

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



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2013**



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2013

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, 2013

TABLE OF CONTENTS

I. INTRODUCTORY SECTION		<u>Page</u>
Title Page		
Table of Contents		
Listing of Principal Officials and Consultants		1
Organizational Chart		2
GFOA Certificate of Achievement for Excellence in Financial Reporting		3
Letter of Transmittal		4-7
II. FINANCIAL SECTION		<u>Page</u>
Title Page		8
Report of Independent Auditor		9-11
Management's Discussion and Analysis		12-19
<u>Basic Financial Statements</u>		20
Statement of Net Position		21-22
Statement of Revenues, Expenses and Changes in Net Position		23
Statement of Cash Flows		24-25
Notes to the Financial Statements		26-42
<u>Required Supplementary Information</u>		44
Pension and OPEB Funding Progress Schedules		45
<u>Additional Schedules of Individual Accounts and Sections</u>		46
Operating Account		
Schedule 1	Comparative Schedule of Operating Revenues	47
Schedule 2	Comparative Schedule of Operating Expenses By Budget Unit	48
Schedule 3	Summary of Restricted Assets and Related Debt	49
Schedule 4	Comparative Schedule of Restricted Assets and Related Payables	50
Schedule 5	Construction Account	51
Schedule 6	Renewal and Extension Account	52
Schedule 7	Meter Deposit Account	53
Debt Service Accounts		
Schedule 8	Comparative Schedule of Restricted Assets and Related Payables	54
Schedule 9	Comparative Schedule of Changes in Restricted Assets	55

III. STATISTICAL SECTIONPage

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

IV. COMPLIANCE SECTIONPage

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

BOARD OF DIRECTORS

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

MANAGEMENT

Peter J. Frost	Executive Director
Gil Shearouse	Assistant 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
Brian Keel	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

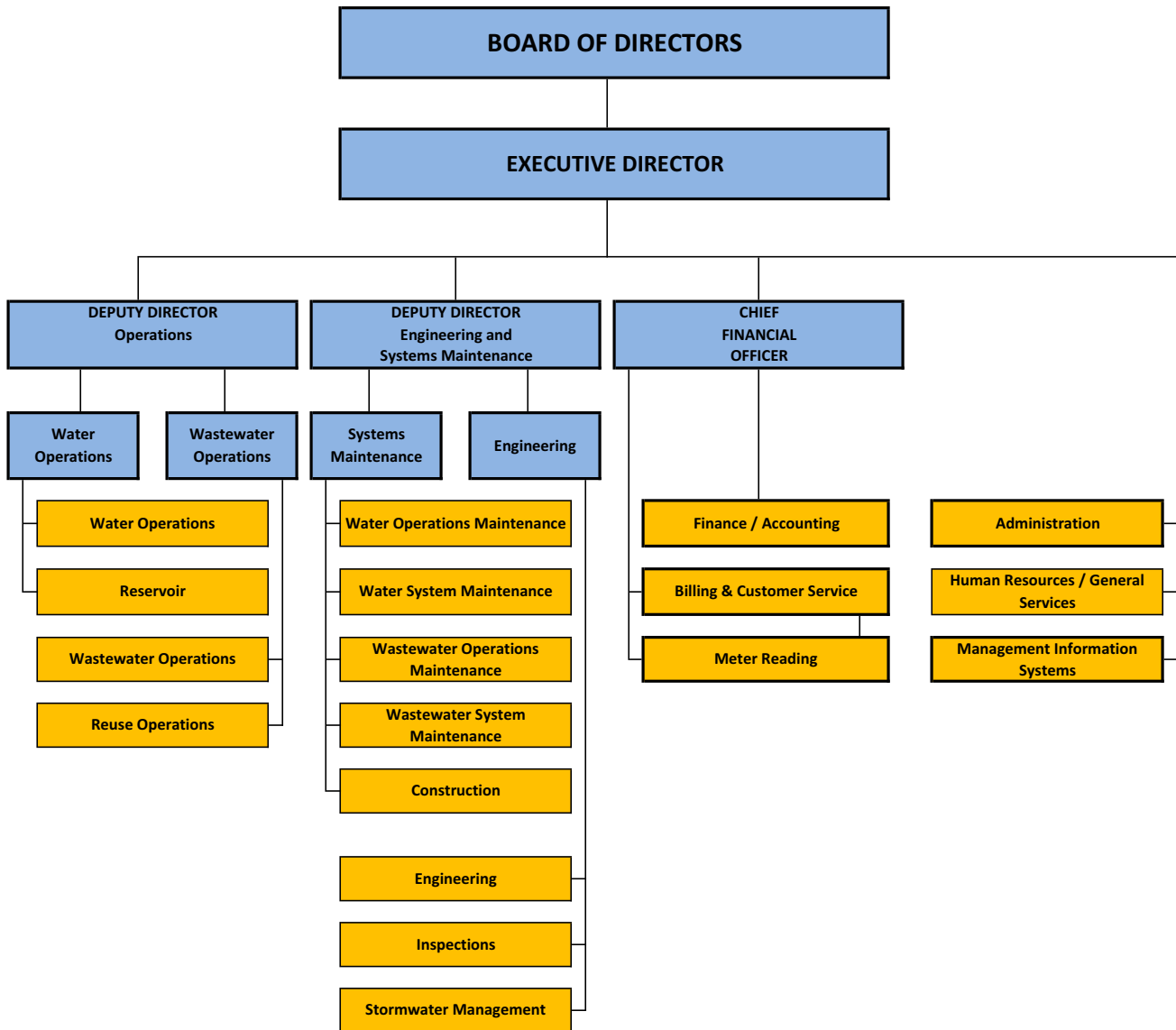
R. J. Wood and Company	Water Consulting Engineer
Jacobs Engineering Group Inc.	Wastewater and Stormwater Consulting Engineer
Crace Galvis McGrath, LLC	Independent Auditors

Additional System Information may be found at

www.ddcwsa.com

Douglasville-Douglas County Water and Sewer Authority

ORGANIZATIONAL CHART





Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Douglasville - Douglas County Water and Sewer Authority

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

Jack A. Tysor
Chairman

Peter J. Frost
Executive Director

October 15, 2013

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

PROFILE OF THE AUTHORITY

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

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

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

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

The Authority operates and maintains water, sanitary sewer, and stormwater systems consisting of water reservoirs, water and wastewater treatment plants, water distribution and sewage collection lines, stormwater retention ponds, conveyance pipes and culvert systems, and the use of meters to bill consumption. As of June 30, 2013, the net property, plant and equipment value of the combined system was \$406,653,251.

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. The last plant expansion of the water treatment plant brought capacity to 23.9 MGD. Although the Authority is currently permitted to withdraw up to 23 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 construction of a redundant raw water line which would allow reaching the water treatment plant's capacity should be completed in two years.

The sanitary sewer facilities collect sewage through 452 miles of sanitary sewer collection lines and force mains which lead to two major wastewater treatment plants and two smaller plants. Treated effluent from one of the two large facilities, the Sweetwater Creek WWTP, receives additional treatment at a 1.75 MGD side-stream facility before being provided as cooling tower make-up water for a large data processing center located in the County.

Stormwater services started in January 2003 when the Authority acquired the City of Douglasville's stormwater system. In December 2003 the Authority entered into a 30-year Intergovernmental Agreement with Douglas County whereby the Authority acquired the County stormwater system and the County agreed to transfer the assets to the Authority on July 1, 2004. As of June 30, 2013, the combined Authority stormwater system consisted of 120 miles of conveyance pipe and culvert systems, 10,956 catch basins and junction boxes and other appurtenances.

ECONOMIC FACTORS AND OUTLOOK

Douglas County is part of the Atlanta metropolitan area and is located west of the Fulton County line, less than 25 miles west of downtown Atlanta. The population of Douglas County as of the U.S. 2010 Census was 132,403 and now is estimated to be 133,971.

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, 2013 are listed in table 15 of the statistical section of this report, along with other pertinent statistical information.

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

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

MAJOR INITIATIVES

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

A meter replacement project, started in 2011, to replace all residential meters and convert our system to a fixed base radio read system continues with over 10,000 installations at June 30, 2013. The project will take six to eight years to complete at an estimated cost of \$2,000,000 a year.

A redundant raw water main from the reservoir to the water treatment plant has begun with the planning and easement acquisition. Construction bids have been awarded and should be complete in two years.

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 Aa2 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. Awards include: Outstanding Stormwater Management Program of the Year, Georgia Department of Community Affairs' Water First Designation, Georgia Association of Floodplain Management Award for Excellence in Floodplain Management, Rebel Trails Wastewater Treatment Plant – Best in the State in its size category, GAWP Wastewater Laboratory of the Year, Bear Creek Water Treatment Plant Laboratory – Best in the State in its size category, Beaver Estates Wastewater Treatment Plant – 2nd Best in the Nation in its size category, Beaver Estates Wastewater Treatment Plant – Best in Region IV by the United States Environmental Protection Agency, Beaver Estates Wastewater Treatment Plant – Best in the State in its size category, Best Tasting Water in Georgia 2003, EPA's Partnership for Safe Drinking Water Ten-Year Director's Award, and GFOA Award for Excellence in Financial Reporting.

Awards received during the past two years included:

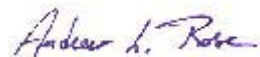
- Outstanding Stormwater Management of the Year.-2012
- Best in class in Georgia – Rebel Trails and South Central Waste Water Treatment Plants 2012
- Government Finance Officers Association Award for Excellence in Financial Reporting - 2012 & 2011
- Metro Atlanta Chamber of Commerce's E3 Award for Google & WSA's Joint Public/Private Water Reuse Partnership Project - 2013
- EPA's Partnership for Safe Drinking Water 15-Year Director's Award 2013
- Best Tasting Water in the Georgia Association of Water Professionals (GAWP) District 3 & Greater Metro Atlanta 2013
- 2nd Best Tasting Water in Georgia 2013

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Douglasville-Douglas County Water and Sewer Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. This is the tenth year the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the Authority must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Andrew L. Rose, CPA
Chief Financial Officer

FINANCIAL SECTION

**REPORT OF
INDEPENDENT AUDITOR**

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Douglasville-Douglas County Water and Sewer Authority (the "Authority"), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Douglasville-Douglas County Water and Sewer Authority, as of June 30, 2013 and 2012, and the changes in financial position and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Pension funding progress schedules on pages 12 through 19 and 36 through 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

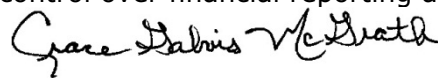
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, additional schedules of individual accounts and sections, and the statistical section, are presented for purposes of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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Crace Galvis McGrath, LLC
Kennesaw, GA

October 15, 2013

**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, 2013 and 2012. 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, 2013. Total assets and deferred outflows at June 30, 2013 were \$438.5 million and exceeded liabilities in the amount of \$272.2 million (net position). Total net position decreased by \$5.6 million or 2.0% in 2013 compared to a \$2.0 million decrease or 0.7% in 2012.
- During the fiscal year 2013 the Authority's "operating revenues" increased to \$37.8 million up from \$37.4 million in 2012 or 1.1%, while "operating expenses" increased to \$38.3 million from \$35.4 million in 2012 or 8.2%. The increase in revenue is noted below. Depreciation accounted for \$1.5 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 employment cost (\$0.5 million), repairs & maintenance (\$0.4 million), supplies & materials (\$0.1 million) utilities (\$0.1 million), services purchased (\$0.2 million) and administration (\$0.1 million).
- Water rates were increased 6.2% and sewer rates were raised 7.0% on December 1, 2012. For fiscal year ended June 30, 2012 sewer rates were raised by 5% and water rates were not increased. The Authority increases rates to keep pace with inflation, ensure recovery of all its operating costs, and to cover annual debt service payments.
- The Authority's capital assets increased \$4.6 million and \$10.0 million in fiscal years 2013 and 2012 of which \$1.2 million and \$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, 2013 and 2012. The basic financial statements consist of the following:

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY

In fiscal year 2013, 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 early implementation of accounting changes detailed in footnote 11.

STATEMENTS OF NET POSITION

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

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

	Fiscal Year 2013 to 2012 Comparison				Fiscal Year 2012 to 2011 Comparison			
	FY 2013	FY 2012	Dollar Change	% Change	FY 2012	FY 2011	Dollar Change	% Change
Assets & Deferred Outflows:								
Current and Other Assets	\$ 31.0	\$ 31.0	-	0.0%	\$ 31.0	\$ 35.6	\$ (4.6)	-12.9%
Capital Assets	406.7	417.1	(10.4)	-2.5%	417.1	422.5	(5.4)	-1.3%
Total Assets	437.7	448.1	(10.4)	-2.3%	448.1	458.1	(10.0)	-2.2%
Deferred Outflows	0.8	0.9	(0.1)	-11.1%	0.9	1.0	(0.1)	-10.0%
Tot Assets & Deferred Outflows	438.5	449.0	(10.5)	-2.3%	449.0	459.1	(10.1)	-2.2%
Liabilities:								
Long-Term Debt Outstanding	150.7	156.0	(5.3)	-3.4%	156.0	161.1	(5.1)	-3.2%
Other Liabilities	15.6	15.2	0.4	2.6%	15.2	18.2	(3.0)	-16.5%
Total Liabilities	166.3	171.2	(4.9)	-2.9%	171.2	179.3	(8.1)	-4.5%
Net Position:								
Invested in Capital Assets	256.9	262.4	(5.5)	-2.1%	262.4	267.8	(5.4)	-2.0%
Restricted	3.0	3.5	(0.5)	-14.3%	3.5	3.5	-	0.0%
Unrestricted	12.3	11.9	0.4	3.4%	11.9	8.5	3.4	40.0%
TOTAL NET POSITION	\$ 272.2	\$ 277.8	\$ (5.6)	-2.0%	\$ 277.8	\$ 279.8	\$ (2.0)	-0.7%

Comparison 2013-2012

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

Comparison 2012-2011

Net position at June 30, 2012 was \$277.8 million, a decrease of \$2.0 million. Current and other assets decreased \$4.6 million along with a corresponding decrease in long-term debt of \$5.1 million and other liabilities decrease of \$3.0 million. Spending bond proceeds was the major reason for the decrease in current and other assets. Invested in capital assets decreased \$5.4 million as a result of a net decrease in capital assets of \$5.4 million and debt reduction of \$4.9 million (\$5.1 million long-term less \$0.2 million short-term) less \$4.7 million debt proceeds from the 2007 bond funds used to purchase capital assets. Net position - unrestricted (available to finance day-to-day operations) increased \$3.4 million primarily as a result of the change in net position - invested in capital assets and net position - restricted, as well as the Authority's overall change in net position.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

While the Statements of Net Position shows the decrease in net position of \$5.6 million, the Statements of Revenues, Expenses, and Changes in Net Position, provides answers as to the nature and source of these changes. A closer examination of the individual categories affecting the source of changes in net position is discussed below.

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

	Fiscal Year 2013 to 2012 Comparison				Fiscal Year 2012 to 2011 Comparison			
	FY 2013	FY 2012	Dollar Change	% Change	FY 2012	FY 2011	Dollar Change	% Change
REVENUES								
Operating Revenue:								
Charges for services	\$ 36.8	\$ 36.4	\$ 0.4	1.1%	\$ 36.4	\$ 36.2	\$ 0.2	0.6%
Penalties	1.0	1.0	-	0.0%	1.0	0.9	0.1	11.1%
Total Operating Revenues	37.8	37.4	0.4	1.1%	37.4	37.1	0.3	0.8%
Interest income	0.1	0.1	-	0.0%	0.1	0.2	(0.1)	-50.0%
Total Revenues	37.9	37.5	0.4	1.1%	37.5	37.3	0.2	0.5%
EXPENSES								
Operating Expenses:								
Employment costs	10.9	10.4	0.5	4.8%	10.4	10.9	(0.5)	-4.6%
Repairs & maintenance	2.5	2.1	0.4	19.0%	2.1	2.1	-	0.0%
Supplies & materials	1.0	0.9	0.1	11.1%	0.9	0.9	-	0.0%
Depreciation	18.2	16.7	1.5	9.0%	16.7	15.1	1.6	10.6%
Utilities	3.2	3.1	0.1	3.2%	3.1	2.9	0.2	6.9%
Water & sewer service pur.	0.7	0.5	0.2	40.0%	0.5	0.4	0.1	25.0%
Administration	1.8	1.7	0.1	5.9%	1.7	1.5	0.2	13.3%
Total Operating Expenses	38.3	35.4	2.9	8.2%	35.4	33.8	1.6	4.7%
Non-Operating Expenses								
Interest and fiscal charges	7.3	7.4	(0.1)	-1.4%	7.4	6.3	1.1	17.5%
Loss -disposal of cap. assets	0.6	0.5	0.1	20.0%	0.5	0.3	0.2	66.7%
Other expenses	(0.1)	0.4	(0.5)	-100.0%	0.4	0.9	(0.5)	-100.0%
Total Non-Operating Expenses	7.8	8.3	(0.5)	-6.0%	8.3	7.5	0.8	10.7%
Total Expenses	46.1	43.7	2.4	5.5%	43.7	41.3	2.4	5.8%
Income (Loss) Before Cap Contr	(8.2)	(6.2)	(2.0)	32.3%	(6.2)	(4.0)	(2.2)	55.0%
Capital Contributions								
Tap fees	1.1	0.8	0.3	37.5%	0.8	1.0	(0.2)	-20.0%
Developer lines	1.1	2.5	(1.4)	-56.0%	2.5	4.1	(1.6)	-39.0%
Grant contributions	0.4	0.9	(0.5)	-55.6%	0.9	1.4	(0.5)	-35.7%
Total Capital Contributions	2.6	4.2	(1.6)	-38.1%	4.2	6.5	(2.3)	-35.4%
Changes in Net Position	(5.6)	(2.0)	(3.6)	180.0%	(2.0)	2.5	(4.5)	-180.0%
Beginning Net Position	277.8	279.8	(2.0)	-0.7%	279.8	277.3	2.5	0.9%
Ending Net Position	\$ 272.2	\$ 277.8	\$ (5.6)	-2.0%	\$ 277.8	\$ 279.8	\$ (2.0)	-0.7%

Review of Operations:

Comparison 2013-2012

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

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

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% respectively 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 preceding 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 in revenues.

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 decreases. Repairs & 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.

Total Non-Operating Revenues and Expenses:

Comparison 2013-2012

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

Comparison 2012-2011

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 a decrease of \$1.4 million in capitalized interest. In addition, other expenses decreased \$0.5 million due to a decrease in non-capital part of grant funded projects being expensed.

Capital Contributions:

Comparison 2013-2012

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

Comparison 2012-2011

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

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

Description	Fiscal Year 2013 to 2012 Comparison				Fiscal Year 2012 to 2011 Comparison			
	FY 2013	FY 2012	Dollar Change	% Change	FY 2012	FY 2011	Dollar Change	% Change
Land	\$ 13.6	\$ 13.5	\$ 0.1	0.7%	\$ 13.5	\$ 13.3	\$ 0.2	1.5%
Buildings	65.9	66.6	(0.7)	-1.1%	66.6	37.4	29.2	78.1%
Machinery & Equipment	66.3	67.6	(1.3)	-1.9%	67.6	53.5	14.1	26.4%
Improvements	427.7	423.2	4.5	1.1%	423.2	408.3	14.9	3.6%
Construction In Progress	3.8	1.8	2.0	111.1%	1.8	50.2	(48.4)	-96.4%
Subtotal	577.3	572.7	4.6	0.8%	572.7	562.7	10.0	1.8%
Less Accumulated Depreciation	170.6	155.6	15.0	9.6%	155.6	140.2	15.4	11.0%
Net Property, Plant, Equipment	\$ 406.7	\$ 417.1	\$ (10.4)	-2.5%	\$ 417.1	\$ 422.5	\$ (5.4)	-1.3%

At the end of 2013, the Authority had invested \$577.3 million in a broad range of infrastructure including water plants, wastewater plants, wastewater facilities, water & sewer lines, dam construction, reservoir, maintenance and administration facilities, and vehicles and equipment.

Fiscal Year 2013 capital assets additions and changes (in millions of dollars):	
➤	\$ 0.1 – Land from FEMA grants
➤	(\$ 0.7) – Buildings - disposition of Bear Creek WTP structures
➤	(\$1.3) – Machinery & Equipment - SCADA & Computers (\$0.1), Pumps (\$0.2), Transportation (\$0.2), Wastewater equipment (\$0.2), Power & Miisc. Equipment (\$0.1), Dispositions - Pumps (-\$0.5), Water Treatment Equipment (-\$0.3) Computer & Office Equipment (-\$0.8), Transportation (-\$.4), Other (-\$0.1)
➤	\$ 4.5 – Improvements - Stormwater (\$0.3), Sewer Lines (\$ 1.3), Water Lines (\$0.9), Meters (\$3.1), Disposition of Southside & Northside WWTP Improvements (-\$1.1)
➤	\$2.0 –Construction in Progress - Maintenance Facility (\$0.9), Redundant Raw Water Line (\$0.4), Lee Rd GDOT project (\$0.3), Stormwater Projects (\$0.2), Water Master Plan \$(0.1), Other Projects \$(0.1).
	\$4.6 million – Total Asset Change

Fiscal Year 2012 capital assets additions (in millions of dollars):	
➤	\$ 0.2 – Land from FEMA Grants, 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

LONG -TERM DEBT

At June 30, 2013 year-end, the Authority had \$151.7 million in long-term debt down from \$156.4 million in fiscal year 2012. This decrease was due to scheduled payments on debt. The Authority was in compliance with all bond and loan covenants during the fiscal years 2013 and 2012. More detailed information about the Authority's long-term liabilities is presented in Note 3 of the Notes to the Financial Statements.

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 Aa2 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 1.5

Debt Coverage Ratio:

During fiscal year 2013, the Authority's debt coverage ratio, based on maximum annual debt service, dropped from 1.6 to 1.5. 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	FY	Dollar	%	FY	FY	Dollar	%
	2013	2012	Change	Change	2012	2011	Change	Change
Revenue from Operations	\$ 37.8	\$ 37.1	\$ 0.7	1.9%	\$ 37.4	\$ 37.1	\$ 0.3	0.8%
Interest Income	0.1	0.2	(0.1)	-50.0%	0.1	0.2	(0.1)	-50.0%
Tap Fees	1.1	1.0	0.1	10.0%	0.8	1.0	(0.2)	-20.0%
Total Revenues	39.0	38.3	0.7	1.8%	38.3	38.3	-	0.0%
Total Operating Expenses (less depreciation)	20.1	18.7	1.4	7.5%	18.7	18.7	-	0.0%
Net Earnings	18.9	19.6	(0.7)	-3.6%	19.6	19.6	-	0.0%
Current Annual Debt Service	12.3	12.3	-	0.0%	12.3	12.3	-	0.0%
Debt Coverage Ratio	1.5	1.6	(0.1)	-3.6%	1.6	1.6	-	0.0%
Maximum Annual Debt Service	\$ 12.3	\$ 12.3	-	0.0%	\$ 12.3	\$ 12.3	-	0.0%
Debt Coverage Ratio	1.5	1.6	\$ (0.1)	0.0%	1.6	1.6	\$ -	0.0%

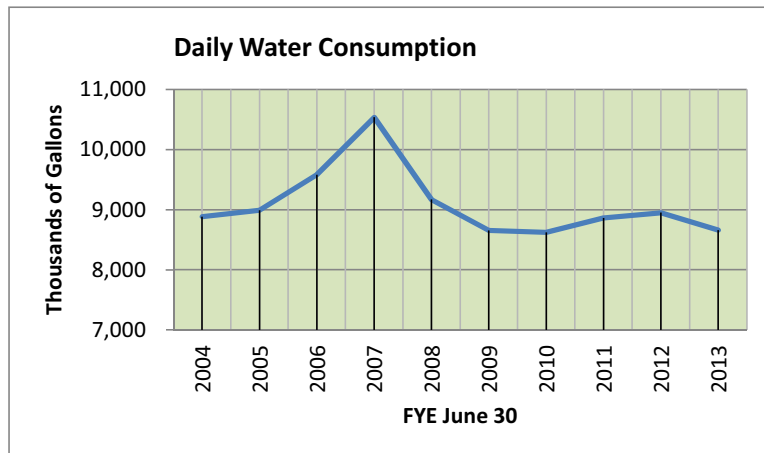
TABLE A-5
Cost of Capital
(In millions of dollars)

	Debt Balance	Average Coupon
1993 Bonds	\$3.1	5.50%
2005 Bonds	\$49.8	4.80%
2007 Bonds	\$72.1	4.80%
2009 Bonds	\$26.7	4.43%
State Rev. Fund	\$0.0	3.00%
Total	\$151.7	*4.8%

*Note: weighted average coupon rate.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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



The 2014 budget, five year cash flow projections and capital improvement program have been prepared based on projected economic and population growth for the Authority's service area which is expected to remain stable with little growth anticipated in the next five years. Other factors affecting next year's and future budgets are listed below.

- The 2014 budget was prepared anticipating a 5% 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 construction and tap fees anticipated to continue to be slow and a reluctance to issue new debt, the Authority will be relying more heavily on operating revenues to fund capital improvements on a pay-as-you-go basis.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Douglasville-Douglas County Water and Sewer Authority

Statements of Net Position

	June 30,	
	2013	2012
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,905,996	\$ 1,993,118
Accounts receivable, less allowance for doubtful accounts of \$402,264 in 2013 and \$421,023 in 2012	5,222,576	5,050,247
Miscellaneous receivables	117,014	190,476
Inventories	654,550	671,978
Prepaid expenses	307,835	299,046
Restricted assets:		
Cash and cash equivalents	13,052,133	12,397,323
Investments	6,838,235	6,902,381
Receivables	728,409	1,623,608
Total current assets	28,826,748	29,128,177
Non-current assets:		
Capital assets:		
Land and easements	13,609,223	13,541,923
Buildings	65,917,021	66,553,048
Machinery and equipment	66,265,026	67,617,839
Improvements other than buildings	427,715,031	423,199,826
Construction in progress	3,765,814	1,778,829
	577,272,115	572,691,465
Less accumulated depreciation	170,618,864	155,610,255
Net capital assets	406,653,251	417,081,210
Other assets:		
Miscellaneous receivables - non-current	797,007	894,504
Prepaid bond insurance costs	355,901	384,639
Net Pension Assets	1,002,322	584,205
Deposits	-	10,417
Total other assets	2,155,230	1,873,765
Total Assets	437,635,229	448,083,152
Deferred Outflows		
Bond defeasance costs	868,771	951,511
Total Assets and Deferred Outflows	\$ 438,504,000	\$ 449,034,663

	June 30,	
	2013	2012
	<u> </u>	<u> </u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 2,134,360	\$ 2,132,316
Accrued expenses and other	1,098,104	1,081,994
Current liabilities payable from restricted assets:		
Accounts payable	712,554	520,592
Revenue bonds, portion due within one year	4,860,000	4,685,000
Notes payable, portion due within one year	16,990	49,965
Accrued interest on revenue bonds	601,647	620,711
Customer deposits	2,468,637	2,390,931
Unearned income	1,569,055	1,649,645
Total current liabilities	<u>13,461,347</u>	<u>13,131,154</u>
Non-current liabilities:		
Other long-term liabilities	2,094,040	2,088,758
Long-term debt:		
Revenue bonds – portion due after one year, net of unamortized (premium)/discounts of (\$3,887,167) in 2013 and (\$4,256,651) in 2012	150,722,167	155,951,651
Notes payable	-	16,990
Total long-term debt	<u>150,722,167</u>	<u>155,968,641</u>
Total non-current liabilities	<u>152,816,207</u>	<u>158,057,399</u>
Total liabilities	<u>166,277,554</u>	<u>171,188,553</u>
Net Position:		
Net investment in capital assets	256,938,145	262,406,689
Amounts Restricted for:		
Debt service	395,359	363,077
Capital projects	2,605,642	2,760,644
Meter deposits	-	377,575
Unrestricted Amounts	12,287,300	11,938,125
Total net position	<u>272,226,446</u>	<u>277,846,110</u>
Total Liabilities and Net Position	<u>\$ 438,504,000</u>	<u>\$ 449,034,663</u>

See accompanying notes.

Douglasville-Douglas County Water and Sewer Authority

Statements of Revenues, Expenses, and Changes in Net Position

	Year ended June 30,	
	2013	2012
Operating revenue:		
Charges for services (net of bad debt expense \$339,735 in 2013 and \$390,453 in 2012)	\$ 36,771,674	\$ 36,375,050
Penalties	1,070,404	1,054,310
	<u>37,842,078</u>	<u>37,429,360</u>
Operating expenses:		
Employment costs	10,992,670	10,460,244
Repairs and maintenance	2,468,479	2,068,913
Supplies and materials	972,404	913,909
Depreciation	18,226,657	16,702,754
Utilities	3,171,721	3,069,496
Water and sewer services purchased	760,700	511,141
Administration	1,763,969	1,665,844
	<u>38,356,600</u>	<u>35,392,301</u>
Operating income	<u>(514,522)</u>	<u>2,037,059</u>
Non-operating revenues (expenses):		
Interest and fiscal charges, net of capitalized amount of \$111,491 in 2013 and \$193,203 in 2012	(7,319,184)	(7,457,096)
Interest income	127,463	115,259
Loss on disposal of capital assets	(598,688)	(454,006)
Other income (expenses)	70,383	(416,159)
Total non-operating revenue and expenses, net	<u>(7,720,026)</u>	<u>(8,212,002)</u>
Loss before capital contributions	(8,234,548)	(6,174,943)
Capital contributions	2,614,884	4,187,584
Change in net position	(5,619,664)	(1,987,359)
Total net position - beginning *	<u>277,846,110</u>	<u>279,833,469</u>
Total net position – ending *	<u>\$ 272,226,446</u>	<u>\$ 277,846,110</u>

* *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,	
	2013	2012
Cash flows from operating activities:		
Cash received from customers	\$ 37,918,414	\$ 37,279,663
Cash payments for goods and services	(9,116,173)	(8,578,899)
Cash payments to employees	(11,389,395)	(10,805,687)
Net cash provided by operating activities	17,412,846	17,895,077
Cash flows from capital and related financing activities:		
Payments for capital acquisitions	(6,148,899)	(12,092,658)
Principal repayments on bonds and notes payable	(4,734,965)	(4,489,876)
Interest paid	(7,449,739)	(7,668,424)
Proceeds from the sale of capital assets	41,646	117,963
State loan forgiveness	-	11,418
Cash received for water and sewer tap fees	1,062,052	787,784
Cash received from grants	397,092	881,581
Proceeds from bid packages & misc. receipts	30,061	111,526
Non-capitalized grant expenses	(217,684)	(797,415)
Net cash used in capital and related financing activities	(17,020,436)	(23,138,101)
Cash flows from investing activities:		
Proceeds from sales of investments	64,146	5,156,919
Receipts of interest and dividends	111,132	97,473
Net cash provided by investing activities	175,278	5,254,392
Net increase in cash and cash equivalents	567,688	11,368
Cash and cash equivalents, beginning of year	14,390,441	14,379,073
Cash and cash equivalents, end of year	\$ 14,958,129	\$ 14,390,441
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 1,905,996	\$ 1,993,118
Restricted assets:		
Cash and cash equivalents	13,052,133	12,397,323
	\$ 14,958,129	\$ 14,390,441

Continued on next page

Douglasville-Douglas County Water and Sewer Authority

Statements of Cash Flows (Continued)

	Year ended June 30,	
	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (514,522)	\$ 2,037,059
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	18,226,657	16,702,754
Bad debt expense	339,735	390,453
Changes in operating assets and liabilities:		
Accounts and miscellaneous receivables	(438,602)	(584,794)
Inventories	17,428	(89,914)
Prepaid expenses	(8,789)	(53,969)
Miscellaneous receivables - non-current	97,497	(221)
Net pension assets	(418,117)	(338,053)
Deposits	10,417	(5,417)
Accounts payable	2,044	(200,296)
Accrued expenses and other	16,110	43,109
Customer deposits	77,706	44,865
Other long-term liabilities	5,282	(50,499)
Total adjustments	17,927,368	15,858,018
Net cash provided by operating activities	\$ 17,412,846	\$ 17,895,077
 Non-cash capital and financing activities:		
Capital assets acquired through:		
Developer contributions	\$ 1,155,740	\$ 2,518,219
Total non-cash capital financing activities	\$ 1,155,740	\$ 2,518,219

See accompanying notes.

**NOTES TO
FINANCIAL STATEMENTS**

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

June 30, 2013 and 2012

1. Summary of Significant Accounting Policies

Formation and Governance of the Authority

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

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

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

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

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

A. Method of Accounting

The Authority operates as an enterprise activity, and its records are maintained on the accrual basis of accounting. Under this method revenues are recognized when earned and expenses are recognized when incurred. The Authority follows all applicable Governmental Accounting Standards Board (GASB) pronouncements and has implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. This Statement provides accounting and financial reporting guidance for certain pronouncements issued prior to November 30, 1989. The implementation of this Statement had no impact on the Authority statements for the years ending June 30, 2013 and June 30, 2012.

The Authority has also implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These Statements provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and identifies net position as the residual of all other elements presented in a statement of financial position. The Authority's Statements of Net Position as of June 30, 2012 and June 30, 2011 have been restated and presented in accordance with the guidance provided in these Statements. For details of restatements see footnote 11.

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

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

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

1. Summary of Significant Accounting Policies (continued)

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

B. Cash and Cash Equivalents

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

C. Investments

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

D. Capital Assets

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

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

E. Inventories

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

F. Bond Premiums, Bond Discounts and Bond Issuance Costs

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

G. Deferred Outflows/ Inflows of Resources

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

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

1. Summary of Significant Accounting Policies (continued)

H. Accumulated Unpaid Vacation and Sick Pay (PTO)

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

I. Unearned Income

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

J. Water and Sewer Tap Fees

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

K. Developer Contributions - Lines & Other Assets

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

L. Revenues and Expenses

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

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

M. Statements of Cash Flows

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

N. Comparative Data

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

O. Management Estimates

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

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

2. Deposits and Investments

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

	2013	2012
Demand deposit accounts	\$ 14,958,129	\$ 14,390,441
Local Government Investment Pool	6,838,235	6,902,381
	\$ 21,796,364	\$ 21,292,822
Classification per Statements of Net Position:		
Current assets:		
Unrestricted - cash and equivalents	\$ 1,905,996	\$ 1,993,118
Restricted - cash and equivalents	13,052,133	12,397,323
Restricted - investments	6,838,235	6,902,381
	\$ 21,796,364	\$ 21,292,822

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, 2013 and 2012, the Authority had the following investments listed at Fair Market Value:

Investment	2013	2012
Georgia Fund 1 LGIP	\$6,838,235	\$6,902,381
Maturities - in weighted average	43 days	48 Days

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, allows governmental entities to report money market investments at amortized cost. U.S. Treasury and agency obligations with remaining maturities of one year or less when purchased are also reported at amortized cost which approximates fair value. This statement also allows investments in a 2a7-like pool to be determined by the pool's share price. The LGIP (Georgia Fund 1) is considered a 2a7-like pool and investments in this pool are reported at share price on the Statements of Net Position. As of June 30, 2013 and 2012, 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 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, 2013, 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 \$26,660,000 and \$26,680,000 at June 30, 2013 and 2012, 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 \$72,070,000 and \$73,695,000 at June 30, 2013 and 2012, 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 \$49,850,000 and \$50,275,000 at June 30, 2013 and 2012, 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 \$3,115,000 and \$5,730,000 at June 30, 2013 and 2012, 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
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	5,710,000	6,367,329	12,077,329
2019-2023	32,835,000	27,568,650	60,403,650
2024-2028	42,320,000	18,926,076	61,246,076
2029-2033	31,665,000	8,434,370	40,099,370
2034-2038	18,450,000	2,362,500	20,812,500
2039 & Beyond	-	-	-
Totals	<u>151,695,000</u>	<u>\$ 91,263,159</u>	<u>\$ 242,958,159</u>
Less: Portion due within one year	4,860,000		
Net Unamortized (premium) /discount	(3,887,167)		
Long-term debt at June 30, 2013	<u>\$ 150,722,167</u>		

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

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

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

3. Long-Term Debt (continued)

	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
	<u>160,936,831</u>	<u>-</u>	<u>(4,489,876)</u>	<u>156,446,955</u>	<u>4,734,965</u>
Premiums/(Discounts):					
1993 Revenue Bonds	(6,979)	-	3,081	(3,898)	-
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	<u>\$ 165,564,976</u>	<u>\$ -</u>	<u>\$ (4,861,370)</u>	<u>\$ 160,703,606</u>	<u>\$ 4,734,965</u>
Current Portion	<u>(4,499,437)</u>			<u>(4,734,965)</u>	
Long-Term	<u>\$ 161,065,539</u>			<u>\$ 155,968,641</u>	

Other long-term debt is as follows:

	2013	2012
Note payable to State of Georgia, 3% annual interest, due monthly	\$ 16,990	\$ 66,955
Less: Portion due within one year	16,990	49,965
Long-Term Portion	<u>\$ -</u>	<u>\$ 16,990</u>

Maturities of notes payable for the remaining Fiscal Years are:

The 3% note payable to State of Georgia with an outstanding balance of \$16,990 and \$66,955 at June 30, 2013 and 2012, respectively, was for funding the toilet rebate program. 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	Principal Scheduled Payments	Interest Payments	Total Note Payments
June 30			
2014	16,990	106	17,096
	<u>\$ 16,990</u>	<u>\$ 106</u>	<u>\$ 17,096</u>

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

4. Capital Assets

A summary of capital asset activity and changes in accumulated depreciation for the years ended June 30, 2013 and 2012 follows:

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

	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 - restated	(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

Total interest costs incurred during the year amounted to \$7,430,675 and \$7,650,299 in 2013 and 2012, respectively. From these amounts, \$111,491 (2013) and \$193,203 (2012) were capitalized as construction period interest.

Depreciation expense incurred during the year amounted to \$18,226,657 in 2013 and \$16,702,754 in 2012.

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

5. Changes in Net Investment in Capital Assets

The change in net investment in capital assets can be summarized as follows:

	2013	2012
Beginning of year	\$ 262,406,689	\$ 267,837,724
Change in capital assets	(10,427,959)	(5,386,907)
Change in related debt	5,021,708	4,778,630
Change in debt related to unspent proceeds	(62,293)	(4,822,758)
End of year	<u>\$ 256,938,145</u>	<u>\$ 262,406,689</u>

6. Restricted Assets

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

	2013	2012
Legal:		
Renewal and extension	\$ 2,936,426	\$ 1,851,657
Refundable meter deposits	1,924,958	2,353,657
Debt service sinking fund	1,013,703	1,016,816
Construction fund	5,015,281	5,077,574
	<u>10,890,368</u>	<u>10,299,704</u>
Receivables	728,409	1,623,608
Board enacted:		
Capital reserves	9,000,000	9,000,000
	<u>9,728,409</u>	<u>10,623,608</u>
Total restricted assets	<u>\$ 20,618,777</u>	<u>\$ 20,923,312</u>

Amounts in the Debt Service Sinking Fund are restricted to the payment of current bond principal and interest requirements as they become due, as well as required fiscal charges. Sinking fund payments required by the Authority for bond year 2013 and 2012 total \$12,133,529 and \$12,131,029, respectively.

7. Other Long-Term Liabilities

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

	2013	2012
Pension - Executive Director (see note 9)	\$ 1,579,345	\$ 1,369,013
Other Post Employment Benefits - Executive Director (see note 10)	514,695	719,745
Total	<u>\$ 2,094,040</u>	<u>\$ 2,088,758</u>

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

8. Pensions

Plan Description

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

General

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

Retirement Options / Benefit Provisions

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

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

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

Membership

Membership of the Plan as of the valuation date of January 1, 2013 was:

Members of the Plan	Participants
Retirees and beneficiaries receiving benefits	43
Terminated plan members entitled to, but not yet receiving benefits	67
Active plan members	188
Total Membership	298

Funding Policy

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

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

Annual required contribution (ARC)	\$ 917,697
Interest on net pension obligation	(20,189)
Adjustments to ARC	20,189
Annual pension cost	917,697
Contributions made	1,335,814
Increase in net pension asset	418,117
Net pension asset, beginning of year	584,205
Net pension asset, end of year	<u>\$ 1,002,322</u>

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

8. Pensions (continued)

The Authority contributed \$1,335,814 for the Plan in 2013 or \$418,117 in excess of the Authority's annual pension cost of \$917,697. 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
2008	\$ 1,194,880	\$ 1,194,880	100%	\$ -
2009	\$ 1,288,450	\$ 1,288,450	100%	\$ -
2010	\$ 1,651,491	\$ 1,651,491	100%	\$ -
2011	\$ 1,405,339	\$ 1,651,491	118%	\$(246,152)
2012	\$ 873,433	\$ 1,211,486	139%	\$(584,205)
2013	\$ 917,697	\$ 1,335,814	146%	\$(1,002,322)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Surplus) Actuarial Accrued Liability (AAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2013	\$23,017,935	\$22,692,137	(\$325,798)	101.44%	\$8,023,273	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, 2013. The assumptions used are as follows:

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

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

8. Pensions (continued)

Deferred Compensation Plan

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

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

9. Pensions – 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, 2013 was:

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

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

9. Pensions – 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 statements of net position.

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

Annual required contribution	\$	-
Interest from net pension obligations		44,225
Adjustment to annual required contribution		195,557
Annual pension cost		239,782
Contributions made		29,450
Increase (decrease) in net pension obligation		210,332
Net pension obligation, beginning of year		1,369,013
Net pension obligation, end of year	\$	1,579,345 <i>Note 7</i>

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
2013	\$239,782	\$29,450	12.3%	\$1,579,345

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

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

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

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

Valuation Date	January 1, 2013
Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar for remaining unfunded liability
Remaining Amortization Period	21 years, closed
Asset Valuation Method	Fair market value
Actuarial Assumptions:	
Investment Rate of Return	3%
Projected salary increase	N/A
Cost of living adjustment (inflation)	4%

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

10. Other Post Employment Benefits

Plan Description

The Authority does not provide post-retirement benefits to its employees with the exception of hospitalization and medical coverage of 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, 2013 was \$523,826. The calculations are based on the OPEB benefits provided under terms of the substantive plan in effect at the time of each valuation and terms of sharing cost. The 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, 2013 was:

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

Contributions – Funding

The Authority funds this benefit on a pay-as-you-go basis. The actuarial accrued liability for the plan is amortized over a closed five-year period which at June 30, 2013 had been fully met. The liability appears on the statements of net position as other long term liabilities. During the past fiscal year, \$24,363 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		18,517
Adjustment to annual required contribution		(199,204)
Annual OPEB cost		(180,687)
Contributions made		24,363
Decrease in net OPEB obligation		(205,050)
Net OPEB obligation, beginning of year		719,745
Net OPEB obligation, end of year	\$	514,695 <i>Note 7</i>

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

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

10. Other Post Employment Benefits (continued)

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

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

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

Valuation Date	January 1, 2013
Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar for remaining unfunded liability
Remaining Amortization Period	21 years, closed
Actuarial Assumptions:	
Medical cost adjustment factor pre-Medicare	1.10%
Cost Adjustment at age 65	0.46%
Medical benefits value	3% interest
Medical cost trend (inflation rate)	7%
Life Expectancy	20 years

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

Douglasville-Douglas County Water and Sewer Authority

Notes To Financial Statements

11. Prior Period Adjustment

The Governmental Accounting Standards Board issued Statements No. 63 and 65 which redefine the timing of certain expenses such as those associated with bond costs. Previously bond costs were amortized over the life of the bond but now should be expensed when the bond transaction takes place with the exception of insurance costs. The effects of the restatement to the Authority's financial statements are listed below.

	<u>2012</u>
Changes in net position previously reported	\$ (2,102,955)
Restatement	115,596
Changes in net position restated	<u>\$ (1,987,359)</u>
Total net position - previously reported	\$ 279,155,958
Restatement	(1,309,848)
Total net position - restated	<u>\$ 277,846,110</u>

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, 2013 and 2012, outstanding construction commitments totaled \$3,344,196 and \$2,138,635, respectively.

Litigation

As of June 30, 2013 and 2012 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 and no settlements exceeding insurance coverage for the past two years.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

Douglasville-Douglas County Water and Sewer Authority

Required Supplementary Information

Funding Progress Schedules

Defined Benefit Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding Excess (Deficiency) of AAL (FEAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	FEALL as a Percent of Covered Payroll [(a-b)/c]
3/1/2008	\$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%
1/1/2013	\$23,017,935	\$22,692,137	\$325,798	101.44%	\$8,023,273	0.00%

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

Other Post-Employment Benefits - Executive 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
1/1/2013	\$-0-	\$523,826	\$ (523,826)	0.00%	N/A	N/A

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

**SCHEDULE OF
INDIVIDUAL ACCOUNTS**

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 1

OPERATING ACCOUNT

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

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

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

COMPARATIVE SCHEDULE OF OPERATING REVENUES

	<u>2013</u>	<u>2012</u>	<u>Variance Amount</u>	<u>Percent</u>
Operating Revenues				
Operating Revenue - Water	\$ 20,822,637	\$ 20,796,111	\$ 26,526	0.13%
Operating Revenue - Sewer	10,483,387	10,102,215	381,172	3.77%
Operating Revenue - Stormwater	4,462,494	4,430,569	31,925	0.72%
Reuse Revenue	422,287	380,200	42,087	11.07%
Inspection Fees	15,600	7,500	8,100	108.00%
Soil and Erosion Control Fees	17,734	12,504	5,230	41.83%
Stormwater Fines	500	1,000	(500)	-50.00%
Cut Off Charges	400,600	408,672	(8,072)	-1.98%
Sale of Materials and Supplies	66,948	34,627	32,321	93.34%
Miscellaneous Revenues	400,625	571,705	(171,080)	-29.92%
Penalties	1,070,404	1,054,309	16,095	1.53%
Dog River Recreational Complex	18,597	20,401	(1,804)	-8.84%
Total Operating Revenues	38,181,813	37,819,813	362,000	0.96%
Bad Debt Expense	(339,735)	(390,453)	50,718	-12.99%
Net Operating Revenues	<u>\$ 37,842,078</u>	<u>\$ 37,429,360</u>	<u>\$ 412,718</u>	<u>1.10%</u>

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 2

SUMMARY OF OPERATIONS								
Year Ended June 30, 2013								
	Employment Costs	Repairs & Maintenance	Supplies & Materials	Utilities	Water-Sewer Purchased	Administrative Costs	Depreciation	Total
Water Operations	\$ 2,461,340	\$ 867,620	\$ 272,998	\$ 1,375,801	\$ 462,486	\$ 94,288	\$ 6,914,024	\$ 12,448,557
Sewer Operations	3,308,859	859,015	627,513	1,612,472	298,214	110,905	9,116,915	15,933,893
Stormwater Operations	652,148	204,239	15,942	7,804	-	65,652	1,875,862	2,821,647
Engineering, Inspection & Construction Operations	947,337	157,702	38,114	16,390	-	52,879	113,402	1,325,824
Administrative Operations	3,622,986	379,903	17,837	159,254	-	1,440,245	206,454	5,826,679
2013 Total	<u>\$ 10,992,670</u>	<u>\$ 2,468,479</u>	<u>\$ 972,404</u>	<u>\$ 3,171,721</u>	<u>\$ 760,700</u>	<u>\$ 1,763,969</u>	<u>\$ 18,226,657</u>	<u>\$ 38,356,600</u>
2012 Total	<u>\$ 10,460,244</u>	<u>\$ 2,068,913</u>	<u>\$ 913,909</u>	<u>\$ 3,069,496</u>	<u>\$ 511,141</u>	<u>\$ 1,665,844</u>	<u>\$ 16,702,754</u>	<u>\$ 35,392,301</u>
Variance	<u>\$ 532,426</u>	<u>\$ 399,566</u>	<u>\$ 58,495</u>	<u>\$ 102,225</u>	<u>\$ 249,559</u>	<u>\$ 98,125</u>	<u>\$ 1,523,903</u>	<u>\$ 2,964,299</u>

COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT

	Employment Costs	Repairs & Maintenance	Supplies & Materials	Utilities	Water-Sewer Purchased	Administrative Costs	Depreciation	Total
WATER OPERATIONS								
Water Plant Operations	\$ 1,090,832	\$ 46,840	\$ 243,704	\$ 1,318,234	\$ 462,486	\$ 59,333	\$ 2,226,320	\$ 5,447,749
Water Plant Maintenance	285,409	180,231	6,743	2,794	-	4,125	30,070	509,372
Water System Maintenance	973,157	624,889	21,233	52,433	-	29,088	3,658,183	5,358,983
Reservoir	115,497	15,660	1,318	2,340	-	1,742	999,451	1,136,008
Capitalized Salaries	(3,555)	-	-	-	-	-	-	(3,555)
2013 Total	<u>\$ 2,461,340</u>	<u>\$ 867,620</u>	<u>\$ 272,998</u>	<u>\$ 1,375,801</u>	<u>\$ 462,486</u>	<u>\$ 94,288</u>	<u>\$ 6,914,024</u>	<u>\$ 12,448,557</u>
2012 Total	<u>\$ 2,338,515</u>	<u>\$ 795,610</u>	<u>\$ 202,882</u>	<u>\$ 1,380,217</u>	<u>\$ 197,444</u>	<u>\$ 72,326</u>	<u>\$ 5,612,292</u>	<u>\$ 10,599,286</u>
Variance	<u>\$ 122,825</u>	<u>\$ 72,010</u>	<u>\$ 70,116</u>	<u>\$ (4,416)</u>	<u>\$ 265,042</u>	<u>\$ 21,962</u>	<u>\$ 1,301,732</u>	<u>\$ 1,849,271</u>
SEWER OPERATIONS								
Sewer Plant Operations	\$ 1,426,472	\$ 47,584	\$ 550,131	\$ 721,515	\$ 278,388	\$ 51,764	\$ 4,411,260	\$ 7,487,114
Reuse Facilities Operations	131,586	45,934	17,583	65,555	-	5,784	-	266,442
Sewer Plant Maintenance	818,887	496,095	29,208	812,876	-	22,908	36,945	2,216,919
Sewer System Maintenance	935,435	269,402	30,591	12,526	19,826	30,449	4,668,710	5,966,939
Capitalized Salaries	(3,521)	-	-	-	-	-	-	(3,521)
2013 Total	<u>\$ 3,308,859</u>	<u>\$ 859,015</u>	<u>\$ 627,513</u>	<u>\$ 1,612,472</u>	<u>\$ 298,214</u>	<u>\$ 110,905</u>	<u>\$ 9,116,915</u>	<u>\$ 15,933,893</u>
2012 Total	<u>\$ 3,147,403</u>	<u>\$ 681,422</u>	<u>\$ 610,571</u>	<u>\$ 1,510,687</u>	<u>\$ 313,697</u>	<u>\$ 110,057</u>	<u>\$ 8,903,460</u>	<u>\$ 15,277,297</u>
Variance	<u>\$ 161,456</u>	<u>\$ 177,593</u>	<u>\$ 16,942</u>	<u>\$ 101,785</u>	<u>\$ (15,483)</u>	<u>\$ 848</u>	<u>\$ 213,455</u>	<u>\$ 656,596</u>
STORMWATER OPERATIONS								
Stormwater Operations	\$ 682,233	\$ 204,239	\$ 15,942	\$ 7,804	\$ -	\$ 65,652	\$ 1,875,862	\$ 2,851,732
Capitalized Salaries	(30,085)	-	-	-	-	-	-	(30,085)
2013 Total	<u>\$ 652,148</u>	<u>\$ 204,239</u>	<u>\$ 15,942</u>	<u>\$ 7,804</u>	<u>\$ -</u>	<u>\$ 65,652</u>	<u>\$ 1,875,862</u>	<u>\$ 2,821,647</u>
2012 Total	<u>\$ 657,535</u>	<u>\$ 134,918</u>	<u>\$ 20,832</u>	<u>\$ 8,081</u>	<u>\$ -</u>	<u>\$ 92,653</u>	<u>\$ 1,900,440</u>	<u>\$ 2,814,459</u>
Variance	<u>\$ (5,387)</u>	<u>\$ 69,321</u>	<u>\$ (4,890)</u>	<u>\$ (277)</u>	<u>\$ -</u>	<u>\$ (27,001)</u>	<u>\$ (24,578)</u>	<u>\$ 7,188</u>
ENGINEERING, INSPECTION AND CONSTRUCTION OPERATIONS								
Engineering	\$ 1,092,506	\$ 12,013	\$ 5,782	\$ 4,526	\$ -	\$ 38,501	\$ 45,656	\$ 1,198,984
Inspection	492,589	59,978	17,254	5,097	-	7,226	28,982	611,126
Construction	916,275	85,711	15,078	6,767	-	7,152	38,764	1,069,747
Capitalized Salaries	(1,554,033)	-	-	-	-	-	-	(1,554,033)
2013 Total	<u>\$ 947,337</u>	<u>\$ 157,702</u>	<u>\$ 38,114</u>	<u>\$ 16,390</u>	<u>\$ -</u>	<u>\$ 52,879</u>	<u>\$ 113,402</u>	<u>\$ 1,325,824</u>
2012 Total	<u>\$ 866,245</u>	<u>\$ 168,517</u>	<u>\$ 33,959</u>	<u>\$ 17,045</u>	<u>\$ -</u>	<u>\$ 56,712</u>	<u>\$ 32,397</u>	<u>\$ 1,174,875</u>
Variance	<u>\$ 81,092</u>	<u>\$ (10,815)</u>	<u>\$ 4,155</u>	<u>\$ (655)</u>	<u>\$ -</u>	<u>\$ (3,833)</u>	<u>\$ 81,005</u>	<u>\$ 150,949</u>
ADMINISTRATIVE OPERATIONS								
Billing	\$ 823,565	\$ -	\$ 6,630	\$ 1,597	\$ -	\$ 571,473	\$ 56,178	\$ 1,459,443
Meter Reading	581,332	101,937	2,690	10,018	-	14,092	58,735	768,804
Human Res. / General Services	742,922	150,801	2,455	145,504	-	460,706	38,832	1,541,220
Executive Administration	519,265	8,663	1,288	-	-	240,837	13,877	783,930
Finance & Accounting	519,949	-	524	-	-	58,206	24,285	602,964
MIS	435,953	118,502	4,250	2,135	-	94,931	14,547	670,318
2013 Total	<u>\$ 3,622,986</u>	<u>\$ 379,903</u>	<u>\$ 17,837</u>	<u>\$ 159,254</u>	<u>\$ -</u>	<u>\$ 1,440,245</u>	<u>\$ 206,454</u>	<u>\$ 5,826,679</u>
2012 Total	<u>\$ 3,450,546</u>	<u>\$ 288,446</u>	<u>\$ 45,665</u>	<u>\$ 153,466</u>	<u>\$ -</u>	<u>\$ 1,334,096</u>	<u>\$ 254,165</u>	<u>\$ 5,526,384</u>
Variance	<u>\$ 172,440</u>	<u>\$ 91,457</u>	<u>\$ (27,828)</u>	<u>\$ 5,788</u>	<u>\$ -</u>	<u>\$ 106,149</u>	<u>\$ (47,711)</u>	<u>\$ 300,295</u>

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 3

SUMMARY OF RESTRICTED ASSETS AND RELATED DEBT

Year Ended June 30, 2013

Restricted Cash and Investments:	Restricted				Board Restricted	Total All Restricted Accounts
	Construction Accounts	Renewal and Extension Accounts	Meter Deposit Accounts	Debt Service Accounts	Operating Accounts	
Cash & Cash Equivalents:						
Checking	\$ -	\$ 2,814,891	\$ 1,237,242	\$ -	\$ 9,000,000	\$ 13,052,133
Total Cash & Cash Equivalents	\$ -	\$ 2,814,891	\$ 1,237,242	\$ -	\$ 9,000,000	\$ 13,052,133
Investments:						
LGIP (Georgia Fund 1)	5,015,281	-	809,251	1,013,703	-	6,838,235
Total Investments	\$ 5,015,281	\$ -	\$ 809,251	\$ 1,013,703	\$ -	\$ 6,838,235
Total Restricted Cash & Investments	5,015,281	2,814,891	2,046,493	1,013,703	9,000,000	19,890,368
Restricted Receivables	-	728,409	-	-	-	728,409
Total Restricted Assets	\$ 5,015,281	\$ 3,543,300	\$ 2,046,493	\$ 1,013,703	\$ 9,000,000	\$ 20,618,777
Liabilities Payable from Restricted Assets:						
Accounts Payable	\$ -	\$ 712,554	\$ -	\$ -	\$ -	\$ 712,554
Customer Deposits:						
Deposit Refunds/ Credit Balances	-	-	2,015,205	-	197,040	2,212,245
Unclaimed Refunds	-	-	31,288	-	-	31,288
Performance Deposits	-	225,104	-	-	-	225,104
	\$ -	\$ 225,104	\$ 2,046,493	\$ -	\$ 197,040	\$ 2,468,637
Revenue Bonds (due 1yr)	-	-	-	-	4,860,000	4,860,000
Notes Payable (due 1yr)	-	-	-	-	16,990	16,990
Accrued Interest Revenue Bonds	-	-	-	601,647	-	601,647
Unearned Revenue	-	-	-	16,697	1,552,358	1,569,055
Total Liabilities Payable	\$ -	\$ 937,658	\$ 2,046,493	\$ 618,344	\$ 6,626,388	\$ 10,228,883
Net Position:	\$ 5,015,281	\$ 2,605,642	\$ -	\$ 395,359	\$ 2,373,612	\$ 10,389,894

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 4

OPERATING ACCOUNT COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

Restricted Assets	2013	2012	Increase (Decrease)
Cash & Cash Equivalents:			
Checking	\$ 9,000,000	\$ 9,000,000	\$ -
Total Board Restricted Assets:	\$ 9,000,000	\$ 9,000,000	\$ -
Payables from Board Restricted Assets			
Customers Deposits:			
Deposit Refunds	197,040	\$ 150,715	\$ 46,325
Unclaimed Refunds	\$ -	\$ -	\$ -
Revenue Bonds (due one year)	4,860,000	\$ 4,685,000	\$ 175,000
Notes Payable (due one year)	16,990	\$ 49,965	\$ (32,975)
Unearned Revenue	\$ 1,552,358	\$ 1,616,618	\$ (64,260)
Total Payables From Board Restricted	\$ 6,626,388	\$ 6,502,298	\$ 124,090
Net Position - Board Restricted	\$ 2,373,612	\$ 2,497,702	\$ (124,090)

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

	2013	2012
Beginning Balance	\$ 9,000,000	\$ 9,220,925
Increases:		
Interest Earned	56,533	52,716
Transfer in Operating Account	-	107,558
Total Increase	\$ 56,533	\$ 160,274
Decreases:		
Transfers out (Other Funds)	56,533	381,199
Other Disbursements (Bank Fees)	-	-
Total Decrease	\$ 56,533	\$ 381,199
Ending Balance	\$ 9,000,000	\$ 9,000,000

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	2013	2012	Increase (Decrease)
Investments:			
LGIP Geogia Fund I (2007 Bond Issue)	\$ 5,015,281	\$ 5,077,574	\$ (62,293)
Total Restricted Assets - Construction Account	\$ 5,015,281	\$ 5,077,574	\$ (62,293)
Payables from Restricted Assets			
Restricted Payables Construction Projects	\$ -	\$ 70,105	\$ (70,105)
Total Payables from Restricted Assets	\$ -	\$ 70,105	\$ (70,105)

Detail of Investments as of June 30, 2013

Type of Security (Cash Equivalents)	Maturity	Current Rate	Face Value
LGIP (Local Govt. Inv. Pool) Georgia Fund 1	Avg. 43 Days	0.12%	\$ 515,281
Notes:			
<i>Georgia Fund 1; See Note to Financial Statements - Note 2</i>			

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

	2013	2012
Beginning Balance	\$ 5,077,574	\$ 9,900,332
Increases:		
Interest Earned	7,812	6,947
Total Increase	\$ 7,812	\$ 6,947
Decreases:		
Construction in Progress	70,105	4,829,705
Total Decrease	\$ 70,105	\$ 4,829,705
Ending Balance	\$ 5,015,281	\$ 5,077,574

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,		Increase (Decrease)
	2013	2012	
Restricted Assets			
Cash & Cash Equivalents:			
Checking	\$ 2,604,304	\$ 1,560,486	\$ 1,043,818
Retainage Checking	210,587	291,171	(80,584)
Total Restricted Cash	2,814,891	1,851,657	963,234
Restricted Receivables	728,409	1,623,608	(895,199)
Total Restricted Assets	\$ 3,543,300	\$ 3,475,265	\$ 68,035
Payables from Restricted Assets			
Performance Deposit	\$ 225,104	\$ 264,134	\$ (39,030)
A/P Trade	472,481	199,435	273,046
Accrued A/P Trade	240,073	233,534	6,539
Retainage Due Contractors	-	17,518	(17,518)
Total Payables From Restricted Assets	\$ 937,658	\$ 714,621	\$ 223,037

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED CASH

	Year Ended June 30,	
	2013	2012
Beginning Balance	\$ 1,851,657	\$ 2,179,504
Increase:		
Interest Earned	17,315	7,317
Retainage & Bonds	70,130	83,904
Transfer from Operating Account	3,700,000	3,500,000
Transfer from Other Funds	600,083	381,199
Contributed Capital & Insurance Recoveries	895,199	1,494,840
Total Increase	5,282,727	5,467,260
Decrease:		
Capital Expenditures Water & Sewer	4,288,393	5,693,812
Retainage & Bonds Paid	31,100	101,295
Total Decrease	4,319,493	5,795,107
Ending Balance	\$ 2,814,891	\$ 1,851,657

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.

COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

	2013	2012	Increase (Decrease)
Restricted Assets			
Cash & Cash Equivalents:			
Demand Deposit & Checking	\$ 1,237,242	\$ 1,545,666	\$ (308,424)
Investments - LGIP (Georgia Fund I)	809,251	807,991	1,260
Total Restricted Cash/Investments	\$ 2,046,493	\$ 2,353,657	\$ (307,164)
Liabilities Payable From Restricted Assets			
Customer Deposits (Refundable)	\$ 2,015,205	\$ 1,928,353	\$ 86,852
Payable to State of Georgia (Unclaimed Checks)	31,288	47,729	(16,441)
	\$ 2,046,493	\$ 1,976,082	\$ 70,411
Net Position:	\$ -	\$ 377,575	\$ (377,575)

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

	2013	2012
Beginning Balance	\$ 2,353,657	\$ 2,354,008
Increase:		
Interest Earned	9,292	12,202
Receipts	384,554	274,506
Total Increase	\$ 393,846	\$ 286,708
Decrease:		
Administration Fees (Bank Charges)	726	790
Other Disbursements - Unclaimed Property	-	-
Disbursements	700,284	286,269
Total Decrease	\$ 701,010	\$ 287,059
Ending Balance	\$ 2,046,493	\$ 2,353,657

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	2013	2012	Increase (Decrease)
<u>Restricted Assets</u>			
Investments - LGIP (Georgia Fund 1)	(1) \$ 1,013,703	\$ 1,016,816	\$ (3,113)
Total Restricted Assets- Debt Service Accounts	<u>\$ 1,013,703</u>	<u>\$ 1,016,816</u>	<u>\$ (3,113)</u>
<u>Payables From Restricted Assets</u>			
Accrued Interest On Revenue Bonds	601,647	620,711	(19,064)
Total Payables From Restricted Assets	<u>\$ 601,647</u>	<u>\$ 620,711</u>	<u>\$ (19,064)</u>
Unearned Revenue	(2) \$ 16,697	\$ 33,028	\$ (16,331)

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, 2013 the Authority has the following investments:

Series	Type of Marketable Security	Maturity Date (1)	Yield (2)	Cost Basis	Market Value
			0.115%		
1993	Investment (Georgia Fund 1)	43 Days	6/30/2013	143,156	143,156
			0.115%		
2005	Investment (Georgia Fund 1)	43 Days	6/30/2013	260,470	260,470
			0.115%		
2007	Investment (Georgia Fund 1)	43 Days	6/30/2013	436,533	436,533
			0.115%		
2009	Investment (Georgia Fund 1)	43 Days	6/30/2013	173,544	173,544
				<u>\$ 1,013,703</u>	<u>\$ 1,013,703</u>

Notes:

(1) LGIP (Local Government Investment Pool) stability constant Net Asset Value \$1.00; average maturity date 43 days; (2) Interest Yield as of 6/30/2012 0.115%.

Douglasville-Douglas County Water and Sewer Authority

SCHEDULE 9

DEBT SERVICE ACCOUNTS

COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

	2013	2012
Beginning Balance	\$ 1,016,816	\$ 1,018,972
Increase:		
Interest Earned	22,954	23,036
Transfer from Operating Account	12,093,917	12,105,837
Total Increase	\$ 12,116,871	\$ 12,128,873
Decrease:		
Bank Service Charges	5,519	
Revenue Bond Interest	7,429,465	7,666,029
Revenue Bond Principal	4,685,000	4,465,000
Total Decrease	\$ 12,119,984	\$ 12,131,029
Ending Balance	\$ 1,013,703	\$ 1,016,816

SCHEDULE OF REVENUE BONDS PAYABLE & OTHER LOANS

Douglasville-Douglas County Water & Sewer Authority Series Bonds	Average Coupon Rate	Issue Date	Maturity Date	Annual Principal Payment		Amounts			
				Maximum	Minimum	Authorized	Issued	Retired	Outstanding
1993 Water and Sewer Revenue Bonds	5.494%	1993	2015	\$ 2,615,000	\$ 1,515,000	\$ 29,895,000	\$ 29,895,000	\$ 26,780,000	\$ 3,115,000
2005 Water and Sewer Revenue Bonds	4.798%	2005	2030	6,730,000	295,000	52,250,000	52,250,000	2,400,000	49,850,000
2007 Water and Sewer Revenue Bonds	4.822%	2007	2037	4,955,000	-	76,755,000	76,755,000	4,685,000	72,070,000
2009 Water and Sewer Revenue Bonds	4.426%	2009	2023	3,630,000	-	26,720,000	26,720,000	60,000	26,660,000
Total Revenue Bonds				\$ 17,930,000	\$ 1,810,000	\$ 185,620,000	\$ 185,620,000	\$ 33,925,000	\$ 151,695,000
Other Loans									
2009 State Revolving Fund Loan	3.000%	2009	2013	\$ 49,722	\$ 34,437	\$ 99,443	\$ 99,443	\$ 82,453	\$ 16,990
Total Debt				\$ 17,979,722	\$ 1,844,437	\$ 185,719,443	\$ 185,719,443	\$ 34,007,453	\$ 151,711,990

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 issue 12/1/2009.
 Loans: 2009 Note for toilet rebate program under ARRA with 60% of loan forgiven.

STATISTICAL

SECTION

(unaudited)

Douglasville-Douglas County Water and Sewer Authority

STATISTICAL SECTION

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

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

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

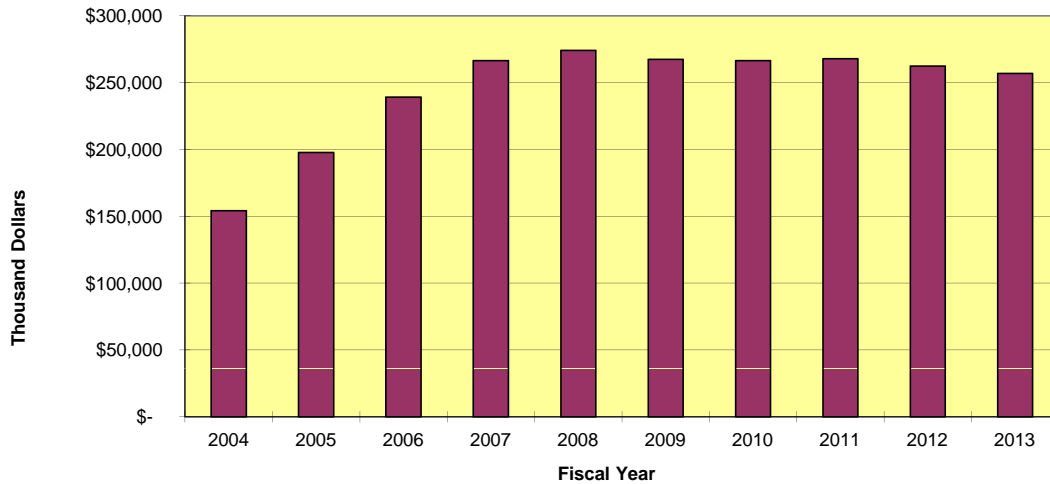
Douglasville-Douglas County Water and Sewer Authority

TABLE 1

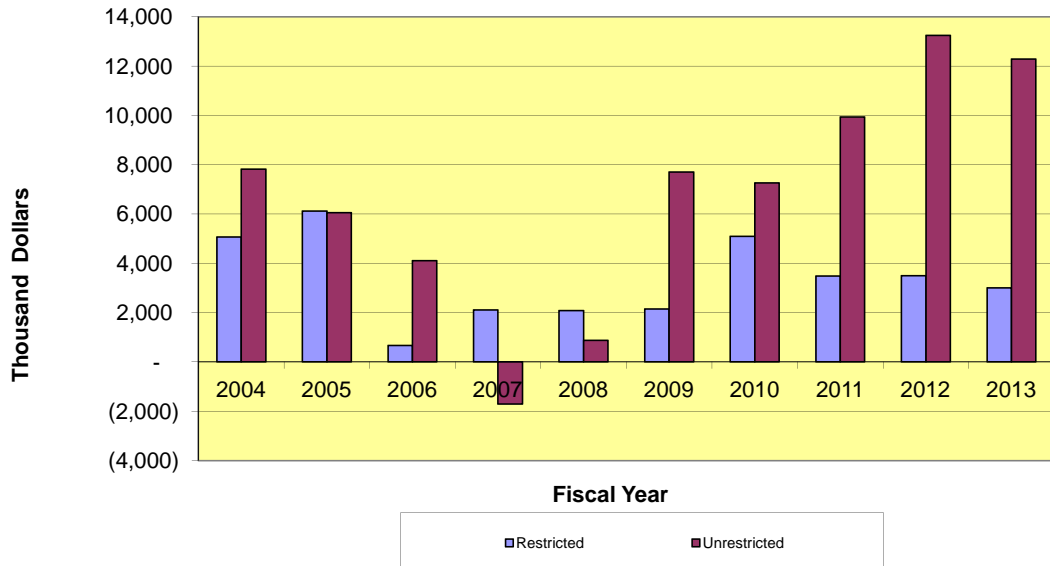
Net Position by Component Last Ten Fiscal Years *(amount expressed in thousands)*

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Enterprise Fund										
Net Invested in capital assets	\$ 154,207	\$ 197,616	\$ 239,157	\$ 266,288	\$ 274,102	\$ 267,324	\$ 266,325	\$ 267,838	\$ 262,407	\$ 256,938
Restricted	5,071	6,124	671	2,114	2,089	2,148	5,092	3,486	3,501	3,001
Unrestricted	7,819	6,057	4,108	(1,713)	878	7,707	7,268	9,935	13,248	12,287
Total business-type activities net position	\$ 167,097	\$ 209,797	\$ 243,936	\$ 266,689	\$ 277,069	\$ 277,179	\$ 278,685	\$ 281,259	\$ 279,156	\$ 272,226

Net Investment in Capital Assets



Restricted and Unrestricted



Douglasville-Douglas County Water and Sewer Authority

TABLE 2

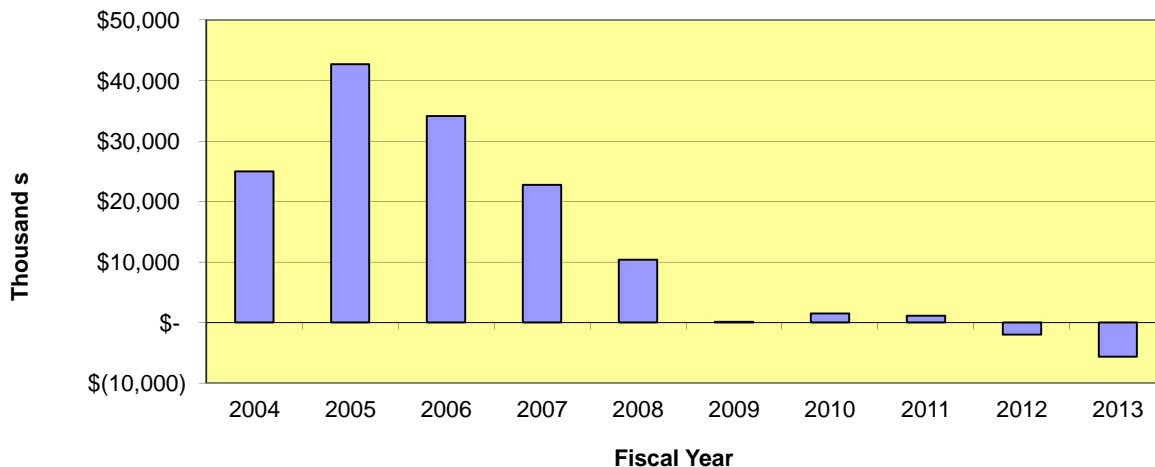
Change in Net Position Last Ten Fiscal Years (amount expressed in thousands)

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Revenues										
(1) Charges for services	\$20,735	\$23,093	\$ 27,981	\$ 29,837	\$ 31,190	\$ 33,284	\$35,220	\$ 36,596	\$36,765	\$ 37,112
Penalties	555	661	896	1,064	1,050	1,101	1,103	924	1,054	1,070
Charges to bad debt allowance	(190)	(209)	(326)	(401)	(815)	(417)	(478)	(442)	(390)	(340)
Total operating revenues	<u>\$21,100</u>	<u>\$23,545</u>	<u>\$ 28,551</u>	<u>\$ 30,500</u>	<u>\$ 31,425</u>	<u>\$ 33,968</u>	<u>\$35,845</u>	<u>\$ 37,078</u>	<u>\$37,429</u>	<u>\$ 37,842</u>
Operating Expenses										
Employment costs	\$ 7,872	\$ 7,717	\$ 9,805	\$ 10,718	\$ 10,322	\$ 11,028	\$11,837	\$ 10,931	\$10,460	\$ 10,993
Repairs and maintenance	1,322	1,737	1,980	1,915	2,141	2,013	2,894	2,075	2,069	2,468
Supplies and materials	506	668	785	875	795	790	952	901	914	972
(2) Depreciation	7,213	8,764	10,931	11,881	12,541	13,856	14,759	15,069	16,702	18,227
Utilities	1,491	1,618	1,919	2,063	2,119	2,779	2,960	2,892	3,070	3,172
Water and sewer services purchased	29	31	87	338	1,569	22	426	429	511	761
Administration	1,377	1,601	1,573	1,922	2,544	1,904	1,423	1,491	1,666	1,764
Total operating expenses	<u>\$19,810</u>	<u>\$22,136</u>	<u>\$ 27,080</u>	<u>\$ 29,712</u>	<u>\$ 32,031</u>	<u>\$ 32,392</u>	<u>\$35,251</u>	<u>\$ 33,788</u>	<u>\$35,392</u>	<u>\$ 38,357</u>
Non-Operating Revenue (expenses)										
Investment income	215	397	2,175	2,266	2,588	1,029	238	169	115	127
Interest expense	(2,306)	(2,008)	(3,076)	(2,357)	(3,432)	(6,523)	(7,469)	(6,263)	(7,457)	(7,319)
Other non-operating revenue (expense)	(175)	(181)	(129)	(67)	(1,151)	(645)	(105)	(2,581)	(870)	(528)
Net non-operating revenue	<u>\$ (2,266)</u>	<u>\$ (1,792)</u>	<u>\$ (1,030)</u>	<u>\$ (158)</u>	<u>\$ (1,995)</u>	<u>\$ (6,139)</u>	<u>\$ (7,336)</u>	<u>\$ (8,675)</u>	<u>\$ (8,212)</u>	<u>\$ (7,720)</u>
Gain or Loss before capital contributions	<u>\$ (976)</u>	<u>\$ (383)</u>	<u>\$ 441</u>	<u>\$ 630</u>	<u>\$ (2,601)</u>	<u>\$ (4,563)</u>	<u>\$ (6,742)</u>	<u>\$ (5,385)</u>	<u>\$ (6,175)</u>	<u>\$ (8,235)</u>
(1) Capital contributions	<u>25,938</u>	<u>43,083</u>	<u>33,699</u>	<u>22,123</u>	<u>12,981</u>	<u>4,674</u>	<u>8,249</u>	<u>6,534</u>	<u>4,188</u>	<u>2,615</u>
Increase (decrease) in net position	<u>\$24,962</u>	<u>\$42,700</u>	<u>\$ 34,140</u>	<u>\$ 22,753</u>	<u>\$ 10,380</u>	<u>\$ 111</u>	<u>\$ 1,507</u>	<u>\$ 1,149</u>	<u>\$ (1,987)</u>	<u>\$ (5,620)</u>

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) Prior period restated in 2012 and 2011 for accounting reporting change - see footnote 11

Increase (Decrease) in Net Position



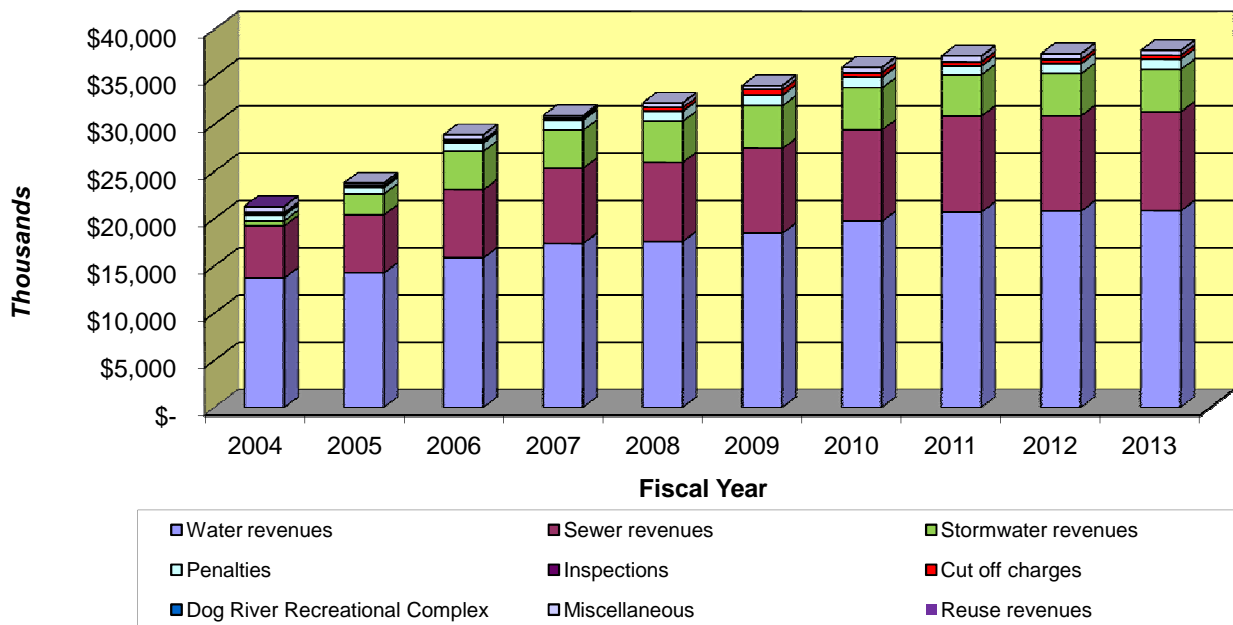
Douglasville-Douglas County Water and Sewer Authority

TABLE 3

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

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Revenues										
Water revenues	\$ 13,719	\$ 14,244	\$ 15,857	\$ 17,362	\$ 17,572	\$ 18,453	\$ 19,721	\$ 20,707	\$ 20,796	\$ 20,823
Sewer revenues	5,517	6,147	7,202	7,968	8,376	8,973	9,685	10,164	10,102	10,483
Stormwater revenues	532	2,208	4,072	4,028	4,350	4,513	4,408	4,340	4,431	4,462
Reuse revenues	-	-	-	-	-	321	334	337	380	422
Penalties	554	661	896	1,064	1,050	1,101	1,103	924	1,054	1,070
Inspections	176	123	166	121	38	10	11	5	8	16
Cut off charges	121	118	131	134	366	567	496	422	409	401
Dog River Recreational Complex	18	16	14	8	1	-	17	26	20	19
Miscellaneous	653	237	539	216	487	447	548	595	620	486
Total operating revenues	\$ 21,290	\$ 23,754	\$ 28,877	\$ 30,901	\$ 32,240	\$ 34,385	\$ 36,323	\$ 37,520	\$ 37,820	\$ 38,182
Bad debt expense	190	209	326	401	815	417	478	442	391	340
Net operating revenue	\$ 21,100	\$ 23,545	\$ 28,551	\$ 30,500	\$ 31,425	\$ 33,968	\$ 35,845	\$ 37,078	\$ 37,429	\$ 37,842

Operating Revenue by Source



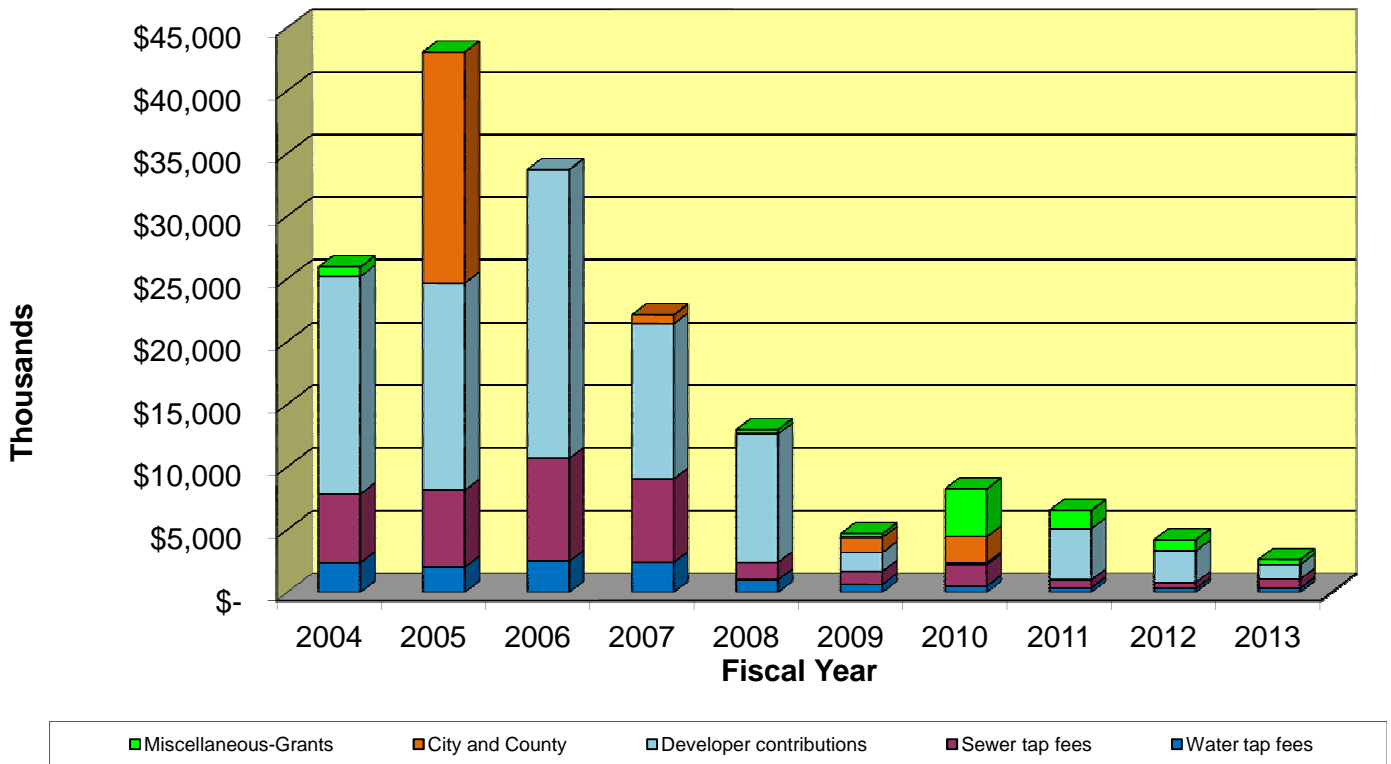
Douglasville-Douglas County Water and Sewer Authority

TABLE 4

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

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Capital Contributions										
Water tap fees	\$ 2,377	\$ 2,018	\$ 2,482	\$ 2,405	\$ 1,005	\$ 646	\$ 515	\$ 360	\$ 313	\$ 342
Sewer tap fees	5,472	6,121	8,208	6,651	1,388	1,034	1,700	641	475	720
Developer contributions	17,340	16,512	23,009	12,362	10,247	1,501	150	4,085	2,518	1,156
City and County	-	18,432	-	705	-	1,208	2,089	-	-	-
Miscellaneous-Grants	749	-	-	-	341	285	3,795	1,448	882	397
Total capital contributions	\$ 25,938	\$ 43,083	\$ 33,699	\$ 22,123	\$ 12,981	\$ 4,674	\$ 8,249	\$ 6,534	\$ 4,188	\$ 2,615

Capital Contributions by Source



Douglasville-Douglas County Water and Sewer Authority

TABLE 5

Water, Sewer and Stormwater Rates Last Ten Fiscal Years

Fiscal Year	Water		Sewer		Stormwater
	Monthly Base Rate (3)	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons (2)	Monthly Base Rate
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
2013	\$ 10.00	\$ 4.30 ⁽¹⁾	\$ 5.50	\$ 7.50	\$ 4.00

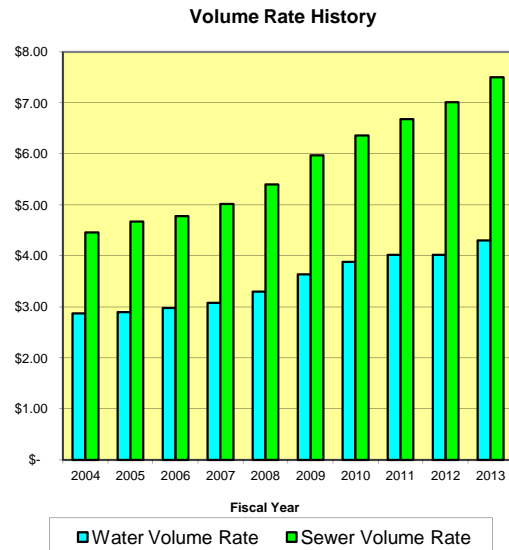
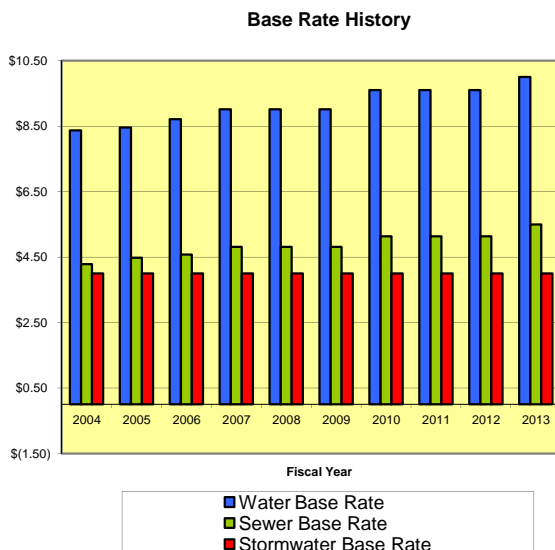
Notes:

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

	Tier 1			Tier 2			Tier 3		
	0-6,000 gallons			6,001 to 9,000 gallons			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	
2012	\$	4.30		\$	5.38		\$	8.60	

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

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



Douglasville-Douglas County Water and Sewer Authority

TABLE 6

Ratio of Revenue Bonded Debt Outstanding Last Ten Fiscal Years

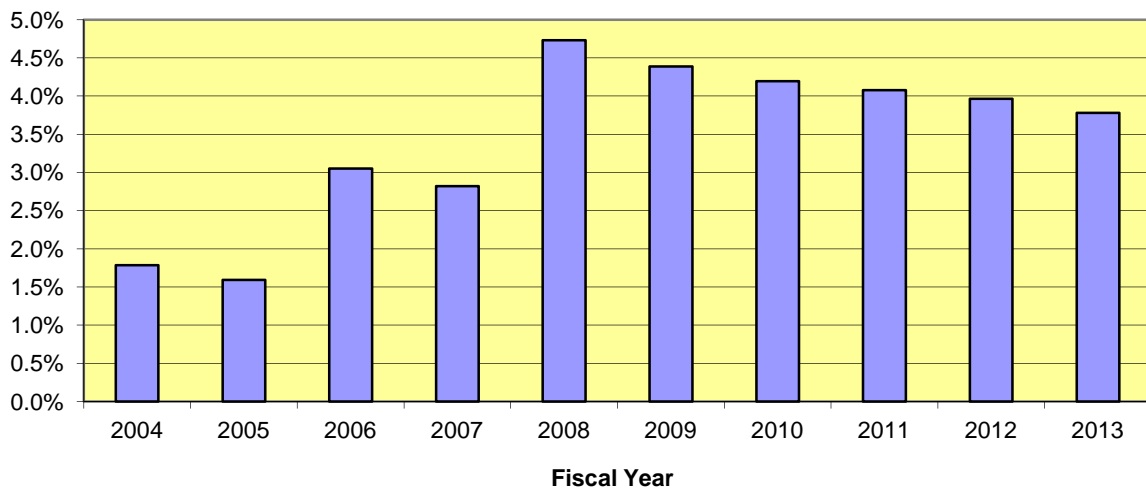
(amount expressed in thousands except per capita amounts)

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Less Debt Service Fund</u>	<u>Total</u>	<u>Per Capita (1)</u>	<u>Percentage Of Personal Income (1)</u>
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%
2013	\$ 151,695	\$ (1,014)	\$ 150,681	\$ 1,125	3.8% *

(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

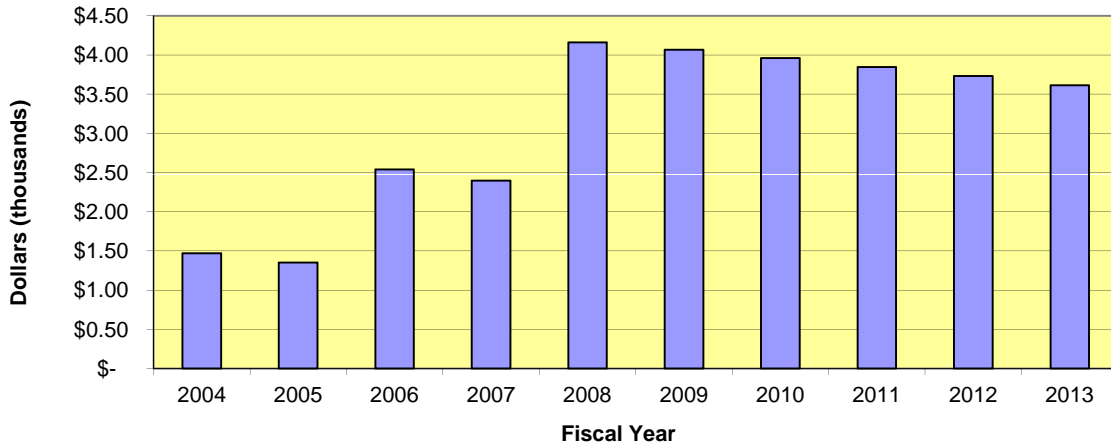
TABLE 7

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

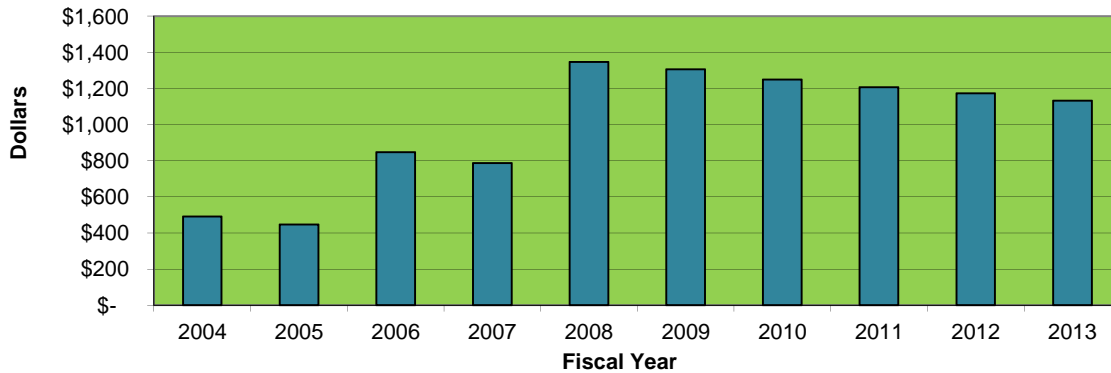
Fiscal Year	Revenue Bonds	Loans Notes	Total Outstanding Debt	Debt To Number of Customers	Debt Per Capita*	Debt As Share Of Personal Income
2004	\$ 50,490	\$ 2,026	\$ 52,516	\$ 1.47	\$ 490	1.9%
2005	\$ 48,730	\$ 1,731	\$ 50,461	\$ 1.35	\$ 447	1.7%
2006	\$ 99,120	\$ 1,430	\$ 100,550	\$ 2.54	\$ 846	3.1%
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%
2013	\$ 151,695	\$ 17	\$ 151,712	\$ 3.61	\$ 1,132	3.8%

* 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



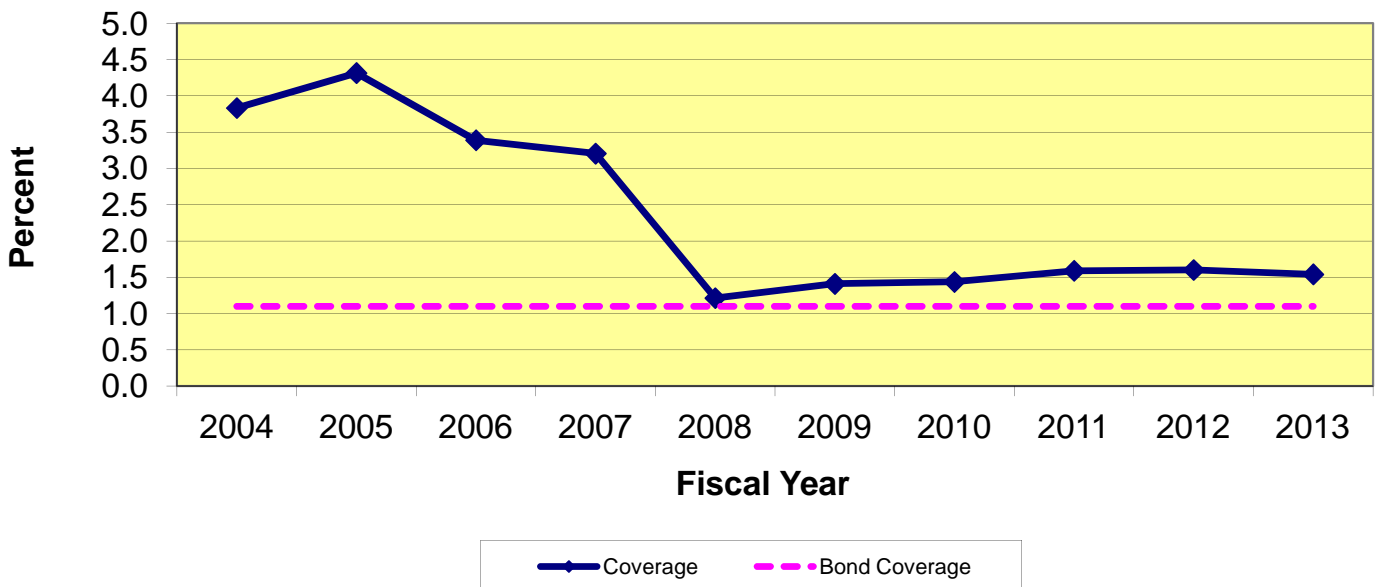
Douglasville-Douglas County Water and Sewer Authority

TABLE 8

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

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Revenues	21,290	23,754	28,877	30,901	32,240	34,385	36,323	37,520	37,820	38,182
Service Charges										
Total Interest Income	215	397	2,175	2,266	2,588	1,029	238	169	115	127
Tap Fees Connection Charges	7,849	8,139	10,690	9,056	2,393	1,680	2,215	1,001	788	1,062
Gross Total Revenues	29,354	32,290	41,742	42,223	37,221	37,094	38,776	38,690	38,723	39,371
Less Operating Expenses Excluding Depreciation	12,787	13,582	16,475	18,232	20,305	18,953	20,970	19,162	19,080	20,470
Less Deferred Interest Income and Revenue	37	100	85	83	83	82	82	19	18	16
Less Interest Income Construction Account	-	-	1,284	1,304	1,966	776	113	34	7	8
Net Earnings Available	16,530	18,608	23,898	22,604	14,867	17,283	17,611	19,475	19,618	18,877
Maximum Annual Debt Service										
Principal	1,860	1,860	4,630	4,630	7,015	7,015	9,300	9,300	9,300	9,300
Interest	2,452	2,452	2,420	2,420	5,239	5,239	2,951	2,951	2,951	2,951
Total Maximum Annual Debt Service	4,312	4,312	7,050	7,050	12,254	12,254	12,251	12,251	12,251	12,251
Coverage Ratio	3.8	4.3	3.4	3.2	1.2	1.4	1.4	1.6	1.6	1.5

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Earnings	\$ 16,530	\$ 18,608	\$ 23,898	\$ 22,604	\$ 14,867	\$ 17,283	\$ 17,611	\$ 19,475	\$ 19,618	\$ 18,877
Legal Debt Service Limit	15,027	16,917	21,726	20,549	13,516	15,712	16,010	17,705	17,835	17,161
Total MAD debt applicable to limit	<u>4,312</u>	<u>4,312</u>	<u>7,050</u>	<u>7,050</u>	<u>12,254</u>	<u>12,254</u>	<u>12,251</u>	<u>12,251</u>	<u>12,251</u>	<u>12,251</u>
Legal MAD debt margin	<u>\$ 10,715</u>	<u>\$ 12,605</u>	<u>\$ 14,676</u>	<u>\$ 13,499</u>	<u>\$ 1,262</u>	<u>\$ 3,458</u>	<u>\$ 3,759</u>	<u>\$ 5,454</u>	<u>\$ 5,584</u>	<u>\$ 4,910</u>
Total MAD debt applicable to the limit as a percentage of debt limit	28.7%	25.5%	32.4%	34.3%	90.7%	78.0%	76.5%	69.2%	68.7%	71.4%

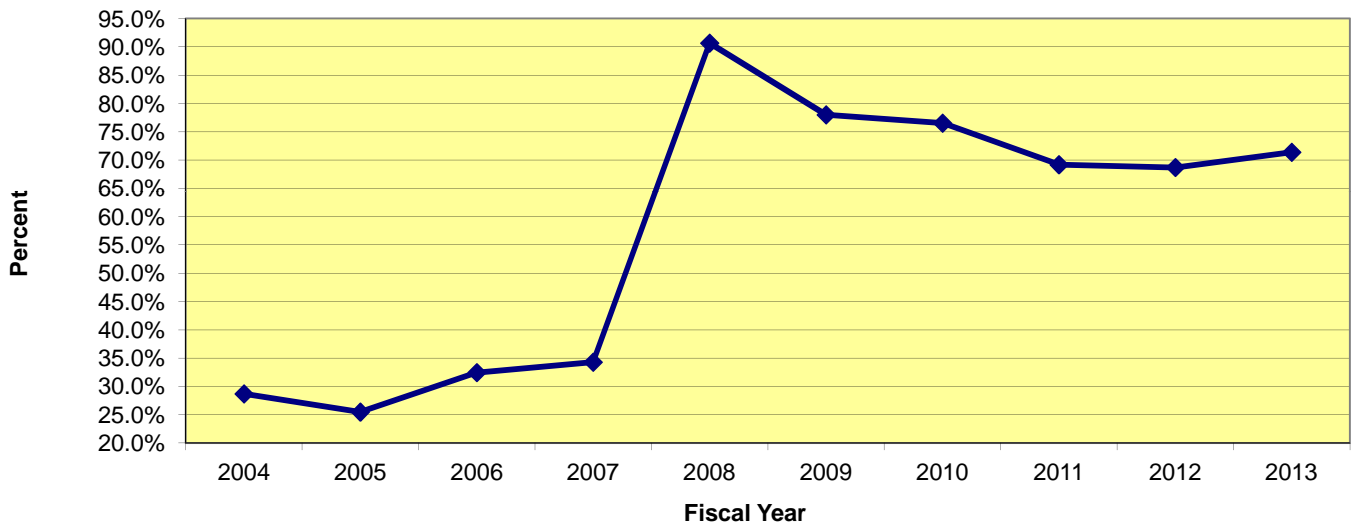
Notes:

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

Calendar Year	Population (2)	Personal Income (1) <i>(millions of dollars)</i>	Per Capita Personal Income (1)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2003	101,938	\$ 2,727,440	\$ 26,048	33.5	19,697	4.7%
2004	107,084	\$ 2,879,258	\$ 26,687	33.2	20,997	4.8%
2005	112,914	\$ 3,123,757	\$ 27,087	32.8	22,490	5.5%
2006	118,835	\$ 3,377,727	\$ 27,312	33.3	24,144	5.0%
2007	124,495	\$ 3,670,553	\$ 28,083	32.8	24,730	4.8%
2008	127,932	\$ 3,844,533	\$ 29,424	33.0	24,800	6.5%
2009	129,703	\$ 3,823,091	\$ 29,475	34.6	24,866	10.6%
2010	132,403	\$ 3,801,770	\$ 29,397	33.5	24,601	11.1%
2011	133,355	\$ 3,892,285	\$ 29,761	35.0	24,742	10.2%
2012	133,971	\$ 3,968,778 **	--- **	34.8 **	25,175	9.2%

(1) Source: Bureau of Economic Analysis

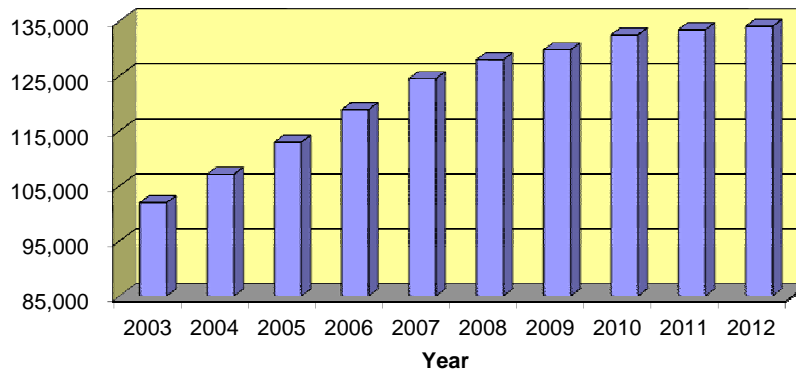
** Information for 2012 was not available as of July 31, 2013

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

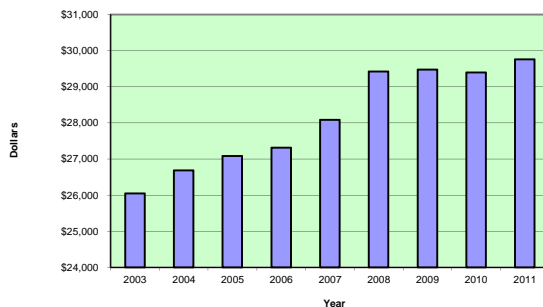
(3) Source: Georgia Department of Education, enrollment as of October each year.

(4) Source: U.S. Department of Labor, Bureau of Labor and Statistics (July 31, 2013) annual averages not seasonally adjusted

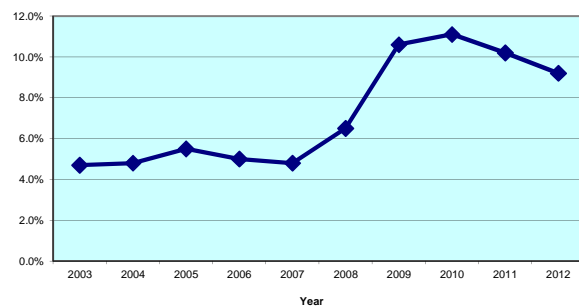
Population of Douglas County



Douglas County Per Capita Income



Douglas County Unemployment Rate



Douglasville-Douglas County Water and Sewer Authority

TABLE 11

Principal Employers Douglas County

2013				
Employer	Type of Business	Employees	Rank	Percentage of Total County Employment
Silver Line Building Products Corp.	Building products	1,200	1	2.11%
Douglas County Government	Government	875	2	1.54%
American Red Cross Blood Services	Healthcare	450	3	0.79%
APL Logistics	International Transportation	400	4	0.70%
WellStar Douglas Hospital	Healthcare	313	5	0.55%
Benton-Georgia Inc.	Construction	300	6	0.53%
Staples Customer Fulfillment Center	Retail - customer service	258	7	0.45%
Medine Industries	Healthcare	250	8	0.44%
City of Douglasville	Government	243	9	0.43%
Seasons 4	Manufacturing	225	10	0.40%
Total Principal Employment		4,514		7.94%
Other Employees		52,360		92.06%
Total County Employment		56,874		100.00%

2004				
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

Douglasville-Douglas County Water and Sewer Authority

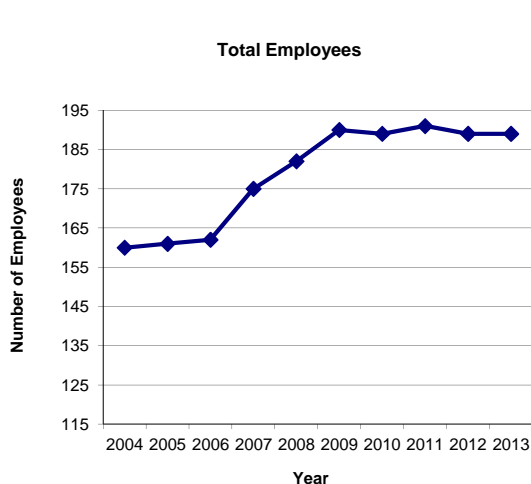
TABLE 12

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

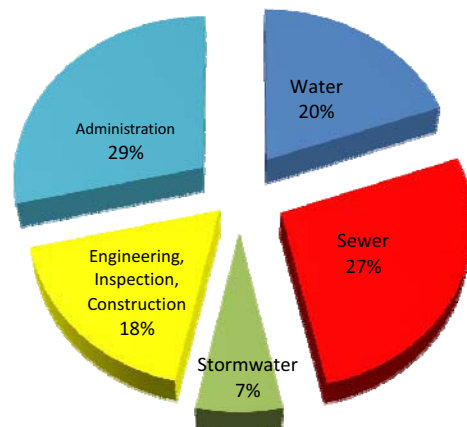
Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
WATER:										
Water Plant Operations	13	13	14	14	14	14	14	14	15	15
Water Plant Maintenance	5	5	4	3	2	2	3	3	3	4
Water Systems Maintenance	27	25	24	27	24	27	27	19	16	15
Reservoir Staff	2	4	2	2	2	1	2	2	2	3
WATER TOTAL	47	47	44	46	42	44	46	38	36	37
SEWER:										
Sewer Plant Operations	20	21	20	23	27	25	23	23	23	24
Sewer Plant Maintenance	3	3	3	6	7	6	9	14	13	11
Sewer Systems Maintenance	16	16	17	20	19	24	21	16	16	16
SEWER TOTAL	39	40	40	49	53	55	53	53	52	51
ENGINEERING/INSPECTION/ CONSTRUCTION:										
Engineering	9	9	11	12	13	13	13	12	12	12
Inspections	4	4	8	8	8	7	7	7	7	7
Construction	10	8	8	8	9	12	11	15	15	15
ENG/INSP/CONS TOTAL	23	21	27	28	30	32	31	34	34	34
STORMWATER:										
STORMWATER TOTAL	10	9	6	8	10	13	12	13	13	13
ADMINISTRATION:										
Billing/Customer Service	13	15	14	14	15	15	14	16	16	16
Meter Reading	8	8	9	9	11	10	10	11	12	12
Human Resources	8	8	8	8	8	8	9	12	12	11
Finance & Accounting	6	6	7	6	6	6	7	7	7	7
MIS	3	3	3	3	3	3	3	3	3	4
Executive Administration	3	4	4	4	4	4	4	4	4	4
ADMINISTRATION TOTAL	41	44	45	44	47	46	47	53	54	54
TOTAL EMPLOYEES	160	161	162	175	182	190	189	191	189	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.



Total Employee Percentage by Sub Category
Fiscal Year 2012



Douglasville-Douglas County Water and Sewer Authority

TABLE 13

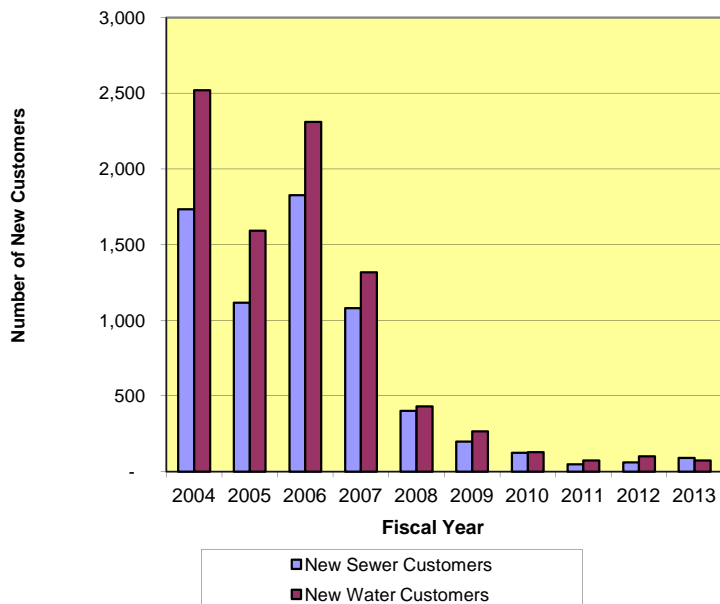
Operating Indicators - Demand and Service Levels Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Demand or Level of Service										
Water										
Total customers	35,702	37,294	39,605	40,921	41,352	41,617	41,744	41,817	41,918	41,991
⁽⁵⁾ New customers	2,519	1,592	2,311	1,316	431	265	127	73	101	73
Water main breaks	105	139	131	150	204	212	113	154	147	184
⁽³⁾ Average daily consumption (thousands of gallons)	8,883	8,991	9,580	10,538	9,169	8,656	8,623	8,862	8,949	8,659
Sewer										
Total customers	12,930	14,045	15,872	16,952	17,353	17,550	17,673	17,721	17,782	17,871
⁽⁴⁾ New customers	1,733	1,115	1,827	1,080	401	197	123	48	61	89
Average daily sewer treatment (thousands of gallons)	4,479	5,545	5,826	5,738	5,764	5,579	6,038	5,255	4,794	5,274
Stormwater										
Total customers	6,862	34,620	40,329	41,891	42,271	42,505	42,636	42,684	42,738	43,108
^(1,2) New customers	6,862	27,758	5,709	1,562	380	234	131	48	54	370

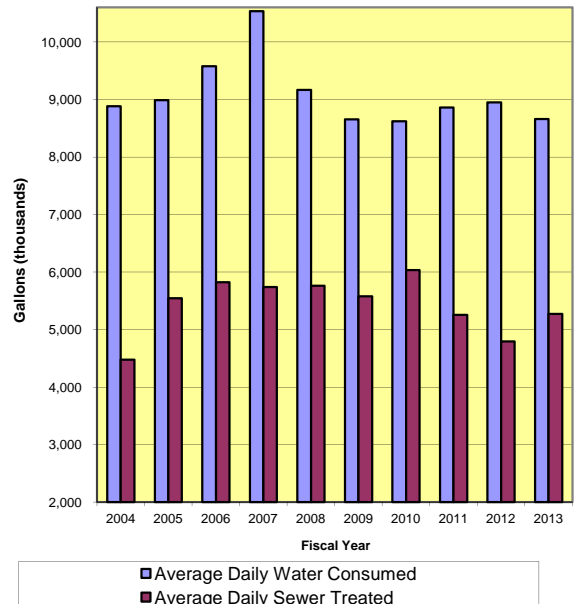
Notes:

- (1) Acquired the City stormwater system in Fiscal Year 2003; developed stormwater rate structure and began billing customers in Fiscal Year 2004.
- (2) Acquired the County stormwater system in Fiscal Year 2005 and began billing County customers in Fiscal Year 2005.
- (3) During the period 2002 through 2007 consumption was increased due to the City of Villa Rica purchasing an average of 345 thousand gallons per day.
- (4) Increased Tap Sales in 2004 due to builders pre-purchasing in anticipation of an announced rate increase. Actual connections occurred in fiscal year 2005.

New Water and Sewer Customers



Average Daily Water Consumed and Treated



Douglasville-Douglas County Water and Sewer Authority

TABLE 14

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

Fiscal Year	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Capital Assets										
Water										
Water main miles	735	843	888	907	918	920	921	927	929	929
Fire hydrants	5,191	5,582	6,069	6,158	6,310	6,326	6,347	6,471	6,524	6,545
Maximum daily design capacity (thousands of gallons)	16,400	16,400	16,400	16,400	16,400	16,400	16,400	16,400	23,940	23,940
^(1,2,3) Average daily water production (thousands of gallons)	11,073	11,705	12,562	13,255	10,986	10,666	10,841	10,941	11,015	10,753
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	14,775	14,775
Reservoir capacity (thousands of gallons)	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	1,988,000
Sewer										
Sanitary sewer miles	350	376	385	407	427	429	440	442	450	450
Maximum daily design treatment capacity (thousands of gallons)	7,490	7,490	7,490	7,990	7,970	10,220	10,140	10,140	10,140	10,140
Average Daily sewer flow (thousands of gallons)	4,479	5,545	5,826	5,738	5,764	5,579	6,038	5,255	4,794	5,274
Stormwater										
^(4,5) Storm sewer lines	44	140	145	150	155	156	112	115	120	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 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	2013			2004		
	Water Revenue	Rank	% of Water Revenue	Water Revenue	Rank	% of Water Revenue
Water Customers						
Google, Inc	\$ 403,626	1	1.94%			
Grove Skyview LTD	231,114	2	1.11%	\$ 122,048	2	0.89%
Douglas County Jail	155,398	3	0.75%	90,054	4	0.66%
Sevo Miller, Inc. - Crestmark	131,346	4	0.63%	78,953	6	0.58%
Birch Landing	131,226	5	0.63%			
Wellstar Hospital	109,309	6	0.52%			
Abor Place Mall	100,309	7	0.48%	72,179	8	0.53%
Pinnacle Homes at Rocky Ridge	95,970	8	0.46%			
Reflek Mfg	86,716	9	0.42%			
Strand Atlanta Apartments	84,247	10	0.40%			
City of Villa Rica				261,311	1	1.90%
Tree Terrace Apartments				96,922	3	0.71%
Berwind Properties - Westfolk				87,922	5	0.64%
Silver Line Building Products				74,626	7	0.54%
Golden Estates Mobile Home Park				49,569	9	0.36%
Westfork D-2 Revest				46,146	10	0.34%
Totals	\$ 1,529,261		7.34%	\$ 979,730		7.14%

Fiscal Year	2013			2004		
	Sewer Revenue	Rank	% of Sewer Revenue	Sewer Revenue	Rank	% of Sewer Revenue
Sewer Customers						
Google, Inc	\$ 283,018	1	2.70%			
Grove Skyview LTD	179,919	2	1.72%	\$ 102,130	1	1.85%
Douglas County Jail	118,136	3	1.13%	74,474	3	1.35%
Birch Landing	109,201	4	1.04%			
Sevo Miller, Inc. - Crestmark	99,251	5	0.95%	62,460	5	1.13%
Wellstar	87,699	6	0.84%			
Arbor Place Mall	77,941	7	0.74%	50,109	7	0.91%
Pinnacle Homes at Rocky Ridge	74,924	8	0.71%			
Strand Atlanta Apartments	70,497	9	0.67%			
Golden Estates Mobile Home Pk	66,464	10	0.63%	43,008	8	0.78%
Tree Terrace Apartments				80,871	2	1.47%
Berwind Property- Westfork-Waterford				76,170	4	1.38%
Silver Line Building Products				53,692	6	0.97%
Westfork D-2 Revest				35,457	9	0.64%
Flagview Village				35,552	10	0.64%
Totals	\$ 1,167,050		11.13%	\$ 613,923		11.13%

Fiscal Year	2013			2006 (a)		
	Stormwater Revenue	Rank	% of Stormwater Revenue	Stormwater Revenue	Rank	% of Stormwater Revenue
Stormwater Customers						
DC Board of Education	\$ 216,563	1	4.85%	\$ 12,157	10	0.33%
Hunt Partners Ret. Group-Jacoby Dev.	25,401	2	0.57%	24,163	4	0.66%
I D I	23,416	3	0.52%			
Google, Inc	23,203	4	0.52%			
JVC Co. of America	21,232	5	0.48%	23,162	5	0.63%
Arbor Place Mall	20,861	6	0.47%	26,161	3	0.71%
Grove Skyview, LTD	20,837	7	0.47%	19,709	6	0.53%
Maytag Appliance	20,074	8	0.45%	17,035	8	0.46%
Prologis	19,571	9	0.44%	13,086	9	0.35%
Excel-Hon, Inc	19,392	10	0.43%			
APL Logistics				33,545	1	0.91%
Conlan Company				27,804	2	0.75%
Medline Industries, Inc.				18,884	7	0.51%
Totals	\$ 410,550		9.20%	\$ 215,706		5.84%

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

COMPLIANCE

SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Douglasville-Douglas County Water and Sewer Authority (the "Authority"), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Douglasville-Douglas County Water and Sewer Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Douglasville-Douglas County Water and Sewer Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Douglasville-Douglas County Water and Sewer Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies.

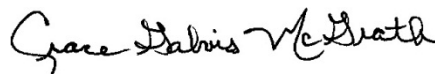
Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crace Galvis McGrath, LLC
Kennesaw, GA

October 15, 2013