CITY OF DOUGLAS, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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ANNUAL FINANCIAL REPORT
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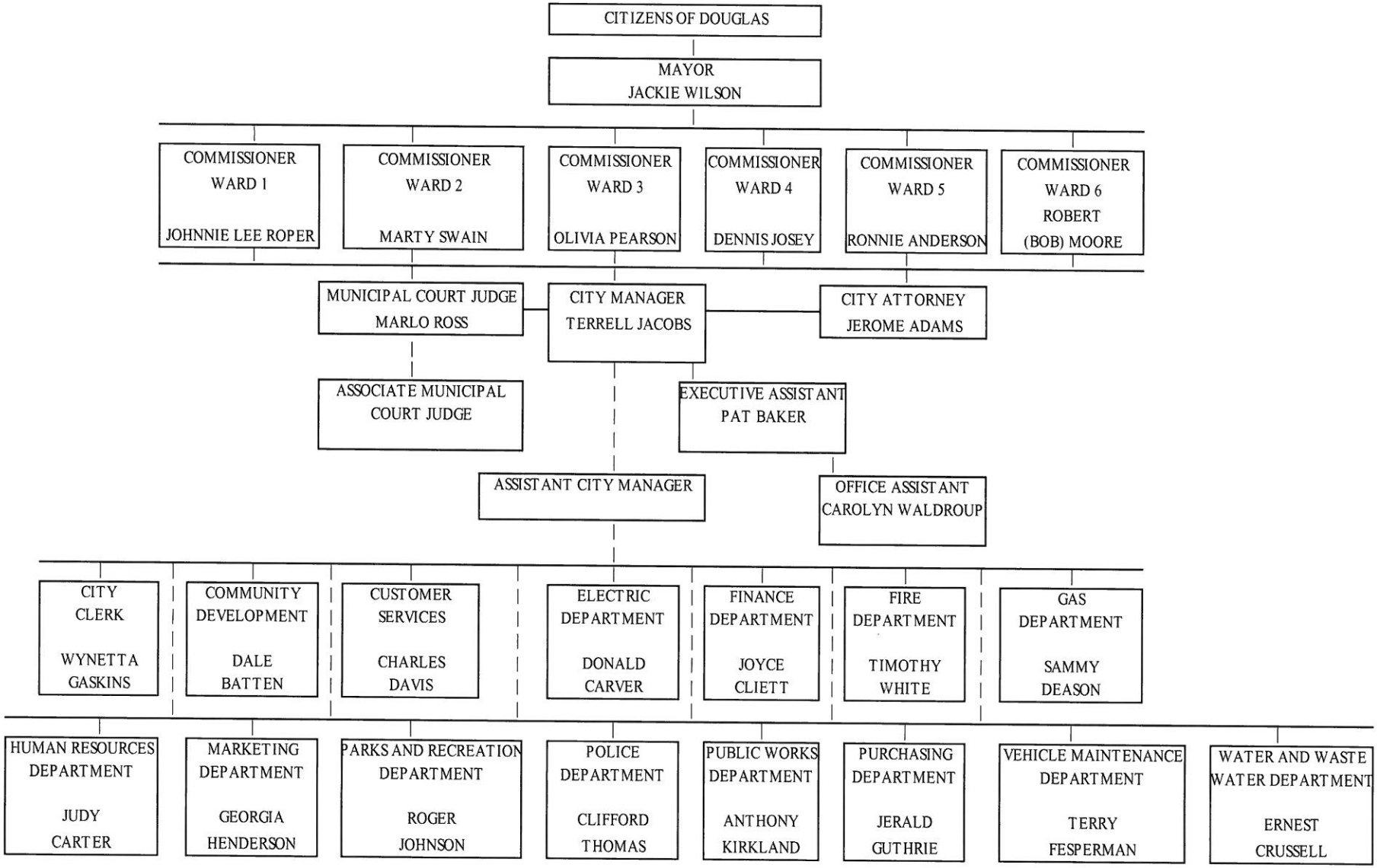
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INTRODUCTORY SECTION

CITY OF DOUGLAS
ORGANIZATION CHART



CITY OF DOUGLAS, GEORGIA
PRINCIPAL OFFICIALS
JUNE 30, 2010

MAYOR	JACKIE WILSON
WARD ONE	JOHNNIE LEE ROPER
WARD TWO	MARTY SWAIN
WARD THREE	OLIVIA PEARSON
WARD FOUR	DENNIS JOSEY
WARD FIVE	RONNIE ANDERSON
WARD SIX	ROBERT (BOB) MOORE

FINANCIAL SECTION

H&H Hurst & Hurst, CPA's, LLC
SMALL BUSINESS SPECIALISTS

ROBERT W. HURST, C.P.A.
ROBERT W. HURST, JR., C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF CPA'S
GEORGIA SOCIETY OF CPA'S

221 E. SELLERS STREET P.O. BOX 898 DOUGLAS, GEORGIA 31534
TELEPHONE: (912) 384-3322 FAX: (912) 383-0714

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Douglas, Georgia

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Douglas, Georgia, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Douglas, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Douglas, Georgia, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States in America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2010 on our consideration of the City of Douglas, Georgia internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 21 and the Retirement Plan Schedule of Funding Progress on pages 76 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Douglas, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic

financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hurst + Hurst

Douglas, Georgia
February 25, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Douglas, Georgia, we offer readers of the City of Douglas, Georgia's financial statements this narrative overview and analysis of the financial activities of the City of Douglas for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which begin on page 23 and the Notes to the Financial Statements, which begin on page 36.

FINANCIAL HIGHLIGHTS

The relationship between revenues and expenses is the City's operating results. The City's net assets, as measured in the Statement of Net Assets, is one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net assets, as measured in the Statement of Activities, are one indicator of the status of its financial health. However, the City's goal is to provide services that improve the quality of life for our residents, not to generate profits as companies do. For this reason, you will need to consider many other non-financial factors in assessing the overall health of the City.

- The City's net assets totaled $53.8 million for its governmental and business-type activities, an increase of $3.3 million over the previous fiscal year.
- Total combined revenues for governmental and business-type activities were $45.9 million, a decrease of $2.9 million over the previous fiscal year.
- Overall expenses were $42.8 million a decrease of $4.0 million over the previous year, of which governmental activities amounted to $14.7 and business-type activities were $28.1 million.
- As of June 30, 2010, governmental activities' expenses exceeded program revenue, resulting in the use of $6.6 million in general revenues (primarily taxes).
- In the City's business-type activities, revenues were $35.6 million and expenses were $28 million, for an operating profit of approximately $7.6 million for 2010.
- The General Fund resources available for appropriation were $.69 million less than budgeted, and, expenditures were $.67 million less than budgeted.
- The combined governmental funds' balance as of June 30, 2010 was $ 3.9 million, of which the general fund comprised $3.1 million, and other governmental funds (which are presented in detail on pages 67 through 73) comprised $0.8 million.
- The General Fund reported a decrease of $0.13 million in unreserved fund balance to $3.1 million from the prior fiscal year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 23-25) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. The governmental fund financial statements start on page 26. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-wide Reporting:

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 23. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the type of accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall well being of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental activities—Most of the City's basic services are reported here, including the public safety, public works, airport, parks and recreation, community development, code enforcement, as well as general administration. Property taxes, fees, fines, licenses, permits, charges for services, and state and federal grants finance most of these activities.
- Business-type activities—The City charges a fee to customers to help it cover the cost of certain services it provides. The City's Water and Sewer, Natural Gas, Electric, and Sanitation Services are reported here.
- Component units— The City included no component units in its financial statements for fiscal year 2010.

Fund Financial Statements

Our analysis of the City's major funds begins on page 23. The fund financial statements begin on page 26 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required by State law and by bond covenants. However, the City establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—governmental and proprietary—use different accounting approaches. Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between government-wide information (reported in the Statement of Net Assets and the Statement of Activities) and governmental fund information in reconciliations on pages 27 and 29, respectively.

- Proprietary funds—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds are used to report activities that provide services for the City's other programs and activities. The City accounts for self-insurance programs for workers compensation and employee health care, in Internal Service Funds. The proprietary fund statements begin on page 31.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-64.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS:

The City's combined net assets increased $3.2 million from a year ago—from $50.7 million to $53.9 million. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets
(000's Omitted)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
Assets:	2009	2010	2009	2010	2009	2010	2009-2010
Current assets	$ 7,284	$ 6,678	$ 3,933	$ 5,460	$ 11,217	$ 12,138	8.2%
Unrestricted non current	-	-	199	158	199	158	-20.6%
Restricted assets - non	-	-	7,260	9,214	7,260	9,214	26.9%
Capital assets- net	22,000	21,297	20,639	19,820	42,639	41,117	-3.6%
Total assets	**$ 29,284**	**$ 27,975**	**$ 32,031**	**$ 34,652**	**$ 61,315**	**$ 62,627**	**2.1%**
Liabilities:							
Long-term debt outstanding	$ 1,486	$ 1,371	$ 3,480	$ 2,373	$ 4,966	$ 3,744	-24.6%
Other liabilities	3,285	2,856	2,396	2,233	5,681	5,089	-10.4%
Total liabilities	**$ 4,771**	**$ 4,227**	**$ 5,876**	**$ 4,606**	**$ 10,647**	**$ 8,833**	**-17.0%**
Net assets:							
Invested in capital assets, net of debt	$ 20,878	$ 19,451	$ 16,286	$ 16,451	$ 37,164	$ 35,902	-3.4%
Restricted by Bond Covenants			488	479	488	479	-1.8%
Unrestricted (deficit)	3,635	4,393	9,381	13,116	13,016	17,509	34.5%
Total net assets	**$ 24,513**	**$ 23,844**	**$ 26,155**	**$ 30,046**	**$ 50,668**	**$ 53,890**	**6.4%**

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. The City was able to report positive balances in all three categories of net assets. The City's assets exceeded liabilities (governmental and business-type activities) by $53.9 million as of June 30, 2010. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were $17.6 million at the end of this year. This is an increase of $6.7 million over the last two fiscal years.

The largest portion of the City's net assets (approximately 66%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, sidewalks) less any debt used to acquire those assets that remain outstanding. The City uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The total net assets of our business-type activities increased by 14.9 percent ($30 million in 2010 compared to $26.2 million in 2009). The increase of $3.9 million in net assets of our business-type activities resulted from a net profit of $7.6 million, and a net transfer of $3.7 million to governmental activities. The City Code states that all profits derived from the operations of the business-type activities shall be considered general funds of the city and may be used by the city council in the operation of the City, provided the use is not in conflict with the charter and the Code. The City reports positive net asset balances in all of its enterprise activities (Natural Gas, Electric, Water and Sewer, and Sanitation). These activities are presented in more detail on pages 31 through 35.

CHANGES IN NET ASSETS:

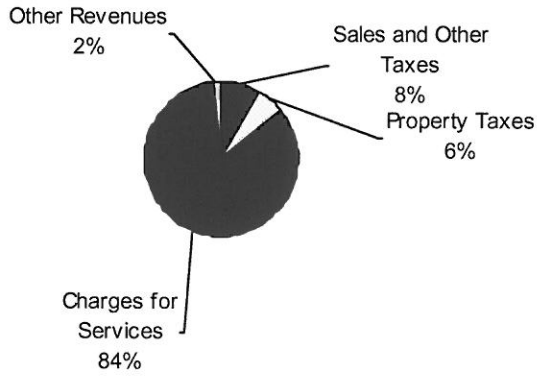
The City's total change in net assets was a total increase of $3.1 million comprised of a decrease of $.8 million in the current fiscal year as a result of its governmental activities and an increase of $3.9 million as a result of its business-type activities. Key elements of this increase are as follows:

Table 2
Changes in Net Assets
(000's Omitted)

	Governmental Activities		Business Type Activities		Total Primary Government		Total % Change
	2009	2010	2009	2010	2009	2010	2009-2010
Revenues							
Program revenues:							
Charges for services	$ 2,927	$ 3,165	$ 38,487	$ 35,589	$ 41,414	$ 38,754	-6.4%
Operating grants	246	455	-	-	246	455	85.0%
Capital grants	-	-	-	-	-	-	-
General revenues:							
Property taxes	2,622	2,663	-	-	2,622	2,663	1.6%
Other taxes	4,005	3,759	-	-	4,005	3,759	-6.1%
Investment earnings	29	29	237	122	266	151	-43.2%
Other Revenues	212	153	-	-	212	153	-27.8%
Total general / program revenues	**$ 10,041**	**$ 10,224**	**$ 38,724**	**$ 35,711**	**$ 48,765**	**$ 45,935**	**-5.8%**
Program Expense							
General government	$ 4,918	$ 5,568	$ -	$ -	$ 4,918	$ 5,568	13.2%
Public safety	4,965	5,344	-	-	4,965	5,344	7.6%
Public works	-	-	32,702	27,996	32,702	27,996	-14.4%
Culture and recreation	2,752	2,746	-	-	2,752	2,746	-0.2%
Housing and development	1,281	957	-	-	1,281	957	-25.3%
Interest and fiscal charges	23	48	192	150	215	198	-7.9%
Total program expenses	**$ 13,939**	**$ 14,663**	**$ 32,894**	**$ 28,146**	**$ 46,833**	**$ 42,809**	**-8.6%**
Changes in net assets before special and extraordinary items and transfers	$ (3,898)	$ (4,439)	$ 5,830	$ 7,565	$ 1,932	$ 3,126	61.8%
Transfers	3,617	3,674	(3,617)	(3,674)	-	-	-
Changes in net assets	**$ (281)**	**$ (765)**	**$ 2,213**	**$ 3,891**	**$ 1,932**	**$ 3,126**	**61.8%**

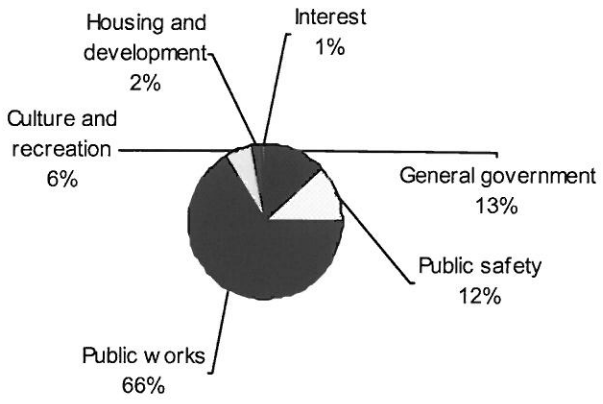
As can be seen from the following chart, approximately 6% of the City's combined total revenue is provided by property taxes, 84% by fees, fines, charges for services, an additional 8% by sales and other taxes, and the remaining 2% by a combination of grants, contributions, investment income and other revenues. The City charges fees for services as varied as providing copies of documents, issuing building permits, water and sewer, electric, natural gas, and sanitation.

Revenue Sources – FY2010



The City's major expenses, at 66% of the combined total, are clearly in the area of providing services and public works activities. These services include providing services relating to natural gas, electricity, water and sewer, and sanitation.

Expenses – FY2010



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Douglas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The objective of the City's governmental funds is to provide information on near-term activity and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The City ended the 2010 fiscal year with a balance of $3.9 million in its governmental funds. Of this, the unreserved portion was $3.8 million. The remaining $0.1 million is reserved for inventories, encumbrances, contingencies, and notes receivable.

Major Funds – Governmental:

General Fund

The General Fund is the operating fund of the City. At the end of the current year, the fund balance was $3.1 million, of which $2.8 million was unreserved, which is available for spending in the coming year. As a measure of liquidity, it may be useful to compare the unreserved fund balance to total expenditures for the General Fund and transfers out to other funds. The unreserved General Fund balance represents 24% of that total. The General Fund pays for most of the city's governmental services. The most significant of these is general government expenses and police and fire services which incurred expenses of $5.6 million and $5.3 million, respectively, in 2010. The increase in the expenditures in these areas is due to the general increase in all costs, but mostly to the increase in costs of benefits in the areas of health insurance and workers compensation. The City's recommended contribution for retirement for Fiscal Year 2010 was reduced due to assumptions and methods used in the actuarial calculation. The City has also filled several positions in the police department that have been vacant for some time and spent money on training to bring staff up to standards expected by the citizens of Douglas.

The fund balance in the general fund decreased $0.13 million during FY 2010 to $3.1 million. The City has worked on continued cost containment measures in the current economic slowdown. The $3.1 million fund balance should help the City weather the current economic climate and any unanticipated events. Additional information about the General Fund can be found on pages 26-30.

Other Governmental Funds:

Combined assets were $1.15 million; liabilities $0.36 million; and unreserved fund balance was $0.80 million for the year ended June 30, 2010. These totals are a combination of the special revenue funds and capital project funds discussed below.

Special Revenue Funds

The City uses special revenue funds to account for the collection and disbursement of revenues that are legally restricted to expenditures for specific purposes. Included in this classification are:

- Airport Rental Receipts
- Recreation Activity Fund
- Forfeiture Fund
- Program Income HUD Fund
- DCA Program Income Fund
- Central Multi-Purpose Complex Fund
- CDBG Main Street Program Fund
- SPLOST 2000
- Motel Tax Fund
- One GA. Authority Fund
- Justice Assistance Grant Fund
- SPLOST 2005
- Historian Preservation Grant Fund
- GHFA Emergency Fund
- Park Improvement Project Fund
- Youth Summer/After School Program Fund

Combined total assets of the above funds were $1 million as of June 30, 2010; liabilities $0.30 million and unreserved fund balances were $0.70 million. Details on these funds are on pages 67 through 73.

Capital Projects Funds

These funds are used to account for the acquisition and construction of major capital facilities, other than those financed by proprietary funds. Capital Projects Funds had on hand $0.14 million in assets, $.05 million in liabilities and an unreserved fund balance of $.14 million. Additional details of these funds are on pages 68 and 69.

Proprietary Funds

The City reports three business-type activities as major funds and one business-type activity as a nonmajor fund. The Natural Gas, Electric, and Water & Sewer activities are reported as major funds. The Sanitation fund is reported as a nonmajor fund. Charges for services decreased from $38.5 million in 2009 to $35.6 million in 2010. This decrease is mostly due to the closure of two major industries. In March, 2010 water/sewer rates were increased to cover expenses of the aging infrastructure and decreasing revenue due to the closures. In July, 2010, sanitation rates were increased to cover the CPI and Fuel Surcharge from Transwaste Services and to establish a Stormwater Utility and Maintenance Program. Costs of services decreased from $32.7 million in 2009 to $28 million in 2010. This decrease was mainly due to increases in the rate structure of electric costs that were passed on to the customer. The combined net operating income of proprietary funds totaled $7.6 million for the year ended June 30, 2010. More detailed information about the City's proprietary funds can be found on pages 31 through 35.

The fund statements for the proprietary funds look much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

There is one exception, however. The City's self insurance funds for workers' compensation and employee benefits are reported as internal service funds in the proprietary fund statements. The government-wide statements include the internal service as a governmental activity with revenues, expenses, and balance sheet accounts added to the business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level. The most significant budget is that of the General Fund. The City Council amends this budget throughout the fiscal year, as needed. Budgets are amended to reflect unanticipated changes in revenue collections and operating conditions.

Actual revenues were $0.70 million less than budgeted, actual expenditures were $0.57 million less than budgeted resulting in a $0.13 million dollar deficit. The revenue budget was adversely impacted by declines in sales tax collections which are based on sales as the economy continued to slow down. As these decreases occurred, operating expenditures were closely monitored to offset the revenue decreases. All operating areas were within budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to $41.1 million, net of accumulated depreciation of $40.7 million. This investment in capital assets includes land, site improvements, construction-in-progress, buildings and building improvements, equipment, and, beginning with fiscal year 2004, infrastructure.

Infrastructure assets (roads, bridges, curbs, gutters, storm drains, and so forth.) are items that have been heretofore not considered assets at all by this City, having been viewed as immovable, without a market in which they could be sold, without readily determinable current values, and of indeterminable salvage value, at best.

Total capital assets, net of additions, retirements and depreciation, decreased $.70 million for governmental activities and decreased $0.82 million for business-type activities. During FY 2010 there were additions to governmental activities of $857,075 due to ongoing improvements to public buildings, parks and the airport and the purchase of two police vehicles and a pumper fire truck. There were additions to business-type activities of $795,919 due to improvements to the Water/Sewer system infrastructure, the Sewer Plant, Water Well, and purchases of two pieces of equipment.

Depreciation expense for the period was $2.74 million of which $1.21 million was allocated to the governmental activities functions and $1.53 million to the business-type activities functions. Additional information on Capital Assets can be found in Note 4 of the Notes to the Financial Statements, beginning on page 46.

Long-term Debt

As of June 30, 2010, the City of Douglas had $5.1 million in outstanding long-term debt principal, of which $1.4 million is due within one year.

Outstanding debt decreased by $1.1 million as compared to last year. New capital leases in the amount of $.2 million were used to purchase a digital communication system. The decrease in debt was largely due to scheduled principal reductions during the year.

The principle outstanding on the City's long-term debt is summarized in the following table:

City of Douglas, Georgia
Outstanding Debt (000's Omitted)

	Governmental Activities	Business-type Activities	Total
Notes payable	$ 77	$ 3,319	$ 3,396
Capital leases	965	50	1,015
Compensated Absences	593	111	704
	$ 1,635	$ 3,480	$ 5,115

The City Council sets rigorous standards for sound financial management of the City, continually reviewing the needs of the community with the costs of providing for those needs and the various sources of funding available.

The City Council annually adopts a balanced budget, sets the millage rate to provide general revenues to cover the costs of all City programs that are not covered by specific program revenues, maintains an adequate unreserved general fund balance, and adopts such financial policies as enhance their ability to maintain a safe and sound financial structure for the City.

The City continues to operate in a manner that cash balances are adequate to finance day-to-day operations without short term borrowings such as tax anticipation notes. Long term financing is used for equipment and other major projects. Additional information about the City's long-term debt can be found in Note 8 and 9 of the Notes to the Financial Statements, beginning on page 49.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget, including, but not limited to, tax rates and fees that will be charged for services. In prior years, increased operating costs have been funded from increases in the tax digest and increased sales taxes. The economic downturn has adversely impacted these increases. In Fiscal Year 2010, the City of Douglas was impacted by the closure of two major industries. Although demand for an increase in services continues to rise, as do the expenses to fund services, the economy has not kept pace to provide any additional funds. Health care costs and other employee benefits continue to rise further increasing costs to provide services. The City is mindful of this and continues to search for ways to deliver cost effective services to the citizens of Douglas. There is also the ever increasing cost of operating the Water and Sewer system, maintenance of its infrastructure, and satisfying State and Federal unfunded mandates. A SPLOST referendum is being considered for March 2011, with Water/Sewer improvements as priority, as these improvements are needed to help support the City's industry and jobs.

Despite these concerns the City continues to operate in an efficient manner. Therefore, an increase in millage rate was not proposed for the 2011 budget.

The City Council actively participates in regional planning with State and Federal agencies, Coffee County, neighboring counties, and municipalities to maximize services to our citizens and to provide these services as economically reasonable as possible.

It is the desire of the City Council to provide the highest level of service at the most economical cost to our citizens.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Douglas, P.O. Box 470, Douglas, GA, 31534 or call 912-389-3401.

BASIC FINANCIAL STATEMENTS

CITY OF DOUGLAS, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	PRIMARY GOVERNMENT		
	Government Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Investments	$ 2,285,567	$ -	2,285,567
Cash	2,245,988	116,974	2,362,962
Investments	343,420	1,348,888	1,692,308
Accounts Receivable, Net of Allowance of $18,769 and $16,667, respectively	19,694	2,264,576	2,284,270
Unbilled Accounts Receivable	-	1,886,710	1,886,710
Taxes Receivable (Net of Allowance of $9,276)	205,401	-	205,401
Internal Balances	1,320,444	(1,320,444)	-
Notes Receivable-Current		41,938	41,938
Due from Other Governments	141,464	-	141,464
Inventory and Prepayments	115,968	1,121,737	1,237,705
Total Current Assets	$ 6,677,946	$ 5,460,379	$ 12,138,325
Noncurrent Assets:			
Restricted Assets:			
Cash	$ -	$ 478,630	$ 478,630
Investments	-	575,344	575,344
MEAG Trust	-	8,160,307	8,160,307
Other Assets	-	94,618	94,618
Notes Receivable-Noncurrent		62,905	62,905
Capital Assets, Net of Accumulated Depreciation			
Land	4,349,866	191,243	4,541,109
Buildings and Improvements	10,140,936	49,582	10,190,518
Infrastructure	4,777,019	-	4,777,019
Machinery and Equipment	775,647	335,434	1,111,081
Transportation Equipment	888,431	468,853	1,357,284
Distribution System	-	18,772,200	18,772,200
Computer Equipment	47,251	2,916	50,167
Office Equipment	68,183	-	68,183
Furniture and Fixtures	-	-	-
Appliances	1,381	-	1,381
Construction in Process	248,207	-	248,207
Total Noncurrent Assets	$ 21,296,921	$ 29,192,032	$ 50,488,953
TOTAL ASSETS	$ 27,974,867	$ 34,652,411	$ 62,627,278
LIABILITIES			
Current Liabilities:			
Accounts and Contracts Payable	$ 2,159,318	$ -	$ 2,159,318
Other Payables	372,693	302,659	675,352
Customer Deposits Payable	-	823,910	823,910
Deferred Revenue	59,731	-	59,731
Current Portion of Long Term Debt	264,347	1,106,292	1,370,639
Total Current Liabilities	$ 2,856,089	$ 2,232,861	$ 5,088,950

The notes to the financial statements are an integral part of this report.

CITY OF DOUGLAS, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	PRIMARY GOVERNMENT		
	Government Activities	Business-type Activities	Total
Noncurrent Liabilities:			
Estimated Liability for Compensated Absences	$ 593,065	$ 111,052	$ 704,117
Long Term Debt (net of current portion)	72,500	2,262,444	2,334,944
Capital Leases (net of current portion)	705,211	-	705,211
Total Noncurrent Liabilities	$ 1,370,776	$ 2,373,496	$ 3,744,272
TOTAL LIABILITIES	$ 4,226,865	$ 4,606,357	$ 8,833,222
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	$ 19,451,293	$ 16,451,492	$ 35,902,785
Restricted By Bond Covenants	-	478,630	478,630
Unrestricted	4,296,709	13,115,932	17,412,641
TOTAL NET ASSETS	$ 23,748,002	$ 30,046,054	$ 53,794,056
TOTAL LIABILITIES AND NET ASSETS	$ 27,974,867	$ 34,652,411	$ 62,627,278

The notes to the financial statements are an integral part of this report.

CITY OF DOUGLAS, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES: Fees, Fines, and Charges for Services	PROGRAM REVENUES: Operating Grants and Contributions	PROGRAM REVENUES: Capital Grants and Contributions	NET (EXPENSE) REVENUE CHANGES IN NET ASSETS: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary Government							
Governmental Activities							
General Government	$ 5,567,974	$ 2,009,465	$ -	$ -	$ (3,558,509)	$ -	$ (3,558,509)
Public Safety	5,344,200	-	-	-	(5,344,200)	-	(5,344,200)
Culture and Recreation	2,746,448	917,801	-	-	(1,828,647)	-	(1,828,647)
Housing and Development	956,541	237,537	454,962	-	(264,042)	-	(264,042)
Interest and Fiscal Charges	48,151	-	-	-	(48,151)	-	(48,151)
Total Governmental Activities	$ 14,663,314	$ 3,164,803	$ 454,962	$ -	$ (11,043,549)	$ -	$ (11,043,549)
Business-Type Activities							
Natural Gas	$ 3,717,559	$ 4,235,468	$ -	$ -	$ -	$ 517,909	$ 517,909
Electric	17,470,126	24,102,744	-	-	-	6,632,618	6,632,618
Water	1,966,107	2,271,385	-	-	-	305,278	305,278
Sewer	2,949,161	2,826,554	-	-	-	(122,607)	(122,607)
Sanitation System	2,042,638	2,153,143	-	-	-	110,505	110,505
Total Business-Type Activities	$ 28,145,591	$ 35,589,294	$ -	$ -	$ -	$ 7,443,703	$ 7,443,703
Total Primary Government	$ 42,808,905	$ 38,754,097	$ 454,962	$ -	$ (11,043,549)	$ 7,443,703	$ (3,599,846)
General Revenues:							
Property Taxes, Levied For General Purpose					$ 2,663,198	$ -	$ 2,663,198
Franchise Taxes					284,480	-	284,480
Local Option Sales Taxes					1,869,547	-	1,869,547
Other Taxes					1,605,390	-	1,605,390
Interest Earnings					29,577	121,507	151,084
Loss on Sale of Capital Assets					(786)	-	(786)
Other Revenue and Reimbursements					153,374	-	153,374
Total General Revenues					$ 6,604,780	$ 121,507	$ 6,726,287
Transfers					$ 3,673,851	$ (3,673,851)	$ -
Total General Revenues and Transfers					$ 10,278,631	$ (3,552,344)	$ 6,726,287
Change in Net Assets					$ (764,918)	$ 3,891,359	$ 3,126,441
Net Assets - Beginning					24,512,920	26,154,695	50,667,615
Net Assets - Ending					$ 23,748,002	$ 30,046,054	$ 53,794,056

The notes to the financial statements are an integral part of this report.

CITY OF DOUGLAS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	Major Governmental Funds General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	$ 2,285,567	$ -	$ 2,285,567
Cash	1,328,895	917,093	2,245,988
Investments	341,191	2,229	343,420
Accounts and Notes Receivable	8,991	10,703	19,694
Taxes Receivable (Net of allowance of $9276)	205,401	-	205,401
Due from Other Governments	141,464	-	141,464
Interfund Receivables	1,625,671	220,882	1,846,553
Inventory	115,968	-	115,968
Total Assets	$ 6,053,148	$ 1,150,907	$ 7,204,055
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 2,159,118	$ 200	$ 2,159,318
Other Payables	372,693	-	372,693
Deferred Revenue	247,927	-	247,927
Interfund Payables	170,694	355,415	526,109
Total Liabilities	$ 2,950,432	$ 355,615	$ 3,306,047
Fund Balances:			
Reserved Fund Balance:			
Inventory and Prepayments	$ 115,968	$ -	$ 115,968
Unreserved:			
Designated	141,906	-	141,906
Undesignated:			
Special Revenue Funds	-	705,786	705,786
Capital Project Funds	-	89,506	89,506
General Fund	2,844,842	-	2,844,842
Total Fund Balances	$ 3,102,716	$ 795,292	$ 3,898,008
Total Liabilities and Fund Balances	$ 6,053,148	$ 1,150,907	$ 7,204,055

The notes to the financial statements are an integral part of this report.

CITY OF DOUGLAS, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances for governmental funds.	$	3,898,008
The change in net assets reported for governmental activities in the statement of activities is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,296,921
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		188,196
Certain liabilities, such as compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(593,065)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.		(1,042,058)
Total net assets of governmental activities	$	23,748,002

CITY OF DOUGLAS, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 5,524,407	$ 161,500	$ 5,685,907
License & Permits	321,204	-	321,204
Charges for Services	235,191	372,577	607,768
Fines & Forfeitures	277,575	-	277,575
Intergovernmental	19,526	435,436	454,962
Revenue from Use of Money or Property	28,961	616	29,577
Other Revenues/Reimbursements	2,583,485	213,969	2,797,454
Total Revenues	$ 8,990,349	$ 1,184,098	$ 10,174,447
Expenditures:			
Current:			
General Government	$ 5,151,610	$ -	$ 5,151,610
Public Safety	5,011,176	46,756	5,057,932
Culture and Recreation	1,897,000	530,061	2,427,061
Housing and Development	510,704	261,279	771,983
Capital Outlay	196,304	320,384	516,688
Debt Service:			
Principal	192,713	83,462	276,175
Interest	38,067	10,084	48,151
Total Expenditures	$ 12,997,574	$ 1,252,026	$ 14,249,600
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (4,007,225)	$ (67,928)	$ (4,075,153)
OTHER FINANCING SOURCES (USES)			
Sale of Property	$ 11,845	$ -	$ 11,845
Transfers from (to) Other Funds	3,673,851	-	3,673,851
Capital Lease Proceeds	196,304	-	196,304
Total Other Financing Sources (Uses)	$ 3,882,000	$ -	$ 3,882,000
Net Change in Fund Balances	$ (125,225)	$ (67,928)	$ (193,153)
Fund Balances - Beginning	3,227,941	863,220	4,091,161
Fund Balances - Ending	$ 3,102,716	$ 795,292	$ 3,898,008

The notes to the financial statements are an integral part of this report.

CITY OF DOUGLAS, GEORGIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net changes in fund balances - total governmental funds reported in the *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds*		$ (193,153)
Amounts reported for governmental activities in the *Statement of Activities* are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(702,520)
Revenues in the *Statement of Activities* that do not provide current financial resources such as deferred revenue, are not reported as revenues in governmental funds.		50,884
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued:		
Capital lease	$ (196,304)	
Repayments:	276,175	
Net Adjustment		79,871
Some expenses reported in the *Statement of Activities, such as* compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		-
Change in net assets of governmental activities reported in the *Statement of Activities.*		$ (764,918)

The notes to the financial statements are an integral part of this report.

CITY OF DOUGLAS, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BALANCES - BUDGET AND ACTUAL - (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Beginning budgetary fund balance:				
Resources (inflows):				
Taxes	$ 5,633,500	$ 5,732,050	$ 5,524,407	$ (207,643)
Licenses & Permits	320,250	320,250	321,204	954
Charges for Services	260,600	225,600	235,191	9,591
Fines & Forfeitures	234,000	274,000	277,575	3,575
Revenue from Use of Money or Property	35,300	35,300	28,961	(6,339)
Intergovernmental	-	17,173	19,526	2,353
Other Revenues/Reimbursements	3,291,152	3,094,848	2,595,330	(499,518)
Transfers from Other Funds	3,673,851	3,673,851	3,673,851	-
Proceeds from Capital Leases	-	196,304	196,304	-
Amounts available for appropriation	$ 13,448,653	$ 13,569,376	$ 12,872,349	$ (697,027)
Charges to appropriations (outflows):				
General Government	$ 5,647,751	$ 5,517,969	$ 5,151,610	$ 366,359
Public Safety	5,331,647	5,396,664	5,241,956	154,708
Culture and Recreation	1,839,832	1,874,636	1,897,000	(22,364)
Housing and Development	629,423	583,803	510,704	73,099
Capital Outlay	-	196,304	196,304	-
Total charges to appropriations	$ 13,448,653	$ 13,569,376	$ 12,997,574	$ 571,802
Ending budgetary fund balance	$ -	$ -	$ (125,225)	$ (125,225)

The notes to the financial statements are an integral part of this statement.

CITY OF DOUGLAS, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-type Activities-Proprietary Funds					Governmental Activities
	Natural Gas	Electric	Water and Sewer	Nonmajor Proprietary Funds	Totals	Internal Service
ASSETS						
Current Assets:						
Cash	$ 50	$ 35	$ 150	$ -	$ 235	$ 116,739
Investments	388,036	508,460	-	452,392	1,348,888	-
Accounts Receivable	150,795	1,694,082	332,135	113,161	2,290,173	-
Less: Allowance for Doubtful Accounts	(1,593)	(15,776)	(6,681)	(1,547)	(25,597)	-
Unbilled Accounts Receivable	203,572	1,284,988	283,781	114,369	1,886,710	-
Interfund Receivables (Payables)	(856,117)	(172,118)	(608,736)	145,836	(1,491,135)	170,691
Notes Receivable-Current	-	41,938	-	-	41,938	
Inventory	317,610	666,122	138,005	-	1,121,737	-
Total Current Assets	$ 202,353	$ 4,007,731	$ 138,654	$ 824,211	$ 5,172,949	$ 287,430
Noncurrent Assets:						
Restricted Assets:						
Cash	$ -	$ -	$ 478,630	$ -	$ 478,630	$ -
Investments	91,923	436,603	46,818	-	575,344	-
MEAG Trust	-	8,160,307	-	-	8,160,307	-
Other Assets	-	-	94,618	-	94,618	-
Notes Receivable-Noncurrent	-	62,905	-		62,905	
Capital Assets, Net of Accumulated Depreciation:						
Land	56,595	28,655	105,993	-	191,243	-
Buildings and Improvements	43,948	1,013	4,621	-	49,582	-
Transportation Equipment	489	269,457	129,981	68,926	468,853	-
Machinery and Equipment	103,941	58,804	170,206	2,483	335,434	-
Computer Equipment	-	-	2,916	-	2,916	-
Distribution System	2,172,701	4,139,047	12,460,452	-	18,772,200	-
Total Noncurrent Assets	$ 2,469,597	$ 13,156,791	$ 13,494,235	$ 71,409	$ 29,192,032	$ -
TOTAL ASSETS	$ 2,671,950	$ 17,164,522	$ 13,632,889	$ 895,620	$ 34,364,981	$ 287,430

The notes to the financial statements are an integral part of this report.

CITY OF DOUGLAS, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-type Activities-Proprietary Funds					Governmental Activities
	Natural Gas	Electric	Water and Sewer	Nonmajor Proprietary Funds	Totals	Internal Service
LIABILITIES						
Current Liabilities:						
Accounts and Contracts Payable	$ -	$ -	$ -	$ -	$ -	$ -
Other Payables	-	-	15,229	-	15,229	287,430
Current Portion of Long Term Debt	-	-	1,139,126	-	1,139,126	-
Total Current Liabilities	$ -	$ -	$ 1,154,355	$ -	$ 1,154,355	$ 287,430
Current Liabilities Payable From Restricted Assets:						
Customer Deposits Payable	$ 91,923	$ 461,202	$ 270,785	$ -	$ 823,910	$ -
Noncurrent Liabilities:						
Long Term Debt	$ -	$ -	$ 2,212,699	$ -	$ 2,212,699	$ -
Estimated Liability for Compensated Absences	-	74,573	18,498	17,981	111,052	
Capital Leases	-	-	16,911	-	16,911	-
Total Noncurrent Liabilities	$ -	$ 74,573	$ 2,248,108	$ 17,981	$ 2,340,662	$ -
TOTAL LIABILITIES	$ 91,923	$ 535,775	$ 3,673,248	$ 17,981	$ 4,318,927	$ 287,430
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	$ 2,377,674	$ 4,496,976	$ 9,505,433	$ 71,409	$ 16,451,492	$ -
Restricted by Bond Covenants	-	-	478,630	-	478,630	-
Unrestricted	202,353	12,131,771	(24,422)	806,230	13,115,932	-
TOTAL NET ASSETS	$ 2,580,027	$ 16,628,747	$ 9,959,641	$ 877,639	$ 30,046,054	$ -
TOTAL LIABILITIES AND NET ASSETS	$ 2,671,950	$ 17,164,522	$ 13,632,889	$ 895,620	$ 34,364,981	$ 287,430

The notes to the financial statements are an integral part of this report.

CITY OF DOUGLAS, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities-Proprietary Funds					Governmental Activities
	Natural Gas	Electric	Water and Sewer	Nonmajor Proprietary Funds	Totals	Internal Service
OPERATING REVENUES						
Charges For Sales & Service	$ 3,781,906	$ 23,517,184	$ 4,709,936	$ 2,128,008	34,137,034	$ -
Cut-in Charges	2,365	61,873	5,630		69,868	-
Penalties	9,708	183,742	53,720	24,686	271,856	-
Other	441,489	339,945	328,653	449	1,110,536	2,907,736
Total Operating Revenues	$ 4,235,468	$ 24,102,744	$ 5,097,939	$ 2,153,143	$ 35,589,294	$ 2,907,736
OPERATING EXPENSES						
Cost of Sales and Services	$ 2,752,854	$ 15,117,631	$ -	$ 1,342,805	$ 19,213,290	$ -
Administration & Operating	800,223	2,033,142	3,745,443	670,540	7,249,348	2,907,785
Depreciation	161,168	319,353	1,023,398	29,293	1,533,212	-
Total Operating Expenses	$ 3,714,245	$ 17,470,126	$ 4,768,841	$ 2,042,638	$ 27,995,850	$ 2,907,785
Operating Income (Loss)	$ 521,223	$ 6,632,618	$ 329,098	$ 110,505	$ 7,593,444	$ (49)
NONOPERATING REVENUES (EXPENSES)						
Interest Revenue	6,894	104,373	3,793	6,447	121,507	49
Interest Expense	(3,314)	-	(146,427)	-	(149,741)	-
Total Nonoperating Revenues (Expenses)	$ 3,580	$ 104,373	$ (142,634)	$ 6,447	$ (28,234)	$ 49
Net Income (Loss) before Contribution and Transfers	$ 524,803	$ 6,736,991	$ 186,464	$ 116,952	$ 7,565,210	$ -
TRANSFERS:						
Transfer from (to) Other Funds	(347,000)	(3,326,851)	-		(3,673,851)	
Change of Net Assets	$ 177,803	$ 3,410,140	$ 186,464	$ 116,952	$ 3,891,359	$ -
Total Net Assets - Beginning of Year	2,402,224	13,218,607	9,773,177	760,687	26,154,695	
Total Net Assets - End of Year	$ 2,580,027	$ 16,628,747	$ 9,959,641	$ 877,639	$ 30,046,054	$ -

The notes to the financial statements are an integral part of this report.

CITY OF DOUGLAS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities-Proprietary Funds					Governmental Activities
	Natural Gas	Electric	Water and Sewer	Nonmajor Proprietary Funds	Totals Current Year	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers	$ 4,253,996	$ 23,836,161	$ 4,987,374	$ 2,150,560	$ 35,228,091	$ -
Cash Paid to Suppliers	(3,091,210)	(16,146,841)	(1,776,817)	(1,707,858)	(22,722,726)	-
Cash Paid to Employees	(470,563)	(1,014,820)	(1,930,639)	(319,405)	(3,735,427)	-
Cash Received from Interfund Services Provided	-	-	-	-	-	2,907,736
Cash Paid for Internal Services Provided	-	-	-	-	-	(2,947,807)
Net Cash Provided (Used) by Operating Activities	$ 692,223	$ 6,674,500	$ 1,279,918	$ 123,297	8,769,938	$ (40,071)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In (Out)	$ (347,000)	$ (3,326,851)	$ -	$ -	$ (3,673,851)	$ -
(Decrease) Increase in Interfund Payables	(186,182)	(1,366,542)	184,375	(103,297)	$ (1,471,646)	-
Net Cash Provided (Used) by Noncapital Financing Activities	$ (533,182)	$ (4,693,393)	$ 184,375	$ (103,297)	(5,145,497)	$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds of Notes Payable	$ -	$ -	$ -	$ -	$ -	$ -
Purchase of Capital Assets	-	(159,583)	(510,030)	(45,000)	(714,613)	-
Principal Payments on Note Payable	(160,402)	-	(822,716)	-	(983,118)	-
Interest Paid	(3,314)	-	(146,427)	-	(149,741)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	$ (163,716)	$ (159,583)	$ (1,479,173)	$ (45,000)	$ (1,847,472)	$ -
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale (Purchase) of Investments	$ (2,219)	$ (1,967,836)	$ 2,084	$ 18,553	$ (1,949,418)	$ -
Collection on Notes Receivable	-	41,939	-	-	41,939	-
Receipts of Interest and Dividends	6,894	104,373	3,793	6,447	121,507	49
Net Cash Provided (Used) by Investing Activities	$ 4,675	$ (1,821,524)	$ 5,877	$ 25,000	$ (1,785,972)	$ 49
Net Increase (Decrease) in Cash and	$ -	$ -	$ (9,003)	$ -	$ (9,003)	$ (40,022)
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	50	35	487,783	-	487,868	156,761
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 50	$ 35	$ 478,780	$ -	$ 478,865	$ 116,739

The notes to the financial statements are an integral part of this report.

CITY OF DOUGLAS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES (Continued)
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities-Proprietary Funds					Governmental Activities
CASH AND CASH EQUIVALENT - END OF YEAR	Natural Gas	Electric	Water and Sewer	Nonmajor Proprietary Funds	Totals	Internal Service
Unrestricted	$ 50	$ 35	$ 150	$ -	$ 235	$ 116,739
Restricted	-	-	487,633	-	487,633	-
Total	$ 50	$ 35	$ 487,783	$ -	$ 487,868	$ 116,739
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Net Operating Income (Loss)	$ 521,223	$ 6,632,618	$ 329,098	$ 110,505	$ 7,593,444	$ (49)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	161,168	319,353	1,023,398	29,293	1,533,212	-
Amortization Expense	-			-	-	-
(Increase) Decrease in Accounts Receivable	18,528	(266,581)	(110,565)	(2,583)	(361,201)	-
(Increase) Decrease in Unbilled Accounts Receivable	(22,609)	(28,350)	6,265	(13,918)	(58,612)	-
(Increase) Decrease in Interfund Receivables	-	-	-	-	-	279,519
(Increase) Decrease in Inventory	8,008	(14,599)	37,054	-	30,463	-
Increase (Decrease) in Estimated Liability for Compensated Absences	-	-	-	-	-	-
Increase (Decrease) in Customer Deposits	5,905	32,059	(1,156)	-	36,808	-
Increase (Decrease) in Other Payable	-	-	(4,176)	-	(4,176)	(319,541)
Net Cash Provided (Used) by Operating Activities	$ 692,223	$ 6,674,500	$ 1,279,918	$ 123,297	$ 8,769,938	$ (40,071)

The notes to the financial statements are an integral part of this report.

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The accounting methods and procedures adopted by the City of Douglas, Georgia, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Annual Financial Report.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Incorporated in 1895, under the laws of the State of Georgia, the City of Douglas is governed by a six member Mayor/Council form of government. The mayor is elected to a four-year term, and council members are elected to staggered four-year terms. The Mayor serves as the Chief Executive Officer and the other six council members serve on a part-time basis. The Mayor is assisted by a city manager to handle the daily operations of the City.

The financial statements of the City of Douglas, Georgia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City's major operations include social services, public safety, fire protection, culture-recreation, regulation and control of the water, sewer, electricity, and sanitation system, highways and streets, public works maintenance and general administrative services.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain of the significant changes in the Statement including the following:

- The financial statements include:

  A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations. A comparative analysis of financial information is presented in the MD&A.

- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

The financial statements of the reporting entity include those of the City of Douglas (the primary government) and its component units. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the City.

In conformity with generally accepted accounting principles, as set forth in GASB Statement No. 14, *The Financial Reporting Entity*, the financial statements of the reporting entity include those of the City of Douglas, Georgia (the primary government) and its component units. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Government Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Blended Component Units - Based on the GASB criteria, the City has no entities that quality as blended component units.

Discretely presented component units: Based on the aforementioned criteria, the only component unit of the city is the Downtown Development Authority. See Note Below.

Downtown Development Authority

The purpose of the Downtown Development Authority (DDA) is developing and revitalizing of downtown and facilitate loans between banks and property owners. The revitalization of DDA is governed by seven directors which are appointed by the City Commission. The Mayor, City Manager, Director of Community Development and the Executive Secretary of The Douglas-Coffee County of Commerce act as advisory members. City employees act as record keepers of the DDA.

The Downtown Development Authority did not issue separate Component Unit Financial Statements. The financial information for the Downtown Development Authority is not presented in this report because the amounts are immaterial to the financial statements of City of Douglas, Georgia.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues and expenses, such as charges for services and cost of services and administration, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating items not meeting these definitions are reported as nonoperating revenues or expenses, and/or result from nonexchange transactions or ancillary activities.

The City reports the following **major** governmental funds:

General Fund – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

City reports the following **major** proprietary funds:

Electric System – This fund accounts for user fees and expenses for the electric services provided to the citizens of the City.

Water and Sewer System – The water and sewer fund accounts for the operation and maintenance of the City's water and sewer services.

Gas System – The gas fund account for the operation and maintenance of the City's gas services.

The City reports the following nonmajor proprietary funds:

Sanitation System – The sanitation fund accounts for the operation and maintenance of the City's sanitation services.

Additionally the government reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Internal Service Funds – Internal Service Funds account for services performed by a central service department for other departments or agencies of the governmental unit.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental-wide and Proprietary Fund Financial Statements – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All business-type activities and proprietary funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted resources first, and then restricted resources when approved by council.

C. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data for the funds reflected in the financial statements.

1. In May, a proposed operating budget for the fiscal year commencing July 1 is submitted to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. All budget revisions or changes must be approved as required by Georgia law and administrative policy. Transfer of budgetary amounts between line items within a fund can be done with the approval of the City Administrator. Transfer of amounts between each department of each fund must be approved by the City Commission. This is the legal level of budgetary control.

5. The funds obtained from any source may be used for any appropriations named in said budget, except funds specifically restricted by City ordinance or State law.

6. The City does employ the use of encumbrance accounting.

7. Unexpended appropriations lapse at the end of the year.

8. At the end of the fiscal year, all amendments to the budget are approved through passage of an ordinance.

D. Encumbrances

The City of Douglas does use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of moneys are recorded in order to reserve that portion of the applicable appropriation.

E. Cash, Investments and Cash Equivalents

Cash consists of demand deposits held in banks. Any bank deposits in excess of FDIC insured amounts must be secured by an equivalent amount of State of Georgia or U.S. obligations or direct loans to the City. For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or governmental agency
- Prime banker's acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

State Statutes require all deposits to be collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia or bonds of public or development authorities, counties, or municipalities of the State of Georgia. The acceptable collateral pledged in the City's name is composed of bonds of U.S. Government agencies and bonds of the State of Georgia and its public authorities, counties, and municipalities.

Any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U.S. Obligations.

F. Receivables

All trade and property tax receivables are reported net of allowance for uncollectibles, where applicable. Unbilled utility charges are accrued as receivables and revenue at June 30, 2010. The delinquent taxes receivable account represents the past seven years of uncollected tax levies.

G. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

H. Consumable Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

On the fund financial statements, inventories of governmental and proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items are recorded as an expenditures in the governmental fund types when purchased (i.e., the purchasing method). Inventories of the proprietary funds are expensed when consumed.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items at both reporting levels using the consumption method by recording as asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level and equal amount of fund balance is reserved as this amount is not available for general appropriation.

J. Restricted Assets

Restricted assets represent resources segregated as required by bond ordinances, lease agreements and policies of the City.

K. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements. Capital assets utilized by proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the proprietary funds' statement of net assets. All general infrastructure assets acquired or constructed after June 30, 2003 have been reported in government-wide financial statements. In implementation of GASB Statement 34 infrastructure assets, the city has elected to limit its transition capitalization to street projects that resulted in acquisition, construction, or significant reconstruction or improvements since June 30, 1980. The city has made use of historical cost records and using normal depreciable lives to add infrastructure assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, curbs, and gutters, sidewalks, bridges, drainage, traffic signals, water and sewer lines and the electric distribution systems. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the proprietary funds is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	Estimated Lives		
Asset Class	Governmental Activities	Business-type Activities	Component Unit
Buildings, Plants, Tanks	20-50 Years	20-50 Years	---
Improvements other than buildings	15-25 Years	15-25 Years	---
Utility systems	---	20-50 Years	---
Machinery and equipment	5-25 Years	5-25 Years	5-10 Years
Vehicle	4-6 Years	4-6 Years	5-10 Years
Infrastructure	30-60 Years	30-60 Years	---

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

L. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual sick leave. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Up to 720 hours of unused sick leave may be accumulated. Sick leave pay has been accrued in the Proprietary Funds. In accordance with the provisions of GASB Statement 11, concerning Accounting for Compensated Absences, no

liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Unused vacation leave rights expire at the end of the year in which earned. All compensated absence liabilities include salary-related payments, where applicable. Vested or accumulated sick leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the government fund that is responsible for the payment.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. However, compensated absences, claims and unfunded pension benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Bonds and capital leases are recognized as a liability in the governmental fund financial statements "when due".

N. Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.
At government fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as expenditures.

O. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance- Generally, fund balance represents the difference between the current assets and current liabilities.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, plus any outstanding balances of borrowing not yet expended, but restricted for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. For the City, these revenues are charges to customers for water and sewerage services, electricity, gas, and services for solid waste management. The Water and Sewer Fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new

customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, including operating grants, investment earnings and interest expense.

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

R. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers between governmental and business-type activities on the government-wide statement of activities are reported below general revenues as the last item before the change in net assets. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

The general fund charges each of the proprietary funds for specific payroll and other administrative costs that relate to these funds. The proprietary funds report these expenses as interfund allocations and the general fund records these payments as revenue (i.e., charges for services) at the fund reporting level.

However, on the government-wide statement of activity, the proprietary funds' payments that the general fund receives are offset against the appropriate expense function. As a result, the costs are appropriately charged in the proprietary funds and there is no duplicated reporting on the government-wide financial reporting level.

S. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

T. Comparative Data

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balance or Retained Earnings

The SPLOST 2005 Fund has a deficit balance in the amount of ($126,683) at June 30, 2010. This deficit relates to timing differences and will be eliminated with future collections.

B. Excess of Expenditures over Appropriations

The only department that had expenditures over appropriations in the General Fund for the year ended June 30, 2010 was Culture and Recreation in the amount of $22,364.

NOTE 3: CASH AND INVESTMENTS

The City's deposits and investments include cash on deposit with financial institutions, cash equivalents, including money market accounts, cash invested in the State of Georgia's local government investment pool, Georgia Fund One and investments authorized by State Statutes and City ordinances. Cash investments are carried at book value (cost) which approximates fair market value.

Georgia law authorizes local governments to invest in the following types of obligations:

- Obligations of State of Georgia or any other states;
- Obligations issued by the United States;
- Obligations fully insured or guaranteed by the United States government or Government Agency;
- Obligations of any corporation of the United States Government;
- Prime bankers' acceptances;
- The State of Georgia Local Government Investment Pool;
- Repurchase agreements; and
- Obligations of other political subdivisions of the State of Georgia.

According to State of Georgia law OCGA 50-17-59; all deposits must be secured by certain statutory obligations in an amount equal to 110% of uninsured deposits. As of June 30, 2010 the City was not undercollateralized at any financial institutions.

Depository Account:		
Uninsured and Uncollateralized	$	-
Insured		394,257
Collateralized:		
Collateral held by Pledging Bank's trust department not in the City name		2,444,960
Total	$	2,839,217
Cash on Hand		2,375
Total Cash	$	2,841,592

The City has $692,993 invested in the Georgia Fund I. Georgia Fund I, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAA rated money market funds. However, Georgia Fund I operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is managed by the Georgia Office Treasury and Fiscal Services.

The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on $1.00 per share.

As of June 30, 2010, the City had the following investments:

Investment Types	Maturities	Fair Value
Georgia Fund 1 (State Investment Pool)	Daily	$ 2,725,612
U.S. Government Agencies (CMO):	(Range)	
Federal Home Loan Mortgage Corp	7/8/2009 -	
Government National Mortgage	6/15/2023	26,128
Certificates of Deposit	(Range) 08/6/2009 - 11/28/2009	1,801,479
Total Investments		$ 4,553,219

INTEREST RATE RISK

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses accruing from increasing interest rates.

Collateralized Mortgage Obligations

The City holds CMO's to maximize yields. These securities are based on cash flows from interest payments on underlying mortgages. Therefore they are sensitive to prepayment by mortgagees which may result from a decline in interest rates. These CMOs are guaranteed by the government as to principal and interest.

CONCENTRATION OF CREDIT RISK

The City's investment policy provides that the City will diversify its investment to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

By Instrument

	Maximum %
U.S. Treasury Obligations	75%
U.S. Government Agencies	75%
Certificate of Deposit (Commercial Banks)	75%
(Savings & Loans)	10%
Local Government Investment Pool (State Sponsored)	75%

By Institutions

Certificates of Deposit in Commercial Banks – no more than 25% of total investment with any one institution.

More than 5% of the City's investments are invested in individual commercial banks. These investments are 97% of the City's total investments.

The City has more than 25% of its investment in one institution.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities:				
Capital Assets, not being depreciated:				
Land	$ 4,349,866	$ -	$ -	$ 4,349,866
Assets Not in Use	353,017	-	(353,017)	-
Construction in Progress	1,426,508	460,078	(1,638,379)	248,207
Total Capital Assets, not being Depreciated	$ 6,129,391	$ 460,078	$ (1,991,396)	$ 4,598,073
Capital Assets, Being Depreciated:				
Building and Improvements	$ 14,055,760	$ 1,392,478	$ -	$ 15,448,238
Furniture and Fixtures	53,000	-	-	53,000
Transportation Equipment	3,203,903	298,150	(12,500)	3,489,553
Office Equipment	189,018	-	-	189,018
Infrastructure	7,186,842	-	-	7,186,842
Appliances	5,919	-	-	5,919
Machinery and Equipment	2,030,741	344,748	-	2,375,489
Computer Equipment	74,420	-	-	74,420
Total Capital Assets, Being Depreciated	$ 26,799,603	$ 2,035,376	$ (12,500)	$ 28,822,479
Less Accumulated Depreciation:				
Buildings and Improvements	$ 4,812,715	$ 494,587	$ -	$ 5,307,302
Furniture and Fixtures	53,000	-	-	53,000
Transportation Equipment	2,344,723	268,899	(12,500)	2,601,122
Office Equipment	101,354	19,481	-	120,835
Infrastructure, Retroactive Implementation	2,146,136	263,687	-	2,409,823
Appliances	3,354	1,184	-	4,538
Machinery and Equipment	1,454,790	145,052	-	1,599,842
Computer Equipment	13,481	13,688	-	27,169
Total Accumulated Depreciation	$ 10,929,553	$ 1,206,578	$ (12,500)	$ 12,123,631
Total Capital Assets, Being Depreciated, Net	$ 15,870,050	$ 828,798	$ -	$ 16,698,848
Governmental Activities Capital Assets, Net	$ 21,999,441	$ 1,288,876	$ (1,991,396)	$ 21,296,921

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	$ 191,243	$ -	$ -	$ 191,243
Total Capital Assets, not being Depreciated	$ 191,243	$ -	$ -	$ 191,243
Capital Assets, being Depreciated				
Buildings and Improvements	$ 245,391	$ -	$ -	$ 245,391
Transporation Equipment	2,095,968	45,000	-	2,140,968
Machinery and Equipment	2,541,468	81,306	(156,495)	2,466,279
Computer Equipment	360,280	-	-	360,280
Distribution Plant and Other Improvements	42,304,048	669,613	-	42,973,661
Total Capital Assets, being Depreciated	$ 47,547,155	$ 795,919	$ (156,495)	$ 48,186,579
Less Accumulated Depreciation:				
Buildings and Improvements	$ 191,336	$ 4,473	$ -	$ 195,809
Transporation Equipment	1,534,724	137,391	-	1,672,115
Machinery and Equipment	2,063,190	143,294	(75,639)	2,130,845
Computer Equipment	356,067	1,297	-	357,364
Distribution Plant and Other Improvements	22,952,730	1,246,756	-	24,199,486
Total Accumulated Depreciation	$ 27,098,047	$ 1,533,211	$ (75,639)	$ 28,555,619
Total Capital Assets, Being Depreciated, Net	$ 20,449,108	$ (737,292)	$ (80,856)	$ 19,630,960
Business-type Activities Capital Assets, Net	$ 20,640,351	$ (737,292)	$ (80,856)	$ 19,822,203

Depreciation Expense was charged to Governmental Activities as follows:

General and Administrative	$ 416,364
Public Safety	286,268
Culture and Recreation	319,387
Housing and Development	184,558
Total	$ 1,206,577

NOTE 5: DUE FROM OTHER GOVERNMENTS

Receivables from other governments as of June 30, 2010, are as follows:

GENERAL FUND	
State of Georgia - Local Option Sales Tax	$ 141,464

NOTE 6: INTERFUND BALANCES AND ACTIVITY

The City has interfund receivables and payables at June 30, 2010 as follows:

Balances due to/from other funds

	Interfund Receivables	Interfund Payables
GOVERNMENTAL FUNDS:		
Major Funds:		
General Fund	$ 1,625,671	$ 170,694
Nonmajor Governmental Funds	218,503	$ 355,415
INTERNAL SERVICE FUNDS	170,694	-
INTERNAL SERVICE FUNDS		
Nonmajor Funds	2,375	
ENTERPRISE FUNDS:		
Major Funds:		
Gas Fund	-	856,117
Electric Fund	54,578	226,696
Water & Sewer Fund	-	608,736
Nonmajor Funds	285,268	139,431
Total	$ 2,357,089	$ 2,357,089
General Fund:		
Due from Gas Department	$ 856,117	
Due from Electric Department	226,696	
Due from Water & Sewer Department	268,891	
Due from Sanitation Department	139,431	
Due from Nonmajor Governmental Funds	134,536	
	$ 1,625,671	
Internal Service Fund:		
Due from General Fund	$ 170,694	
Nonmajor Governmental Funds:		
Capital Projects	$ 2,375	
Due from Nonmajor Governmental Funds	218,503	
	$ 220,878	
Nonmajor Enterprise Funds:		
Due from Water & Sewer	$ 285,268	

The City uses one cash account to receipt all income and pay all expenses. They then allocate these amounts to the individual funds through the interfund accounts.

NOTE 7: RESTRICTED ASSETS

Restricted assets reported in the Proprietary Funds are cash and investments restricted by ordinance or City policy for customer deposits, by bond covenants, or by special agreement with the MEAG Trust. The following is a summary of the balances in these accounts:

INVESTMENTS:		
Customer Deposits:		
Natural Gas Fund	$	91,923
Electric Fund		436,603
Water and Sewer Fund		270,785
Total Customer Deposits	$	799,311
CASH		
Accounts Maintained Per Bond Covenant Agreement:		
Renewal and Extension Fund	$	106,029
Bond Sinking Fund		67,382
Debt Service Reserve Account		305,219
Total Per Bond Covenant	$	478,630
MEAG Trust		
Flexible Operating Account (Intermediate)	$	5,297,731
Flexible Operating Account (Short-Term)		2,862,576
Total MEAG Flexible Trust	$	8,160,307

NOTE 8: REVENUE BONDS SERIES 2004

The City of Douglas has one series of bonds outstanding at June 30, 2010. The City issued bonds in the original amount of $2,868,000 bearing interest at 3.25% payable semiannually on May 1 and November 1 through 2011 with principal payments ranging from $290,000 to $630,000. The purpose of the bonds was to prepay in full certain notes payable to the Georgia Environmental Facilities Authority (GEFA).

2004 Series

Under the terms of the Bond Ordinance, the Series 2004 Bonds are secured by a pledge of and lien on the "Net Revenues." "Net Revenues" are defined as the amount of money or its equivalent actually collected from the operating of the Water and Sewer System (the "System") and remaining in the Revenue Fund after the payment of the reasonable and necessary costs of operating, maintaining, and repairing the System, including salaries, wages, the payment of any contractual obligations incurred pertaining to the operation of the System, the cost of materials and supplies, rentals of leased property (real or personal), insurance premiums, audit fees, and other charges as may properly be made for the purpose of operating , maintaining, and repairing the System in accordance with sound business practice, but before making provision for any depreciation or amortization charges. The City may, under certain terms and conditions as provided in the Bond Ordinance, issue additional parity bonds ("Additional Parity Bonds") payable from the Net Revenues and ranking on a parity as to lien on such Net Revenues with lien thereon securing the Series 2004 Bonds. The Series 2004 Bonds and such Additional Parity Bonds are collectively referred to herein as the "Bonds".

The Series 2004 Bonds are limited obligations of the City and are payable, together with any Additional Parity Bonds, solely from the Net Revenues. The Series 2004 Bonds do not constitute a debt or a general obligation or a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including the City, and do not obligate such State or City to levy or to pledge any from of taxation for the payment of amounts due thereon; nor shall the Series 2004 Bonds constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City, except for the funds pledged to the payment thereof.

The Series 2004 Bonds are not secured by a lien on the real or personal property constituting the System. Pursuant to the Bond Ordinance, the City created the following funds: (i) City of Douglas Water and Sewerage Sinking Fund (the "Sinking Fund"), (ii) City of Douglas Water and Sewerage Debt Service Reserve Fund (the "Debt Service Reserve Fund") and (iii) City of Douglas Water and Sewerage

Renewal and Extension Fund (the "Renewal and Extensions Fund"). There will first be paid from the revenues reasonable and necessary costs of operating, maintaining, and repairing the System. There will next be paid monthly from the revenues into the Sinking Fund amounts necessary to pay the principal and interest which will become due and payable in the current Sinking Fund Year, whether by maturity or by mandatory redemption. The moneys on deposit in the Sinking Fund will be used to pay the principal of and interest on the Bonds.

In the event that a Surety Bond is issued to satisfy the Debt Service Reserve Requirement with respect to the Series 2004 Bonds, there will next be paid monthly from the revenues, for the purpose of reinstating the Surety Bond, such amounts as may be required from time to time to reinstate the Surety Bond to its stated amount.

There will next be paid monthly from the revenues into the Debt Service Reserve Fund such amounts as may be required to maintain an amount therein equal to the "Debt Service Reserve Requirement." The Debt Service Reserve Requirement is equal to the lesser of (i) 10% of the stated principal amount of the Bonds, in any succeeding Sinking Fund year, (ii) the maximum annual principal and interest requirements with respect to the Bonds, or (iii) 125% of the average annual principal and interest requirements with respect to the Bonds. The moneys on deposit in the Debt Service Reserve Fund will be used to pay the principal of and interest on the Bonds in the event that the moneys in the Sinking Fund are insufficient for that purpose. The Debt Service Reserve Fund was fully funded upon issuance of the 2004 Series Bonds.

There will next be paid from the revenues to the Insurer an amount equal to interest on amounts advanced under the Surety Bond, if any.

All moneys remaining in the revenues after the payments listed above have been made, except for an amount that the City, in its discretion, shall deem reasonable and prudent to retain in the Revenue Fund as working capital and to pay cost of operating, maintaining, and repairing the System for 60 days, will be deposited into the Renewal and Extension Fund.

The moneys on deposit in the Renewal and Extension Fund may be used for the purpose of (i) in case of an emergency having a major effect on the System caused by some extraordinary occurrence which makes it necessary to use the funds of the System for the alleviation or the removal of such effects, and an insufficiency of moneys exists in the Revenue Fund to meet such emergency, (ii) making replacements, additions, extensions and improvements to the System approved by the City, (iii) payment of the charges of the Renewal and Extension Fund Depository for investment services, (iv) funding any reserve fund established in connection with the issuance of Additional Bonds or paying the premium or fee on any Surety Bond issued to fund any reserve fund established in connection with the issuance of Additional Bonds, and (v) paying debt service requirements on the Series 2004 Bonds then outstanding and falling due at any time for the payment of which money is not available in the Sinking Fund.

If bonds are issued in the future that are secured by a lien on the Net Revenues of the System that is subordinate to the lien securing the payment of the Bonds, then the payments into the Renewal and Extension Fund may be suspended and such moneys may be used to the extent necessary to pay the principal of and interest on such junior lien bonds and to create and maintain a reasonable reserve therefore.

The City will place into effect a schedule of rates, fees, and charges for the services, facilities and commodities furnished by the System and has agreed in the Bond Ordinance that as often as it shall appear necessary the City will revise and adjust such schedule of rates, tolls, assessments, fees, and charges for the services, facilities, and commodities furnished by the System to the extent necessary to produce funds sufficient in each fiscal year to: (i) operate, maintain, and repair the System in accordance with sound business practice (but before making provision for depreciation or amortization); (ii) produce an amount equal to 120% of the Debt Service Requirement for the then current Sinking Fund Year and any additional bonds outstanding and (iii) create and maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement or such larger amount as may be required in any proceedings authorizing any such issue or issues of Additional Bonds.

NOTE 9: LONG-TERM OBLIGATIONS

A. Governmental Activities Debt – The following is a summary of the outstanding debt of the City's governmental activities:

Note payable to One Georgia Authority Equity Fund in the original amount of $100,000 bearing interest at 0.0%. The balance of the note was $77,500 at June 30, 2010. The note provides for quarterly principal and interest payments of $1,250 beginning the earliest of 70% occupation of the Airport building or January 1, 2008. If the City is unable to make payments the debt will be forgiven; however the City believes funds will be available to make the payments.

Debt service requirements for the general obligation note payable is as follows:

	Note Payable		
	Principal	Interest	Total
2011	$ 5,000	$ -	$ 5,000
2012	5,000	-	5,000
2013	5,000	-	5,000
2014	5,000	-	5,000
2015	5,000	-	5,000
2016-2018	15,000	-	15,000
2019-2022	20,000	-	20,000
2023-2026	17,500	-	17,500
Total	$ 77,500	$ -	$ 77,500

B. Business-type activities

Revenue Bond

Water and Sewer 2004 Revenue Bond in the original amount of $2,865,000 bearing interest at 3.25% and payable in semiannual installments, and annual principal payments ranging from $355,000 to $633,000 through 2011. RBC Centura Bank of Georgia is the registered owner of the bonds. The balance of the revenue bonds was $640,000 at June 30, 2010 and the City was in compliance with all debt covenants related to the bonds.

Notes Payable

Note payable to Georgia Environmental Facilities Authority in the original amount of $2,205,552 bearing interest at 4%. The balance of the loan was $557,134 at June 30, 2010. The loan calls for quarterly payments of principal and interest of $40,183 through February 2014. Proceeds were used for construction of water and sewer system.

Note payable to State Revolving Loan Fund in the original amount of $4,572,292 bearing interest of 4%. The balance of the loan was $1,769,615 at June 30, 2010. The loan calls for quarterly payments of principal and interest of $83,302 through June 2016. Proceeds were used for construction of water and sewer system.

Note payable to State Revolving Loan Fund in the original amount of $692,717 bearing interest of 4%. The balance of the loan was $362,242 at June 30, 2010. The loan calls for quarterly payments of principal and interest of $12,621 through May 2018. Proceeds were used for construction of water and sewer system.

Note payable to SunTrust Bank in the original amount of $156,495 bearing interest at 3.975%. The balance of the loan was $49,745 at June 30, 2010. The loan calls for quarterly payments of principal and interest of $34,326 through November 2011.

Debt Service Requirements

Debt service requirements for the Revenue Bonds Series are as follows:

	Series 2004		
Year Ending June 30,	Principal	Interest	Total
2011	630,000	20,472	650,472
Total	$ 630,000	$ 20,472	$ 650,472

Debt service requirement for the Note Payable is as follows:

	Notes Payable		
Year Ending June 30,	Principal	Interest	Total
2011	476,292	102,458	578,750
2012	478,373	83,213	561,586
2013	480,201	64,220	544,421
2014-2017	1,230,728	91,384	1,322,112
2018-2022	73,143	2,583	75,726
Total	$ 2,738,737	$ 343,858	$ 3,082,595

C. Capital Leases

The City has entered into various lease-purchase agreements in the General Fund and Proprietary Funds to finance the acquisition of several assets. The leases are for periods of two to ten years at interest rates ranging from 3% to 6.5%. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. The following is an analysis of building, equipment, and vehicles leased under capital leases as of June 30, 2010:

	Carrying Value
Vehicles	$ 1,076,720
Equipment	377,731
Infrastructure	1,252,423
Totals	$ 2,706,874

The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments June 30, 2010:

For year ending June 30,	Governmental Activities	Enterprise Funds
2011	$ 289,234	$ 34,326
2012	222,824	17,163
2013	222,824	-
2014	118,917	-
2015	90,840	-
2016-2019	128,810	-
Total minimum lease payments	$ 1,073,449	$ 51,489
Less amount representing interest	(108,891)	(1,744)
Present value of future minimum lease payments	$ 964,558	$ 49,745

D. Compensated Absences

Governmental activities:
Accumulated sick pay obligation and related social security as of June 30, 2010, amounted to $593,065. This amount is shown as a long-term liability on the entity-wide statements.

Business-type activities:

Accumulated sick pay obligation and related social security as of June 30, 2010 amounted to $111,052. This amount is shown as a long-term liability on the entity-wide statements.

Compensated Absences in prior years were considered current liabilities. Compensated Absences starting with the year ended June 30, 2006, are considered long-term liabilities. The compensated liability is normally liquidated by the fund from which the employee is paid, which has historically been the general fund, electric department, or water and sewer department.

The City changed its policy for Compensated Absences effective July 1, 2009. Compensated Absences are not accrued longer than the fiscal year in which it was originally earned. The unused portion is relinquished at the end of the fiscal year.

Long-term liability activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Loan Payable	$ 82,500	$ -	$ 5,000	$ 77,500	$ 5,000
Capital Leases	1,039,429	196,304	271,175	964,558	259,347
Compensated Absences	593,065	-	-	593,065	-
Total	$ 1,714,994	$ 196,304	$ 276,175	$ 1,635,123	$ 264,347
Business Type activities:					
Bonds Payable	$ 995,000	$ -	$ 365,000	$ 630,000	$ 630,000
Notes Payable	3,115,145	-	426,153	2,688,992	476,292
Capital Leases	241,710	-	191,965	49,745	32,834
Compensated Absences	111,052	-	-	111,052	-
Total	$ 4,462,907	$ -	$ 983,118	$ 3,479,789	$ 1,139,126

NOTE 10: CONTINGENCIES AND COMMITMENTS

A. Grants

The City receives grant funds, principally from the U.S. Government for various programs. Expenditures from these grants are subject to audit and the City is contingently liable to refund amounts received in excess of allowable expenditures.

B. Litigation

The City is a defendant in various lawsuits. The City records liabilities resulting from claims and legal actions only when they become probable and measurable. No additional accrual or disclosure of these lawsuits is required.

C. Commitments

Agreement with the Municipal Electric Authority of Georgia

In 1975, the City of Douglas entered into a contract with the Municipal Electric Authority of Georgia (MEAG). The purpose of the agreement was to secure electric power supply from MEAG. MEAG consented to provide this power supply to the City of Douglas in return for the City's promise to pay its share of MEAG's cost of generating and transmitting electrical power.

The term of the contract will continue in full force until such time, not exceeding fifty years, as all MEAG's bonds and the interest thereon have been paid or provision for payment has been made or until such time as the MEAG Project is retired from service, whichever is later.

MEAG has issued bonds to generate funds for the purpose of building generation and transmission plants. Each participant, such as the City of Douglas, is responsible for their pro-rata share of those bonds until they are paid or deferred. The City's guarantee varies by individual projects undertaken by MEAG and is approximately $97,484,029.

During fiscal year 1999, the City of Douglas Council voted to accept the offer from MEAG in a Municipal Competitive Trust (the Trust).

The Trust was created by MEAG in anticipation of future deregulation of the electric industry which will provide customers with a choice among electric suppliers for their retail electric power supply. This is expected to include customers assigned to electric systems of political subdivisions, which are wholesale power customers of MEAG, such as the City of Douglas. MEAG expects that after such legislation is effective, market rates for power will result which will likely be lower for some period of time than the costs of power generated by MEAG facilities. The purpose of the Trust to deposit funds to be invested at the best prudent rates of return and be applied, in accordance with the provisions of the Trust, to mitigate the change to full competition as a result of anticipated deregulation.

The Trust creates an account for the City of Douglas, and within the account creates the following sub-accounts in which the City of Douglas participates:

1. Reserve Funded Debt Trust Account – The source of funding for this sub-account was the bond reserve funds accumulated from bond proceeds over the years. The bond reserves were released by the bond holders from the lien of the bond resolutions after substitution of a surety bond in lieu of cash funded bond reserves. The majority of the funds in the Municipal Competitive Trust are deposited in this sub account.

   The funds deposited in this sub account may be utilized by a City after deregulation, with the written consent of MEAG, only for the purpose of applying such funds to the outstanding balance of the City's current monthly billing relating to its entitlement or obligation share under the Power Sales Contract of MEAG's Annual Project Generation Fixed Charges. Otherwise, after
   December 31, 2025, each City may have any funds remaining in its Reserve Funded Debt Trust Account applied to any remaining obligations for debt service, or disbursed to the Utility and City if its obligations for debt service are fulfilled.

2. Credit Support Operating Trust Account – This type of sub-account may be funded from the funds allocated to the City's account in MEAG's Rate Stabilization Reserve Fund or the City's Discretionary Reserve with MEAG, or from any other available funds.

   According to Trust provisions, the City has the following withdrawal rights with respect to this fund:

Prior to the anticipated actual deregulation date, the City shall have the right to cause the Trustee to use funds from the Credit Support Operating Trust Account to reduce, or as credit against, its monthly billings (i) to mitigate wholesale rate increases which have an impact of greater than 20% on the City's wholesale cost in any year, (ii) to mitigate the adverse impact of any wholesale cost increase which results form the phase-out of special rates in any year, and (iii) to mitigate the impact of wholesale costs which exceed the system average whole costs by more than 20% in any year, all as set forth in a certificate of the City and MEAG.

The City also has the right to borrow, if certain conditions are met, part or all of the funds in the Credit Support Operating Trust Account for the purpose of paying the cost of any capital expenditure, provided that the City executes and delivers to the Trustee a promissory note and such other documents reasonably satisfactory to MEAG in which the City agrees to repay the withdrawn amount to the Trustee.

The City had a balance in this account of $5,280,240 and $5,176,678 as of June 30, 2010 and 2009, respectively.

3. Flexible Operating Trust Account – This type of sub-account may be funded from contributions by the City, from the City's Discretionary Reserve Fund with MEAG, or from any other available funds.

   According to the Trust provisions, the City has the following withdrawal rights with respect to this fund:

   The City has, at any time, the right to withdraw part or all funds from the Flexible Operating Trust Account.

   The City had a balance in this account of $5,788,305 and $6,208,710 as of June 30, 2010 and 2009, respectively. This amount is included in restricted investments in the electric fund.

Georgia Public Web

In May of 1996, in conjunction with the aforementioned power sales contract, the City entered into an additional contract with MEAG, whereby the City agrees to participate in MEAG's Telecommunications Project (Georgia Public Web) for a period not to exceed fifty years. In the event that the City is unable to make any of its annually determined payments for use of the communication system, the City has agreed to assess and collect property taxes sufficient to provide such funds for the remainder of the life of this contract. In the year ended June 30, 2008, the City chose to pay off their pro-rata share of the bonds and to treat the entire payment of $770,851 as a current Special Item on the Statement of Revenues, Expenses, & Changes in Fund Net Assets.

Agreement with The Municipal Gas Authority of Georgia

The City has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the City to purchase all of its natural gas from MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued

to acquire long-term gas supplies for sale to its members, including the City. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the City is obligated to pay its obligation share of the costs of the gas supply and related services MGAG provides to the City, which costs of the gas supply and interest on MGAG's bonds. These obligations, which extend through the year 2016, are general obligations of the City of which the City's full faith, credit and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply.

NOTE 11: RISK MANAGEMENT

The City 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 City has established a Self Insurance Fund (internal service fund) and Workers Compensation Fund (internal service fund) to account for its self-insured risks of loss related to workers' compensation and health claims (with stop loss or excess coverage purchased when available). The commercial insurance provides for the transfer of risk from the City for all other major programs. The City's risk is constituted by a $1,000 deductible for each occurrence. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts did not exceed insurance coverage for the current year.

NOTE 12: CONTRIBUTED CAPITAL-PROPRIETARY FUNDS

The following is a summary of additions to contributed capital for the City's Proprietary Funds during the year ended June 30, 2010:

	Contributions From Federal Govt. After 6/30/79	Contributions From Other Governments	Contributions From Other City Sources/ Funds	Contributions From Water & Sewer Impact Fees
Natural Gas Fund				
Balance, July 1, 2009	$ 12,694	$ 18,767	$ -	$ -
Current Year Additions	-	-	-	-
Balance, June 30, 2010	$ 12,694	$ 18,767	$ -	$ -
Electric Fund				
Balance, July 1, 2009	$ 269,663	$ -	$ -	$ -
Current Year Additions	-	-	-	-
Balance, June 30, 2010	$ 269,663	$ -	$ -	$ -
Water & Sewer Fund				
Balance, July 1, 2009	$ 2,413,862	$ 194,829	$ 164,743	$ 902,940
Current Year Additions	-	-		
Balance, June 30, 2010	$ 2,413,862	$ 194,829	$ 164,743	$ 902,940

NOTE 13: VEHICLE MAINTENANCE AND CENTRAL PURCHASING/WAREHOUSE DEPARTMENTS – GENERAL FUND

For this and prior fiscal years, these departments have been treated as budgeted departments of the general fund rather than as separate internal service funds. All expenses of these departments are budgeted in the general fund except for repairs and maintenance, parts, supplies and other direct costs which are budgeted to the individual operating departments. Vehicle parts and supplies and inventory items purchased by the City are charged to these departments initially and then charged out to the various departments as used.

NOTE 14: CONTINGENT ASSETS

The City of Douglas has an asset whose estimated value is not recognized on the books in accordance with accounting procedures for Community Development Grant Funds (Special Revenue Funds). This asset, when sold or realized, will result in Program Income which is subject to Federal regulations before it can be expended. Contingent assets at June 30, 2010 include:

Asset	Estimated Amount	Orginal Source of Asset
Land - N. Madison Ave.	$ 2,300	HUD-CDBG/Small Cities
Total	$ 2,300	

NOTE 15: PENSION PLAN

The City provides retirement benefits for substantially all of its employees under a revised noncontributory pension plan adopted March 28, 1977, City of Douglas Retirement Plan. The City of Douglas Retirement Plan is a participating member of the Georgia Municipal Employees Benefit System (GMEBS) Defined Benefit Plan, an agent multiple employer public employee retirement system. The (GMEBS) issues a stand-alone financial report that may be obtained from the Georgia Municipal Association.

Employees are eligible for the City of Douglas Retirement Plan after having worked for 1 year and at least 20 hours per week during that one year. Elected officials are not eligible for the retirement plan.

Members can retire when age at retirement plus years of service equals ninety. The plan also provides death benefits; however, only participants who have completed 5 years of credited service are eligible to designate a beneficiary to receive death benefits. The plan provisions are adopted by the governing body of the city within the options available in the Public Retirement Systems Standards Laws and within the actuarial constraints also in the statutes.

The Significant Actuarial Assumptions:

The significant actuarial assumptions used to compute the pension obligation are the same as those used to compute the actuarially determined contribution requirements of the plan.

The significant actuarial assumptions used in the current valuation are:

- Rate of return on investment	7.75% per year
- Projected salary increase for	
Inflation	3.5% per year
Merit or seniority	0.5% per year
- Post-retirement benefit increases	3.5%

Funding Policy and Annual Contributions

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. The annual recommended contributions is the sum of (1) the normal cost, (2) the closed level dollar amortization of the unfunded actuarial accrued liability (initial unfunded actuarial accrued liability over 30 years from 1982 and changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year during which such changes arise), (3) interest on these amounts from the valuation date to the date the contributions are paid. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. These amortization periods, if applicable, are closed for this plan year.

The City of Douglas Retirement Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law which requires an estimate minimum annual contribution. The GMEBS Board of Trustees has adopted an actuarial funding policy which requires a different funding level than the estimated minimum annual contribution to minimized fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan.

The contribution rate for the employees is 1.50% after 5 years of credited service.

As of the January 1, 2010 actuarial valuation of the City of Douglas Retirement Plan, the City's contributions for 2010 were based on covered payroll of $6,890,270. The City made the recommended contribution of $1,569,497 or 22.39% of the covered payroll.

The Effect of Plan Changes on the Actuarial Accrued Liability:

The effect on the actuarial accrued liability of any current year changes in actuarial assumptions or benefit provisions is:

The plan provisions valued and the actuarial assumptions are the same as those used in the preceding valuation.

Effect of Plan Changes on Recommended Contributions:

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is:

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

Current Plan Membership:

As of January 1, 2010, the current plan membership includes the following categories of participants:

- Retirees and beneficiaries currently receiving benefits	104
- Terminated employees entitled to benefits but not yet receiving them	21
- Current active employees	
- vested	98
- nonvested	117
Total membership in the plan	340

Historical Trend Information:

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten year trend information may be found in the annual report issued by the Georgia Municipal Employees Benefit System. The table below sets forth supplementary information required to be disclosed in the plan's financial statements. The items presented are based on the January 1, 2010, January 1, 2009, and May 1, 2008 actuarial valuations:

	2010	2009	2008
- Actuarial value of assets	$ 24,278,890	$ 18,510,720	$ 23,364,604
- Actuarial accrued liability	28,879,115	31,433,239	30,357,252
- Percentage funded	84.1%	58.9%	77.0%
- Unfunded actuarial accrued liability	4,600,135	12,922,519	6,992,648
- Employer contributions	1,569,497	2,335,120	1,452,964
- Annual covered payroll	6,890,270	6,628,323	6,489,029
- Unfunded as a percentage of covered payroll	66.8%	195.0%	107.8%
- Employer contributions as a percentage of covered payroll	22.8%	35.2%	22.4%
- Annual pension cost	1,569,497	2,335,120	1,452,964
- Percentage of annual pension cost contributed	100%	100%	100%

Sources of Valuation Data

Asset Data: The Georgia Municipal Employees Benefit System has supplied all asset data used in the valuation. The market value of assets is the current value of assets on the valuation data.

NOTE 16: DEFERRED COMPENSATION PLAN

The City maintains a deferred compensation plan which is available to all employees. The Public Employees Benefit Services Corporation (PEBSCO) is the independent plan administrator. The plan, which complies with Section 457 of the Internal Revenue Code (Deferred Compensation Plans with Respect to Service for State and Local Governments), has been approved by a private letter ruling from the Internal Revenue Service. Employees who choose to participate may elect the amount of their contributions, within legal limits, and defer federal income taxation on that portion of their salaries and the earnings thereon.

The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. Under the revised terms of IRC Section 457, the employee's contributions and all income attributable to the investment of such amounts have been placed in trust by the City and are the property of the participants or their beneficiaries.

NOTE 17: SELF INSURANCE (LIFE & HEALTH)

The City of Douglas established a self-insurance plan for employee health coverage effective March 1, 1989. The plan name is "The City of Douglas Employee Health Benefit Plan." The City has contracted with KHS, A King America Company to serve as its plan administrator in handling all processing of claims and payments. The self-insurance program is being accounted for separately in an internal service fund to the proprietary fund type. The purpose of this fund is to pay medical insurance claims of the City employees and their covered dependents and to minimize the total cost of annual insurance to the municipality. Coverage charges to the various departments are actuarially determined and are allocated prorata based on the number of employees in the respective departments. Dependent coverage is funded by charges to employees via payroll deductions. Health claims payable are estimated based upon historical claims and new diagnosis.

The following is a reconciliation of the liability for unpaid claims for the year ended June 30,

	2009	2010
Health Claims Payable - July 1	$ 29,856	$ 56,402
Claims Incurred During the Year Ended June 30	1,808,410	1,861,649
	1,838,266	1,918,051
Claims Paid During the Year Ended June 30	(1,781,864)	(1,918,051)
Health Claims Payable - June 30	$ 56,402	$ -

NOTE 18: SELF INSURANCE (WORKERS' COMPENSATION)

The City of Douglas established a self-insurance plan for workers' compensation coverage effective May 1, 1991. The plan name is "The City of Douglas Workers' Compensation Insurance Trust Plan". The City has contracted with Associated Risk Services, Incorporated, (AMPRO) to serve as its plan administrator in handling all processing of claims and payments.

The self-insurance workers' compensation program is being accounted for separately in an internal service fund of the proprietary fund type. The purpose of this fund is to pay workers' compensation claims of the City employees and to minimize the total cost of annual insurance to the municipality. Coverage charges to the various departments are actuarially determined and are allocated prorata based on the number of employees in the respective departments. Unpaid claims are estimated based upon state allowed costs for claims that have been received.

The following is a reconciliation of the liability for unpaid claims for the year ended June 30,

	2009	2010
Health Claims Payable - July 1	$ 366,282	$ 607,053
Claims Incurred During the Year Ended June 30	697,071	229,439
	1,063,353	836,492
Claims Paid During the Year Ended June 30	(456,300)	(455,681)
Health Claims Payable - June 30	$ 607,053	$ 380,811

NOTE 19: RECONCILIATION OF EXPENDITURES FOR GOVERNMENTAL FUND TYPES GAAP BASIS/BUDGETARY BASIS

The following schedule reconciles actual expenditures of the governmental funds from GAAP to budgetary basis for the fiscal year ended June 30, 2010:

	Current Operations	Debt Service	Budgetary Basis
General Government	5,151,610	-	5,151,610
Public Safety	4,780,396	230,780	5,011,176
Culture and Recreation	1,897,000	-	1,897,000
Housing and Development	510,704	-	510,704
Capital Outlay	196,304	-	196,304
Total	$ 12,536,014	$ 230,780	$ 12,766,794

NOTE 20: JOINT VENTURES

The City of Douglas, Georgia, in conjunction with cities and counties in the eight (8) county Southeast Georgia area are members of the southeast Georgia Regional Development Center (RDC). Membership in an RDC is automatic for municipality and county in the state. The official code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs. Each county and municipality in the state is required by law to pay the minimum annual dues to the RDC. The City paid annual dues in the amount of $14,058 to the RDC for the year ended June 30, 2010. The RDC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and the municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the nonpublic Board member from a County.

The Georgia Planning Act of 1989 (O.C.G.A 50-8-39.1) defines RDC's as "public agencies and instrumentalities of their members". Georgia law also provides that the member governments are liable for any debts or obligations of an RDC beyond its resources. (O.C.G.A. 50-8-39.1) The financial statements of the RDC can be obtained from the RDC board.

NOTE 21: HOTEL/MOTEL TAX

The City of Douglas levies an annual hotel/motel tax in accordance with the provisions of OCGA 48-13-51 and is contractually required to expend 3% of the amount received on tourism expenditures. The city has elected to expend 100% of the amount collected on tourism expenditures. The amount that is not expended during the current fiscal year is allocated to a designated fund balance. During fiscal year 2010, the City collected $170,247 in hotel/motel taxes. They expended $173,929, which was 103% of the amount collected.

NOTE 22: INTERFUND TRANSFERS

The City of Douglas uses interfund transfers primarily for operating purposes. The following is a list of transfers the City made during fiscal year 2010.

	Gas Fund	Electric Fund	Water and Sewer Fund	Nonmajor Governmental Fund	SPLOST	General Fund	Total
Transfers (to)/from							
General Fund	$ 347,000	$ 3,326,851	$ -	$ -	$ -	$ -	$ 3,673,851
Gas Fund	-	-	-	-	-	(347,000)	(347,000)
Electric Fund	-	-	-	-	-	(3,326,851)	(3,326,851)
Water & Sewer	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-
Total	$ 347,000	$ 3,326,851	$ -	$ -	$ -	$ (3,673,851)	$ -

The City of Douglas has eliminated all interfund balances and transfers in the governmental-wide financial statements.

NOTE 23: POST EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City of Douglas provides, through passage of local ordinance, a certain health care benefits for retired employees through the City of Douglas OPEB Plan and Georgia Municipal Association. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City until they become eligible for Medicare. Health care benefits are provided through the City's self-insurance program. The coverage provided is based on the type held at retirement. Single coverage is provided by the City and dependent coverage is paid by the retiree. Membership in the plan by City retirees is voluntary. The cost of retiree health care benefits is recognized as an expense as claims are incurred.

The authority to establish and amend the benefit provisions of the OPEB plan rests with the City. The plan does not issue separate financial statements.

As of May 1, 2008, employee membership data relative to the OPEB plan consist of the following:

Current retirees, beneficiaries, and dependents	9
Current active participants	214
Total	223

Summary of Significant Accounting Policies

The accrual basis of accounting is used with the respect to the recognition in the financial statements of contributions in the form of insurance premiums made to the plan. Plan investments, if any, are reported at their fair value at the reporting date. As of June 30, 2010 the plan reported no assets.

Funding Policy

The contribution requirements are established and may be amended by the City. The required contribution was determined by an actuarial valuation. During the fiscal year ended June 30, 2010, the City paid claims (net of retiree contributions) on behalf of the current retired employees in the amount of $29,000.

Annual OPEB Cost and Net OPEB Obligation

The City's first actuarial valuation was performed for the plan as of May 1, 2008 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the period according to the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost is $530,402.

The following table reflects the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual Required Contribution	$	530,402
Interest on Existing (NOO)		-
ARC Adjustment		-
Annual OPEB Cost		530,402
Actual Contribution Amount		-
Net Increase in NOO		-
NOO as of Valuation Date		-
Net OPEB Obligation - beginning of year		-
Net OPEB Obligation - end of year	$	530,402

The City's annual OPEB cost, the percentage of annual cost contributed to the plan, and the net OPEB obligation for 2010 is as follows: (comparative date is not presented as 2010 is the implementation year):

Year Ended	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
6/30/2010	$ 530,402	0%	$ 530,402

Funded Status and Funding Progress

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll (b-a)/c)
5/1/2008	$ -	$ 3,872,009	$ 3,872,009	0%	$ 6,840,532	56.60%

AAL based on a pay-as-you-go plan

Additional Information

Additional information as of the latest actuarial valuation follows:

Valuation date	5/1/2008
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed, 25 years
Remaining amortization period	25 years as of July 1, 2008
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return	8.00% prefunded or 4.00% pay-as-you-go
Inflation rate	5.00%
Medical and drug cost trend rate	9.00% graded to 5.00% over 8 years
Plan membership:	
Current retirees, beneficiaries, and dependents	9
Current active participants	214
Terminated participants entitled but not yet eligible	0
Total	223

NOTE 24: PROPERTY TAX CALENDAR

Property taxes are assessed and attach as an enforceable lien on property as of January 1. The City's property taxes are billed and collected by the Coffee County Tax Commissioner and remitted to the City. The City pays a commission for the collection of its taxes to the Coffee County Tax Commissioner. City property tax revenues are recognized when levied to the extent that they result in current receivables. Property taxes are levied in September of each year based on the assessed valuation of property as of the proceeding January 1 and are due within 60 days. Taxes levied on October 1, 2009 were due on December 1, 2009. Liens were attached to property for unpaid taxes on January 31, 2010.

Assessed values are established by the Coffee County Tax Assessor's office and are currently calculated at 40% of the market value. The assessed value of property at January 1, 2010 was $320,849,069.

Based on the 2009 City millage levy of 8.510%, a property owner would pay $85.10 per $1,000 of assessed valuation.

Current tax collections of $2,617,062 for the fiscal year ended June 30, 2010 were 90% of the tax levy. Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Property taxes deferred at June 30, 2010 were $188,196.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DOUGLAS, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM

Acturial Acturial Valuation Date	Acturial Value of Assets (a)	Acturial Accrued Liability (AAL) (b)	Unfunded/ Surplus (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* (b) - (a) /(c)
5/1/2004	$ 18,480,549	$ 20,816,646	$ 2,336,097	88.78%	$ 5,754,470	40.60%
5/1/2005	19,452,762	21,620,082	2,167,320	89.98%	6,019,236	36.01%
5/1/2006	20,588,608	26,254,008	5,665,400	78.42%	6,234,050	90.88%
5/1/2007	21,959,025	28,728,323	6,769,298	76.44%	6,397,891	105.81%
5/1/2008	23,364,604	30,357,252	6,992,648	76.97%	6,489,029	107.76%
5/1/2009	18,510,720	31,433,239	12,922,519	58.89%	6,628,323	194.96%
5/1/2010	24,278,890	28,879,115	4,600,135	84.10%	6,890,270	66.80%

* Not less than zero

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

These funds account for activities carried out by the City under the terms of certain intergovernmental grants and/or laws. Certain funds other than Special Revenue Funds also reflect grant activity but to a lesser extent.

Capital Projects Funds

These funds account for the accumulation of resources and the subsequent disbursement of such resources in obtaining or renovating major fixed assets.

CITY OF DOUGLAS, GEORGIA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash	$ 775,335	$ 141,758	$ 917,093
Investments	2,229	-	2,229
Accounts Receivable	10,703	-	10,703
Interfund Receivable	218,507	2,375	220,882
TOTAL ASSETS	$ 1,006,774	$ 144,133	$ 1,150,907
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts/Deposits Payable	$ 200	$ -	$ 200
Interfund Payables	300,788	54,627	355,415
Total Liabilities	$ 300,988	$ 54,627	$ 355,615
Fund Balance	$ 705,786	$ 89,506	$ 795,292
TOTAL LIABILITIES & FUND BALANCE	$ 1,006,774	$ 144,133	$ 1,150,907

CITY OF DOUGLAS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Sales Taxes	$ 156,654	$ 4,846	$ 161,500
Revenue from Use of Money or Property	549	67	616
Revenue from Other Agencies	163,535	271,901	435,436
Charges for Services or Materials	372,577	-	372,577
Other Revenues/Reimbursements	213,969	-	213,969
Total Revenues	$ 907,284	$ 276,814	$ 1,184,098
EXPENDITURES			
Current Operating:			
Culture & Recreation	$ 530,061	$ -	$ 530,061
Public Safety	46,756	-	46,756
Housing & Development	93,641	167,638	261,279
Capital Outlay	164,295	156,089	320,384
Debt service			-
Principal	83,462	-	83,462
Interest	10,084	-	10,084
Total Expenditures	$ 928,299	$ 323,727	$ 1,252,026
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (21,015)	$ (46,913)	$ (67,928)
OTHER FINANCING SOURCES (USES)			
Sale of Property	$ -	$ -	$ -
Transfers from (to) Other Funds	-	-	-
Capital Lease Proceeds	-		-
Total Other Financing Sources (Uses)	$ -	$ -	$ -
NET CHANGE IN FUND BALANCES	$ (21,015)	$ (46,913)	$ (67,928)
FUND BALANCE - BEGINNING	726,801	136,419	863,220
FUND BALANCES - ENDING	$ 705,786	$ 89,506	$ 795,292

CITY OF DOUGLAS, GEORGIA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	SPLOST 2000	SPLOST 2005	Recreation Activity Fund	Forfeiture Fund	Program Income HUD Fund	DCA Program Income Fund	Central Multipurpose Complex Fund	CDBG Main Street Program Fund	Various Nonmajor Projects Fund
ASSETS									
Cash	$ 133,755	$ -	$ 194,248	$ 62,041	$ 17,393	$ 107,536	$ 46,508	$ 8,622	$ 75,018
Investments	-	-	-	-	-	-	2,229	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-
Interfund Receivables	48,973	-	-	-	1,200	-	-	-	155,810
TOTAL ASSETS	$ 182,728	$ -	$ 194,248	$ 62,041	$ 18,593	$ 107,536	$ 48,737	$ 8,622	$ 230,828
LIABILITIES AND FUND BALANCE									
Accounts/Deposits Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 200
Interfund Payables	166,034	126,683	-	-	-	1,200	-	-	6,871
Total Liabilities	$ 166,034	$ 126,683	$ -	$ -	$ -	$ 1,200	$ -	$ -	$ 7,071
Fund Balance	$ 16,694	$ (126,683)	$ 194,248	$ 62,041	$ 18,593	$ 106,336	$ 48,737	$ 8,622	$ 223,757
TOTAL LIABILITIES & FUND BALANCE	$ 182,728	$ -	$ 194,248	$ 62,041	$ 18,593	$ 107,536	$ 48,737	$ 8,622	$ 230,828

CITY OF DOUGLAS, GEORGIA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2010

	Airport Rental Receipts Fund	Motel Tax Fund	One GA Authority Fund	Justice Assistance Grant Fund	Historical Preservation Grant Fund	GHFA Energy Fund	Park Improvement Project Fund	Youth Summer/ After School Program Fund	Total Nonmajor Special Revenue Funds
ASSETS									
Cash	$ 122,698	$ 1,005	$ 23	$ 1	$ 26	$ 5,460	$ 14	$ 987	$ 775,335
Investments	-	-	-	-	-	-	-	-	2,229
Accounts Receivable	-	10,703	-	-	-	-	-	-	10,703
Interfund Receivables	12,524	-	-	-	-	-	-	-	218,507
TOTAL ASSETS	$ 135,222	$ 11,708	$ 23	$ 1	$ 26	$ 5,460	$ 14	$ 987	$ 1,006,774
LIABILITIES AND FUND BALANCE									
Accounts/Deposits Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 200
Interfund Payables	-	-	-	-	-		-	-	300,788
Total Liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 300,988
Fund Balance	$ 135,222	$ 11,708	$ 23	$ 1	$ 26	$ 5,460	$ 14	$ 987	$ 705,786
TOTAL LIABILITIES & FUND BALANCE	$ 135,222	$ 11,708	$ 23	$ 1	$ 26	$ 5,460	$ 14	$ 987	$ 1,006,774

CITY OF DOUGLAS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	SPLOST 2000	SPLOST 2005	Recreation Activity Fund	Forfeiture Fund	Program Income HUD Fund	DCA Program Income Fund	Central Multi-Purpose Complex Fund	CDBG Main Street Program Fund	Various Nonmajor Projects Fund
REVENUES									
Sales Taxes	$ 156,654	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revenue from Use of Money or Property	78	-	-	35	8	50	225	8	51
Revenue from Other Agencies	-	-	-	6,067	-	91,882	-	-	51,845
Charges for Services or Materials	-	-	351,043	-	-	-	-	-	-
Other Revenues/Reimbursements		-	-	-	1,200	1,233	-	30,260	7,029
Total Revenues	$ 156,732	$ -	$ 351,043	$ 6,102	$ 1,208	$ 93,165	$ 225	$ 30,268	$ 58,925
EXPENDITURES									
Current Operating:									
Culture & Recreation	$ -	$ -	$ 320,174	$ -	$ -	$ -	$ 2,985	$ 30,000	$ -
Public Safety	-	-	-	17,605	-	-	-	-	10,381
Housing & Development	-	-	-	-	600	92,482	-	-	-
Capital Outlay	144,961	-	-	-	-	-	-	-	19,334
Debt Service									
Principal	-	78,462	-	-	-	-	-	-	-
Interest	-	10,084	-	-	-	-	-	-	-
Total Expenditures	$ 144,961	$ 88,546	$ 320,174	$ 17,605	$ 600	$ 92,482	$ 2,985	$ 30,000	$ 29,715
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 11,771	$ (88,546)	$ 30,869	$ (11,503)	$ 608	$ 683	$ (2,760)	$ 268	$ 29,210
OTHER FINANCING SOURCES (USES)									
Transfers from (to) Other Funds	$ -	$ -	$ -	$ -	$ -	$ -	-	$ -	$ -
Sale of Property	-	-	-	-	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	11,771	(88,546)	30,869	(11,503)	608	683	(2,760)	268	29,210
Fund Balances - Beginning of Year	4,923	(38,137)	163,379	73,544	17,985	105,653	51,497	8,354	194,547
FUND BALANCES - END OF YEAR	$ 16,694	$ (126,683)	$ 194,248	$ 62,041	$ 18,593	$ 106,336	$ 48,737	$ 8,622	$ 223,757

CITY OF DOUGLAS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2010

	Airport Rental Receipts Fund	Motel Tax Fund	One GA Authority Fund	Justice Assistance Grant Fund	Historian Preservation Grant Fund	GHFA Energy Fund	Park Improvement Project Fund	Youth Summer/ After School Program Fund	Total 2010
REVENUES									
Sales Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 156,654
Revenue from Use of Money or Property	57	31	-	2	-	3	-	1	549
Revenue from Other Agencies	-	-	-	13,741	-	-	-	-	163,535
Charges for Services or Materials	21,534	-	-	-	-	-	-	-	372,577
Other Revenues/Reimbursements	-	170,247	-	-	-	1,000	-	3,000	213,969
Total Revenues	$ 21,591	$ 170,278	$ -	$ 13,743	$ -	$ 1,003	$ -	$ 3,001	$ 907,284
EXPENDITURES									
Current Operating:									
Culture & Recreation	$ -	$ 173,929	$ -	$ -	$ -	$ -	$ -	$ 2,973	$ 530,061
Public Safety	-	-	-	18,770	-	-	-	-	46,756
Housing & Development	559	-	-	-	-	-	-	-	93,641
Capital Outlay	-	-	-	-	-	-	-	-	164,295
Debt Service									
Principal	5,000	-	-	-	-	-	-	-	83,462
Interest	-	-	-	-	-	-	-	-	10,084
Total Expenditures	$ 5,559	$ 173,929	$ -	$ 18,770	$ -	$ -	$ -	$ 2,973	$ 928,299
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 16,032	$ (3,651)	$ -	$ (5,027)	$ -	$ 1,003	$ -	$ 28	$ (21,015)
OTHER FINANCING SOURCES (USES)									
Transfers from (to) Other Funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sale of Property	-	-	-	-	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	16,032	(3,651)	-	(5,027)	-	1,003	-	28	(21,015)
Fund Balances - Beginning of Year	119,190	15,359	23	5,028	26	4,457	14	959	726,801
FUND BALANCES - END OF YEAR	$ 135,222	$ 11,708	$ 23	$ 1	$ 26	$ 5,460	$ 14	$ 987	$ 705,786

SPECIAL REPORTS SECTION

Section I	Reporting on Compliance and on Internal Controls over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *GOVERNMENT AUDITING STANDARDS*
Section II	Reports Required by the State

Hurst & Hurst, CPA's, LLC

ROBERT W. HURST, C.P.A.
ROBERT W. HURST, JR., C.P.A.

SMALL BUSINESS SPECIALISTS

MEMBERS:
AMERICAN INSTITUTE OF CPA'S
GEORGIA SOCIETY OF CPA'S

221 E. SELLERS STREET P.O. BOX 898 DOUGLAS, GEORGIA 31534
TELEPHONE: (912) 384-3322 FAX: (912) 383-0714

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

The Honorable Mayor and City Council
City of Douglas, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Douglas, Georgia as of and for the year ended June 30, 2010, which collectively comprise the City of Douglas, Georgia's basic financial statements and have issued our report thereon dated February 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Douglas, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Douglas, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of Douglas, Georgia's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Douglas, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.
We noted certain matters that were reported to management of City of Douglas, Georgia, in a separate letter dated February 25, 2011.

This report is intended solely for the information and use of the management, audit and finance committee, Mayor and City Commission, and the State of Georgia and is not intended to be and should not be used by anyone other than these specified parties.

Hurst & Hurst

Douglas, Georgia
February 25, 2011

REPORT ON SPECIAL CITY SALES AND USE TAX

Hurst & Hurst, CPA's, LLC
SMALL BUSINESS SPECIALISTS

ROBERT W. HURST, C.P.A.
ROBERT W. HURST, JR., C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF CPA'S
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221 E. SELLERS STREET P.O. BOX 898 DOUGLAS, GEORGIA 31534
TELEPHONE: (912) 384-3322 FAX: (912) 383-0714

INDEPENDENT AUDITOR'S REPORT ON SPECIAL CITY ONE PERCENT SALES AND USE TAX

To the Honorable Mayor and City Commission
Douglas, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Douglas, Georgia, for the year ended June 30, 2010. This schedule is the responsibility of the City of Douglas, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the accrual basis of accounting used as described in Note 1(B) and is not intended to be a complete presentation of the City of Douglas, Georgia's revenues and expenditures.

In our opinion, the accompanying schedule presents fairly, in all material respects, the original estimated cost, the current prior year expenditures for each project in the City of Douglas, Georgia's resolution or ordinance calling for the tax for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

Hurst & Hurst

Douglas, Georgia
February 25, 2011

CITY OF DOUGLAS, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX (2000)
FOR THE YEAR ENDED JUNE 30, 2010

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Years	Total	Estimate Percentage of Completion
1 Airport	$ 568,000	$ 568,000	$ 478,542	$ 4,846	$ 483,388	85.10%
2 Building Improvements	200,000	250,000	241,140	-	241,140	96.46%
3 Public Safety - Equipment	110,000	110,000	110,000	-	110,000	100.00%
4 Library	62,000	62,000	11,399	-	11,399	18.39%
5 Natural Gas	250,000	250,000	250,000	-	250,000	100.00%
6 Parks & Cemetery	1,246,000	1,250,914	994,312	16,627	1,010,939	80.82%
7 Water/Wastewater	500,000	500,000	374,272	42,188	416,460	83.29%
8 Youth Center	450,000	1,106,954	1,027,270	75,368	1,102,638	99.61%
9 Road/Drainage Improvements	5,890,000	4,672,156	4,657,223	5,932	4,663,155	99.81%
Total	$ 9,276,000	$ 8,770,024	$ 8,144,158	$ 144,961	$ 8,289,119	94.52%