DOUGLASVILLE-DOUGLAS COUNTY WATER AND SEWER AUTHORITY

DOUGLAS COUNTY, GEORGIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2012

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2012

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

Douglasville-Douglas County Water and Sewer Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2012

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Douglasville-Douglas County Water and Sewer Authority

BOARD OF DIRECTORS

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

MANAGEMENT

Peter J. Frost	Executive Director
Michael Patton	Deputy Director for Operations
Ben Jones	Deputy Director for Systems and Engineering
Andrew Rose	Chief Financial Officer
Karen Cobb	Billing/Customer Service Manager
Charles Butts	Systems Maintenance Manager
Sidney Miller	Human Resources/General Services Manager
Aaron Gardenhire	MIS Manager
Gil Shearouse	Engineering Manager
Keith Higgs	Operations Manager

LEGAL COUNSEL

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

CONSULTANTS

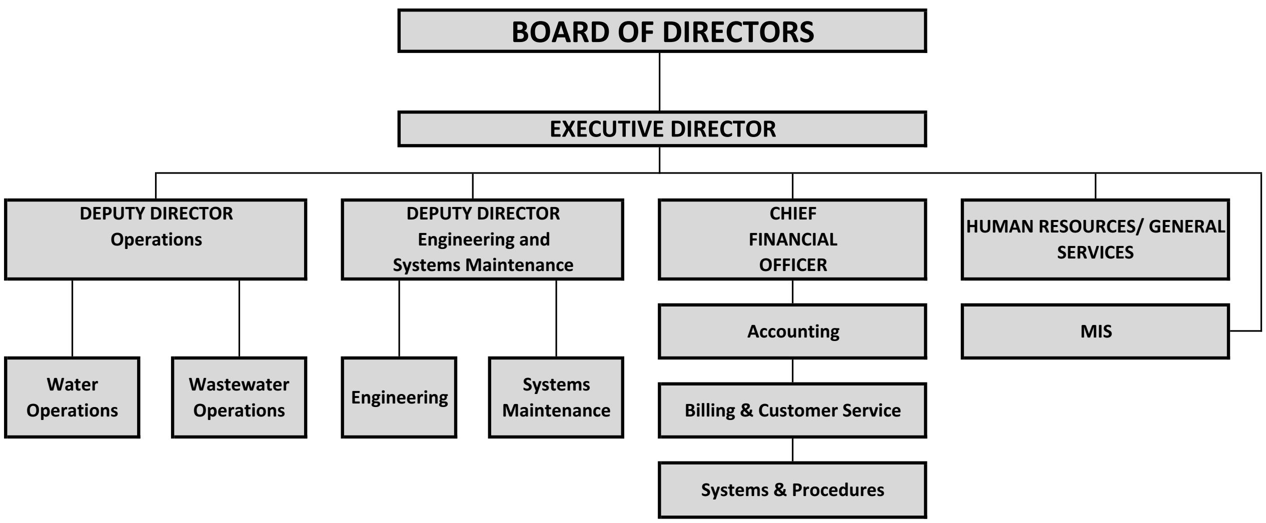
R. J. Wood and Company	Water Consulting Engineer
Jacobs Engineering Group Inc.	Wastewater and Stormwater Consulting Engineer
Crace Galvis McGrath, LLC	Independent Auditors

Additional System Information may be found at

www.ddcwsa.com

Douglasville-Douglas County Water and Sewer Authority

ORGANIZATIONAL CHART



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, 2011

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Linda C. Davison

President

Jeffrey R. Esser

Executive Director

Douglasville - Douglas County Water and Sewer Authority
Post Office Box 1157
Douglasville, Georgia 30133
Phone: (770) 949-7617
Fax: (678) 486-8973

Jack A. Tysor | **Peter J. Frost**
Chairman | **Executive Director**

October 25, 2012

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

We are pleased to submit the Comprehensive Annual Financial Report of the Douglasville – Douglas County Water and Sewer Authority ("Authority") for the Fiscal Year ended June 30, 2012. This submission is in compliance with the Act that created the Authority. The basic financial statements have been audited by our independent auditors, Crace Galvis McGrath, LLC. The annual audit is planned and performed to obtain reasonable assurances that the basic financial statements of the Authority are free of any material misstatements and are prepared in accordance with generally accepted standards within the United States. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included. For further understanding, readers should refer to the Management's Discussion and Analysis.

PROFILE OF THE AUTHORITY

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

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

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

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

The Authority operates and maintains water, sanitary sewer, and stormwater systems consisting of water reservoirs, water and wastewater treatment plants, water distribution and sewage collection lines, stormwater retention ponds, conveyance pipes and culvert systems, and the use of meters to bill consumption. As of June 30, 2012, the net property, plant and equipment value of the combined system was $417,081,210.

The water system's raw water, primarily from the Dog River and Bear Creek, is pumped to the Authority's Bear Creek Water Treatment Plant and distributed throughout the County. The system is served by 929 miles of distribution lines in various diameter sizes throughout the County. Construction was completed during the past fiscal year of expansion of the water treatment plant's capacity to 23.9 MGD. Although the Authority is currently permitted to withdraw up to 23.0 MGD of raw water directly from the 256-acre Dog River Reservoir, we are limited by the capacity of our raw water line to approximately 18 MGD from the reservoir to the water treatment plant. The Authority has started planning and easement acquisitions for construction of a redundant raw water line which would allow reaching the water treatment plant's capacity.

The sanitary sewer facilities collect sewage through 450 miles of sanitary sewer collection lines and force mains which lead to two major wastewater treatment plants and two smaller plants. Treated effluent from one of the two large facilities, the Sweetwater Creek WWTP, receives additional treatment at a 1.75 MGD side-stream facility before being provided as cooling tower make-up water for a large data processing center that has located in the County.

Stormwater services started in January 2003 when the Authority acquired the City of Douglasville's stormwater system. In December 2003 the Authority entered into a 30-year Intergovernmental Agreement with Douglas County whereby the Authority acquired the County stormwater system and the County agreed to transfer the assets to the Authority on July 1, 2004. As of June 30, 2012, the combined Authority stormwater system consisted of 120 miles of conveyance pipe and culvert systems, 10,956 catch basins and junction boxes and other appurtenances.

ECONOMIC FACTORS AND OUTLOOK

Douglas County is part of the Atlanta metropolitan area and is located west of the Fulton County line, less than 25 miles west of downtown Atlanta. The population in Douglas County was 132,403 according to the U.S. 2010 Census.

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

The Authority's water and sanitary sewer systems serve approximately 95% of the residential population of the County. The system serves schools, day-care facilities, one hospital, churches, and state and local governmental units. Several suburban shopping centers, including a 1.4 million square-foot regional mall, numerous motels, restaurants and apartment complexes are also served by the system. The 10 largest customers for the 12 months ending June 30, 2012 are listed in the statistical section of this report, along with other pertinent statistical information.

In recent years, Douglas County and the Atlanta metropolitan area have experienced high unemployment, with little or no growth. The Authority re-evaluated its future capital needs and adjusted the capital improvements plans accordingly. Current projected operating revenues should be sufficient to cover operational costs, debt service and capital needs. The Authority maintains a $9 million capital reserve fund for emergency use in case of disasters or shortfalls in funding of capital projects.

MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR THE YEAR

Structural support issues of the Administration building were discovered in June 2011 and all personnel were temporarily relocated for six months until the roof could be replaced. The customer service area was remodeled also during this time.

Construction to expand the water treatment plant's capacity to 23.9 MGD was completed January 2012.

Construction of a flow augmentation line (approximately 3.2 miles), which transports highly treated wastewater from the South Central WWTP to be discharged below the Dog River Dam, was completed during the past year. This project will enable the Authority to meet minimum flow requirements into the stream below the dam to support aquatic life while preserving the reservoir water for Douglas County citizens.

The Authority has been actively participating in the FEMA flood mitigation grants program, purchasing eight houses in the past year.

A meter replacement project, started in 2011, to replace all residential meters and converts our system to a fixed base radio read system continues with over 3,000 installations at June 30, 2012. The project will take five to eight years to complete at an estimated cost of $2,000,000 a year.

LONG-TERM FINANCIAL PLANNING

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

INTERNAL CONTROL AND BUDGET POLICIES

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

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

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

DEBT MANAGEMENT POLICY

The Authority manages debt in accordance with all applicable law, bond resolutions and adopted debt management policies. In the bond resolutions, the Authority covenants and agrees that it will, at all times, prescribe, maintain, and thereafter collect rates and charges for the services and facilities furnished by the Authority, together with other income, that will yield annual net earnings in the fiscal year equal to at least one hundred ten percent (110%) of the sum of the annual debt service payments for all bonds outstanding. "Net earnings" is defined by the bond resolution to mean the net operating income of the system, adding back depreciation, and including interest income, tap fees, development fees and other non-operating revenue. The bond resolutions obligate the Authority to review rates and to revise such rates and charges as necessary to meet the coverage test. The Authority further covenants in the bond resolutions to maintain rates and charges that are at all times sufficient to provide for the payment of the bonds; to maintain the debt service funds and any other related funding instruments related to the debt of the system; and to provide for the payment of administrative and operational expenses of the system preserving the system in good repair and working order. Current stand alone bond ratings are Aa3 and AA- ratings from Moody's and Standard & Poor's respectively.

AWARDS AND ACKNOWLEDGEMENTS

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

Awards received during the past year included:

- Outstanding Stormwater Management of the Year.
- Best in class in Georgia – Rebel Trails and South Central Waste Water Treatment Plants.
- Government Finance Officers Association Award for Excellence in Financial Reporting.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Douglasville-Douglas County Water and Sewer Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This is the ninth year the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the Authority must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Andrew L. Rose

Andrew L. Rose, CPA
Chief Financial Officer

FINANCIAL SECTION

REPORT OF
INDEPENDENT AUDITOR

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Douglasville-Douglas County Water and Sewer Authority (the "Authority"), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Douglasville-Douglas County Water and Sewer Authority as of and for the year ended June 30, 2011, were audited by other auditors whose report dated September 22, 2011, expressed an unqualified opinion on those statements before restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Douglasville-Douglas County Water and Sewer Authority, as of June 30, 2012, and the changes in financial position and the cash flows for the year 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 October 19, 2012 on our consideration of the Douglasville-Douglas County Water and Sewer Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principals generally accepted in the United States of America require that Management's Discussions and Analysis and Funding Progress Schedules on pages 5 through 12 and 37 through 38, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Authority's basic financial statements. The additional schedules of individual accounts and sections, and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Douglasville-Douglas County Water and Sewer Authority. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Authority's basic financial statements. The introductory section and the statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Crace Galvis McGrath, LLC

October 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Douglasville-Douglas County Water and Sewer Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis and overview of Douglasville-Douglas County Water and Sewer Authority's financial performance during the fiscal years that ended on June 30, 2012 and 2011. Please read it in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The overall financial condition of the Authority remained strong during the fiscal year ended June 30, 2012. Total assets at June 30, 2012 were $449.4 million and exceeded liabilities in the amount of $279.2 million (i.e. net assets). Total net assets decreased by $2.0 million or 0.7 % in 2012 compared to a $2.5 increase or 0.9% in 2011.

- During the fiscal year 2012 the Authority's "operating revenues" increased to $37.4 million up from $37.1 million in 2011 or 0.8%, while "operating expenses" increased to $35.4 million from $33.8 million in 2011 or 4.7%. The increase in revenue is noted below. Depreciation accounted for $1.6 million of the increase in operating expenses due to new capital assets from the 2007 bond being placed in service. The remaining increases in operating expenses were made up of increases in utilities ($0.2 million), services purchased ($0.1 million) and administration ($0.2 million), with a decrease in employment cost ($0.5 million). Repairs & maintenance and supplies & materials remained the same.

- Sewer rates were raised 5.0% on January 1, 2012. Water rates were not raised during the fiscal year ended June 30, 2012. For fiscal year ended June 30, 2011 water and sewer rates were raised by 2.6 % and 5.0%, respectfully on January 1, 2011. The Authority increases rates to keep pace with inflation, ensure recovery of all its operating costs, and to cover increases in annual debt service payments.

- The Authority's capital assets increased $10.0 million in fiscal year 2012 of which $2.5 million were non-cash developer infrastructure improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report is presented in four sections; Introductory, Financial, Statistical, and Compliance. The Management's Discussion and Analysis (MD&A) serves as an introduction to the financial section. The financial section consists of the Independent Auditors' Report, Management's Discussion and Analysis, and the Authority's basic financial statements, which are presented comparatively for the fiscal years ending June 30, 2012 and 2011. The basic financial statements consist of the following:

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

The Statements of Net Assets include 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). They also provide the basis for evaluating the capital structure, liquidity and financial flexibility of the Authority. All of the current year revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net 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. The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. The Notes to Financial Statements and Required Supplementary Information provide necessary disclosures that are essential to a full understanding of the data in the aforementioned financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY

In fiscal year 2012, the Authority maintained its sound financial condition, even with declining economic growth within the service area. This was demonstrated by the Authority's continued strong cash and investment portfolio as outlined in the financial statements and schedules in this report. While exercising prudent fiscal discipline, the Authority continues to ensure it is able to provide safe water to customers as well as be fiscally and environmentally responsible. Prior years financial information has been restated due to error in depreciation as detailed in footnote 11.

STATEMENTS OF NET ASSETS

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
(In millions of dollars)

	Fiscal Year 2012 to 2011 Comparison				Fiscal Year 2011 to 2010 Comparison			
	FY 2012	**FY 2011**	**Dollar Change**	**% Change**	**FY 2011**	**FY 2010**	**Dollar Change**	**% Change**
Current and Other Assets	$ 32.3	$ 37.0	$ (4.7)	-12.7%	$ 37.0	$ 59.3	$ (22.3)	-37.6%
Capital Assets	417.1	422.5	(5.4)	-1.3%	422.5	403.4	19.1	4.7%
Total Assets	**449.4**	**459.5**	**(10.1)**	**-2.2%**	**459.5**	**462.7**	**(3.2)**	**-0.7%**
Long-Term Debt Outstanding	155.0	160.0	(5.0)	-3.1%	160.0	164.8	(4.8)	-2.9%
Other Liabilities	15.2	18.3	(3.1)	-16.9%	18.3	19.2	(0.9)	-4.7%
Total Liabilities	**170.2**	**178.3**	**(8.1)**	**-4.5%**	**178.3**	**184.0**	**(5.7)**	**-3.1%**
Invested in Capital Assets,								
Related Debt	262.4	267.8	(5.4)	-2.0%	267.8	266.3	1.5	0.6%
Restricted	3.5	3.5	-	0.0%	3.5	5.1	(1.6)	-31.4%
Unrestricted	13.3	9.9	3.4	34.3%	9.9	7.3	2.6	35.6%
TOTAL NET ASSETS	**$ 279.2**	**$ 281.2**	**$ (2.0)**	**-0.7%**	**$ 281.2**	**$ 278.7**	**$ 2.5**	**0.9%**

<u>Comparison 2012-2011</u>

Net assets at June 30, 2012 were $279.2 million, a decrease of $2.0 million. Current and other assets decreased $4.5 million along with a corresponding decrease in long-term debt of $5.0 million and other liabilities decrease of $3.1 million. Spending bond proceeds was the major reason for the decrease in current and other assets. Invested in capital assets net of related debt decreased $5.4 million as a result of a net decrease in capital assets of $5.4 million and debt reduction of $4.8 million ($5.0 million long-tem less $0.2 million short-term) less $4.7 million debt proceeds from the 2007 bond funds used to purchase capital assets. Unrestricted net assets (those that can be used to finance day-to-day operations) increased $3.4 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.

<u>Comparison 2011-2010</u>

Net assets at June 30, 2011 were $281.2 million an increase of $2.5 million. Current and other assets decreased $22.3 million along with a corresponding decrease in long-term debt of $4.8 million and other liabilities decrease of $.9 million. Spending bond proceeds was the major reason for the decrease in current and other assets. Invested in capital assets net of related debt increased $1.6 million as a result of a net increase in capital assets of $19.1 million and debt reduction of $4.6 million ($4.8 million long term less $0.2 million short term) less $22.2 million debt proceeds from the 2007 bond funds used to purchase capital assets. Restricted net assets (those established by debt covenants, enabling legislation, or legal requirements) reflect $1.5 million decrease in 2011 due primarily from a decrease in insurance and grants receivable for capital projects. 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 Statements 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)

	Fiscal Year 2012 to 2011 Comparison				Fiscal Year 2011 to 2010 Comparison			
	FY 2012	**FY 2011**	**Dollar Change**	**% Change**	**FY 2011**	**FY 2010**	**Dollar Change**	**% Change**
REVENUES								
Operating Revenue:								
Charges for services	$ 36.4	$ 36.2	$ 0.2	0.6%	$ 36.2	$ 34.8	$ 1.4	4.0%
Penalties	1.0	0.9	0.1	11.1%	0.9	1.1	(0.2)	-18.2%
Total Operating Revenues	37.4	37.1	0.3	0.8%	37.1	35.9	1.2	3.3%
Interest income	0.1	0.2	(0.1)	-50.0%	0.2	0.2	-	0.0%
Total Revenues	37.5	37.3	**0.2**	**0.5%**	37.3	36.1	**1.2**	**3.3%**
EXPENSES								
Operating Expenses:								
Employment costs	10.4	10.9	(0.5)	-4.6%	10.9	11.8	(0.9)	-7.6%
Repairs & maintenance	2.1	2.1	-	0.0%	2.1	2.9	(0.8)	-27.6%
Supplies & materials	0.9	0.9	-	0.0%	0.9	1.0	(0.1)	-10.0%
Depreciation	16.7	15.1	1.6	10.6%	15.1	14.8	0.3	2.0%
Utilities	3.1	2.9	0.2	6.9%	2.9	3.0	(0.1)	-3.3%
Water & sewer service pur.	0.5	0.4	0.1	25.0%	0.4	0.4	-	0.0%
Administration	1.7	1.5	0.2	13.3%	1.5	1.5	-	0.0%
Total Operating Expenses	35.4	33.8	**1.6**	**4.7%**	33.8	35.4	**(1.6)**	**-4.5%**
Non-Operating Expenses								
Interest and fiscal charges	7.4	6.3	1.1	17.5%	6.3	7.4	(1.1)	-14.9%
Loss -disposal of cap. assets	0.5	0.3	0.2	66.7%	0.3	0.1	0.2	200.0%
Other expenses	0.5	0.9	(0.4)	-100.0%	0.9	(0.1)	1.0	-100.0%
Total Non-Operating Expenses	8.4	7.5	0.9	**12.0%**	7.5	7.4	0.1	**1.4%**
Total Expenses	43.8	41.3	2.5	6.1%	41.3	42.8	(1.5)	-3.5%
Income (Loss) Before Cap Contr.	(6.3)	(4.0)	(2.3)	57.5%	(4.0)	(6.7)	2.7	-40.3%
Capital Contributions								
Tap fees	0.8	1.0	(0.2)	-20.0%	1.0	2.2	(1.2)	-54.5%
Developer lines	2.5	4.1	(1.6)	-39.0%	4.1	0.1	4.0	4000.0%
Grant contributions	0.9	1.4	(0.5)	-35.7%	1.4	5.9	(4.5)	-76.3%
Total Capital Contributions	4.2	6.5	(2.3)	-35.4%	6.5	8.2	(1.7)	-20.7%
Changes in Net Assets	(2.1)	2.5	(4.6)	-184.0%	2.5	1.5	1.0	66.7%
Beginning Net Assets	281.3	278.7	2.6	0.9%	278.7	277.2	1.5	0.5%
restated - see note 11								
Ending Net Assets	$ 279.2	$ 281.2	$ (2.0)	-0.7%	$ 281.2	$ 278.7	$ 2.5	0.9%

Review of Operations:

Comparison 2012-2011

Operating revenues increased slightly by $0.3 million or 0.8%. Water rates were unchanged and sewer rates were increased 5.0% respectfully in January 2012; both were increased 2.6% and 5% in January 2011. Water revenues increased $0.1 million primarily due to rate increase during the second half of the preceeding year. Sewer revenues decreased $0.1 million. Sewer revenues decrease was due to changes in treatment of reuse water. Penalties increased $0.1 million. There were no significant other increases or decreases.

Review of Operations (continued):

Operating expenses increased $1.6 million from the previous year. Most of this increase was depreciation which increased $1.6 million due to completion and depreciation of the major construction projects at the Bear Creek water treatment plant, Dog River intakes, and other projects. Employment cost decreased $0.5 million or 4.6%. mainly due to pension cost. Repairs and maintenance and supplies & materials expenses were unchanged compared to the previous year. Utilities increased $0.2 million to $3.1 million or 6.9% due to rate increases. Purchased services increased $0.1 million or 25.0% due to purchase of water during pipe repairs and higher waste hauling cost. Administration increased $0.02 million or 13.3% over the previous year due to increases in temporary relocation costs $.6, service fees $.5, travel & training $.4 and various small increases in other accounts.

<u>Comparison 2011-2010</u>

Operating revenues increased by $1.2 million or 3.3% mainly due to rate increases in mid-year of the past two years. Water and sewer rates were increased 2.6% and 5.0% respectfully in January 2011 and both were increased 6.6% in December 2009. Water revenues increased $1.0 million while sewer revenues increased $0.5 million. Penalties decreased $0.2 million while cut-off charges decreased $0.1 million.

Operating expenses decreased $1.6 million from the previous year. Employment cost decreased $0.9 million mainly due to a $0.7 million increase in capitalized wages and a $0.2 million decrease in overtime. Repairs and maintenance decreased $0.8 million over the previous year that included storm damage expenses. Depreciation increased $0.3 million or 2.0% mainly due to new capital assets from the 2007 bond issue being placed in service. Utilities decreased $0.1 million to $2.9 million or 3.3%. Purchased services and administration remained at the same level as the previous year.

Total Non-Operating Revenues and Expense:

<u>Comparison 2012-2011</u>

Non-operating interest income decreased slightly due to a decrease in bond proceeds on hand and a decline in interest rates. Total non-operating expenses increased $0.9 million to $8.4 million. Interest expense increased $1.1 million due to an decrease of $1.4 million in capitalized interest. In addition, other expenses decreased $0.4 million due to a decrease in non-capital part of grant funded projects being expensed.

<u>Comparison 2011-2010</u>

Non-operating interest income decreased slightly due to a decrease in bond proceeds on hand and a decline in interest rates. Total non-operating expenses increased $0.1 million to $7.5 million. Interest expense decreased $1.1 million due to an increase of $1.0 million in capitalized interest. In addition, other expenses increased $1.0 million due to non-capital part of grant funded projects being expensed.

Capital Contributions:

<u>Comparison 2012-2011</u>

Capital Contributions were down $2.3 million to $4.2 million. The reduction is due to tap fees down $0.2 million to $0.8 million, developer lines down $1.6 million to $2.5 million and grants down $0.5 million to $0.9 million. The decrease in tap fees is reflective of the current housing slowdown over the past four fiscal years in Douglas County. The developer contributions consist of non-cash contributions of a development that was underway before the housing decline.

<u>Comparison 2011-2010</u>

Capital Contributions were down $1.7 million to $6.5 million. The reduction is due to tap fees down $1.2 million to $1.0 million and developer lines up $4.0 million to $4.1 million and grants down $4.5 million to $1.4 million. The decrease in tap fees is reflective of the current housing slowdown in Douglas County. The developer contributions consist of non-cash contribution of a development that was underway before the housing decline. Grant revenue decline of $4.5 million to $1.4 million is mainly due to the previous year containing flood recovery grants.

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 Note 4.

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

	Fiscal Year 2012 to 2011 Comparison				Fiscal Year 2011 to 2010 Comparison			
Description	**FY 2012**	**FY 2011**	**Dollar Change**	**% Change**	**FY 2011**	**FY 2010**	**Dollar Change**	**% Change**
Land	$ 13.5	$ 13.3	$ 0.2	1.5%	$ 13.3	$ 13.0	$ 0.3	2.3%
Buildings	66.6	37.4	29.2	78.1%	37.4	36.7	0.7	1.9%
Machinery & Equipment	67.6	53.5	14.1	26.4%	53.5	49.1	4.4	9.0%
Improvements	423.2	408.3	14.9	3.6%	408.3	401.5	6.8	1.7%
Construction In Progress	1.8	50.2	(48.4)	-96.4%	50.2	30.0	20.2	67.3%
Subtotal	572.7	562.7	10.0	1.8%	562.7	530.3	32.4	6.1%
Less Accumulated Depreciation	155.6	140.2	15.4	11.0%	140.2	126.9	13.3	10.5%
Net Property, Plant, Equipment	$ 417.1	$ 422.5	$ (5.4)	-1.3%	$ 422.5	$ 403.4	$ 19.1	4.7%

At the end of 2012, the Authority had invested $572.7 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.

Fiscal Year 2012 capital assets additions (in millions of dollars):

- $ 0.2 – Land from FEMA grant, mitigation & easements
- $ 29.2 – Buildings- Administration roof, lobby, HVAC ($1.2), Bear Creek WTP ($24.3), Dog River intake pump station upgrades ($3.9), dispositions (-$0.2),
- $ 14.1 – Machinery & Equipment - Bear Creek WTP ($8.0), Dog River intakes ($4.2), AMR ($0.7), lift station equipment ($0.6), capital contributions ($1.0), transportation ($0.1), miscellaneous equipment ($0.2), dispositions (-$0.7),
- $14.9 – Improvements - stormwater ($0.5), sewer lines ($3.6), water lines ($1.2), miscellaneous ($0.1) Dog River intakes ($0.6), AMR project ($1.7), Bear Creek WTP ($3.7) flow augmentation ($2.3), capital contributions ($2.1), dispositions (-$0.9)
- ($48.4) –Construction in Progress - (above items taken out)

$10.0 million – Total Asset Change

Fiscal Year 2011 capital assets additions (in millions of dollars):

- $ 0.3 – Land from FEMA grant, mitigation & easements
- $ 0.7 – Buildings- Northside WWTP ($0.7), HVAC admin ($0.1), Southside renovation ($0.2), disposition of old Northside structures (-$0.3)
- $ 4.4 – Machinery & Equipment - SCADA ($1.6), pumps ($2.9), transportation ($0.4), Northside ($0.3), power & misc. equipment ($0.4), dispositions - pumps (-$0.2) transportation (-$0.2), Northside equipment (-$0.8)
- $ 6.8 – Improvements - stormwater ($0.5), sewer lines ($ 3.0), water lines ($1.8), meters ($0.1) Southside land improvements ($0.6), Dog River dam repairs ($1.3), disposition of Southside and Northside improvements (-$0.5)
- $20.2 –Construction in Progress - water plant expansion, intake upgrades

$32.4 million – Total Asset Change

LONG -TERM DEBT

At June 30, 2012 year-end, the Authority had $156.4 million in long-term debt down from $161.0 million in fiscal year 2011. This decrease was due to scheduled payments on debt. The Authority was in compliance with all bond and loan covenants during the fiscal years 2012 and 2011. More detailed information about the Authority's long-term liabilities is presented in Note 3 of the Notes to the Financial Statements. The Authority has delayed any plans on issuing new debt to finance major capital improvements, primarily the expansion of the Sweetwater Creek wastewater treatment plant from 3.0 mgd to 6.0 mgd, due to economic slowdown and reevaluation of growth in the county.

BOND RATINGS
Pre-2009 outstanding bonds carry an Aaa and AAA rating from Moody's and Standard & Poor's respectively based upon a Municipal Bond Insurance Policy. With the 2009 Bond issue the Authority received a stand-alone rating of **Aa3** by Moody's, and an affirmation of its **AA-** rating from Standard & Poor's.

LIMITATIONS ON DEBT
Bond Covenants allow for the issuance of additional debt, on parity, as to lien on the net revenues of the System provided certain net earnings ratio(s) conditions are met. The major criteria is that all estimated future net earnings of the system must be at least 1.20 times the highest combined debt service requirement. The Authority's current coverage ratio is 1.6.

Debt Coverage Ratio:

During fiscal year 2012, the Authority's debt coverage ratio, based on maximum annual debt service, remained at 1.6. The current debt service structure remains rather level reaching maximum annual debt service in 2028 of $12.25 million and declining after 2030.

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

	Fiscal Year 2012 to 2011 Comparison				Fiscal Year 2011 to 2010 Comparison			
	FY 2012	FY 2011	Dollar Change	% Change	FY 2011	FY 2010	Dollar Change	% Change
Revenue from Operations	$ 37.4	$ 37.1	$ 0.3	0.8%	$ 37.1	$ 35.8	$ 1.3	3.6%
Interest Income	0.1	0.2	(0.1)	-50.0%	0.2	0.2	-	0.0%
Tap Fees	0.8	1.0	(0.2)	-20.0%	1.0	2.2	(1.2)	-54.5%
Total Revenues	38.3	38.3	-	0.0%	38.3	38.2	0.1	0.3%
Total Operating Expenses (less depreciation)	18.7	18.7	-	0.0%	18.7	20.5	(1.8)	-8.8%
Net Earnings	19.6	19.6	-	0.0%	19.6	17.7	1.9	10.7%
Current Annual Debt Service	12.3	12.3	-	0.0%	12.3	10.6	1.7	16.0%
Debt Coverage Ratio	1.6	1.6	-	0.0%	1.6	1.7	(0.1)	-4.6%
Maximum Annual Debt Service	$ 12.3	$ 12.3	-	0.0%	$ 12.3	$ 12.3	-	0.0%
Debt Coverage Ratio	1.6	1.6	$ -	0.0%	1.6	1.4	$ 0.2	0.0%

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

	Debt Balance	Average Coupon
1993 Bonds	$5.7	5.50%
2005 Bonds	$50.3	4.80%
2007 Bonds	$73.7	4.80%
2009 Bonds	$26.7	4.43%
State Rev. Fund	$0.0	3.00%
Total	$156.4	***4.8%**

*Note: weighted average coupon rate.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2013 budget, five year cash flow projections and capital improvement program have been prepared taking into account that economic and population growth for the Authority's service area are expected to remain the same with little growth anticipated in the next five years. Other factors affecting next year's and future budgets are listed below.

- The 2013 budget was prepared anticipating a 7% increase in water charges and 7% rate increase in sewer charges effective in December to insure meeting debt coverage ratios, debt service, and future capital improvement needs.

- The Authority's Capital Improvement Program is funded through issuance of new debt, capital contributions from tap fees and by developers, and operating revenue in excess of operating expenses and debt service expenses. With the slowdown of construction and tap fee revenues and a reluctance to issue new debt, some capital improvements projects have been delayed or cancelled. The Authority will be relying more heavily on operating revenues to fund capital improvements on a pay-as-you-go basis.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Douglasville-Douglas County Water and Sewer Authority's Chief Financial Officer, P.O. Box 1157, Douglasville, Georgia 30133.

BASIC FINANCIAL STATEMENTS

Douglasville-Douglas County Water and Sewer Authority

Statements of Net Assets

	June 30, 2012	June 30, 2011 (As Restated)
Assets:		
Current assets:		
Cash and cash equivalents	$ 1,993,118	$ 1,764,632
Accounts receivable, less allowance for doubtful accounts of $421,023 in 2012 and $447,257 in 2011	5,050,247	4,790,755
Miscellaneous receivables	190,476	255,627
Inventories	671,978	582,064
Prepaid expenses	299,046	245,077
Restricted assets:		
Cash and cash equivalents	12,397,323	12,614,441
Investments	6,902,381	12,059,300
Receivables	1,623,608	1,766,776
Total current assets	29,128,177	34,078,672
Non-current assets:		
Capital assets:		
Land and easements	13,541,923	13,263,466
Buildings	66,553,048	37,367,007
Machinery and equipment	67,617,839	53,499,235
Improvements other than buildings	423,199,826	408,353,386
Construction in progress	1,778,829	50,192,878
	572,691,465	562,675,972
Less accumulated depreciation	155,610,255	140,207,855
Net capital assets	417,081,210	422,468,117
Other assets:		
Miscellaneous receivables - non-current	894,504	894,283
Bond issuance costs, less accumulated amortization of $1,359,826 in 2012 and $1,213,787 in 2011	1,694,487	1,840,526
Net Pension Assets	584,205	246,152
Deposits	10,417	5,000
Total other assets	3,183,613	2,985,961
Total non-current assets	420,264,823	425,454,078
Total assets	$ 449,393,000	$ 459,532,750

	June 30, 2012	June 30, 2011 (As Restated)
Liabilities:		
Current liabilities:		
Accounts payable	$ 2,132,316	$ 2,332,612
Accrued expenses and other	1,081,994	1,038,885
Current liabilities payable from restricted assets:		
Accounts payable	520,592	3,516,668
Revenue bonds, portion due within one year	4,685,000	4,465,000
Notes payable, portion due within one year	49,965	34,437
Accrued interest on revenue bonds	620,711	638,836
Customer deposits	2,390,931	2,346,066
Deferred income	1,649,645	1,730,788
Total current liabilities	13,131,154	16,103,292
Non-current liabilities:		
Other long-term liabilities	2,088,758	2,139,257
Long-term debt:		
Revenue bonds – portion due after one year, net of unamortized (premium)/discounts of ($3,305,140) in 2012 and ($3,593,894) in 2011	155,000,140	159,973,894
Notes payable	16,990	57,394
Total long-term debt	155,017,130	160,031,288
Total non-current liabilities	157,105,888	162,170,545
Total liabilities	170,237,042	178,273,837
Net assets:		
Invested in capital assets, net of related debt	262,406,689	267,837,724
Restricted net assets:		
Restricted for debt service	363,077	329,321
Restricted for capital projects	2,760,644	2,779,516
Restricted for meter deposits	377,575	376,943
Unrestricted net assets	13,247,973	9,935,409
Total net assets	279,155,958	281,258,913
Total liabilities and net assets	$ 449,393,000	$ 459,532,750

See accompanying notes.

Douglasville-Douglas County Water and Sewer Authority

Statements of Revenues, Expenses, and Changes in Net Assets

	Year ended June 30, 2012	2011 (As Restated)
Operating revenue:		
Charges for services (net of bad debt expense $390,453 in 2012 and $442,411 in 2011)	$ 36,375,050	$ 36,153,894
Penalties	1,054,310	923,708
	37,429,360	37,077,602
Operating expenses:		
Employment costs	10,460,244	10,930,709
Repairs and maintenance	2,068,913	2,075,165
Supplies and materials	913,909	901,469
Depreciation	16,702,754	15,069,284
Utilities	3,069,496	2,891,842
Water and sewer services purchased	511,141	429,223
Administration	1,665,844	1,490,589
	35,392,301	33,788,281
Operating income	2,037,059	3,289,321
Non-operating revenues (expenses):		
Interest and fiscal charges, net of capitalized amount of $193,203 in 2012 and $1,593,191 in 2011	(7,457,096)	(6,263,076)
Interest income	115,259	168,841
Loss on disposal of capital assets	(454,006)	(301,423)
Other income (expenses)	(531,755)	(854,306)
Total non-operating revenue and expenses, net	(8,327,598)	(7,249,964)
Loss before capital contributions	(6,290,539)	(3,960,643)
Capital contributions	4,187,584	6,534,138
Change in net assets	(2,102,955)	2,573,495
Total net assets – beginning, as restated *	281,258,913	278,685,418
Total net assets – ending	$ 279,155,958	$ 281,258,913

** Restatement of prior years- see note 11*

See accompanying notes.

Douglasville-Douglas County Water and Sewer Authority

Statements of Cash Flows

	Year ended June 30, 2012	Year ended June 30, 2011 (As Restated)
Cash flows from operating activities:		
Cash received from customers	$ 37,279,663	$ 36,958,436
Cash payments for goods and services	(8,578,899)	(8,609,719)
Cash payments to employees	(10,805,687)	(10,920,024)
Net cash provided by operating activities	17,895,077	17,428,693
Cash flows from capital and related financing activities:		
Payments for capital acquisitions	(12,092,658)	(27,089,230)
Principal repayments on bonds and notes payable	(4,489,876)	(4,429,315)
Interest paid	(7,668,424)	(7,873,995)
Proceeds from State Revolving Funds loan	-	58,826
Proceeds from the sale of capital assets	117,963	10,528
State loan forgiveness	11,418	-
Cash received for water and sewer tap fees	787,784	1,001,173
Cash received from capital grants	881,581	1,536,415
Proceeds from bid packages & misc. receipts	111,526	21,572
Non-capitalized grant expenses	(797,415)	(1,100,283)
Net cash used in capital and related financing activities	(23,138,101)	(37,864,309)
Cash flows from investing activities:		
Proceeds from sales of investments	5,156,919	22,608,475
Receipts of interest and dividends	97,473	168,841
Net cash provided by investing activities	5,254,392	22,777,316
Net increase in cash and cash equivalents	11,368	2,341,700
Cash and cash equivalents, beginning of year	14,379,073	12,037,373
Cash and cash equivalents, end of year	$ 14,390,441	$ 14,379,073
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	$ 1,993,118	$ 1,764,632
Restricted assets:		
Cash and cash equivalents	12,397,323	12,614,441
	$ 14,390,441	$ 14,379,073

Continued on next page

Douglasville-Douglas County Water and Sewer Authority

Statements of Cash Flows (Continued)

	Year ended June 30, 2012	2011 (As Restated)
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 2,037,059	$ 3,289,321
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	16,702,754	15,069,284
Bad debt expense	390,453	442,411
Changes in operating assets and liabilities:		
Accounts and miscellaneous receivables	(584,794)	262,411
Inventories	(89,914)	53,020
Prepaid expenses	(53,969)	(11,733)
Miscellaneous receivables - non-current	(221)	(894,283)
Net pension assets	(338,053)	(246,152)
Deposits	(5,417)	3,261
Accounts payable	(200,296)	(865,979)
Accrued expenses and other	43,109	143,021
Customer deposits	44,865	70,295
Other long-term liabilities	(50,499)	113,816
Total adjustments	15,858,018	14,139,372
Net cash provided by operating activities	$ 17,895,077	$ 17,428,693

Non-cash capital and financing activities:		
Capital assets acquired through:		
Developer contributions	$ 2,518,219	$ 4,084,790
Total non-cash capital financing activities	$ 2,518,219	$ 4,084,790

See accompanying notes.

NOTES TO

FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Formation and Governance of the Authority

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

The Authority entered into 30-year Intergovernmental agreements with the City and the County to manage the stormwater systems. On January 1, 2003, the City transferred their stormwater system to the Authority in exchange for the waiver of future stormwater service fees. On July 1, 2004, the County transferred their stormwater system to the Authority in exchange for the waiver of future stormwater service fees. As stated in each Agreement, 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.

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

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

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

A. Method of Accounting

The Authority operates as an enterprise activity, and its records are maintained on the accrual basis of accounting. Under this method revenues are recognized when earned and expenses are recognized when incurred. The Authority follows all applicable Governmental Accounting Standards Board (GASB) pronouncements, and Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989 unless the FASB pronouncements conflict or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance (FASB) for its enterprise activities, subject to the same limitation. The Authority has elected not to follow subsequent private-sector guidance.

The Authority classifies 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, 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.

1. Summary of Significant Accounting Policies (continued)

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".

B. *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.

C. *Capital Assets*

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

The capital assets of the Authority are depreciated using the straight-line method over estimated useful lives as follows:

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

D. *Inventories*

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

E. *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. Bond premiums and discounts are presented as additions and reductions, respectively, to revenue bonds on the accompanying financial statements. Bond issuance costs are presented as other assets on the accompanying financial statements.

F. *Accumulated Unpaid Vacation and Sick Pay (PTO)*

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

G. *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 using the interest method over the life of the respective agreements.

H. *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.

I. *Developer Contributions - Lines & Other Assets*

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

Douglasville-Douglas County Water and Sewer Authority
Notes To Financial Statements

1. Summary of Significant Accounting Policies (continued)

J. *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.

K. *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.

L. *Comparative Data*

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

M. *Management Estimates*

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

2. Deposits and Investments

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

	2012	2011
Demand deposit accounts	$ 14,390,441	$ 14,379,073
Local Government Investment Pool	6,902,381	12,059,300
	$ 21,292,822	$ 26,438,373
Classification per Statements of Net Assets:		
Current assets:		
Cash and cash equivalents	$ 1,993,118	$ 1,764,632
Restricted assets:		
Cash and cash equivalents	12,397,323	12,614,441
Investments	6,902,381	12,059,300
	$ 21,292,822	$ 26,438,373

2. Deposits and Investments (continued)

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

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

At June 30, 2012, the Authority had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	48 day weighted average	$6,902,381
Total Investments		$6,902,381

At June 30, 2011, the Authority had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	59 day weighted average	$12,059,300
Total Investments		$12,059,300

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, allows governmental entities to report money market investments at amortized cost. U.S. Treasury and agency obligations with remaining maturities of one year or less when purchased are also reported at amortized cost which approximates fair value. This statement also allows investments in a 2a7-like pool to be determined by the pool's share price. The LGIP (Georgia Fund 1) is considered a 2a7-like pool and investments in this pool are reported at share price on the Statement of Net Assets. As of June 30, 2012 and 2011, the Authority's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's.

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

The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on $1.00 per share. The regulatory oversight agency for Georgia Fund 1 is the Office of The State Treasurer of the State of Georgia.

Interest rate risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized at 110% by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2012, all of the Authority's bank balances were insured and collateralized as required.

Douglasville-Douglas County Water and Sewer Authority
Notes To Financial Statements

3. Long-Term Debt

On November 17, 2009, the Authority issued Water and Sewerage Revenue Bonds in the amount of $26,720,000 to defease the 1998 bonds principal outstanding balance of $27,925,000. Interest rates on the 2009 Bonds range from 3% to 5% with a maturity in 2023. The outstanding principal balance on the 2009 series bonds was $26,680,000 and $26,700,000 at June 30, 2012 and 2011, respectively.

On October 18, 2007, the Authority issued Water and Sewerage Revenue Bonds in the amount of $76,755,000 with interest rates ranging from 4% to 5%. The Bonds are being used to finance the cost of making renovations, additions, extensions and expansions to the system. The outstanding principal balance on the 2007 Series Bonds was $73,695,000 and $75,255,000 at June 30, 2012 and 2011, respectively.

On November 30, 2005, the Authority issued Water and Sewerage Revenue Bonds in the amount of $52,250,000 with interest rates ranging from 3.5% to 5.0%. The bonds were used to finance the cost of making renovations, additions, and expansions of the system. The outstanding principal balance on the 2005 Series Bonds was $50,275,000 and $50,690,000 at June 30, 2012 and 2011, 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. Interest rates on the 2003 Bonds range from 2.6% to 5.45%. The outstanding principal balance on the 1993 series bonds was $5,730,000 and $8,200,000 at June 30, 2012 and 2011, respectively. The remaining proceeds were used primarily to fund construction.

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

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

Bond Year Ending June 30	**Principal Maturities and Scheduled Mandatory Redemption Payments**	**Interest Payments**	**Total Debt Service on the Bonds**
2013	$ 4,685,000	$ 7,448,529	$ 12,133,529
2014	4,860,000	7,219,760	12,079,760
2015	5,070,000	7,009,991	12,079,991
2016	5,295,000	6,786,354	12,081,354
2017	5,490,000	6,588,129	12,078,129
2018-2022	31,340,000	29,060,744	60,400,744
2023-2027	40,225,000	20,850,750	61,075,750
2028-2032	36,890,000	10,258,680	47,148,680
2033-2037	22,525,000	3,488,750	26,013,750
2038 & Beyond	-	-	-
Totals	156,380,000	$ 98,711,687	$255,091,687
Less: Portion due within one year	4,685,000		
Net Unamortized (premium) /discount and deferred loss on refunding	(3,305,140)		
Long-term debt at June 30, 2012	$155,000,140		

3. Long-Term Debt (continued)

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

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

The Series 2005 Bonds 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 1993 Bonds having a stated maturity in 2015 will be subject to scheduled mandatory redemption prior to maturity. These Bonds are to be redeemed each year beginning June 1, 2008 to May 31, 2015 at a redemption price of 100 percent. Such redemption shall be made at the aforementioned redemption price (expressed as a percentage of the principal amount of the respective bond), plus accrued interest to the date fixed for redemption.

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

Changes in long-term liabilities are as follows:

	June 30, 2011	Additions	Reductions	June 30, 2012	Due Within One Year
1993 Revenue Bonds	$ 8,200,000	$ -	$ (2,470,000)	$ 5,730,000	$ 2,615,000
2005 Revenue Bonds	50,690,000	-	(415,000)	50,275,000	425,000
2007 Revenue Bonds	75,255,000	-	(1,560,000)	73,695,000	1,625,000
2009 Revenue Bonds	26,700,000	-	(20,000)	26,680,000	20,000
State Revolving Fund	91,831	-	(24,876)	66,955	49,965
	160,936,831	-	(4,489,876)	156,446,955	4,734,965
Premiums/(Discounts):					
1993 Revenue Bonds	(6,979)	-	3,081	(3,898)	-
1998 Revenue Bonds Defeasance	(1,034,251)	-	82,740	(951,511)	-
2005 Revenue Bonds	589,344	-	(40,326)	549,018	-
2007 Revenue Bonds	2,489,439	-	(151,645)	2,337,794	-
2009 Revenue Bonds	1,556,341	-	(182,604)	1,373,737	-
Total long-term debt	$ 164,530,725	$ -	$ (4,778,630)	$ 159,752,095	$ 4,734,965
Current Portion	(4,499,437)			(4,734,965)	
Long-Term	$ 160,031,288			$ 155,017,130	

3. Long-Term Debt (continued)

	June 30, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
1993 Revenue Bonds	$ 10,540,000	$ -	$ (2,340,000)	$ 8,200,000	$ 2,470,000
2005 Revenue Bonds	51,090,000	-	(400,000)	50,690,000	415,000
2007 Revenue Bonds	76,755,000	-	(1,500,000)	75,255,000	1,560,000
2009 Revenue Bonds	26,720,000	-	(20,000)	26,700,000	20,000
State Revolving Fund	202,320	58,826	(169,315)	91,831	34,437
	165,307,320	58,826	(4,429,315)	160,936,831	4,499,437
Premiums/(Discounts):					
1993 Revenue Bonds	(10,966)	-	3,987	(6,979)	-
1998 Revenue Bonds Defeasance	(1,116,991)	-	82,740	(1,034,251)	-
2005 Revenue Bonds	629,914	-	(40,570)	589,344	-
2007 Revenue Bonds	2,643,594	-	(154,155)	2,489,439	-
2009 Revenue Bonds	1,739,041	-	(182,700)	1,556,341	-
Total long-term debt	$ 169,191,912	$ 58,826	$ (4,720,013)	$ 164,530,725	$ 4,499,437
Current Portion	(4,429,315)			(4,499,437)	
Long-Term	$ 164,762,597			$ 160,031,288	

Other long-term debt is as follows:

	2012	2011
Note payable to State of Georgia, 3% annual interest, due quarterly	$ 66,955	$ 91,831
Less: Portion due within one year	49,965	34,437
Long-Term Portion	$ 16,990	$ 57,394

Maturities of notes payable for the remaining Fiscal Years are:

The 3% note payable to State of Georgia with an outstanding balance of $66,955 and $91,831 at June 30, 2012 and 2011 was for funding the toilet rebate program . At June 30, 2011 this loan was still in the drawdown stages. The note was set up with 24 monthly payments starting in November 2011 through October 2013.

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

Year Ending June 30	Principal Scheduled Payments	Interest Payments	Total Note Payments
2013	$ 49,965	$ 1,325	$ 51,290
2014	16,990	106	17,096
	$ 66,955	$ 1,431	$ 68,386

4. Capital Assets

A summary of capital asset activity and changes in accumulated depreciation for the years ended June 30, 2012 and 2011 follows:

	Balance June 30, 2011	Additions	Retirements & Transfers	Balance June 30, 2012
Capital assets not being depreciated:				
Land and Easements	$ 13,263,466	$ 278,457	$ -	$ 13,541,923
Construction in progress	50,192,878	8,307,367	(56,721,416)	1,778,829
Total capital assets, not being depreciated	63,456,344	8,585,824	(56,721,416)	15,320,752
Capital assets being depreciated:				
Buildings and Structures	37,367,007	29,433,087	(247,046)	66,553,048
Machinery and Equipment	53,499,235	14,798,642	(680,038)	67,617,839
Improvements Other Than Buildings	408,353,386	15,791,679	(945,239)	423,199,826
Total capital assets being depreciated	499,219,628	60,023,408	(1,872,323)	557,370,713
Less accumulated depreciation for:				
Buildings and Structures	(8,040,776)	(2,418,705)	103,770	(10,355,711)
Machinery and Equipment	(27,288,515)	(4,053,835)	680,038	(30,662,312)
Improvements Other Than Buildings	(104,878,564)	(10,230,214)	516,546	(114,592,232)
Total accumulated depreciation	(140,207,855)	(16,702,754)	1,300,354	(155,610,255)
Total capital assets being depreciated, net	359,011,773	43,320,654	(571,969)	401,760,458
Net capital assets	$ 422,468,117	$ 51,906,478	$ (57,293,385)	$ 417,081,210

	Balance June 30, 2010	Additions	Retirements & Transfers	Balance June 30, 2011
Capital assets not being depreciated:				
Land and Easements	$ 13,026,011	$ 237,455	$ -	$ 13,263,466
Construction in progress	29,978,567	29,748,468	(9,534,157)	50,192,878
Total capital assets, not being depreciated	43,004,578	29,985,923	(9,534,157)	63,456,344
Capital assets being depreciated:				
Buildings and Structures	36,691,301	963,152	(287,446)	37,367,007
Machinery and Equipment	49,112,554	5,578,864	(1,192,183)	53,499,235
Improvements Other Than Buildings	401,485,411	7,429,601	(561,626)	408,353,386
Total capital assets being depreciated	487,289,266	13,971,617	(2,041,255)	499,219,628
Less accumulated depreciation for:				
Buildings and Structures	(7,534,261)	(793,960)	287,445	(8,040,776)
Machinery and Equipment	(24,965,701)	(3,465,694)	1,142,880	(27,288,515)
Improvements Other Than Buildings	(94,367,911)	(10,809,630)	298,977	(104,878,564)
Total accumulated depreciation - restated	(126,867,873)	(15,069,284)	1,729,302	(140,207,855)
Total capital assets being depreciated, net	360,421,393	(1,097,667)	(311,953)	359,011,773
Net capital assets	$ 403,425,971	$ 28,888,256	$ (9,846,110)	$ 422,468,117

Total interest costs incurred during the year amounted to $7,650,299 and $7,856,267 in 2012 and 2011, respectively. From these amounts, $193,203 (2012) and $1,593,191 (2011) was capitalized as construction period interest.

Depreciation expense incurred during the year amounted to $16,702,754 in 2012 and $15,069,284 in 2011. The 2011 depreciation and accumulated depreciation balances have been restated - see note 11 for details.

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:

	2012	2011 (Restated)
Beginning of year	$ 267,837,724	$ 266,325,390
Change in capital assets	(5,386,907)	19,042,146
Change in related debt	4,778,630	4,661,187
Change in debt related to unspent proceeds	(4,822,758)	(22,190,999)
End of year	$ 262,406,689	$ 267,837,724

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:

	2012	2011
Legal:		
Renewal and extension	$ 1,851,657	$ 2,179,504
Refundable meter deposits	2,353,657	2,354,008
Debt service sinking fund	1,016,816	1,018,972
Construction fund	5,077,574	9,900,332
	10,299,704	15,452,816
Receivables	1,623,608	1,766,776
Board enacted:		
Capital reserves	9,000,000	9,220,925
	10,623,608	10,987,701
Total restricted assets	$ 20,923,312	$ 26,440,517

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 2013 and 2012 total $12,133,529 and $12,131,029.

7. Other Long-Term Liabilities

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

	2012	2011
Pension - Executive Director (see note 9)	$ 1,369,013	$ 1,383,806
Other Post Employment Benefits - Executive Director (see note 10)	719,745	755,451
Total	$ 2,088,758	$ 2,139,257

8. Pensions

Plan Description

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

General

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

Retirement Options / Benefit Provisions

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

> *Employees hired before January 1, 2009:* Vesting after 5 years service, normal retirement benefits are calculated at 2% per year based on average of highest 36 consecutive months with early retirement at 55 and under the rule of 80. Disability benefits apply without minimum service. Benefits contain a cost of living provision not to exceed 5% annually.
>
> *Employees hired on or after January 1, 2009:* Vesting after 10 years service, normal retirement benefits are calculated at 1 ½ % per year based on the average of highest 60 consecutive months. Rule of 80 early retirement benefits do not apply, disability benefits do not apply and there is no cost of living adjustment.

Membership

Membership of the Plan as of the valuation date of January 1, 2012 was:

Members of the Plan	Participants
Retirees and beneficiaries receiving benefits	39
Terminated plan members entitled to, but not yet receiving benefits	71
Active plan members	179
Total Membership	289

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 $873,433. The GMEBS Board of Trustees had adopted an actuarial funding policy that exceeds State law requirements, but is in accordance with required contributions as defined by generally accepted accounting principles. This policy requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan. There are no assets legally reserved for purposes other than the payment of plan member benefits for the plan.

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

Annual required contribution (ARC)	$ 873,433
Interest on net pension obligation	(19,077)
Adjustments to ARC	19,077
Annual pension cost	873,433
Contributions made	1,211,486
Increase in net pension asset	338,053
Net pension asset , beginning of year	246,152
Net pension asset, end of year	$ 584,205

Douglasville-Douglas County Water and Sewer Authority
Notes To Financial Statements

8. Pensions (continued)

For 2012, the Authority contributed $1,211,486 for the Plan or $338,053 in excess of the Authority's annual pension cost of $873,433. This net pension asset appears under non-current other assets in the financial statements.

Fiscal Year	Annual Pension Cost	Actual Contribution	Percentage of ARC Contributed	Net Pension (Asset) End of Year
2007	$ 1,167,373	$ 1,167,373	100%	$ -
2008	$ 1,194,880	$ 1,194,880	100%	$ -
2009	$ 1,288,450	$ 1,320,593	100%	$ -
2010	$ 1,651,491	$ 1,651,491	100%	$ -
2011	$ 1,405,339	$ 1,651,491	118%	$(246,152)
2012	$ 873,433	$ 1,211,486	139%	$(584,205)

As of the most recent valuation date, January 1, 2012, the funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Surplus) Actuarial Accrued Liability (AAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2012	$20,971,592	$20,696,304	($275,288)	101.33%	$7,430,367	0.00%

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term prospective and are based on the substantive plan in effect as of January 1, 2012. The assumptions used are as follows:

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

8. Pensions (continued)

Deferred Compensation Plan

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

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

9. Pensions – Executive Director

Plan Description

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

General

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

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

Retirement Options/ Benefit Provision

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

Membership

Membership of the Plan as of January 1, 2012 was:

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

9. Pensions – Executive Director (Continued)

Funding Policy

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

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

Annual required contribution	$ 9,501	
Interest from net pension obligations	41,292	
Adjustment to annual required contribution	(41,292)	
Annual pension cost	9,501	
Contributions made	24,294	
Increase (decrease) in net pension obligation	(14,793)	
Net pension obligation, beginning of year	1,383,806	
Net pension obligation, end of year	$ 1,369,013	*Note 7*

Fiscal Year	Annual Pension Cost	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation End of Year
2007	$650,327	$1,651,197	254%	$124,259
2008	$679,891	$4,037	1%	$800,113
2009	$262,515	$10,470	4%	$1,052,158
2010	$188,610	$10,470	6%	$1,230,298
2011	$167,453	$13,945	8%	$1,383,806
2012	$9,051	$24,294	268%	$1,369,013

As of the most recent valuation date, January 1, 2011, the funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (AAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2011	$1,694,816	$3,116,920	$1,422,104	54.37%	N/A	N/A

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective and calculations are based on the substantive plan in effect as of January 1, 2011.

Valuation Date	January 1, 2011
Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar for remaining unfunded liability
Asset Valuation Method	Fair market value
Actuarial Assumptions:	
Investment Rate of Return	4%
Projected salary increase	N/A
Cost of living adjustment (inflation)	4%

The unfunded actuarial accrued liability is fully amortized and closed at June 30, 2012.

10. Other Post Employment Benefits

Plan Description

The Authority does not provide post-retirement benefits to its employees with the exception of hospitalization and medical coverage of the Executive Director who retired effective February 1, 2007. Douglasville-Douglas County Water & Sewer Authority's - Executive Director – Employment Agreement Plan is a single-employer single-employee defined benefit plan. The plan was created on October 1, 1999, when the Authority entered into an employment agreement with the Executive Director providing supplemental retirement benefits. After retirement on February 1, 2007, services of an actuary were obtained and the estimated costs associated with this benefit are being amortized over a 5 year period. The actuary determined actuarial accrued liability as of January 1, 2011 was $755,491. The calculations are based on the OPEB benefits provided under terms of the substantive plan in effect at the time of each valuation and terms of sharing cost. The plan does not issue a stand-alone report.

Retirement Options / Benefits

The Authority continues to pay all health insurance and reimbursement for medical expenses for the Executive Director and any dependents for the rest of his life after retirement. The benefits were created by the 1999 employment agreement between Peter Frost and the Board of Directors. There are no provisions for changes other than by mutual agreement from both parties.

Eligibility

Only one employee is eligible to receive benefits under this plan – the retired Executive Director.

Membership

Membership of the Plan as of January 1, 2012 was:

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

Contributions – Funding

The Authority funds this benefit on a pay-as-you-go basis. The actuarial accrued liability for the plan is amortized over a closed five-year period which at June 30, 2012 had been fully met. The liability appears on the Statements of Net Assets as other long term liabilities. During the past fiscal year, $35,706 was paid out in benefits.

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

Annual required contribution	$ -	
Interest from net OPEB obligations	22,442	
Adjustment to annual required contribution	(22,442)	
Annual OPEB cost	-	
Contributions made	35,706	
Decrease in net OPEB obligation	(35,706)	
Net OPEB obligation, beginning of year	755,451	
Net OPEB obligation, end of year	$ 719,745	*Note 7*

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

10. Other Post Employment Benefits (continued)

As of the most recent valuation date, January 1, 2011, the funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (AAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2011	$0	$755,491	$755,491	0%	N/A	N/A

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective and calculations are based on the substantive plan in effect as of January 1, 2011.

Valuation Date	January 1, 2011
Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar for remaining unfunded liability
Actuarial Assumptions:	
Medical cost adjustment factor pre-Medicare	1.10%
Cost Adjustment at age 65	0.46%
Medical benefits value	4% interest
Medical cost trend (inflation rate)	7%
Life Expectancy	20 years

The unfunded actuarial accrued liability was fully amortized and closed at June 30, 2011.

11. Prior Period Adjustments- Restatement of Financial Statements -2011

An error in calculating depreciation was discovered during the past fiscal year. This error resulted in $382,916 being under reported as depreciation in the fiscal year ended June 30, 2011 and $361,957 under reported in fiscal years 2010 and $213,657 under reported in 2009. The below information has been restated in the financial statements.

	2011	2010	2009
Effects of Depreciation Adjustment			
Depreciation previously reported	$ 14,686,368	$ 14,396,734	$ 13,642,537
Additional depreciation adjustment	382,916	361,957	213,657
Restated depreciation	$ 15,069,284	$ 14,758,691	$ 13,856,194
Changes in Capital Assets			
Accumulated depreciation previously reported	$139,249,325	$126,292,259	$ 116,031,591
Effects of depreciation adjustments	958,530	575,614	213,657
Restated accumulated depreciation	$140,207,855	$126,867,873	$ 126,867,873
Net capital assets previously reported	$423,426,647	$404,001,585	$ 392,413,799
Effects of depreciation adjustments	(958,530)	(575,614)	(213,657)
Restated net capital assets	$422,468,117	$403,425,971	$ 403,425,971
Changes in Net Assets			
Net Assets previously reported	$282,217,443	$279,261,032	$ 277,392,460
Effects of depreciation adjustment	(958,530)	(575,614)	(213,657)
Net assets restated	$281,258,913	$278,685,418	$ 277,178,803
Changes in net assets, previously reported	$ 2,956,411	$ 1,868,572	$ 323,957
Effects of depreciation adjustment	(382,916)	(361,957)	(213,657)
Changes in net assets as restated	$ 2,573,495	$ 1,506,615	$ 110,300

12. 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, 2012 and 2011, outstanding construction commitments totaled $2,138,635 and $6,246,491, respectively.

Litigation

As of June 30, 2012 and 2011 there were no pending or threatened litigation, claims or assessments against the Authority that would have a material impact on the financial position of the Authority in legal counsel's opinion.

13. Risk Management

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

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REQUIRED SUPPLEMENTARY INFORMATION

Douglasville-Douglas County Water and Sewer Authority

Required Supplementary Information

Funding Progress Schedules

Defined Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding Excess (Deficiency) of AAL (FEAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	FEALL as a Percent of Covered Payroll [(a-b)/c]
3/1/2007	$11,924,379	$14,239,709	($2,315,330)	83.70%	$6,035,687	38.36%
3/1/2008	$13,793,086	$16,401,982	($2,608,896)	84.10%	$6,707,250	38.90%
3/1/2009	$12,621,566	$18,108,514	($5,486,948)	69.70%	$7,004,015	78.34%
1/1/2010	$16,731,253	$17,137,920	($406,667)	97.63%	$7,190,905	5.66%
1/1/2011	$18,932,553	$18,763,100	$169,453	100.90%	$7,071,980	0.00%
1/1/2012	$20,971,592	$20,696,304	$275,288	101.33%	$7,430,367	0.00%

Executive Director - Additional Pension Plan

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

Other Post-Employment Benefits - Executive Director

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

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

SCHEDULE OF

INDIVIDUAL ACCOUNTS

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 1

OPERATING ACCOUNT

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

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

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

COMPARATIVE SCHEDULE OF OPERATING REVENUES

	2012	2011	Variance Amount	Percent
Operating Revenues				
Operating Revenue - Water	$ 20,796,111	$ 20,706,678	$ 89,433	0.43%
Operating Revenue - Sewer	10,102,215	10,163,605	(61,390)	-0.60%
Operating Revenue - Stormwater	4,430,569	4,340,482	90,087	2.08%
Reuse Revenue	380,200	336,531	43,669	12.98%
Inspection Fees	7,500	5,150	2,350	45.63%
Soil and Erosion Control Fees	12,504	13,770	(1,266)	-9.19%
Stormwater Fines	1,000	6,000	(5,000)	-83.33%
Cut Off Charges	408,672	421,750	(13,078)	-3.10%
Sale of Materials and Supplies	34,627	19,299	15,328	79.42%
Miscellaneous Revenues	571,705	556,725	14,980	2.69%
Penalties	1,054,309	923,708	130,601	14.14%
Dog River Recreational Complex	20,401	26,315	(5,914)	-22.47%
Total Operating Revenues	37,819,813	37,520,013	299,800	0.80%
Bad Debt Expense	(390,453)	(442,411)	51,958	-11.74%
Net Operating Revenues	**$ 37,429,360**	**$ 37,077,602**	**$ 351,758**	**0.95%**

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 2

SUMMARY OF OPERATIONS

Year Ended June 30, 2012

	Employment Costs	Repairs & Maintenance	Supplies & Materials	Utilities	Water-Sewer Purchased	Administrative Costs	Depreciation	Total
Water Operations	$ 2,338,515	$ 795,610	$ 202,882	$ 1,380,217	$ 197,444	$ 72,326	$ 5,612,292	$ 10,599,286
Sewer Operations	3,147,403	681,422	610,571	1,510,687	313,697	110,057	8,903,460	15,277,297
Stormwater Operations	657,535	134,918	20,832	8,081	-	92,653	1,900,440	2,814,459
Engineering, Inspection & Constructions Operations	866,245	168,517	33,959	17,045	-	56,712	32,397	1,174,875
Administrative Operations	3,450,546	288,446	45,665	153,466	-	1,334,096	254,165	5,526,384
2012 Total	$ 10,460,244	$ 2,068,913	$ 913,909	$ 3,069,496	$ 511,141	$ 1,665,844	$ 16,702,754	$ 35,392,301
2011 Total	$ 10,930,709	$ 2,075,165	$ 901,469	$ 2,891,842	$ 429,223	$ 1,490,589	$ 15,069,284	$ 33,788,281
Variance	$ (470,465)	$ (6,252)	$ 12,440	$ 177,654	$ 81,918	$ 175,255	$ 1,633,470	$ 1,604,020

COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT

	Employment Costs	Repairs & Maintenance	Supplies & Materials	Utilities	Water-Sewer Purchased	Administrative Costs	Depreciation	Total
WATER OPERATIONS								
Water Plant Operations	$ 1,044,472	$ 32,357	$ 163,566	$ 1,312,492	$ 197,444	$ 39,710	$ 1,886,624	$ 4,676,665
Water Plant Maintenance	246,884	148,660	17,427	2,608	-	7,193	168,116	590,888
Water System Maintenance	958,160	603,918	20,294	63,272	-	23,642	2,833,676	4,502,962
Reservoir	106,976	10,675	1,595	1,845	-	1,781	723,876	846,748
Capitalized Salaries	(17,977)	-	-	-	-	-	-	(17,977)
2012 Total	$ 2,338,515	$ 795,610	$ 202,882	$ 1,380,217	$ 197,444	$ 72,326	$ 5,612,292	$ 10,599,286
2011 Total	$ 2,715,098	$ 704,755	$ 303,213	$ 1,237,675	$ 34,142	$ 59,821	$ 4,766,115	$ 9,820,819
Variance	$ (376,583)	$ 90,855	$ (100,331)	$ 142,542	$ 163,302	$ 12,505	$ 846,177	$ 778,467
SEWER OPERATIONS								
Sewer Plant Operations	$ 1,394,648	$ 21,065	$ 518,258	$ 648,121	$ 292,474	$ 42,027	$ 3,941,949	$ 6,858,542
Reuse Facilities Operations	128,960	24,797	16,334	66,776	-	1,083	482	238,432
Sewer Plant Maintenance	796,917	380,898	41,404	784,473	-	21,144	208,728	2,233,564
Sewer System Maintenance	838,935	254,662	34,575	11,317	21,223	45,803	4,752,301	5,958,816
Capitalized Salaries	(12,057)	-	-	-	-	-	-	(12,057)
2012 Total	$ 3,147,403	$ 681,422	$ 610,571	$ 1,510,687	$ 313,697	$ 110,057	$ 8,903,460	$ 15,277,297
2011 Total	$ 3,157,303	$ 696,148	$ 530,083	$ 1,483,412	$ 395,081	$ 54,462	$ 8,139,343	$ 14,455,832
Variance	$ (9,900)	$ (14,726)	$ 80,488	$ 27,275	$ (81,384)	$ 55,595	$ 764,117	$ 821,465
STORMWATER OPERATIONS								
Stormwater Operations	$ 670,700	$ 134,918	$ 20,832	$ 8,081	$ -	$ 92,653	$ 1,900,440	$ 2,827,624
Capitalized Salaries	(13,165)							(13,165)
2012 Total	$ 657,535	$ 134,918	$ 20,832	$ 8,081	$ -	$ 92,653	$ 1,900,440	$ 2,814,459
2011 Total	$ 645,905	$ 176,870	$ 23,344	$ 8,623	$ -	$ 61,570	$ 1,885,063	$ 2,801,375
Variance	$ 11,630	$ (41,952)	$ (2,512)	$ (542)	$ -	$ 31,083	$ 15,377	$ 13,084
ENGINEERING, INSPECTION AND CONSTRUCTION OPERATIONS								
Engineering	$ 1,064,388	$ 26,167	$ 1,088	$ 4,708	$ -	$ 43,104	$ 8,104	$ 1,147,559
Inspection	510,611	48,306	19,162	5,816	-	6,404	5,813	596,112
Construction	816,239	94,044	13,709	6,521	-	7,204	18,480	956,197
Capitalized Salaries	(1,524,993)	-	-	-	-	-	-	(1,524,993)
2012 Total	$ 866,245	$ 168,517	$ 33,959	$ 17,045	$ -	$ 56,712	$ 32,397	$ 1,174,875
2011 Total	$ 793,368	$ 156,573	$ 25,656	$ 17,412	$ -	$ 43,782	$ 132,171	$ 1,168,962
Variance	$ 72,877	$ 11,944	$ 8,303	$ (367)	$ -	$ 12,930	$ (99,774)	$ 5,913
ADMINISTRATIVE OPERATIONS								
Billing	$ 793,076	$ -	$ 6,747	$ 1,544	$ -	$ 591,896	$ 23,015	$ 1,416,278
Meter Reading	573,437	77,353	14,032	8,112	-	13,296	34,319	720,549
Human Res. / General Services	703,857	202,412	21,617	141,500	-	395,439	78,301	1,543,126
Executive Administration	534,791	8,681	-	1,626	-	237,237	26,652	808,987
Finance & Accounting	520,379	-	694	-	-	69,723	36,747	627,543
MIS	325,006	-	2,575	684	-	26,505	55,131	409,901
2012 Total	$ 3,450,546	$ 288,446	$ 45,665	$ 153,466	$ -	$ 1,334,096	$ 254,165	$ 5,526,384
2011 Total	$ 3,619,035	$ 340,819	$ 19,173	$ 144,720	$ -	$ 1,270,954	$ 146,592	$ 5,541,293
Variance	$ (168,489)	$ (52,373)	$ 26,492	$ 8,746	$ -	$ 63,142	$ 107,573	$ (14,909)

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 3

SUMMARY OF RESTRICTED ASSETS AND RELATED DEBT

Year Ended June 30, 2012

	Legally Restricted				Board Restricted	
Restricted Cash and Investments:	**Construction Accounts**	**Renewal and Extension Accounts**	**Meter Deposit Accounts**	**Debt Service Accounts**	**Operating Accounts**	**Total All Restricted Accounts**
Cash & Cash Equivalents:						
Checking	$ -	$ 1,851,657	$ 1,545,666	$ -	$ 9,000,000	$ 12,397,323
Total Cash & Cash Equivalents	**$ -**	**$ 1,851,657**	**$ 1,545,666**	**$ -**	**$ 9,000,000**	**$ 12,397,323**
Investments:						
LGIP	5,077,574	-	807,991	1,016,816	-	6,902,381
Total Investments	**$ 5,077,574**	**$ -**	**$ 807,991**	**$ 1,016,816**	**$ -**	**$ 6,902,381**
Total Restricted Cash & Investments	5,077,574	1,851,657	2,353,657	1,016,816	9,000,000	19,299,704
Restricted Receivables	-	1,623,608	-	-	-	1,623,608
Total Restricted Assets	**$ 5,077,574**	**$ 3,475,265**	**$ 2,353,657**	**$ 1,016,816**	**$ 9,000,000**	**$ 20,923,312**
Liabilities Payable from Restricted Assets:						
Accounts Payable	**$ 70,105**	**$ 450,487**	**$ -**	**$ -**	**$ -**	**$ 520,592**
Customer Deposits:						
Deposit Refunds/ Credit Balances	-	-	1,928,353	-	150,715	2,079,068
Unclaimed Refunds	-	-	47,729	-	-	47,729
Performance Deposits	-	264,134	-	-	-	264,134
	$ -	**$ 264,134**	**$ 1,976,082**	**$ -**	**$ 150,715**	**$ 2,390,931**
Revenue Bonds (due 1yr)	-	-	-	-	4,685,000	4,685,000
Notes Payable (due 1yr)	-	-	-	-	49,965	49,965
Accrued Interest Revenue Bonds	-	-	-	620,711	-	620,711
Deferred Revenue	-	-	-	33,028	1,616,618	1,649,646
Total Liabilities Payable from Restricted Assets	**$ 70,105**	**$ 714,621**	**$ 1,976,082**	**$ 653,739**	**$ 6,502,298**	**$ 9,916,845**
Net Assets:	**$ 5,007,469**	**$ 2,760,644**	**$ 377,575**	**$ 363,077**	**$ 2,497,702**	**$ 11,006,467**

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 4

OPERATING ACCOUNT
COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

	2012	2011	Increase (Decrease)
Restricted Assets			
Cash & Cash Equivalents:			
Checking	$ 9,000,000	$ 8,887,915	$ 112,085
Investments:			
Investment (Georgia Fund 1)	$ -	$ 333,010	$ (333,010)
Total Board Restricted Assets:	$ 9,000,000	$ 9,220,925	$ (220,925)
Payables from Board Restricted Assets			
Customers Deposits:			
Deposit Refunds	$ 150,715	$ 113,606	$ 37,109
Unclaimed Refunds	$ -	$ 16,671	$ (16,671)
Revenue Bonds (due one year)	$ 4,685,000	$ 4,465,000	$ 220,000
Notes Payable (due one year)	$ 49,965	$ 34,437	$ 15,528
Deferred Revenue	$ 1,616,618	$ 1,679,974	$ (63,356)
Total Payables From Board Restricted Assets	$ 6,502,298	$ 6,309,688	$ 192,610
Net Assets - Board Restricted	$ 2,497,702	$ 2,911,237	$ (413,535)

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

	2012	2011
Beginning Balance	**$ 9,220,925**	**$ 7,064,759**
Increases:		
Interest Earned	52,716	56,276
Transfer in Operating Account	107,558	2,100,000
Total Increase	**$ 160,274**	**$ 2,156,276**
Decreases:		
Transfers out (Other Funds)	381,199	-
Other Disbursements (Bank Fees)	-	110
Total Decrease	**$ 381,199**	**$ 110**
Ending Balance	**$ 9,000,000**	**$ 9,220,925**

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 5

CONSTRUCTION ACCOUNT

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

COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

Restricted Assets	2012	2011	Increase (Decrease)
Investments:			
Local Government Investment Pool (2007 Bond Issue)	$ 5,077,574	$ 9,900,332	$ (4,822,758)
Total Restricted Assets - Contruction Account	$ 5,077,574	$ 9,900,332	$ (4,822,758)
Payables from Restricted Assets			
Restricted Payables Construction Projects	$ 70,105	$ 2,588,628	$ (2,518,523)
Total Payables from Restricted Assets	$ 70,105	$ 2,588,628	$ (2,518,523)

Detail of Investments as of June 30, 2012:

Series	Type of Security (Cash Equivalents)	Maturity	Current Rate	Face Value
2007 Series	LGIP (Local Govt. Inv. Pool) Georgia Fund 1	Avg. 48 Days	0.13%	$ 5,077,574

Notes:

Georgia Fund 1; See Note to Financial Statements - Note 2

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

	2012	**2011**
Beginning Balance	$ 9,900,332	$ 32,091,331
Increases:		
Interest Earned	6,947	33,658
Total Increase	$ 6,947	$ 33,658
Decreases:		
Construction in Progress	4,829,705	22,224,657
Total Decrease	$ 4,829,705	$ 22,224,657
Ending Balance	$ 5,077,574	$ 9,900,332

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 6

RENEWAL AND EXTENSION ACCOUNT

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

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

COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

	Year Ended June 30, 2012	Year Ended June 30, 2011	Increase (Decrease)
Restricted Assets			
Cash & Cash Equivalents:			
Checking	$ 1,560,486	$ 1,872,527	$ (312,041)
Retainage Checking	291,171	306,977	(15,806)
Total Restricted Cash	**1,851,657**	**2,179,504**	**(327,847)**
Restricted Receivables	1,623,608	1,766,776	(143,168)
Total Restricted Assets	**$ 3,475,265**	**$ 3,946,280**	**$ (471,015)**
Payables from Restricted Assets			
Performance Deposit	$ 264,134	$ 238,724	$ 25,410
A/P Trade	199,435	741,647	(542,212)
Accrued A/P Trade	233,534	121,920	111,614
Retainage Due Contractors	17,518	64,473	(46,955)
Total Payables From Restricted Assets	**$ 714,621**	**$ 1,166,764**	**$ (452,143)**

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED CASH

	Year Ended June 30, 2012	Year Ended June 30, 2011
Beginning Balance	$ 2,179,504	$ 839,361
Increase:		
Interest Earned	7,317	10,850
Retainage & Bonds	83,904	132,937
Transfer in (within funds) Capital Reserve	-	-
Transfer from Operating Account	3,500,000	2,000,000
Transfer from Other Funds	381,199	808,199
Contributed Capital & Insurance Recoveries	1,494,840	3,471,622
Total Increase	5,467,260	6,423,608
Decrease:		
Capital Expenditures Water & Sewer	5,693,812	5,031,923
Other Disbursements Bank Fees -Printed Forms	-	15
Retainage & Bonds Paid	101,295	51,527
Total Decrease	5,795,107	5,083,465
Ending Balance	$ 1,851,657	$ 2,179,504

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 7

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.

COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

	2012	2011	Increase (Decrease)
Restricted Assets			
Cash & Cash Equivalents:			
Demand Deposit	$ 1,545,666	$ 1,547,022	$ (1,356)
Investments - LGIP	807,991	806,986	1,005
Total Restricted Cash/Investments	**$ 2,353,657**	**$ 2,354,008**	**$ (351)**
Liabilities Payable From Restricted Assets			
Customer Deposits (Refundable)	$ 1,928,353	$ 1,884,152	$ 44,201
Payable to State of Georgia (Unclaimed Checks)	47,729	92,913	(45,184)
	$ 1,976,082	**$ 1,977,065**	**$ (983)**
Net Assets:	**$ 377,575**	**$ 376,943**	**$ 632**

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

	2012	2011
Beginning Balance	**$ 2,354,008**	**$ 2,306,969**
Increase:		
Interest Earned	12,202	16,006
Receipts	274,506	272,054
Total Increase	**$ 286,708**	**$ 288,060**
Decrease:		
Administration Fees (Bank Charges)	790	700
Other Disbursements -Printed Forms	-	490
Disbursements	286,269	239,831
Total Decrease	**$ 287,059**	**$ 241,021**
Ending Balance	**$ 2,353,657**	**$ 2,354,008**

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 8

DEBT SERVICE ACCOUNTS

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

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

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

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

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

COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

Debt Service Sinking Fund		2012	2011	Increase (Decrease)
Restricted Assets				
Investments - LGIP (Georgia Fund 1)	(1)	$ 1,016,816	$ 1,018,972	$ (2,156)
Total Restricted Assets- Debt Service Accounts		$ 1,016,816	$ 1,018,972	$ (2,156)
Payables From Restricted Assets				
Accrued Interest On Revenue Bonds		620,711	638,836	(18,125)
Total Payables From Restricted Assets		$ 620,711	$ 638,836	$ (18,125)
Deferred Revenue	(2)	$ 33,028	$ 50,814	$ (17,786)

Notes:

(1) All bonds issued (1993 through 2009) rank on a parity with each other and have first lien on the net revenues of the Authority.

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

At June 30, 2012 the Authority has the following investments:

Series	Type of Marketable Security	Maturity Date (1)	Yield (2)	Cost Basis	Market Value
1993	Investment (Georgia Fund 1)	48 days	0.13% 6/30/2012	246,619	246,619
2005	Investment (Georgia Fund 1)	48 days	0.13% 6/30/2012	236,135	236,135
2007	Investment (Georgia Fund 1)	48 days	0.13% 6/30/2012	435,981	435,981
2009	Investment (Georgia Fund 1)	48 days	0.13% 6/30/2012	98,081	98,081
				$ 1,016,816	**$ 1,016,816**

Notes:

(1) LGIP (Local Government Investment Pool) stability constant Net Asset Value $1.00; average maturity date 48 days; (2) Interest Yield as of 6/30/2012 0.13%.

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 9

DEBT SERVICE ACCOUNTS

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

	2012	2011
Beginning Balance	**$ 1,018,972**	**$ 1,438,480**
Increase:		
Interest Earned	23,036	21,346
Transfer from Operating Account	12,105,837	11,691,900
Total Increase	**$ 12,128,873**	**$ 11,713,246**
Decrease:		
Revenue Bond Interest	7,666,029	7,872,754
Revenue Bond Principal	4,465,000	4,260,000
Total Decrease	**$ 12,131,029**	**$ 12,132,754**
Ending Balance	**$ 1,016,816**	**$ 1,018,972**

SCHEDULE OF REVENUE BONDS PAYABLE & OTHER LOANS

Douglasville-Douglas County Water & Sewer Authority Series Bonds	Average Coupon Rate	Issue Date	Maturity Date	Annual Principal Payment Maximum	Annual Principal Payment Minimum	Amounts Authorized	Amounts Issued	Amounts Retired	Amounts Outstanding
1993 Water and Sewer Revenue Bonds	5.494%	1993	2015	$ 2,615,000	$ 1,515,000	$ 29,895,000	$ 29,895,000	$ 24,165,000	$ 5,730,000
2005 Water and Sewer Revenue Bonds	4.798%	2005	2030	6,730,000	295,000	52,250,000	52,250,000	1,975,000	50,275,000
2007 Water and Sewer Revenue Bonds	4.822%	2007	2037	4,955,000	-	76,755,000	76,755,000	3,060,000	73,695,000
2009 Water and Sewer Revenue Bonds	4.426%	2009	2023	3,630,000	-	26,720,000	26,720,000	40,000	26,680,000
Total Revenue Bonds				$ 17,930,000	$ 1,810,000	$ 185,620,000	$ 185,620,000	$ 29,240,000	$ 156,380,000
Other Loans									
2009 State Revolving Fund Loan	3.000%	2009	2013	$ 49,722	$ 34,437	$ 99,443	$ 99,443	$ 32,488	$ 66,955
Total Debt				$ 17,979,722	$ 1,844,437	$ 185,719,443	$ 185,719,443	$ 29,272,488	$ 156,446,955

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.
1998 issue defeased (refunded) by 2009 issue12/1/2009.

Loans: 2009 Note for toilet rebate program under ARRA with 60% of loan forgiven.

STATISTICAL

SECTION

(unaudited)

STATISTICAL SECTION

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

CONTENTS **Table**

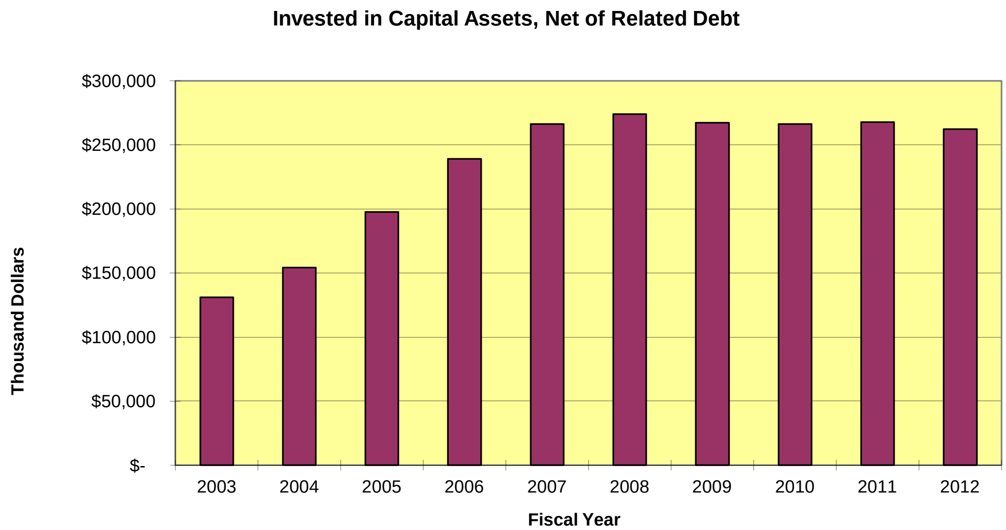
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

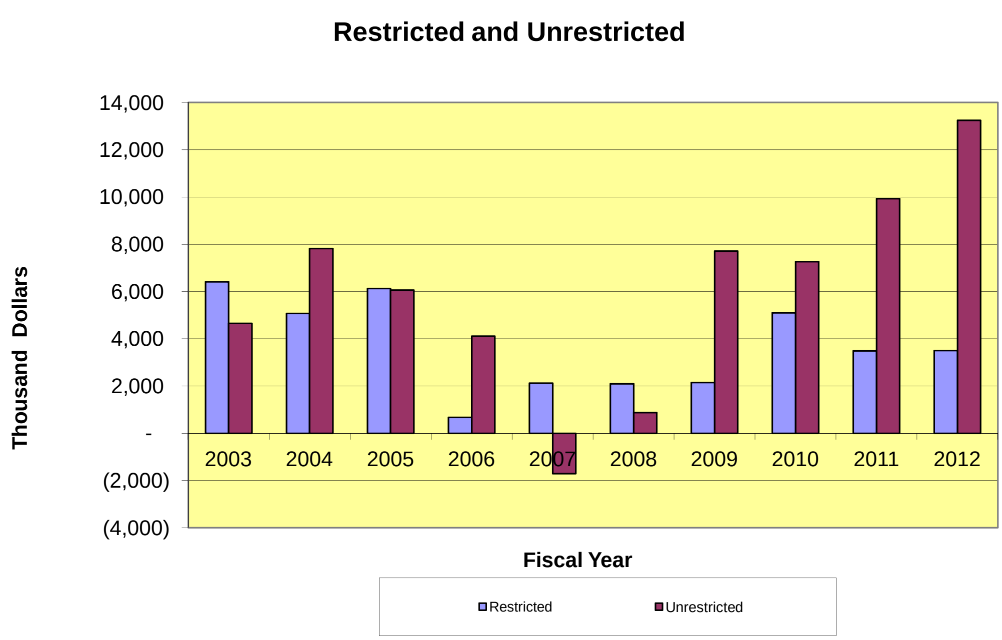
Douglasville-Douglas County Water and Sewer Authority

TABLE 1

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

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Enterprise Fund										
Invested in capital assets, net of related debt	$ 131,070	$ 154,207	$ 197,616	$ 239,157	$ 266,288	$ 274,102	$ 267,324	$ 266,325	$ 267,838	$ 262,407
Restricted	6,411	5,071	6,124	671	2,114	2,089	2,148	5,092	3,486	3,501
Unrestricted	4,654	7,819	6,057	4,108	(1,713)	878	7,707	7,268	9,935	13,248
Total business-type activities net assets	$ 142,135	$ 167,097	$ 209,797	$ 243,936	$ 266,689	$ 277,069	$ 277,179	$ 278,685	$ 281,259	$ 279,156





Douglasville-Douglas County Water and Sewer Authority

TABLE 2

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

Fiscal Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Operating Revenues										
[1] Charges for services	$18,555	$20,735	$ 23,093	$ 27,981	$ 29,837	$ 31,190	$33,284	$ 35,220	$36,596	$ 36,765
Penalties	522	555	661	896	1,064	1,050	1,101	1,103	924	1,054
Charges to bad debt allowance	(76)	(190)	(209)	(326)	(401)	(815)	(417)	(478)	(442)	(390)
Total operating revenues	$19,001	$21,100	$ 23,545	$ 28,551	$ 30,500	$ 31,425	$33,968	$ 35,845	$37,078	$ 37,429
Operating Expenses										
[2] Employment costs	$ 7,152	$ 7,872	$ 7,717	$ 9,805	$ 10,718	$ 10,322	$11,028	$ 11,837	$10,931	$ 10,460
Repairs and maintenance	1,299	1,322	1,737	1,980	1,915	2,141	2,013	2,894	2,075	2,069
Supplies and materials	451	506	668	785	875	795	790	952	901	914
[3] Depreciation	6,543	7,213	8,764	10,931	11,881	12,541	13,856	14,759	15,069	16,702
Utilities	1,399	1,491	1,618	1,919	2,063	2,119	2,779	2,960	2,892	3,070
Water and sewer services purchased	41	29	31	87	338	1,569	22	426	429	511
Administration	1,451	1,377	1,601	1,573	1,922	2,544	1,904	1,423	1,491	1,666
Total operating expenses	$18,336	$19,810	$ 22,136	$ 27,080	$ 29,712	$ 32,031	$32,392	$ 35,251	$33,788	$ 35,392
Non-Operating Revenue (expenses)										
Investment income	238	215	397	2,175	2,266	2,588	1,029	238	169	115
Interest expense	(2,437)	(2,306)	(2,008)	(3,076)	(2,357)	(3,432)	(6,523)	(7,469)	(6,263)	(7,457)
Other non-operating revenue (expense)	(156)	(175)	(181)	(129)	(67)	(1,151)	(645)	(105)	(1,156)	(986)
Net non-operating revenue	$ (2,355)	$ (2,266)	$ (1,792)	$ (1,030)	$ (158)	$ (1,995)	$ (6,139)	$ (7,336)	$(7,250)	$ (8,328)
Gain or Loss before capital contributions	$ (1,690)	$ (976)	$ (383)	$ 441	$ 630	$ (2,601)	$ (4,563)	$ (6,742)	$(3,960)	$ (6,291)
[1] Capital contributions	18,825	25,938	43,083	33,699	22,123	12,981	4,674	8,249	6,534	4,187
Increase (decrease) in net assets	$17,135	$24,962	$ 42,700	$ 34,140	$ 22,753	$ 10,380	$ 111	$ 1,507	$ 2,574	$ (2,104)

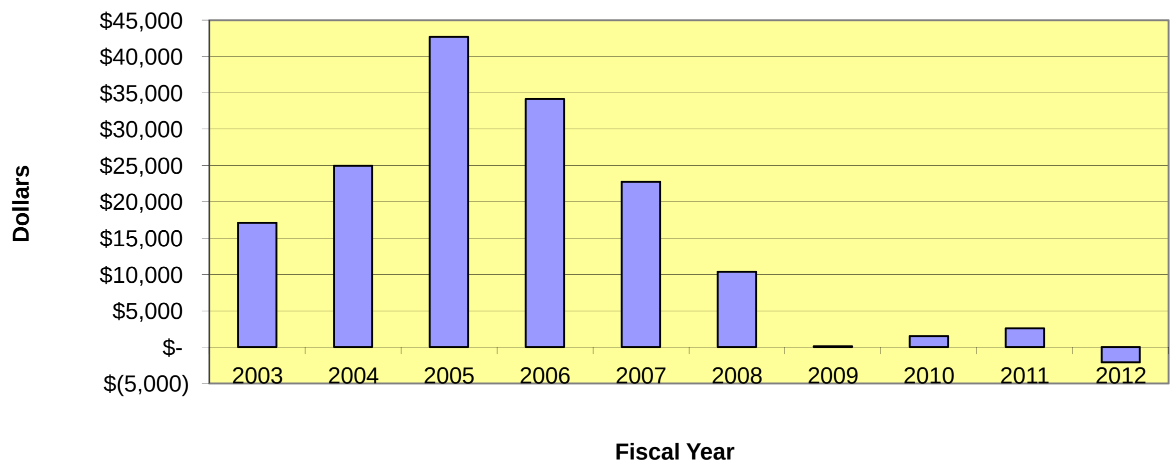
Notes:

[1] City and County stormwater infrastructure was conveyed through capital contributions to the Authority in Fiscal Years 2003 and 2005 respectively. In addition, the Authority began billing for stormwater services for the City during Fiscal Year 2004 and for the County in Fiscal Year 2006. Revenues from the City customers realized over $1.0 million during Fiscal Year 2004, and revenues from the County customers realized over $3.0 million during Fiscal Year 2006.

[2] Employment cost for Fiscal Year 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] Prior period restated in 2011,2010 and 2009 for depreciation correction - see note 11 in notes to the financial statements.

Increase (Decrease) in Net Assets



Douglasville-Douglas County Water and Sewer Authority

TABLE 3

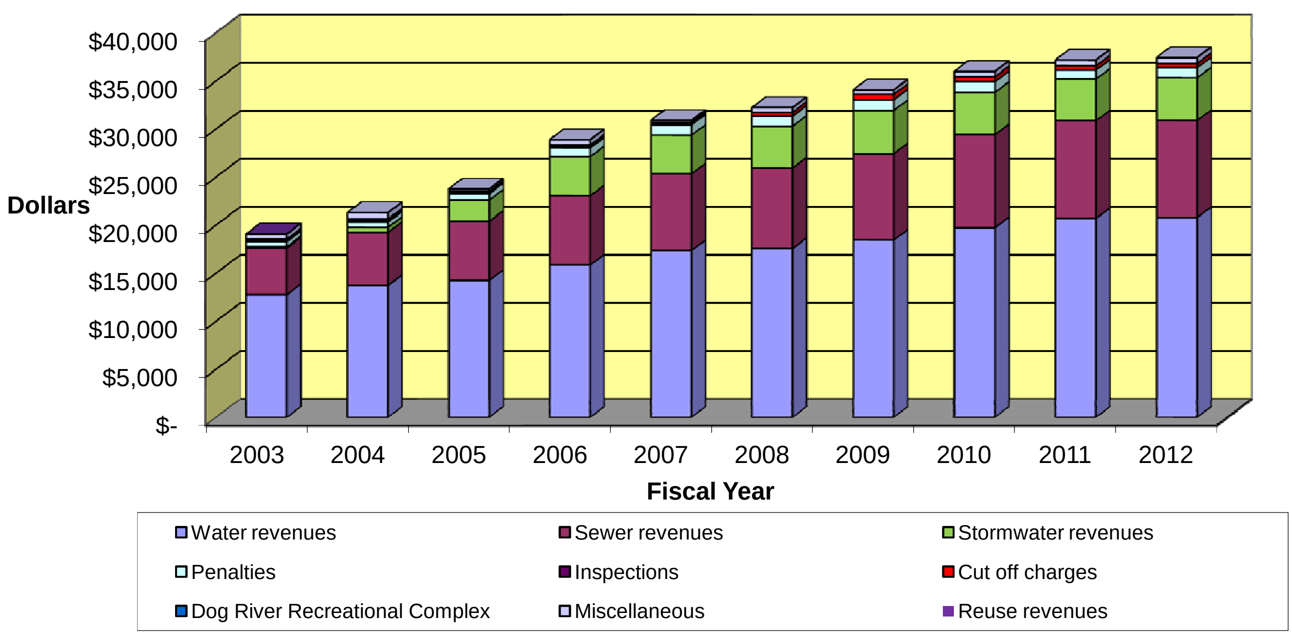
Operating Revenue By Source

Last Ten Fiscal Years

(amount expressed in thousands)

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Revenues										
Water revenues	$ 12,773	$ 13,719	$ 14,244	$ 15,857	$ 17,362	$ 17,572	$ 18,453	$ 19,721	$ 20,707	$ 20,796
Sewer revenues	4,855	5,517	6,147	7,202	7,968	8,376	8,973	9,685	10,164	10,102
Stormwater revenues	132	532	2,208	4,072	4,028	4,350	4,513	4,408	4,340	4,431
Reuse revenues	-	-	-	-	-	-	321	334	337	380
Penalties	522	554	661	896	1,064	1,050	1,101	1,103	924	1,054
Inspections	148	176	123	166	121	38	10	11	5	8
Cut off charges	111	121	118	131	134	366	567	496	422	409
Dog River Recreational Complex	16	18	16	14	8	1	-	17	26	20
Miscellaneous	520	653	237	539	216	487	447	548	595	620
Total operating revenues	$ 19,077	$ 21,290	$ 23,754	$ 28,877	$ 30,901	$ 32,240	$ 34,385	$ 36,323	$ 37,520	$ 37,820
Bad debt expense	76	190	209	326	401	815	417	478	442	391
Net operating revenue	$ 19,001	$ 21,100	$ 23,545	$ 28,551	$ 30,500	$ 31,425	$ 33,968	$ 35,845	$ 37,078	$ 37,429

Operating Revenue by Source

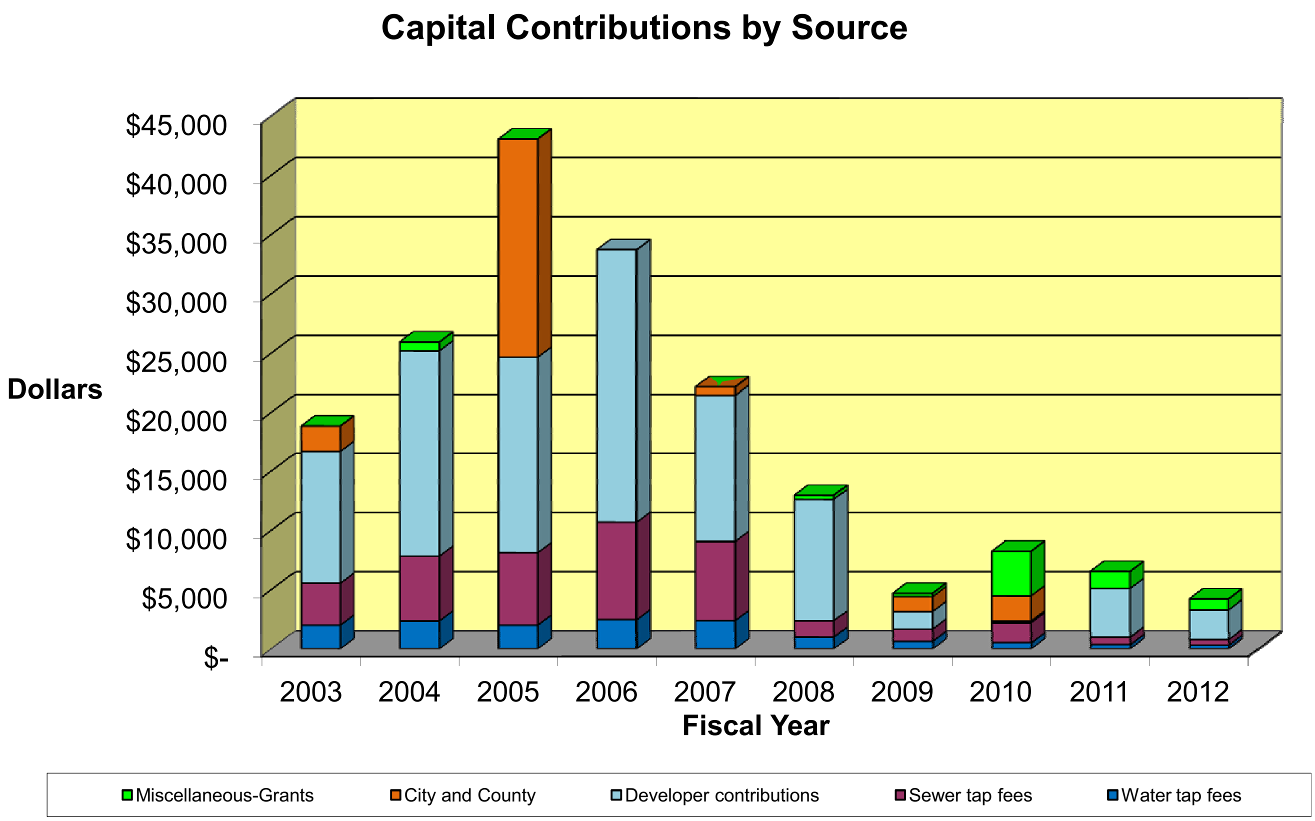


Douglasville-Douglas County Water and Sewer Authority

TABLE 4

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

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Capital Contributions										
Water tap fees	$ 2,019	$ 2,377	$ 2,018	$ 2,482	$ 2,405	$ 1,005	$ 646	$ 515	$ 360	$ 313
Sewer tap fees	3,522	5,472	6,121	8,208	6,651	1,388	1,034	1,700	641	475
Developer contributions	11,126	17,340	16,512	23,009	12,362	10,247	1,501	150	4,085	2,518
City and County	2,157	-	18,432	-	705	-	1,208	2,089	-	-
Miscellaneous-Grants	-	749	-	-	-	341	285	3,795	1,448	882
Total capital contributions	$ 18,824	$ 25,938	$ 43,083	$ 33,699	$ 22,123	$ 12,981	$ 4,674	$ 8,249	$ 6,534	$ 4,188



Douglasville-Douglas County Water and Sewer Authority

TABLE 5

Water, Sewer and Stormwater Rates
Last Ten Fiscal Years

	Water			Sewer		Stormwater
Fiscal Year	Monthly Base Rate (3)	Rate per 1,000 Gallons		Monthly Base Rate	Rate per 1,000 Gallons (2)	Monthly Base Rate
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	(1)	$ 4.81	$ 5.40	$ 4.00
2009	$ 9.01	$ 3.64	(1)	$ 4.81	$ 5.97	$ 4.00
2010	$ 9.60	$ 3.88	(1)	$ 5.13	$ 6.36	$ 4.00
2011	$ 9.60	$ 4.02	(1)	$ 5.13	$ 6.68	$ 4.00
2012	$ 9.60	$ 4.02	(1)	$ 5.13	$ 7.01	$ 4.00

Notes:

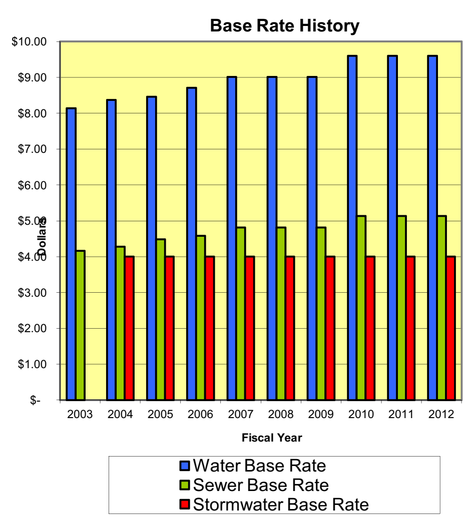
(1) In 2008 the Authority implemented a 3-tier water rate structure. Residential rates were as follows:

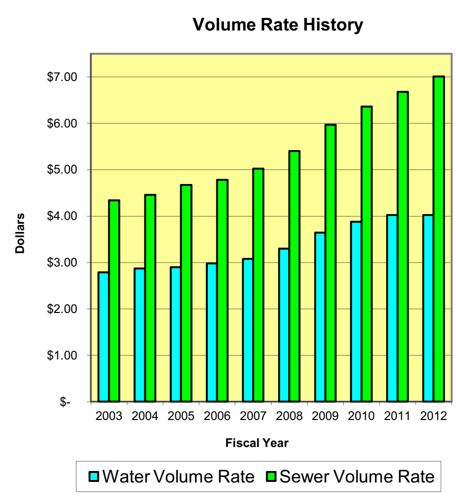
	Tier 1 0-6,000 gallons	Tier 2 6,001 to 9,000	Tier 3 9,001 & up
2008	$ 3.30	$ 4.13	$ 6.60
2009	$ 3.64	$ 4.56	$ 7.29
2010	$ 3.88	$ 4.86	$ 7.77
2011	$ 4.02	$ 5.04	$ 8.05
2012	$ 4.02	$ 5.04	$ 8.05

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

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

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.





Douglasville-Douglas County Water and Sewer Authority

TABLE 6

Ratio of Revenue Bonded Debt Outstanding

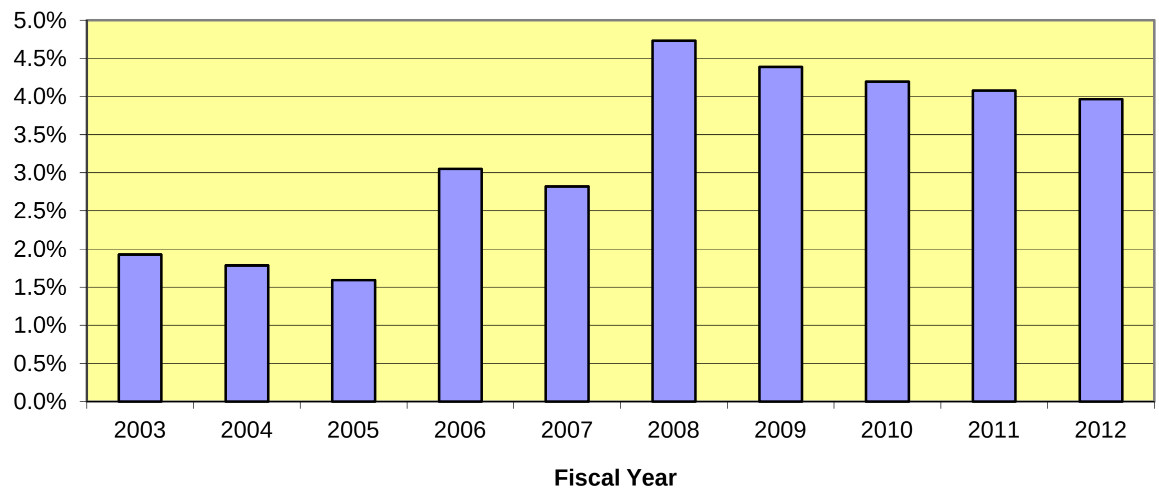
Last Ten Fiscal Years

(amount expressed in thousands except per capita amounts)

Fiscal Year	Revenue Bonds	Less Debt Service Fund	Total	Per Capita (1)	Percentage Of Personal Income (1)
2003	$ 52,170	$ (685)	$ 51,485	$ 505	1.9%
2004	$ 50,490	$ (688)	$ 49,802	$ 465	1.8%
2005	$ 48,730	$ (695)	$ 48,035	$ 425	1.6%
2006	$ 99,120	$ (955)	$ 98,165	$ 826	3.0%
2007	$ 96,890	$ (1,026)	$ 95,864	$ 770	2.8%
2008	$ 171,300	$ (1,401)	$ 169,899	$ 1,328	4.7%
2009	$ 168,830	$ (1,440)	$ 167,390	$ 1,291	4.4%
2010	$ 165,105	$ (1,438)	$ 163,667	$ 1,236	4.2%
2011	$ 160,845	$ (1,019)	$ 159,826	$ 1,199	4.1%
2012	$ 156,380	$ (1,017)	$ 155,363	$ 1,165	4.0% *

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.
*Based on Previous Year Demographic Data - current year unavailable.

Percentage of Debt to Personal Income



Douglasville-Douglas County Water and Sewer Authority

TABLE 7

Ratio of Outstanding Debt By Type

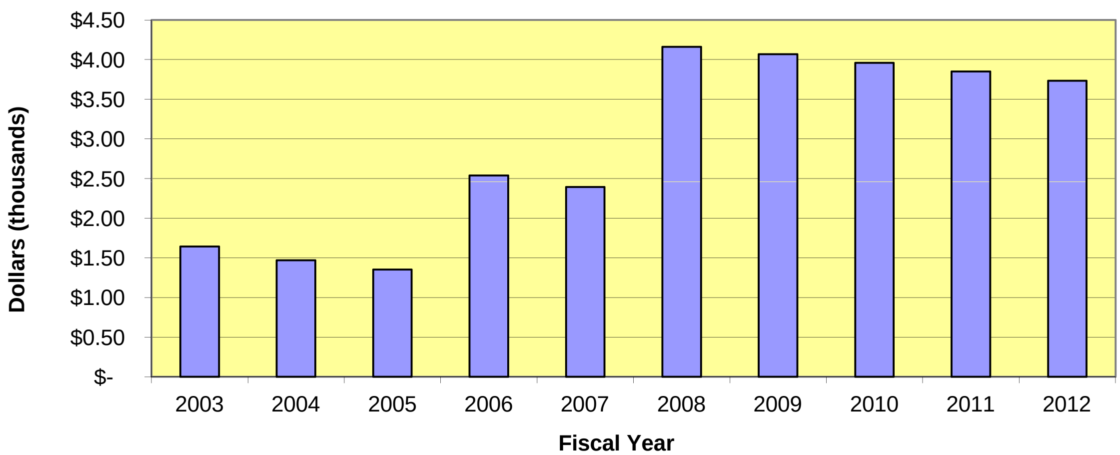
Last Ten Fiscal Years

(amount expressed in thousands except per capita amounts)

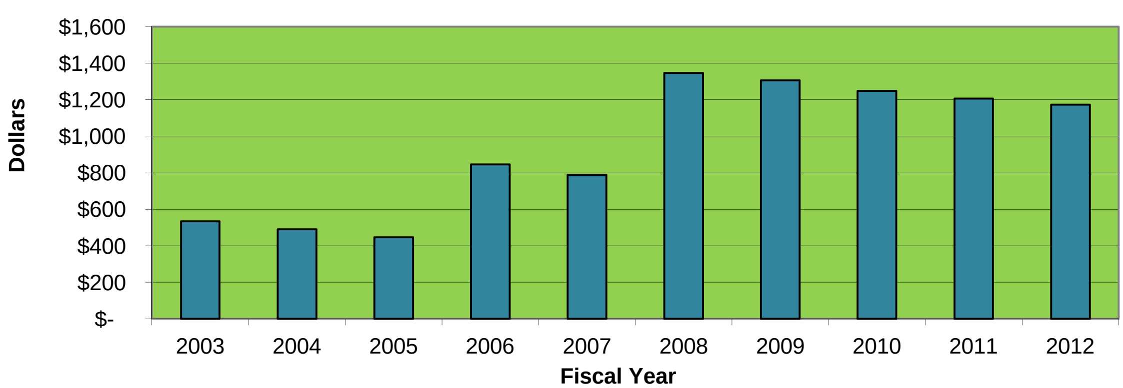
Fiscal Year	Revenue Bonds	Loans Notes	Total Outstanding Debt	Debt To Number of Customers	Debt Per Capita*	Debt As Share Of Personal Income
2003	$ 52,170	$ 2,315	$ 54,485	$ 1.64	$ 534	2.0%
2004	$ 50,490	$ 2,026	$ 52,516	$ 1.47	$ 490	1.9%
2005	$ 48,730	$ 1,731	$ 50,461	$ 1.35	$ 447	1.7%
2006	$ 99,120	$ 1,430	$ 100,550	$ 2.54	$ 846	3.1%
2007	$ 96,890	$ 1,123	$ 98,013	$ 2.40	$ 787	2.9%
2008	$ 171,300	$ 810	$ 172,110	$ 4.16	$ 1,345	4.8%
2009	$ 168,830	$ 491	$ 169,321	$ 4.07	$ 1,305	4.4%
2010	$ 165,105	$ 202	$ 165,307	$ 3.96	$ 1,249	4.2%
2011	$ 160,845	$ 92	$ 160,937	$ 3.85	$ 1,207	4.1%
2012	$ 156,380	$ 67	$ 156,447	$ 3.73	$ 1,173	4.0%

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

Debt to Number of Customers



Debt Per Capita



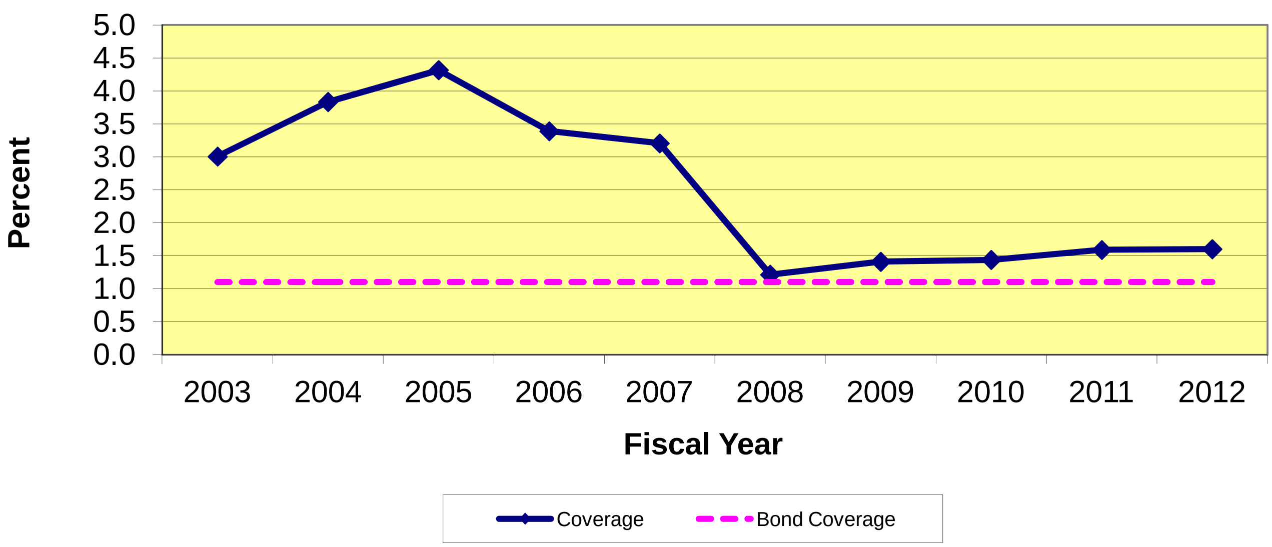
Douglasville-Douglas County Water and Sewer Authority

TABLE 8

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

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross Revenues Service Charges	19,077	21,290	23,754	28,877	30,901	32,240	34,385	36,323	37,520	37,820
Total Interest Income	238	215	397	2,175	2,266	2,588	1,029	238	169	115
Tap Fees Connection Charges	5,541	7,849	8,139	10,690	9,056	2,393	1,680	2,215	1,001	788
Gross Total Revenues	24,856	29,354	32,290	41,742	42,223	37,221	37,094	38,776	38,690	38,723
Less Operating Expenses Excluding Depreciation	11,869	12,787	13,582	16,475	18,232	20,305	18,953	20,970	19,162	19,080
Less Deferred Interest Income and Revenue	32	37	100	85	83	83	82	82	19	18
Less Interest Income Construction Account	1	-	-	1,284	1,304	1,966	776	113	34	7
Net Earnings Available	12,954	16,530	18,608	23,898	22,604	14,867	17,283	17,611	19,475	19,618
Maximum Annual Debt Service										
Principal	1,860	1,860	1,860	4,630	4,630	7,015	7,015	9,300	9,300	9,300
Interest	2,452	2,452	2,452	2,420	2,420	5,239	5,239	2,951	2,951	2,951
Total Maximum Annual Debt Service	4,312	4,312	4,312	7,050	7,050	12,254	12,254	12,251	12,251	12,251
Coverage Ratio	3.0	3.8	4.3	3.4	3.2	1.2	1.4	1.4	1.6	1.6

Bond Coverage



Douglasville-Douglas County Water and Sewer Authority

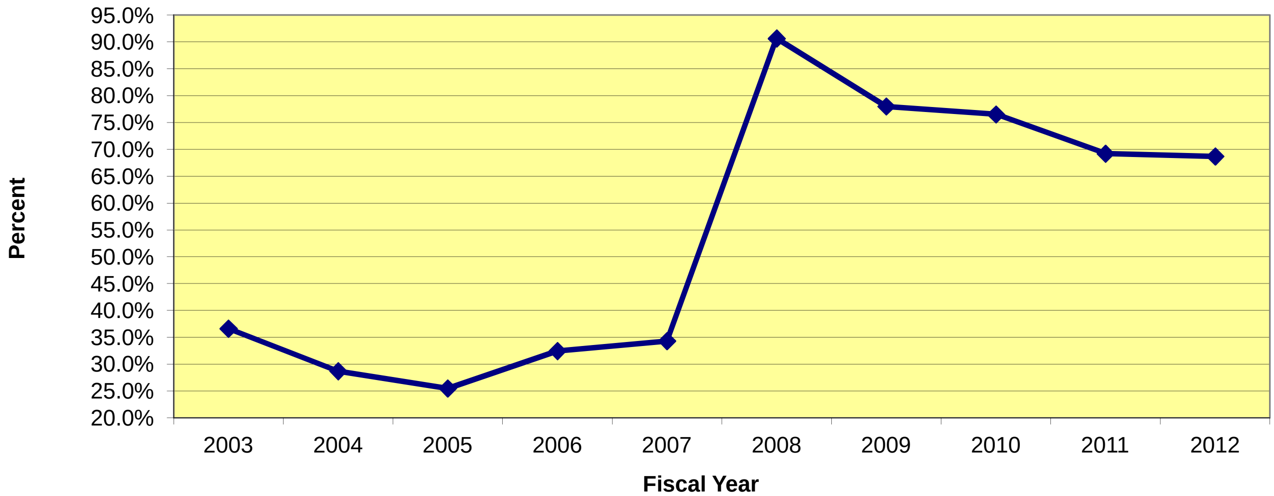
TABLE 9

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

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Earnings	$ 12,954	$ 16,530	$ 18,608	$ 23,898	$ 22,604	$ 14,867	$ 17,283	$ 17,611	$ 19,475	$ 19,618
Legal Debt Service Limit	11,776	15,027	16,917	21,726	20,549	13,516	15,712	16,010	17,705	17,835
Total MAD debt applicable to limit	4,312	4,312	4,312	7,050	7,050	12,254	12,254	12,251	12,251	12,251
Legal MAD debt margin	$ 7,464	$ 10,715	$ 12,605	$ 14,676	$ 13,499	$ 1,262	$ 3,458	$ 3,759	$ 5,454	$ 5,584
Total MAD debt applicable to the limit as a percentage of debt limit	36.6%	28.7%	25.5%	32.4%	34.3%	90.7%	78.0%	76.5%	69.2%	68.7%

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

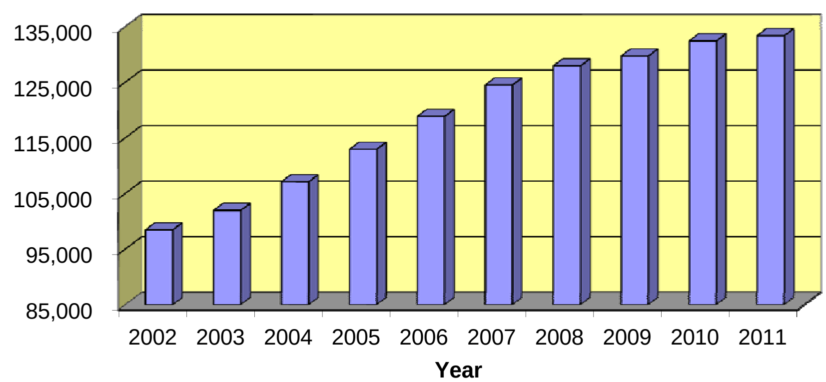
TABLE 10

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

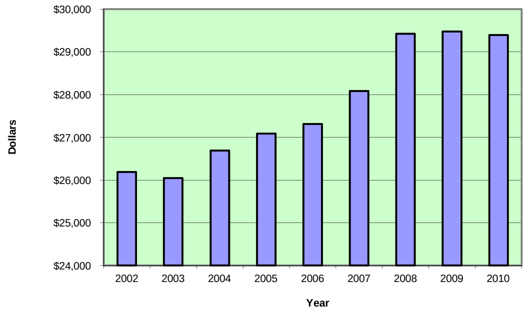
Year	Population (1)	Personal Income (1) *(millions of dollars)*	Per Capita Personal Income (1)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2002	98,460	$ 2,578,777	$ 26,191	33.6	18,790	4.5%
2003	101,938	$ 2,655,269	$ 26,048	33.5	19,697	4.6%
2004	107,084	$ 2,857,701	$ 26,687	33.2	20,997	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	$ 3,496,263	$ 28,083	32.8	24,730	4.7%
2008	127,932	$ 3,764,314	$ 29,424	33.0	24,800	6.5%
2009	129,703	$ 3,823,091	$ 29,475	33.5	24,866	10.4%
2010	132,403	$ 3,892,285	$ 29,397	35.0	24,601	11.1%
2011	133,355 *	--- **	--- **	--- **	24,742	10.2%

(1) Source: Bureau of Economic Analysis
* Source: U.S. Census Bureau, State and County Quick facts estimate population
** Information for 2011 was not available as of July 31, 2012
(2) Source: U.S. Census Bureau
(3) Source: Georgia Department of Education, enrollment as of October each year.
(4) Source: U.S. Department of Labor, Bureau of Labor and Statistics (July 31, 2012) annual averages not seasonally adjusted

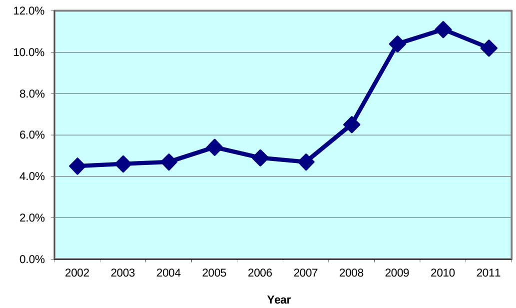
Population of Douglas County



Douglas County Per Capita Income



Douglas County Unemployment Rate



Douglasville-Douglas County Water and Sewer Authority

TABLE 11

Principal Employers
Douglas County

		2012		
Employer	**Type of Business**	**Employees**	Rank	**Percentage of Total County Employment**
Silver Line Building Products Corp.	Building products	1,200	1	2.46%
Douglas County Government	Government	875	2	1.79%
American Red Cross Blood Services	Healthcare	450	3	0.92%
APL Logistics	International Transportation	400	4	0.82%
WellStar Douglas Hospital	Healthcare	313	5	0.64%
Benton-Georgia Inc.	Construction	300	6	0.61%
Staples Customer Fulfillment Center	Retail - customer service	258	7	0.53%
Medine Industries	Healthcare	250	8	0.51%
City of Douglasville	Government	243	9	0.50%
Seasons 4	Manufacturing	225	10	0.46%
Total Principal Employment		4,514		9.25%
Other Employees		44,270		90.75%
Total County Employment		48,784		100.00%

		2003		
Employer	**Type of Business**	**Employees**	Rank	**Percentage of Total County Employment**
Silver Line Building Products Corp.	Building products	1,118	1	2.06%
Douglas County Government	Government	864	2	1.59%
Wal-Mart	Retail	550	3	1.01%
Revest	Manufacturing	550	4	1.01%
Wellstar Douglas Hospital	Healthcare	450	5	0.83%
Kroger	Grocery	415	6	0.76%
Doors and Building Components	Manufacturing	315	7	0.58%
Benton-Georgia Inc.	Construction	300	8	0.55%
Inner Harbor Hospitals, Ltd.	Healthcare	300	9	0.55%
Ranstad	Administrative Services	265	10	0.49%
Total Principal Employment		5,127		9.43%
Other Employers		49,233		90.57%
Total County Employment		54,360		100.00%

Data Source: Douglas County Chamber of Commerce and City of Douglasville Development Authority

Douglasville-Douglas County Water and Sewer Authority

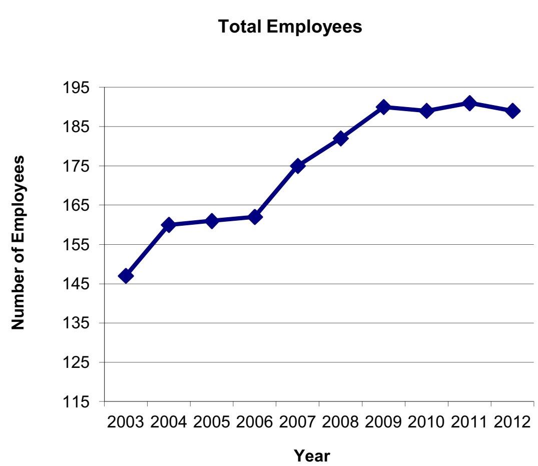
TABLE 12

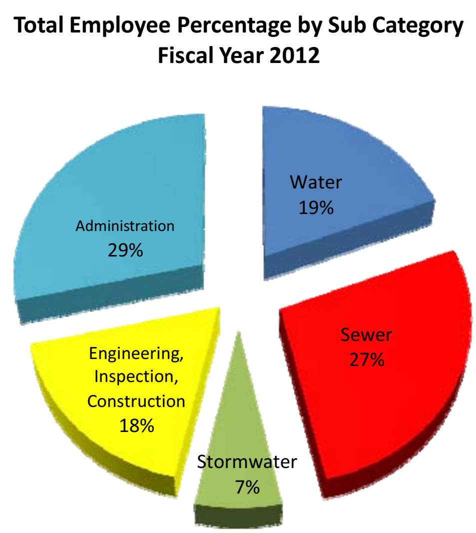
Full-Time Equivalent Water and Sewer Authority Employees
Last Ten Fiscal Years
Employees by Function

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
WATER:										
Water Plant Operations	13	13	13	14	14	14	14	14	14	15
Water Plant Maintenance	5	5	5	4	3	2	2	3	3	3
Water Systems Maintenance	23	27	25	24	27	24	27	27	19	16
Reservoir Staff	2	2	4	2	2	2	1	2	2	2
WATER TOTAL	43	47	47	44	46	42	44	46	38	36
SEWER:										
Sewer Plant Operations	19	20	21	20	23	27	25	23	23	23
Sewer Plant Maintenance	3	3	3	3	6	7	6	9	14	13
Sewer Systems Maintenance	14	16	16	17	20	19	24	21	16	16
SEWER TOTAL	36	39	40	40	49	53	55	53	53	52
ENGINEERING/INSPECTION/ CONSTRUCTION:										
Engineering	9	9	9	11	12	13	13	13	12	12
Inspections	4	4	4	8	8	8	7	7	7	7
Construction	6	10	8	8	8	9	12	11	15	15
ENG/INSP/CONS TOTAL	19	23	21	27	28	30	32	31	34	34
STORMWATER:										
STORMWATER TOTAL	6	10	9	6	8	10	13	12	13	13
ADMINISTRATION:										
Billing/Customer Service	14	13	15	14	14	15	15	14	16	16
Meter Reading	7	8	8	9	9	11	10	10	11	12
Human Resources	8	8	8	8	8	8	8	9	12	12
Finance & Accounting	7	6	6	7	6	6	6	7	7	7
MIS	3	3	3	3	3	3	3	3	3	3
Executive Administration	4	3	4	4	4	4	4	4	4	4
ADMINISTRATION TOTAL	43	41	44	45	44	47	46	47	53	54
TOTAL EMPLOYEES	147	160	161	162	175	182	190	189	191	189

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

(a) Stormwater Department was not in operation until Calendar Year 2003.
All managers or directors are included with their divisions.





Douglasville-Douglas County Water and Sewer Authority

TABLE 13

Operating Indicators - Demand and Service Levels
Last Ten Fiscal Years

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Demand or Level of Service										
Water										
Total customers	33,183	35,702	37,294	39,605	40,921	41,352	41,617	41,744	41,817	41,918
(5) New customers	1,906	2,519	1,592	2,311	1,316	431	265	127	73	101
Water main breaks	146	105	139	131	150	204	212	113	154	147
(3,4) Average daily consumption (thousands of gallons)	8,833	8,883	8,991	9,580	10,538	9,169	8,656	8,623	8,862	8,949
Sewer										
Total customers	11,197	12,930	14,045	15,872	16,952	17,353	17,550	17,673	17,721	17,782
(5) New customers	1,390	1,733	1,115	1,827	1,080	401	197	123	48	61
Average daily sewer treatment (thousands of gallons)	4,474	4,479	5,545	5,826	5,738	5,764	5,579	6,038	5,255	4,794
Stormwater										
Total customers		6,862	34,620	40,329	41,891	42,271	42,505	42,636	42,684	42,738
(1,2) New customers		6,862	27,758	5,709	1,562	380	234	131	48	54

Notes:

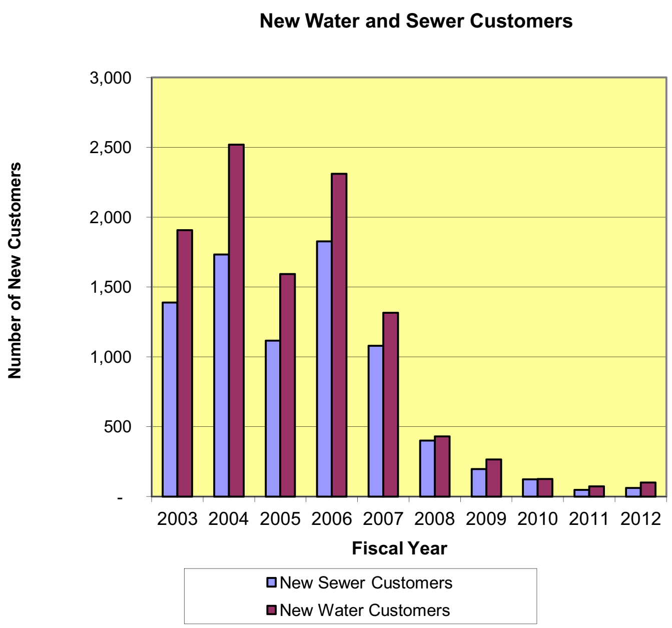
(1) Acquired the City stormwater system in Fiscal Year 2003; developed stormwater rate structure and began billing customers in Fiscal Year 2004.

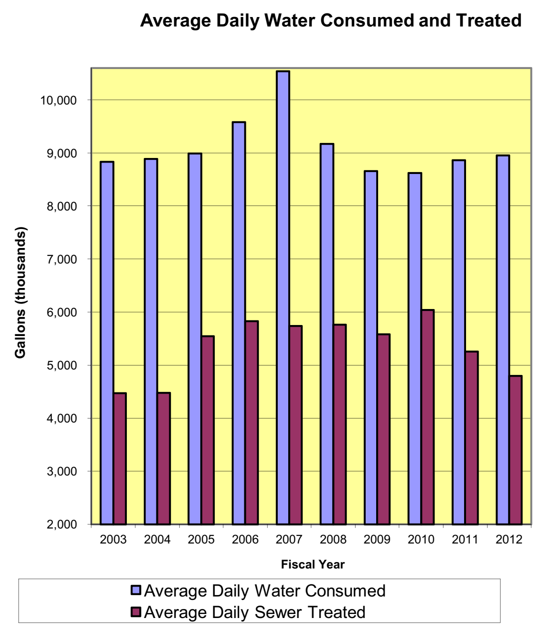
(2) Acquired the County stormwater system in Fiscal Year 2005 and began billing County customers in Fiscal Year 2005.

(3) Daily consumption for 2002 is based upon gallons billed, consumption for 2003 through 2009 is based upon total metered gallons.

(4) 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.

(5) Increased Tap Sales in 2004 due to builders pre-purchasing in anticipation of an announced rate increase. Actual connections occurred in fiscal year 2005.





Douglasville-Douglas County Water and Sewer Authority

TABLE 14

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

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Capital Assets										
Water										
Water main miles	712	735	843	888	907	918	920	921	927	929
Fire hydrants	4,899	5,191	5,582	6,069	6,158	6,310	6,326	6,347	6,471	6,524
Maximum daily design capacity *(thousands of gallons)*	16,400	16,400	16,400	16,400	16,400	16,400	16,400	16,400	16,400	23,940
(1,2,3) Average daily water production *(thousands of gallons)*	10,443	11,073	11,705	12,562	13,255	10,986	10,666	10,841	10,941	11,015
Storage capacity - clear wells and water tanks *(thousands of gallons)*	11,775	11,775	11,775	11,775	11,775	11,775	11,775	11,775	11,775	14,775
Reservoir capacity *(thousands of gallons)*	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,988,000	1,988,000	1,988,000	1,988,000
Sewer										
Sanitary sewer miles	320	350	376	385	407	427	429	440	442	450
Maximum daily design treatment capacity *(thousands of*	7,490	7,490	7,490	7,490	7,990	7,970	10,220	10,140	10,140	10,140
Average Daily sewer flow *(thousands of gallons)*	4,474	4,479	5,545	5,826	5,738	5,764	5,579	6,038	5,255	4,794
Stormwater										
(4,5) Storm sewer lines	41	44	140	145	150	155	156	112	115	120

Notes:

(1) During the period 2003 through 2006, water was sold to the City of Villa Rica at a average of 345 thousand gallons per day.

(2) During the period 2003, and part of 2004 production was underestimated due to intake meter at the water treatment plant not functioning.

(3) During the period 2004 through 2006, production was actual measured volume through the outflow meter at the water treatment plant.

(4) The Authority acquired the stormwater system of the City in 2003 and the County's in 2005

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

Douglasville-Douglas County Water and Sewer Authority

TABLE 15

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

Fiscal Year	2012			2003		
Water Customers	Water Revenue	Rank	% of Water Revenue	Water Revenue	Rank	% of Water Revenue
D L B Associates	$ 410,048	1	1.98%			
Grove Skyview LTD	240,792	2	1.16%	$ 127,311	1	1.00%
Douglas County Jail	151,036	3	0.73%	87,788	3	0.69%
Sevo Miller, Inc. - Crestmark	131,828	4	0.64%	72,410	5	0.57%
Abor Place Mall	118,945	5	0.57%	81,081	4	0.63%
Birch Landing	112,139	6				
Wellstar Hospital	103,156	7	0.50%			
Twin Creek Apartments	87,156	8				
Golden Estates Mobile Home Pk	86,092	9	0.42%			
Pinnacle Homes at Rocky Ridge	83,915	10				
Tree Terrace Apartments			0.00%	89,371	2	0.70%
Value Properties - Pine Lake				77,675	6	0.61%
Berwind Property- Westfork-Waterford			0.00%	53,410	7	0.42%
Flagview Village				43,589	8	0.34%
Westfork D-2 Revest				43,783	9	0.34%
Brook Valley Apartments				39,254	10	0.31%
Totals	$ 1,525,107		6.00%	$ 715,672		5.60%

Fiscal Year	2012			2003		
Sewer Customers	Sewer Revenue	Rank	% of Sewer Revenue	Sewer Revenue	Rank	% of Sewer Revenue
D L B Associates	$ 284,747	1	2.80%			
Grove Skyview LTD	181,560	2	1.79%	$ 104,778	1	2.16%
Douglas County Jail	115,538	3	1.14%	71,667	3	1.48%
Sevo Miller Inc. Crestmark	99,189	4	0.98%	58,038	5	1.20%
Birch Landing	95,330	5				
Arbor Place Mall	88,342	6	0.87%	61,687	4	1.27%
Wellstar	81,166	7	0.80%			
Twin Creek Apartments	70,339	8	0.69%			
Golden Estates Mobile Home Pk	69,485	9	0.68%			
Pinnacle Homes at Rocky Ridge	65,730	10				
Tree Terrace Apartments				74,532	2	1.54%
Berwind Property- Westfork-Waterford				48,278	6	0.99%
Flagview Village				35,397	7	0.73%
Brook Valley Apartments				38,405	8	0.79%
Westfork D-2 Revest				33,456	9	0.69%
Pine Lake Mobile Homes				-	10	0.00%
Totals	$ 1,151,426		9.74%	$ 526,238		10.84%

Fiscal Year	2012			2006 (a)		
Stormwater Customers	Stormwater Revenue	Rank	% of Stormwater Revenue	Stormwater Revenue	Rank	% of Stormwater Revenue
D L B Associates	$ 29,474	1	0.68%			
I D I	28,100	2	0.65%			
Hunt Partners Ret. Group-Jacoby Dev.	25,401	3	0.59%	$ 24,163	4	0.66%
JVC Co. of America	23,805	4	0.55%	23,162	5	0.63%
Arbor Place Mall	20,861	5	0.48%	26,161	3	0.71%
DC Board of Education	20,711	6	0.48%	12,157	10	0.33%
Excel-Hon, Inc	20,570	7	0.47%			
Grove Skyview, LTD	20,085	8	0.46%	19,709	6	0.53%
Prologis	19,329	9	0.45%	13,086	9	0.35%
Medline Industries, Inc.	18,884	10	0.44%	18,884	7	0.51%
APL Logistics				33,545	1	0.91%
Conlan Company				27,804	2	0.75%
Maytag Appliance				17,035	8	0.46%
Totals	$ 227,220		5.23%	$ 215,706		5.84%

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

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COMPLIANCE

SECTION

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

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

We have audited the basic financial statements of the Douglasville-Douglas County Water and Sewer Authority (the "Authority"), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 19, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2012-01, to be a material weakness.

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 grants 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*.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors of the Douglasville-Douglas County Water and Sewer Authority, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crace Galvis McGrath, LLC

October 19, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

<u>Compliance</u>

We have audited the Douglasville-Douglas County Water and Sewer Authority's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Douglasville-Douglas County Water and Sewer Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Douglasville-Douglas County Water and Sewer Authority's management. Our responsibility is to express an opinion on the Douglasville-Douglas County Water and Sewer Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Douglasville-Douglas County Water and Sewer Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Douglasville-Douglas County Water and Sewer Authority's compliance with those requirements.

In our opinion, the Douglasville-Douglas County Water and Sewer Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Douglasville-Douglas County Water and Sewer Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Douglasville-Douglas County Water and Sewer Authority's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Douglasville-Douglas County Water and Sewer Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Directors of the Douglasville-Douglas County Water and Sewer Authority, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crace Galvis McGrath

Crace Galvis McGrath, LLC

October 19, 2012

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

FEDERAL GRANTOR Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Pass-Through Number	Total Expenditures
U.S. Department of Homeland Security			
Passed through the Georgia Emergency Management Agency			
Pre-Disaster Mitigation Grant 2010	97.047	PDMC-PJ-04-2010-0002	$ 750
Hazard Mitigation Grant -2010	97.039	HMGP-1761-0010	295,620
Hazard Mitigation Grant -2010	97.039	HMGP-1858-0011	565,010
Hazard Mitigation Grant -2008	97.039	HMGP-1686-0010	15,950
		Subtotal	876,580
Total U.S. Department of Homeland Security			$ 877,330
TOTAL			$ 877,330

See accompanying note to schedule of expenditures of federal awards.

Douglasville-Douglas County Water and Sewer Authority

Note To Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance to the Authority. Federal financial assistance received directly from federal agencies as well as federal assistance passed through other government agencies is included in this schedule. The accompanying Schedule of Expenditures of Federal Awards is presented using an accrual basis of accounting as described in Note 1 on the Authority's financial statements.

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	unqualified
Internal control over financial reporting:	
Material weakness identified?	__x__ yes ____ no
Significant deficiency identified not considered to be material weakness?	____ yes __x__ none reported
Noncompliance material to financial statements noted?	____ yes __x__ no

Federal Awards

Internal control over major programs:	
Material weakness identified?	____ yes __x__ no
Significant deficiency identified not considered to be material weakness?	____ yes __x__ none reported
Type of auditor's report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____ yes __x__ no

Identification of major programs:

CFDA Number	Name of Federal Programs
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A and Type B programs: $ 300,000

Auditee qualified as low-risk auditee? ____ yes __x__ no

Section II- Financial Statement Findings

2012-01 Capital Assets

Criteria: Internal controls should be in place to ensure that depreciation and accumulated depreciation on capital assets are appropriate and are recorded in the proper period in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the Authority's depreciation expense and accumulated depreciation on capital assets.

Context/Cause: During our testing, audit adjustments were required to properly report the Authority's depreciation on capital assets totaling $958,830.

Effects: Total misstatement related to depreciation expense was $958,830 as related to fiscal years 2010, 2011 and 2012.

Recommendation: We recommend the Authority carefully review all capital asset and related expense accounts to ensure they are reported in the proper period and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that depreciation expense and related accumulated depreciation accounts are properly recorded.

Section III - Federal Award Findings

None Reported

2011-02 Disaster Grants-Public Assistance (Presidentially Declared Disasters) CFDA #97.036 Procurement and Suspension and Debarment

Context/Cause: During testing of the Authority's controls in place to ensure compliance with the requirements related to suspension and debarment, it was noted that the Authority was not checking the *Excluded Parties List System (EPLS)* or requiring vendors to confirm heir exclusion from the database. Accordingly, the Authority did not have adequate controls in place to ensure contracts were not being awarded to suspended or debarred parties.

Auditee Response/Status: The Authority has implemented controls to ensure contracts are not being awarded to suspended or debarred parties. During the current year testing of the Authority's major program, CFDA #97.039 Hazard Mitigation Grant, the Authority had documented testing of the contractors through the *Excluded Parties List System (EPLS).*