Elementary (0 to 8)	1,757	2.3%
Age 5 to 14	17,797	14.7%	Some High School (9 to 11)	5,794	7.5%
Age 15 to 24	17,489	14.4%	High School Graduate (12)	27,705	35.8%
Age 25 to 34	18,759	15.5%	Some College (13 to 16)	20,574	26.6%
Age 35 to 44	19,779	16.3%	Associate Degree Only	5,186	6.7%
Age 45 to 54	17,282	14.2%	Bachelor Degree Only	10,529	13.6%
Age 55 to 64	12,024	9.9%	Graduate Degree	5,754	7.4%
Age 65 and over	9,455	7.8%	Adult Population (25 Years or Older)	77,299	100.0%
Total Population	121,340	100.0%			

Source: Greystone Power September 2007 Update



Source: Greystone Power September 2007 Update

# Douglasville-Douglas County Water and Sewer Authority

## Demographic Information - Schedule 3 Douglas County Top Ten Employers June 30, 2008

<b>Employer</b>	<b>2008</b>		<b>2007*</b>	
	<b>Employees</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>Percentage of Total County Employment</b>
Douglas County School System	4,678	7.65%	5017	8.40%
Silver Line Building Products Corp.	1,200	1.96%	1,500	2.51%
Douglas County Government	1,044	1.71%	857	1.44%
Wal-Mart	740	1.21%	911	1.53%
Wellstar Douglas Hospital	720	1.18%	549	0.92%
Inner Harbour, Ltd.	597	0.98%	700	1.17%
American Red Cross Blood Services	450	0.74%	*	*
Kroger	409	0.67%	350	0.59%
APL Logistics	400	0.65%	370	0.62%
Publix Supermarkets	368	0.60%	355	0.59%
Bell South			324	0.54%
Total County Employment	61,135		59,696	

\*Data prior to 2007 is not available

Source: Douglas County Board of Education, Douglas County Government, Douglas County Development Authority, Wal-Mart stores, Wellstar Hospital, Inner Harbour, Ltd., Kroger Corp., Publix Corp. and Greystone.

## 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

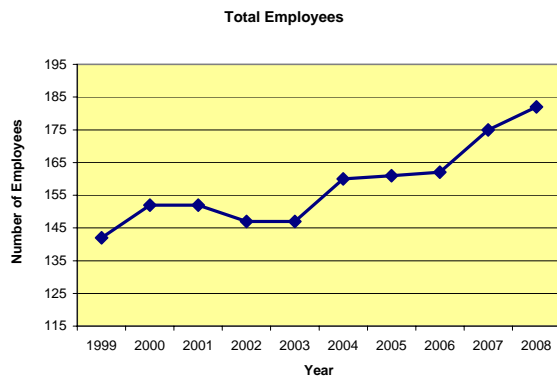
Fiscal Year	2008	2007	2006	2005 <sup>1</sup>	2004	2003	2002	2001	2000	1999
<b>WATER:</b>										
Water Plant Operations	14	14	14	13	13	13	12	14	12	12
(a) Water Plant Maintenance	2	3	4	5	5	5	5	6	7	3
Water Systems Maintenance	24	27	24	25	27	23	24	25	24	22
Reservoir Staff	2	2	2	4	2	2	2	2	4	4
<b>WATER SUB TOTAL</b>	<b>42</b>	<b>46</b>	<b>44</b>	<b>47</b>	<b>47</b>	<b>43</b>	<b>43</b>	<b>47</b>	<b>47</b>	<b>41</b>
<b>SEWER:</b>										
Sewer Plant Operations	27	23	20	21	20	19	18	19	19	17
(a) Sewer Plant Maintenance	7	6	3	3	3	3	3	3	2	4
Sewer Systems Maintenance	19	20	17	16	16	14	17	16	15	13
<b>SEWER SUB TOTAL</b>	<b>53</b>	<b>49</b>	<b>40</b>	<b>40</b>	<b>39</b>	<b>36</b>	<b>38</b>	<b>38</b>	<b>36</b>	<b>34</b>
<b>ENGINEERING/INSPECTION/CONSTRUCTION:</b>										
Engineering	13	12	11	9	9	9	8	8	7	7
Inspections	8	8	8	4	4	4	4	3	4	4
Construction	9	8	8	8	10	6	7	10	9	7
<b>ENG/INSP/CONS SUB TOTAL</b>	<b>30</b>	<b>28</b>	<b>27</b>	<b>21</b>	<b>23</b>	<b>19</b>	<b>19</b>	<b>21</b>	<b>20</b>	<b>18</b>
<b>STORMWATER:</b>										
(b) STORMWATER SUB TOTAL	10	8	6	9	10	6	3			
<b>ADMINISTRATION:</b>										
Billing/Customer Service	15	14	14	15	13	14	14	14	15	15
Meter Reading	11	9	9	8	8	7	7	9	10	9
Human Resources	8	8	8	8	8	8	9	9	10	11
Finance & Accounting	6	6	7	6	6	7	7	7	7	7
MIS	3	3	3	3	3	3	3	3	3	3
Executive Administration	4	4	4	4	3	4	4	4	4	4
<b>ADMINISTRATION SUB TOTAL</b>	<b>47</b>	<b>44</b>	<b>45</b>	<b>44</b>	<b>41</b>	<b>43</b>	<b>44</b>	<b>46</b>	<b>49</b>	<b>49</b>
<b>TOTAL EMPLOYEES</b>	<b>182</b>	<b>175</b>	<b>162</b>	<b>161</b>	<b>160</b>	<b>147</b>	<b>147</b>	<b>152</b>	<b>152</b>	<b>142</b>

<sup>1</sup> 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.

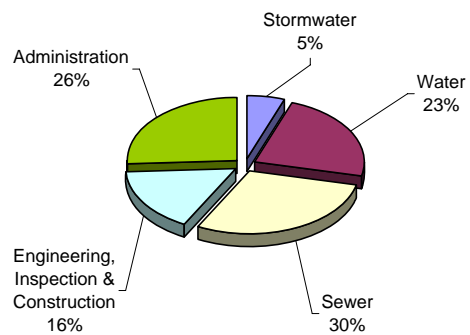
(a) Plant maintenance was established as a separate department in FY2000. Previously budgeted with Plant Operations.

(b) Stormwater Department was not in operation until Calendar Year 2003.

Notes: All managers or directors are included with their divisions.



**Total Employee Percentage by Sub Category  
Fiscal Year 2008**



## Douglasville-Douglas County Water and Sewer Authority

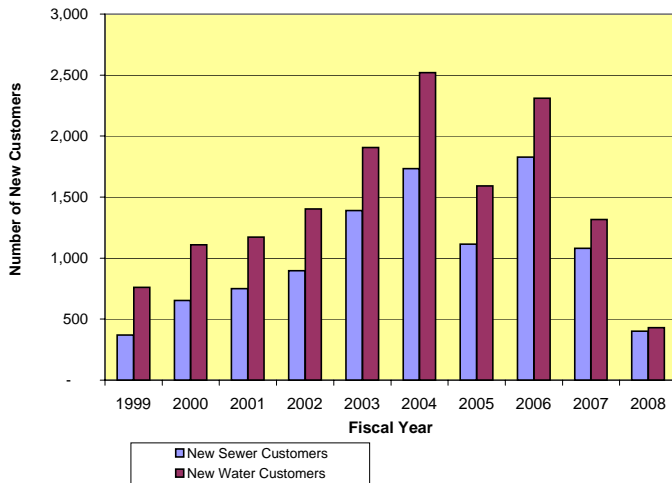
### Operating Information - Schedule 2 Operating Indicators - Demand and Service Levels Last Ten Fiscal Years

Fiscal Year	<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>	<u>2008</u>
<b><u>Demand or Level of Service</u></b>										
Water										
Total customers	27,591	28,701	29,874	31,277	33,183	35,702	37,294	39,605	40,921	41,352
<sup>(6)</sup> New customers	760	1,110	1,173	1,403	1,906	2,519	1,592	2,311	1,316	431
Water main breaks	277	268	240	164	146	105	139	131	150	204
<sup>(3,4,5)</sup> Average daily consumption (thousands of gallons)	9,114	9,765	9,812	8,531	8,833	8,883	8,991	9,580	10,538	9,169
Sewer										
Total customers	7,508	8,160	8,909	9,807	11,197	12,930	14,045	15,872	16,952	17,353
<sup>(6)</sup> New customers	370	652	749	898	1,390	1,733	1,115	1,827	1,080	401
Average daily sewer treatment (thousands of gallons)	3,658	3,995	3,748	3,912	4,474	4,479	5,545	5,826	5,738	5,764
Stormwater										
Total customers						6,862	34,620	40,329	41,891	42,271
<sup>(1,2)</sup> New customers						6,862	27,758	5,709	1,562	380

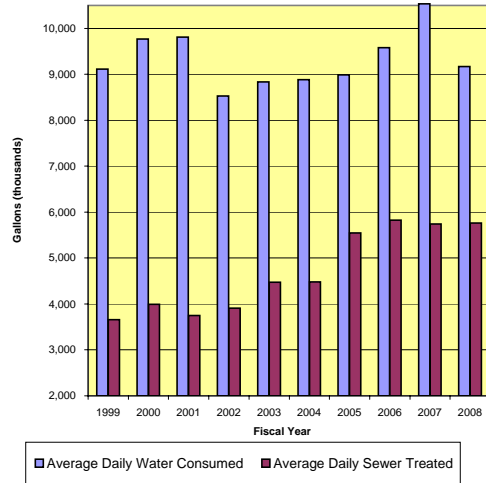
**Notes:**

- (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.

**New Water and Sewer Customers**



**Average Daily Water Consumed and Treated**



## 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>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>	<u>2008</u>
<b>Capital Assets</b>										
Water										
Water main miles	672	685	700	743	771	787	806	947	966	977
Fire hydrants	5,001	5,194	5,409	5,538	5,941	6,233	6,624	7,111	7,200	7,352
Maximum daily design capacity (thousands of gallons)	10,000	16,400	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)	10,695	11,133	10,955	10,071	10,443	11,073	11,705	12,562	13,255	10,986
Storage capacity - clear wells and water tanks (thousands of gallons)	11,550	11,875	11,875	11,775	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	186	199	205	230	257	272	287	322	344	364
Maximum daily design treatment capacity (thousands of gallons)	6,990	7,490	7,490	7,490	7,490	7,490	7,490	7,490	7,990	7,970
Average Daily sewer flow (thousands of gallons)	3,658	3,995	3,748	3,912	4,474	4,479	5,545	5,826	5,738	5,764
Stormwater										
(5) Storm sewer lines					41	44	147	152	155	162

**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 2007-2008 Comparison

Fiscal Year	2008			2000		
<u>Water Customers</u>	<u>Water Revenue</u>	<u>Rank</u>	<u>Percentage of Water Revenue</u>	<u>Water Revenue</u>	<u>Rank</u>	<u>Percentage of Water Revenue</u>
D L B Associates	\$ 713,736	1	4.06%			
City of Villa Rica	209,485	2	1.19%			
Grove Skyview LTD	208,606	3	1.19%	\$ 118,692	1	0.95%
Tree Terrace Apartments	134,384	4	0.76%	96,386	2	0.77%
Arbor Place Mall	111,805	5	0.64%	60,247	7	0.48%
Berwind Property- Westfork-Waterford	110,056	6	0.63%	66,223	6	0.53%
Sevo Miller, Inc. - Crestmark	95,683	7	0.54%	78,842	3	0.63%
Golden Estates Mobile Home Pk	90,198	8	0.51%	54,495	8	0.43%
Douglas County Jail	87,930	9	0.50%	74,072	5	0.59%
Value Family Properties	79,216	10	0.45%			
HCA Parkway				76,289	4	0.61%
Brook Valley Apartments				49,283	9	0.39%
Oak Creek Apartments				48,563	10	0.39%
Totals	<u>\$ 1,841,099</u>		<u>10.48%</u>	<u>\$ 723,092</u>		<u>5.76%</u>

Fiscal Year	2008			2000		
<u>Sewer Customers</u>	<u>Sewer Revenue</u>	<u>Rank</u>	<u>Percentage of Sewer Revenue</u>	<u>Sewer Revenue</u>	<u>Rank</u>	<u>Percentage of Sewer Revenue</u>
D L B Associates	\$ 540,104	1	6.45%			
Grove Skyview LTD	159,743	2	1.91%	\$ 90,604	1	2.31%
Tree Terrace Apartments	105,848	3	1.26%	73,830	2	1.89%
Berwind Property- Westfork-Waterford	90,149	4	1.08%	54,937	6	1.40%
Arbor Place Mall	85,926	5	1.03%	44,552	7	1.14%
Sevo Miller, Inc. - Crestmark	72,812	6	0.87%	57,150	5	1.46%
Golden Estates Mobile Home Pk	71,399	7	0.85%	43,182	8	1.10%
Douglas County Jail	70,157	8	0.84%	57,282	4	1.46%
Wellstar	63,247	9	0.76%			
Silver Line Building Products	56,544	10	0.68%			
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>\$ 1,315,929</u>		<u>15.71%</u>	<u>\$ 560,437</u>		<u>14.31%</u>

Fiscal Year	2008			2006		
<u>Stormwater Customers</u>	<u>Stormwater Revenue</u>	<u>Rank</u>	<u>Percentage of Stormwater Revenue</u>	<u>Stormwater Revenue</u>	<u>Rank</u>	<u>Percentage of Stormwater Revenue</u>
APL Logistics	33,545	1	0.77%	\$ 33,545	1	0.91%
Conlan Company	33,365	2	0.77%	27,804	2	0.75%
D L B Associates	29,475	3	0.68%	*		
Hunt Partners Ret. Group-Jacoby Dev.	25,401	4	0.58%	24,163	4	0.66%
JVC Co. of America	23,162	5	0.53%	23,162	5	0.63%
Arbor Place Mall	20,604	6	0.47%	26,161	3	0.71%
Grove Skyview, LTD	19,709	7	0.45%	19,709	6	0.53%
Prologis	19,000	8	0.44%	13,086	9	0.35%
Medline Industries, Inc.	18,884	9	0.43%	18,884	7	0.51%
Regency Realty Group	17,171	10	0.39%	*		
Maytag Appliance			0.00%	17,035	8	0.46%
Chapel Hill High School			0.00%	12,157	10	0.33%
Totals	<u>\$ 240,316</u>		<u>5.52%</u>	<u>\$ 215,706</u>		<u>5.85%</u>

\*New customer since 2006

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**

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**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, 2008, and have issued our report thereon dated September 9, 2008. 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.

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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 9, 2008.

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 9, 2008