CITY OF DOUGLAS, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CITY OF DOUGLAS, GEORGIA
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2012

PAGE NO.

INTRODUCTORY SECTION

Organizational Chart 5

City Officials and Administrative Personnel 6

FINANCIAL SECTION

Auditor's Opinion 8

Management's Discussion and Analysis 10

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Assets 23

Statement of Activities 25

Fund Financial Statements:

Balance Sheet – Governmental Funds 26

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets 27

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 28

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 29

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund 30

Statement of Net Assets – Proprietary Funds 31

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds 33

Statement of Cash Flows – Proprietary Funds 34

Notes to Financial Statements 36

REQUIRED SUPPLEMENTARY INFORMATION

Georgia Municipal Employees Benefit System 65

CITY OF DOUGLAS, GEORGIA
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2012

PAGE NO.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds:

Combining Balance Sheet – Nonmajor Governmental Funds 67

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 68

Special Revenues Funds:

Combining Balance Sheet 69

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 71

SPECIAL REPORTS SECTION

Section I

Report on Compliance and on Internal Controls over Financial Reporting Based on an Audit Financial Statements Performed in Accordance with *Government Auditing Standards* 74

Section II

Reports Required by the State 77

Report on Special Purpose Local Option Sales Tax 78

Section III

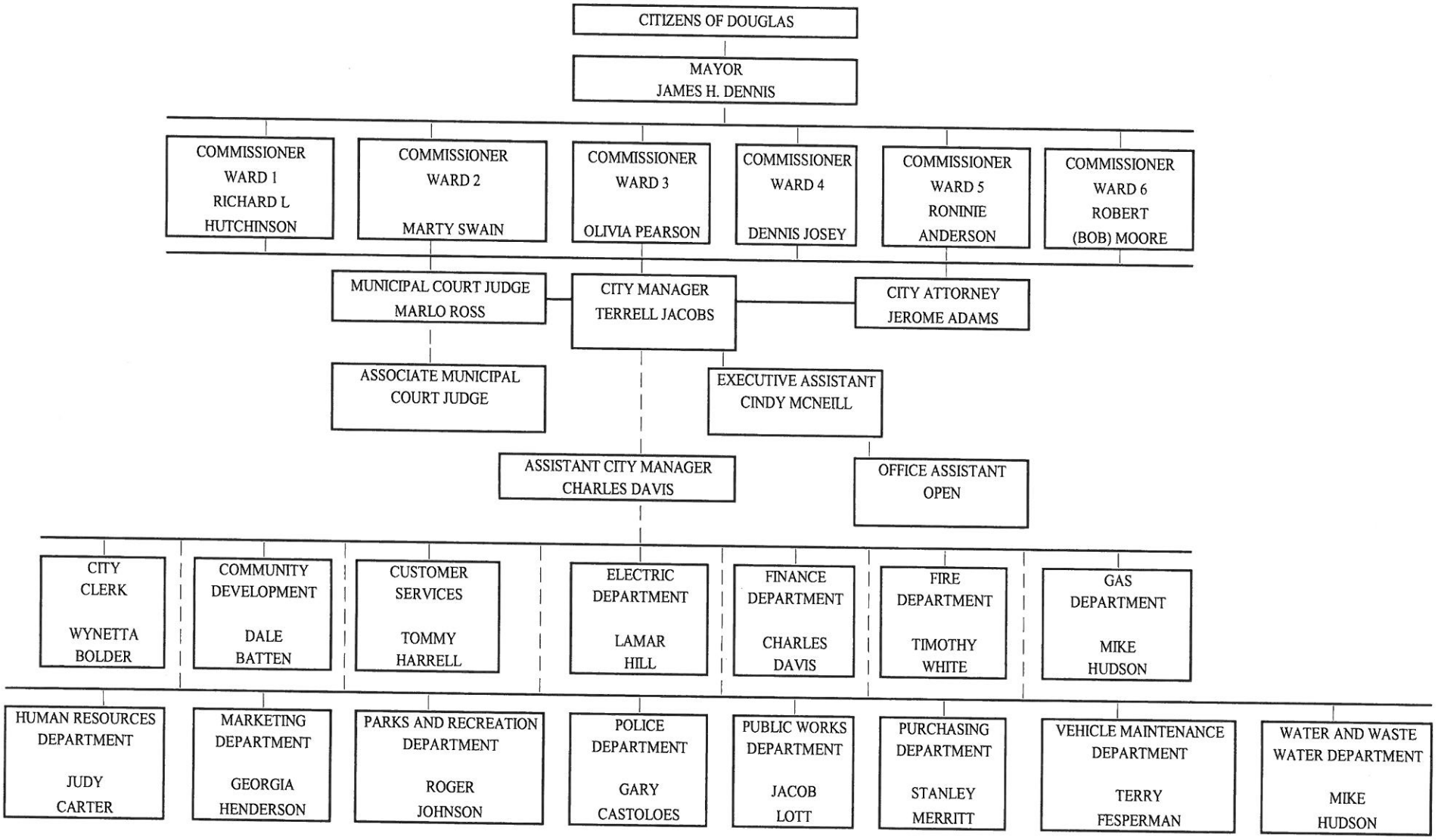
Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 82

Schedule and Notes of Expenditures of Federal Awards 84

Schedule of Findings and Questioned Costs 85

INTRODUCTORY SECTION

CITY OF DOUGLAS
ORGANIZATIONAL CHART



CITY OF DOUGLAS, GEORGIA
PRINCIPAL OFFICIALS
JUNE 30, 2012

MAYOR	JAMES H. DENNIS
WARD ONE	RICHARD L. HUTCHINSON
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, JR., CPA

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

221 SELLERS STREET 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, 2012, 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, 2012, 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 December 1, 2012 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 is 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 accompanying schedule of expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide an assurance on them.

Hust + Hust

Douglas, Georgia
December 10, 2012

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, 2012. 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

Key financial highlights for fiscal year 2012 are as follows:

- The City's net assets totaled $61.1 million for its governmental and business-type activities, an increase of $3.8 million over the previous fiscal year. Net assets for governmental activities increased $.7 million and business-type activities increased $3.1 million. The primary reason for the increase in the City's net assets is the increase in the investment in the MEAG Trust in the Electric Fund(See Note 9c)
- Total combined revenues for governmental and business-type activities were $50.5 million, an increase of $2.3 million over the previous fiscal year, mainly due to an increase in water and sewer revenue.
- Overall expenses were $46.8 million, an increase of $2.1 million over the previous year. Expenses for governmental activities increased $.8 million and expenses for business-type activities increased $1.3 million. The primary reason for the increase in expenses was due to higher wholesale power cost in the electric fund.
- As of June 30, 2012, governmental activities' expenses exceeded program revenue, resulting in the use of $6.3 million in general revenues (primarily taxes).
- In the City's business-type activities, revenues were $39.9 million and expenses were $32.7 million, for an operating profit of approximately $7.2 million for 2012.
- The General Fund resources available for appropriation were $.19 million less than budgeted, and expenditures were $.26 million less than budgeted.
- The combined governmental funds' balance as of June 30, 2012 was $ 3.3 million, of which the general fund comprised $2.6 million, and other governmental funds (which are presented in detail on pages 66 through 71) comprised $0.7 million.
- The General Fund reported an increase of $0.71 million in total fund balance to $2.6 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 Financial Statements:

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 and water/sewer infrastructure to assess the overall wellbeing 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 2012.

Fund Financial Statements

The fund financial statements begin on page 26 and provide detailed information about the most significant funds—not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal

requirements. Fund financial statements provide detailed information about the City's major funds. Based on the restriction on the use of moneys, the City has established many funds that account for the multitude of services provided to our residents. The City's major governmental fund is the General Fund. 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.

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, Fund Balance, Reporting and Governmental Fund Type Definitions, establishes new criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. This new standard has not affected the total amount of reported fund balances, but has substantially changed the categories and terminology used to describe their components. Previously, the City categorized fund balances in the Balance Sheet- Governmental Funds as reserved and unreserved. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. Beginning with the year ended June 30, 2011, the City evaluated each of its funds and classified fund balances in the following five categories;

- Nonspendable – items that cannot be spent because they are not spendable. Inventory is an example of nonspendable items.
- Restricted – items that are restricted by external parties, such as creditors, or imposed by grants, law or legislation.

- Committed – items that have been committed by formal action by the entity's "highest level of decision-making authority."
- Assigned – items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose.
- Unassigned – this category is for any balances that have no restrictions placed upon them. Deficit fund balances in non-major governmental funds are classified as unassigned funds.

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 36-63.

Other Information

In addition to the basic financial statements and accompanying notes, the report also presents combining financial statements and schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS:

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:	2011	2012	2011	2012	2011	2012	2011-2012
Current assets	$ 7,330	$ 7,507	$ 9,854	$ 8,207	$ 17,184	$ 15,714	-8.6%
Unrestricted non current	-	-	150	129	150	129	-14.0%
Restricted assets - non	-	-	10,907	15,750	10,907	15,750	44.4%
Capital assets- net	21,290	22,321	20,172	20,040	41,462	42,361	2.2%
Total assets	**28,620**	**29,828**	**41,083**	**44,126**	**69,703**	**73,954**	**6.1%**
Liabilities:							
Long-term debt outstanding	975	1,299	1,895	1,541	2,870	2,840	-1.0%
Other liabilities	4,089	4,289	5,438	5,758	9,527	10,047	5.5%
Total liabilities	**5,064**	**5,588**	**7,333**	**7,299**	**12,397**	**12,887**	**4.0%**
Net assets:							
Invested in capital assets, net of debt	19,858	21,168	17,910	18,214	37,768	39,382	4.3%
Unrestricted (deficit)	3,698	3,072	15,840	18,613	19,538	21,685	11.0%
Total net assets	**$ 23,556**	**$ 24,240**	**$ 33,750**	**$ 36,827**	**$ 57,306**	**$ 61,067**	**6.6%**

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 both categories of net assets. The City's combined net assets increased $3.8 million from $57.3 million to $61.1 million as of June 30, 2012, primarily due to an increase in the investment in the MEAG Trust in the Electric Fund. 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 $21.7 million at the end of this year. This is an increase of $4.3 million over the last two fiscal years.

The largest portion of the City's net assets (approximately 64%) 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.

A Net OPEB(Post Employment Health Care Benefits) Obligation in the amount of $.86 million has been recorded as of June 30, 2012. The City of Douglas provides certain health care benefits for retired employees if they reach normal retirement age while working for the City until they become eligible for Medicare. The required contribution was determined by an actuarial valuation. The city recognizes expenses as claims are incurred. The annual OPEB cost is not funded. Additional information can be found in Note 22, on pages 60 through 62.

The total net assets of our business-type activities increased by 9.1 percent ($36.8 million in 2012 compared to $33.7 million in 2011). The increase of $3.1 million in net assets resulted from a net operating profit of $7.3 million, and a net transfer of $4.2 million to governmental activities. The transfers to the general fund were primarily from the Electric fund to help support rising costs without raising property taxes. 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:

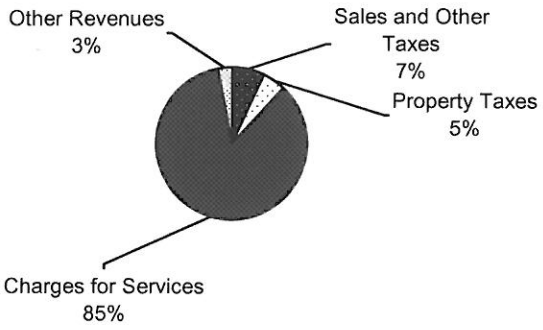
The City's total change in net assets was a total increase of $3.8 million comprised of a increase of $.7 million in the current fiscal year as a result of its governmental activities and an increase of $3.1 million as a result of its business-type activities. Key elements of this increase are as follows:

Table 2
Changes in Net Assets
(000 Omitted)

	Governmental Activities		Business Type Activities		Total Primary Government		Total % Change
	2011	2012	2011	2012	2011	2012	2011-2012
Revenues							
Program revenues:							
Charges for services	$ 2,856	$ 2,953	$ 38,511	$ 39,887	$ 41,367	$ 42,840	3.6%
Operating grants	242	522	-	-	242	522	115.7%
Capital grants	-	762	-	-	-	762	-
General revenues:							
Property taxes	2,329	2,277	-	-	2,329	2,277	-2.2%
Other taxes	3,891	3,790	-	-	3,891	3,790	-2.6%
Investment earnings	8	16	89	86	97	102	5.2%
Other Revenues	287	239	-	-	287	239	-16.7%
Total general / program revenues	**9,613**	**10,559**	**38,600**	**39,973**	**48,213**	**50,532**	**4.8%**
Program Expense							
General government	4,907	4,861	-	-	4,907	4,861	-0.9%
Public safety	5,330	5,666	-	-	5,330	5,666	6.3%
Public works	-	-	31,237	32,579	31,237	32,579	4.3%
Culture and recreation	2,158	2,374	-	-	2,158	2,374	10.0%
Housing and development	920	1,151	-	-	920	1,151	25.1%
Interest and fiscal charges	31	47	118	93	149	140	-6.0%
Total program expenses	**13,346**	**14,099**	**31,355**	**32,672**	**44,701**	**46,771**	**4.6%**
Changes in net assets before special and extraordinary items and transfers	(3,733)	(3,540)	7,245	7,301	3,512	3,761	7.1%
Transfers	3,541	4,224	(3,541)	(4,224)	-	-	-
Changes in net assets	**$ (192)**	**$ 684**	**$ 3,704**	**$ 3,077**	**$ 3,512**	**$ 3,761**	**7.1%**

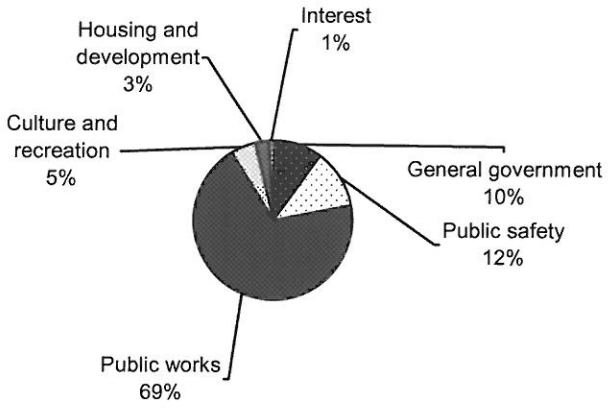
As can be seen from the following chart, approximately 5% of the City's combined total revenue is provided by property taxes, 85% by fees, fines, charges for services, an additional 7% by sales and other taxes, and the remaining 3% by a combination of grants, contributions, investment income and other 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 – FY2012



The City's major expenses, at 69% 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 – FY2012



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 unassigned 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 2012 fiscal year with a balance of $3.3 million in its governmental funds. Of this, the unassigned portion was $2.3 million. The remaining $1.0 million is reserved for inventories, or restricted or assigned to various special revenue funds.

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 $2.6 million, of which $2.3 million was unassigned, which is available for spending in the coming year. As a measure of liquidity, it may be useful to compare the unassigned fund balance to total expenditures for the General Fund and transfers out to other funds. The unassigned General Fund balance represents 17% 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 $4.8 million and $5.5 million, respectively, in 2012. Increase in expenses was mainly due to increases in employee benefits, maintenance and utilities cost.

The fund balance in the general fund increased $0.71 million during FY 2012 to $2.6 million. The largest sources of funds for the general fund are local option sales taxes and property taxes. Although sales taxes have not returned to the levels prior to the economic downturn they have begun to increase. Property values have not increased from real or inflationary growth resulting in little or no increase in property taxes. The City is continuing to work on cost containment measures in the current economic slowdown. The $2.6 million fund balance should help the City weather the current economic climate and any unanticipated events. As of June 30, 2012, the City has two months reserve based on the average monthly expenditures in the fund balance. Additional information about the General Fund can be found on pages 26 through 30.

Other Governmental Funds:

Combined assets were $1.30 million; liabilities $0.64 million; and fund balance was $0.66 million for the year ended June 30, 2012. 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, Motel Tax Fund, One Georgia Authority Fund, Justice Assistance Grant Fund, Historian Preservation Grant

Fund, GHFA Emergency Fund, Park Improvement Project Fund, and Youth Summer/After School Program Fund.

Combined total assets of the above funds were $.70 million as of June 30, 2012, liabilities $0.08 million and fund balances were $0.62 million. Details on these funds are on pages 67 through 72 .

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. Included in this classification are SPLOST 2000, SPLOST 2005, SPLOST 2012 and Airport Improvement Fund. Capital Projects Funds had $0.60 million in assets, $.56 million in liabilities and a fund balance of $.04 million. Additional details of these funds are on pages 67 through 72.

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 increased from $38.5 million in 2011 to $39.9 million in 2012. In March, 2011 water/sewer rates were increased to cover expenses of the aging infrastructure. In July, 2011, sanitation rates were increased to cover the CPI and Fuel Surcharge from Transwaste Services and to further establish a Stormwater Utility and Maintenance Program. There was a .006 mil per kwh increase throughout the year in electric rates to cover increased wholesale power costs. The increase in revenue is also due to the reopening in the prior fiscal year of a major industry previously closed. Costs of services increased from $31.2 million in 2011 to $32.6 million in 2012. This increase was mainly due to a higher wholesale power cost. The combined net operating income of proprietary funds totaled $7.3 million for the year ended June 30, 2012. More detailed information about the City's proprietary funds can be found on pages 31 through 35.

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 $0.19 million less than budgeted, actual expenditures were $0.29 million less than budgeted resulting in a $0.07 million dollar deficit. As these

decreases occurred in the revenues budgeted, operating expenditures were closely monitored to offset the revenue decreases.

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, 2012 amounts to $42.4 million, net of accumulated depreciation of $45.7 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, increased $1.03 million for governmental activities and decreased $0.13 million for business-type activities. During FY 2012 there were additions to governmental activities of $2.1 million and additions to business-type activities of $1.3 million. Major capital asset events during fiscal year 2012 for governmental activities included ongoing upgrades to public buildings and the airport terminal apron, addition of a fuel farm, street resurfacing and the purchase of transportation equipment for the police, fire and public works departments. A grant was received during fiscal year 2012 for capital outlays in the airport improvement fund.

Major capital asset events during fiscal year 2012 for business-type activities include expenditures for improvements to the water/sewer system infrastructure, distribution system improvements for the electric and gas systems, and the purchase of various machinery and equipment and transportation equipment.

Depreciation expense for the period was $2.48 million of which $1.09 million was allocated to the governmental activities functions and $1.39 million to the business-type activities functions. Additional information on Capital Assets can be found on page 46.

Long-term Debt

As of June 30, 2012, the City of Douglas had $3.2 million in outstanding long-term debt principal, of which $.86 million is due within one year.

Outstanding debt decreased by $.4 million as compared to last year. New capital leases in the amount of $.3 million were used to purchase new patrol vehicles and a street sweeper. The decrease in debt was due to scheduled principal reductions during the year.

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

City of Douglas, Georgia
Outstanding Debt (000 Omitted)

	Governmental Activities	Business-type Activities	Total
Notes payable	$ 67	$ 1,784	$ 1,851
Capital leases	678	171	849
Compensated Absences	422	111	533
	$ 1,167	$ 2,066	$ 3,233

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 50 .

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2013 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. 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 was passed in 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. Salary expenses have been reduced through reorganization. The City anticipates the new Sales Tax Exemption for Manufacturing to have some effect on General Fund LOST and SPLOST Revenue. However, an increase in millage rate was not proposed for the 2013 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.

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.

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. 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, 2012

	PRIMARY GOVERNMENT		
	Government Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Investments	$ 4,222,503	$ -	$ 4,222,503
Cash	1,490,359	29,788	1,520,147
Investments	353,332	1,373,159	1,726,491
Restricted Assets: Investments	-	464,373	464,373
Accounts Receivable, Net of Allowance of $22,400 and $22,764, respectively	19,790	2,358,650	2,378,440
Unbilled Accounts Receivable	-	1,847,356	1,847,356
Taxes Receivable, Net of Allowance of $2,805	274,926	-	274,926
Interfund Receivables	783,719	955,467	1,739,186
Notes Receivable-Current	-	20,969	20,969
Due from Other Governments	203,853	-	203,853
Inventory and Prepayments	158,025	1,156,722	1,314,747
Total Current Assets	$ 7,506,507	$ 8,206,484	$ 15,712,991
Noncurrent Assets:			
Investments	$ -	$ 34,242	$ 34,242
Restricted Assets:			
Cash	-	599,907	599,907
Investments	-	3,501,245	3,501,245
MEAG Trust	-	11,649,340	11,649,340
Other Assets	-	94,618	94,618
Notes Receivable-Noncurrent	-	-	-
Capital Assets, Net of Accumulated Depreciation			
Land	4,380,801	191,243	4,572,044
Buildings and Improvements	9,517,909	41,327	9,559,236
Infrastructure	5,576,489	-	5,576,489
Machinery and Equipment	1,065,008	488,716	1,553,724
Transportation Equipment	724,707	573,485	1,298,192
Distribution System	-	18,739,556	18,739,556
Computer Equipment	21,755	5,926	27,681
Office Equipment	31,908	-	31,908
Furniture and Fixtures	-	-	-
Appliances	-	-	-
Construction in Process	1,002,342	-	1,002,342
Total Noncurrent Assets	$ 22,320,919	$ 35,919,605	$ 58,240,524
TOTAL ASSETS	$ 29,827,426	$ 44,126,089	$ 73,953,515
LIABILITIES			
Current Liabilities:			
Accounts and Contracts Payable	$ 1,380,138	$ 3,188,678	$ 4,568,816
Interfund Payables	1,376,396	362,790	1,739,186
Net OPEB Obligation	863,511	-	863,511
Other Payables	371,214	776,771	1,147,985
Customer Deposits Payable	-	905,351	905,351
Deferred Revenue	21,689	-	21,689
Current Portion of Long-Term Debt	275,808	525,060	800,868
Total Current Liabilities	$ 4,288,756	$ 5,758,650	$ 10,047,406

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

CITY OF DOUGLAS, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	PRIMARY GOVERNMENT		
	Government Activities	Business-type Activities	Total
Noncurrent Liabilities:			
Estimated Liability for Compensated Absences	$ 421,768	$ 111,052	$ 532,820
Long Term Debt (net of current portion)	469,601	1,429,691	1,899,292
Capital Leases (net of current portion)	407,101	-	407,101
Total Noncurrent Liabilities	$ 1,298,470	$ 1,540,743	$ 2,839,213
TOTAL LIABILITIES	$ 5,587,226	$ 7,299,393	$ 12,886,619
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	$ 21,168,409	$ 18,214,332	$ 39,382,741
Restricted By Bond Covenants	-	-	-
Unrestricted	3,071,791	18,612,364	21,684,155
TOTAL NET ASSETS	$ 24,240,200	$ 36,826,696	$ 61,066,896
TOTAL LIABILITIES AND NET ASSETS	$ 29,827,426	$ 44,126,089	$ 73,953,515

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, 2012

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	Business-type Activities	Total
Primary Government							
Governmental Activities							
General Government	$ 4,860,549	$ 2,237,270	$ -	$ 761,558	$ (1,861,721)	$ -	$ (1,861,721)
Public Safety	5,666,100	-	-	-	(5,666,100)	-	(5,666,100)
Culture and Recreation	2,373,613	476,377	-	-	(1,897,236)	-	(1,897,236)
Housing and Development	1,151,026	238,924	521,967	-	(390,135)	-	(390,135)
Interest and Fiscal Charges	46,987	-	-	98	(46,889)	-	(46,889)
Total Governmental Activities	$ 14,098,275	$ 2,952,571	$ 521,967	$ 761,656	$ (9,862,081)	$ -	$ (9,862,081)
Business-Type Activities							
Natural Gas	$ 3,940,444	$ 4,397,886	$ -	$ -	$ -	$ 457,442	$ 457,442
Electric	21,013,941	25,718,050	-	-	-	4,704,109	4,704,109
Water and Sewer	5,285,780	7,174,910	-	-	-	1,889,130	1,889,130
Sanitation System	2,432,334	2,595,901	-	-	-	163,567	163,567
Total Business-Type Activities	$ 32,672,499	$ 39,886,747	$ -	$ -	$ -	$ 7,214,248	$ 7,214,248
Total Primary Government	$ 46,770,774	$ 42,839,318	$ 521,967	$ 761,656	$ (9,862,081)	$ 7,214,248	$ (2,647,833)
General Revenues:							
Property Taxes, Levied For General Purpose					$ 2,277,014	$ -	$ 2,277,014
Franchise Taxes					298,711	-	298,711
Local Option Sales Taxes					1,776,986	-	1,776,986
Other Taxes					1,714,758	-	1,714,758
Interest Earnings					16,479	86,454	102,933
Sale of Capital Assets					14,313	-	14,313
Other Revenue and Reimbursements					224,219	-	224,219
Total General Revenues					$ 6,322,480	$ 86,454	$ 6,408,934
Transfers					$ 4,223,850	$ (4,223,850)	$ -
Total General Revenues and Transfers					$ 10,546,330	$ (4,137,396)	$ 6,408,934
Change in Net Assets					$ 684,249	$ 3,076,852	$ 3,761,101
Net Assets - Beginning					23,555,951	33,749,844	57,305,795
Net Assets - Ending					$ 24,240,200	$ 36,826,696	$ 61,066,896

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

CITY OF DOUGLAS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	Major Governmental Funds General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	$ 4,222,503	$ -	$ 4,222,503
Cash	455,164	1,035,195	1,490,359
Investments	352,398	934	353,332
Accounts and Notes Receivable	3,424	16,366	19,790
Taxes Receivable (Net of allowance of $2,805)	274,926	-	274,926
Due from Other Governments	203,853	-	203,853
Interfund Receivables	661,841	243,400	905,241
Inventory	158,025	-	158,025
Total Assets	$ 6,332,134	$ 1,295,895	$ 7,628,029
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 2,243,449	$ 200	$ 2,243,649
Other Payables	492,736	-	492,736
Deferred Revenue	214,652	-	214,652
Interfund Payables	738,316	638,080	1,376,396
Total Liabilities	$ 3,689,153	$ 638,280	$ 4,327,433
Fund Balances:			
Nonspendable:			
Inventory and Prepayments	$ 158,024	$ -	$ 158,024
Restricted for:			
Cemetary	25,683	-	25,683
Police Technology	8,008	-	8,008
DCCPRD	64,493	-	64,493
Haz Mat	78,460	-	78,460
Committed to:	-	-	-
Assigned to:			
Special Revenue Funds	-	620,457	620,457
Unassigned:	2,308,313	37,158	2,345,471
Total Fund Balances	$ 2,642,981	$ 657,615	$ 3,300,596
Total Liabilities and Fund Balances	$ 6,332,134	$ 1,295,895	$ 7,628,029

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, 2012

Total fund balances for governmental funds	$	3,300,596
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.		22,320,919
Certain liabilities, such as compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(421,768)
Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(959,547)
Total net assets of governmental activities	$	24,240,200

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

CITY OF DOUGLAS, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 5,181,525	$ 763,606	$ 5,945,131
License & Permits	322,917	-	322,917
Charges for Services	278,366	402,233	680,599
Fines & Forfeitures	307,296	-	307,296
Intergovernmental	12,456	1,333,402	1,345,858
Revenue from Use of Money or Property	16,479	534	17,013
Other Revenues/Reimbursements	2,639,096	222,673	2,861,769
Total Revenues	$ 8,758,135	$ 2,722,448	$ 11,480,583
Expenditures:			
Current:			
General Government	$ 4,785,943	$ -	$ 4,785,943
Public Safety	5,496,594	10,094	5,506,688
Culture and Recreation	1,445,220	630,099	2,075,319
Housing and Development	927,610	42,551	970,161
Capital Outlay:	367,544	1,895,177	2,262,721
Debt Service:			
Principal	223,053	5,000	228,053
Interest	46,987	-	46,987
Total Expenditures	$ 13,292,951	$ 2,582,921	$ 15,875,872
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (4,534,816)	$ 139,527	$ (4,395,289)
OTHER FINANCING SOURCES (USES)			
Sale of Property	$ 14,313	$ -	$ 14,313
Transfers from (to) Other Funds	4,223,850	(167,215)	4,056,635
Capital Lease Proceeds	367,544	-	367,544
Total Other Financing Sources (Uses)	$ 4,605,707	$ (167,215)	$ 4,438,492
Net Change in Fund Balances	$ 70,891	$ (27,688)	$ 43,203
Fund Balances - Beginning	2,572,090	685,303	3,257,393
Fund Balances - Ending	$ 2,642,981	$ 657,615	$ 3,300,596

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, 2012

Net changes in fund balances - total governmental funds reported in the *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds*		$ 43,203
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.		1,140,841
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.		21,689
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	$ (223,567)	
Repayments:	259,999	
Net Adjustment		36,432
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.		(557,916)
Change in net assets of governmental activities reported in the *Statement of Activities.*		$ 684,249

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Beginning budgetary fund balance:				
Resources (inflows):				
Taxes	$ 5,192,305	$ 5,212,305	$ 5,181,525	$ (30,780)
Licenses & Permits	308,000	308,250	322,917	14,667
Charges for Services	288,300	288,300	278,366	(9,934)
Fines & Forfeitures	300,000	300,000	307,296	7,296
Revenue from Use of Money or Property	29,200	29,200	16,479	(12,721)
Intergovernmental	12,456	12,456	12,456	-
Other Revenues/Reimbursements	3,172,198	2,799,404	2,639,096	(160,308)
Transfers from Other Funds	4,253,850	4,253,850	4,253,850	-
Proceeds from Capital Leases	15,000	367,544	367,544	-
Amounts available for appropriation	$ 13,571,309	$ 13,571,309	$ 13,379,529	$ (191,780)
Charges to appropriations (outflows):				
General Government	$ 5,099,517	$ 4,947,272	$ 4,824,613	$ 122,659
Public Safety	5,781,197	5,777,608	5,713,651	63,957
Culture and Recreation	1,784,632	1,571,122	1,475,220	95,902
Housing and Development	905,963	907,763	927,610	(19,847)
Capital Outlay	-	367,544	367,544	-
Total charges to appropriations	$ 13,571,309	$ 13,571,309	$ 13,308,638	$ 262,671
Ending budgetary fund balance	$ -	$ -	$ 70,891	$ 70,891

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, 2012

	Business-type Activities-Proprietary Funds					Governmental Activities
	Natural Gas	Electric	Water and Sewer	Nonmajor Proprietary Fund	Totals	Internal Service
ASSETS						
Current Assets:						
Cash	$ 50	$ 35	$ 151	$ -	$ 236	$ 29,552
Investments	391,863	57,799	-	923,497	1,373,159	-
Restricted Assets:						
Investments	-	464,373	-	-	464,373	-
Accounts Receivable	169,113	1,702,249	365,505	144,547	2,381,414	-
Less: Allowance for Doubtful Accounts	(544)	(15,610)	(4,621)	(1,989)	(22,764)	-
Unbilled Accounts Receivable	161,043	1,208,078	341,326	136,909	1,847,356	-
Interfund Receivables	-	15,073	9,097	192,984	217,154	738,313
Notes Receivable-Current	-	20,969	-	-	20,969	
Inventory	190,244	684,697	281,781	-	1,156,722	-
Total Current Assets	$ 911,769	$ 4,137,663	$ 993,239	$ 1,395,948	$ 7,438,619	$ 767,865
Noncurrent Assets:						
Investments	$ -	$ -	$ 34,242	$ -	$ 34,242	$ -
Restricted Assets:						
Cash	-	-	599,907	-	599,907	-
Investments	96,098	1,349,991	2,055,156	-	3,501,245	-
MEAG Trust	-	11,649,340	-	-	11,649,340	-
Other Assets	-	-	94,618	-	94,618	-
Notes Receivable-Noncurrent	-	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation:						
Land	56,595	28,655	105,993	-	191,243	-
Buildings and Improvements	37,280	758	3,289	-	41,327	-
Transportation Equipment	21,932	347,180	146,632	57,741	573,485	-
Machinery and Equipment	88,120	50,701	155,837	194,058	488,716	-
Computer Equipment	-	5,463	463	-	5,926	-
Distribution System	2,198,029	3,893,702	12,647,825	-	18,739,556	-
Total Noncurrent Assets	$ 2,498,054	$ 17,325,790	$ 15,843,962	$ 251,799	$ 35,919,605	$ -
TOTAL ASSETS	$ 3,409,823	$ 21,463,453	$ 16,837,201	$ 1,647,747	$ 43,358,224	$ 767,865

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, 2012

	Business-type Activities-Proprietary Funds					Governmental Activities
	Natural Gas	Electric	Water and Sewer	Nonmajor Proprietary Fund	Totals	Internal Service
LIABILITIES						
Current Liabilities:						
Accounts and Contracts Payable	$ 250,096	$ 2,559,139	$ 212,711	$ 166,732	$ 3,188,678	$ -
Interfund Payables	362,790	-	-	-	362,790	-
Other Payables	1,340	-	7,566	-	8,906	767,865
Current Portion of Long Term Debt	-	-	480,200	44,860	525,060	-
Total Current Liabilities	$ 614,226	$ 2,559,139	$ 700,477	$ 211,592	$ 4,085,434	$ 767,865
Current Liabilities Payable From Restricted Assets:						
Customer Deposits Payable	$ 96,098	$ 525,664	$ 283,589	$ -	$ 905,351	$ -
Noncurrent Liabilities:						
Long Term Debt	$ -	$ -	$ 1,303,870	$ 125,821	$ 1,429,691	$ -
Estimated Liability for Compensated Absences	-	74,573	18,498	17,981	111,052	
Capital Leases	-	-	-	-	-	-
Total Noncurrent Liabilities	$ -	$ 74,573	$ 1,322,368	$ 143,802	$ 1,540,743	$ -
TOTAL LIABILITIES	$ 710,324	$ 3,159,376	$ 2,306,434	$ 355,394	$ 6,531,528	$ 767,865
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	$ 2,401,956	$ 4,326,459	$ 11,404,799	$ 81,118	$ 18,214,332	$ -
Restricted by Bond Covenants	-			-	-	-
Unrestricted	297,543	13,977,618	3,125,968	1,211,235	18,612,364	-
TOTAL NET ASSETS	$ 2,699,499	$ 18,304,077	$ 14,530,767	$ 1,292,353	$ 36,826,696	$ -
TOTAL LIABILITIES AND NET ASSETS	$ 3,409,823	$ 21,463,453	$ 16,837,201	$ 1,647,747	$ 43,358,224	$ 767,865

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, 2012

	Business-type Activities-Proprietary Funds					Governmental Activities
	Natural Gas	Electric	Water and Sewer	Nonmajor Proprietary Fund	Totals	Internal Service
OPERATING REVENUES						
Charges For Sales & Service	$ 3,926,839	$ 24,837,121	$ 7,035,473	$ 2,564,808	38,364,241	$ -
Cut-in Charges	2,080	71,562	9,210	-	82,852	-
Penalties	6,463	178,492	57,176	28,849	270,980	-
Other	462,504	630,875	73,051	2,244	1,168,674	3,239,608
Total Operating Revenues	$ 4,397,886	$ 25,718,050	$ 7,174,910	$ 2,595,901	$ 39,886,747	$ 3,239,608
OPERATING EXPENSES						
Cost of Sales and Services	$ 3,327,506	$ 18,408,335	$ -	$ 1,710,065	$ 23,445,906	$ -
Administration & Operating	478,178	2,322,386	4,318,423	680,020	7,799,007	3,239,660
Depreciation	132,715	283,220	936,098	37,062	1,389,095	-
Total Operating Expenses	$ 3,938,399	$ 21,013,941	$ 5,254,521	$ 2,427,147	$ 32,634,008	$ 3,239,660
Operating Income (Loss)	$ 459,487	$ 4,704,109	$ 1,920,389	$ 168,754	$ 7,252,739	$ (52)
NONOPERATING REVENUES (EXPENSES)						
Interest Revenue	$ 5,820	$ 72,917	$ 1,569	$ 6,148	$ 86,454	$ 52
Interest Expense	(2,045)	-	(86,259)	(5,187)	(93,491)	-
Total Nonoperating Revenues (Expenses)	$ 3,775	$ 72,917	$ (84,690)	$ 961	$ (7,037)	$ 52
Net Income (Loss) before Contribution and Transfers	$ 463,262	$ 4,777,026	$ 1,835,699	$ 169,715	$ 7,245,702	$ -
TRANSFERS:						
Transfer from (to) Other Funds	(453,000)	(3,574,850)	(171,000)	30,000	(4,168,850)	-
Change of Net Assets	$ 10,262	$ 1,202,176	$ 1,664,699	$ 199,715	$ 3,076,852	$ -
Total Net Assets - Beginning of Year	2,689,237	17,101,901	12,866,068	1,092,638	33,749,844	-
Total Net Assets - End of Year	$ 2,699,499	$ 18,304,077	$ 14,530,767	$ 1,292,353	$ 36,826,696	$ -

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

CITY OF DOUGLAS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities-Proprietary Funds					Governmental Activities
	Natural Gas	Electric	Water and Sewer	Nonmajor Proprietary Fund	Totals Current Year	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers	$ 4,360,429	$ 24,824,234	$ 6,994,876	$ 2,593,657	$ 38,773,196	$ -
Cash Paid to Suppliers	(2,844,247)	(15,954,021)	(1,547,659)	(1,698,014)	(22,043,941)	-
Cash Paid to Employees	(478,178)	(967,113)	(1,805,293)	(516,023)	(3,766,607)	-
Cash Received from Interfund Services Provided	-	-	-	-	-	3,239,608
Cash Paid for Internal Services Provided	-	-	-	-	-	(3,263,150)
Net Cash Provided (Used) by Operating Activities	$ 1,038,004	$ 7,903,100	$ 3,641,924	$ 379,620	$ 12,962,648	$ (23,542)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In (Out)	$ (453,000)	$ (3,574,850)	$ -	$ 30,000	$ (3,997,850)	$ -
(Decrease) Increase in Interfund Payables	(499,066)	(1,458,971)	(906,525)	(21,535)	(2,886,097)	-
Net Cash Provided (Used) by Noncapital Financing Activities	$ (952,066)	$ (5,033,821)	$ (906,525)	$ 8,465	$ (6,883,947)	$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds of Notes Payable	$ -	$ -	$ -	$ -	$ -	$ -
Purchase of Capital Assets	(89,713)	(93,820)	(219,952)	(245,028)	(648,513)	-
Principal Payments on Note Payable	-	-	(478,373)	(41,019)	(519,392)	-
Interest Paid	(2,045)	-	(86,259)	(5,187)	(93,491)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	$ (91,758)	$ (93,820)	$ (784,584)	$ (291,234)	$ (1,261,396)	$ -
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale (Purchase) of Investments	$ -	$ (2,890,314)	$ (1,780,451)	$ (102,999)	$ (4,773,764)	$ -
Collection on Notes Receivable	-	41,938	-	-	41,938	-
Receipts of Interest and Dividends	5,820	72,917	1,569	6,148	86,454	52
Net Cash Provided (Used) by Investing Activities	$ 5,820	$ (2,775,459)	$ (1,778,882)	$ (96,851)	$ (4,645,372)	$ 52
Net Increase (Decrease) in Cash and	$ -	$ -	$ 171,933	$ -	$ 171,933	$ (23,490)
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	50	35	428,125	-	428,210	53,042
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 50	$ 35	$ 600,058	$ -	$ 600,143	$ 29,552

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

CITY OF DOUGLAS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities-Proprietary Funds					Governmental Activities
	Natural Gas	Electric	Water and Sewer	Nonmajor Proprietary Fund	Totals	Internal Service
CASH AND CASH EQUIVALENT - END OF YEAR						
Unrestricted	$ 50	$ 35	$ 151	$ -	$ 236	$ 29,552
Restricted	-	-	599,907	-	599,907	-
Total	$ 50	$ 35	$ 600,058	$ -	$ 600,143	$ 29,552
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Net Operating Income (Loss)	$ 459,487	$ 4,704,109	$ 1,749,389	$ 168,754	$ 7,252,739	$ (52)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	132,715	283,220	936,098	37,062	1,389,095	-
Amortization Expense	-	-	-	-	-	-
(Increase) Decrease in Accounts Receivable	112,241	137,206	(35,317)	(13,582)	200,548	-
(Increase) Decrease in Unbilled Accounts Receivable	88,350	233,831	112,418	1,938	436,537	-
(Increase) Decrease in Interfund Receivables	-	12,319	1,401,899	(192,984)	1,221,234	42,663
(Increase) Decrease in Inventory	(6,386)	(49,589)	(133,418)	-	(189,393)	-
Increase (Decrease) in Estimated Liability for Compensated Absences	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	243,772	2,559,591	212,711	166,732	3,182,806	
Increase (Decrease) in Customer Deposits	6,485	22,413	9,314	-	38,212	-
Increase (Decrease) in Other Payable	1,340	-	(611,170)	211,700	(398,130)	(66,153)
Net Cash Provided (Used) by Operating Activities	$ 1,038,004	$ 7,903,100	$ 3,641,924	$ 379,620	$ 12,962,648	$ (23,542)

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

TABLE OF CONTENTS

PAGE NO.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 37

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY 43

NOTE 3: CASH AND INVESTMENTS 44

NOTE 4: CAPITAL ASSETS 46

NOTE 5: DUE FROM OTHER GOVERNMENTS 48

NOTE 6: INTERFUND BALANCES AND ACTIVITY 48

NOTE 7: RESTRICTED ASSETS 50

NOTE 8: LONG-TERM OBLIGATIONS 50

NOTE 9: CONTINGENCIES AND COMMITMENTS 53

NOTE 10: RISK MANAGEMENT 54

NOTE 11: CONTRIBUTED CAPITAL – PROPRIETARY FUNDS 55

NOTE 12: VEHICLE MAINTANCE AND CENTRAL PURCHASING/WAREHOUSE DEPARTMENTS – GENERAL FUND 55

NOTE 13: CONTINGENT ASSETS 55

NOTE 14: PENSION PLAN 56

NOTE 15: DEFERRED COMPENSATION PLAN 58

NOTE 16: SELF INSURANCE (LIFE & HEALTH) 58

NOTE 17: SELF INSURANCE (WORKERS' COMPENSATION) 59

NOTE 18: RECONCILIATION OF EXPENSITURES FOR GOVERNMENTAL FUND TYPES GAAP BASIS/BUDGETARY BASIS 59

NOTE 19: JOINT VENTURES 59

NOTE 20: HOTEL/MOTEL TAX 60

NOTE 21: INTERFUND TRANSFERS 60

NOTE 22: POST EMPLOYMENT HEALTH CARE BENEFITS 60

NOTE 23: PROPERTY TAX CALENDAR 63

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 Fund – The Internal Service Fund accounts 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

Government-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, 2012. 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, 2012, 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 ($157,093) at June 30, 2012. 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, 2012 was Housing and Development in the amount of $19,847.

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, 2012 the City was not undercollateralized at any financial institutions.

Depository Account:		
Uninsured and Uncollateralized	$	-
Insured		452,789
Collateralized:		
Collateral held by Pledging Bank's trust department not in the City name		1,216,998
Total	$	1,669,787
Cash on Hand		2,375
Total Cash	$	1,672,162

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, 2012, the City had the following investments:

Investment Types	Maturities	Fair Value
Georgia Fund 1 (State Investment Pool)	Daily	$ 3,040,648
U.S. Government Agencies (CMO): Federal Home Loan Mortgage Corp Government National Mortgage	(Range) 7/8/2009 - 6/15/2023	25,469
Certificates of Deposit	(Range) 08/6/2009 - 11/28/2009	1,407,401
Total Investments		$ 4,473,518

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, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital Assets, not being depreciated:				
Land	$ 4,357,129	$ 23,672	$ -	$ 4,380,801
Assets Not in Use	-	-	-	-
Construction in Progress	935,522	523,767	(456,947)	1,002,342
Total Capital Assets, not being Depreciated	$ 5,292,651	$ 547,439	$ (456,947)	$ 5,383,143
Capital Assets, Being Depreciated:				
Building and Improvements	$ 15,884,425	$ 95,028	$ -	$ 15,979,453
Furniture and Fixtures	53,000	-	-	53,000
Transportation Equipment	3,416,625	143,284	(24,335)	3,535,574
Office Equipment	189,018	-	-	189,018
Infrastructure	7,186,842	1,292,812	-	8,479,654
Appliances	5,919	-	-	5,919
Machinery and Equipment	2,319,110	521,100	-	2,840,210
Computer Equipment	74,420	-	-	74,420
Total Capital Assets, Being Depreciated	$ 29,129,359	$ 2,052,224	$ (24,335)	$ 31,157,248
Less Accumulated Depreciation:				
Buildings and Improvements	$ 5,925,296	$ 536,248	$ -	$ 6,461,544
Furniture and Fixtures	53,000	-	-	53,000
Transportation Equipment	2,648,885	181,076	(19,094)	2,810,867
Office Equipment	140,316	16,794	-	157,110
Infrastructure, Retroactive Implementation	2,673,316	229,849	-	2,903,165
Appliances	5,722	197	-	5,919
Machinery and Equipment	1,644,287	130,915	-	1,775,202
Computer Equipment	40,857	11,808	-	52,665
Total Accumulated Depreciation	$ 13,131,679	$ 1,106,887	$ (19,094)	$ 14,219,472
Total Capital Assets, Being Depreciated, Net	$ 15,997,680	$ 945,337	$ (5,241)	$ 16,937,776
Governmental Activities Capital Assets, Net	$ 21,290,331	$ 1,492,776	$ (462,188)	$ 22,320,919

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
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	2,306,291	185,534	-	2,491,825
Machinery and Equipment	2,455,205	287,050	-	2,742,255
Computer Equipment	368,730	-	-	368,730
Distribution Plant and Other Improvements	44,737,500	784,766	-	45,522,266
Total Capital Assets, being Depreciated	$ 50,113,117	$ 1,257,350	$ -	$ 51,370,467
Less Accumulated Depreciation:				
Buildings and Improvements	$ 200,282	$ 3,781	$ -	$ 204,063
Transporation Equipment	1,799,338	119,002	-	1,918,340
Machinery and Equipment	2,158,575	94,964	-	2,253,539
Computer Equipment	360,209	2,595	-	362,804
Distribution Plant and Other Improvements	25,613,984	1,168,727	-	26,782,711
Total Accumulated Depreciation	$ 30,132,388	$ 1,389,069	$ -	$ 31,521,457
Total Capital Assets, Being Depreciated, Net	$ 19,980,729	$ (131,719)	$ -	$ 19,849,010
Business-type Activities Capital Assets, Net	$ 20,171,972	$ (131,719)	$ -	$ 20,040,253

Depreciation Expense was charged to Governmental Activities as follows:

General and Administrative	$ 344,256
Public Safety	181,418
Culture and Recreation	378,837
Housing and Development	183,282
Total	$ 1,087,793

NOTE 5: DUE FROM OTHER GOVERNMENTS

Receivables from other governments as of June 30, 2012, are as follows:

GENERAL FUND	
State of Georgia - Local Option Sales Tax	$ 150,129
G.E.F.A.	53,724
Total Receivables	$ 203,853

NOTE 6: INTERFUND BALANCES AND ACTIVITY

The City has interfund receivables and payables at June 30, 2012 as follows:

Balances due to/from other funds	Interfund Receivables	Interfund Payables
GOVERNMENTAL FUNDS:		
Major Funds:		
General Fund	$ 493,723	$ 738,316
Nonmajor Governmental Funds	243,400	638,080
INTERNAL SERVICE FUNDS	784,909	-
ENTERPRISE FUNDS:		
Major Funds:		
Gas Fund	-	362,790
Electric Fund	15,073	-
Water & Sewer Fund	9,097	-
Nonmajor Funds	192,984	-
Total	$ 1,739,186	$ 1,739,186

General Fund:		
Due from Gas Department	$	347,820
Due to Electric Department		(2,323)
Due to Water & Sewer Department		(6,877)
Due to Sanitation Department		(1,989)
Due from Nonmajor Governmental Funds		157,092
	$	493,723
Internal Service Fund:		
Due from General Fund	$	784,909
Nonmajor Governmental Funds:		
Capital Projects	$	111,318
Due from Nonmajor Governmental Funds		132,082
	$	243,400
Enterprise Funds:		
Electric		
Due from Gas	$	2,323
Due from General		12,750
	$	15,073
Water & Sewer		
Due from Gas	$	6,877
Due from General		2,220
	$	9,097
Due from Nonmajor Funds		
Due from General	$	1,989
Due from Nonmajor Governmental		190,995
	$	192,984

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	$ 96,098
Electric Fund	525,664
Water and Sewer Fund	283,589
Total Customer Deposits	$ 905,351
MEAG Trust	
Flexible Operating Account (Intermediate)	$ 7,303,823
Flexible Operating Account (Short-Term)	4,345,517
Total MEAG Flexible Trust	$ 11,649,340

NOTE 8: 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 $67,500 at June 30, 2012. 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
2013	$ 5,000	-	$ 5,000
2014	5,000	-	5,000
2015	5,000	-	5,000
2016	5,000	-	5,000
2017	5,000	-	5,000
2018-2022	25,000	-	25,000
2023-2026	17,500	-	17,500
Total	$ 67,500	$ -	$ 67,500

B. Business-type activities

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 $270,356 at June 30, 2012. 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 $1,226,027 at June 30, 2012. 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 $287,687 at June 30, 2012. The loan calls for quarterly payments of principal and interest of $12,621 through November 2018. Proceeds were used for construction of water and sewer system.

Debt Service Requirements

Debt service requirements for the Notes Payable are as follows:

	Notes Payable		
Year Ending June 30,	Principal	Interest	Total
2013	$ 480,201	$ 64,220	$ 544,421
2014	459,515	44,723	504,238
2015	355,199	28,490	383,689
2016	369,622	14,067	383,689
2017	46,391	4,091	50,482
2018-2019	73,142	2,581	75,723
Total	$ 1,784,070	$ 158,172	$ 1,942,242

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, 2012:

	Carrying Value	Gross Amount
Vehicles	$ 533,158	$ 976,535
Equipment	264,124	580,376
Infrastructure	51,308	196,304
Totals	$ 848,590	$ 1,753,215

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, 2012:

For year ending June 30,	Governmental Activities	Enterprise Funds
2013	270,808	44,860
2014	178,576	44,860
2015	138,824	44,860
2016	72,205	44,860
2017	40,155	-
2018-2019	53,044	-
Total minimum lease payments	$ 753,612	$ 179,440
Less amount representing interest	(53,198)	(8,761)
Present value of future minimum lease payments	$ 700,414	$ 170,679

D. Compensated Absences

Governmental activities:
Accumulated sick pay obligation and related social security as of June 30, 2012, amounted to $421,768. 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, 2012 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, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Loan Payable	$ 72,500	$ -	$ 5,000	$ 67,500	$ 5,000
Capital Leases	841,168	91,740	254,999	677,909	270,808
Compensated Absences	289,941	131,827	-	421,768	-
Total	$ 1,203,609	$ 223,567	$ 259,999	$ 1,167,177	$ 275,808
Business Type activities:					
Bonds Payable	$ -	$ -	$ -	$ -	$ -
Notes Payable	2,245,534		461,464	1,784,070	544,421
Capital Leases	16,910	211,700	57,929	170,681	41,164
Compensated Absences	111,052	-	-	111,052	-
Total	$ 2,373,496	$ 211,700	$ 519,393	$ 2,065,803	$ 585,585

NOTE 9: 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 $2,470,022 and $4,331,247 as of June 30, 2012 and 2011, 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 $6,986,556 and $6,336,563 as of June 30, 2012 and 2011, 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 10: 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 11: 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, 2012:

	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, 2011	$ 12,694	$ 18,767	$ -	$ -
Current Year Additions	-	-	-	-
Balance, June 30, 2012	$ 12,694	$ 18,767	$ -	$ -
Electric Fund				
Balance, July 1, 2011	$ 269,663	$ -	$ -	$ -
Current Year Additions	-	-	-	-
Balance, June 30, 2012	$ 269,663	$ -	$ -	$ -
Water & Sewer Fund				
Balance, July 1, 2011	$ 2,413,862	$ 194,829	$ 164,743	$ 902,940
Current Year Additions	-	-		
Balance, June 30, 2012	$ 2,413,862	$ 194,829	$ 164,743	$ 902,940

NOTE 12: 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 13: 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, 2012 include:

Asset	Estimated Amount	Orginal Source of Asset
Land - N. Madison Ave.	$ 2,300	HUD-CDBG/Small Cities
Land - Lonnie Street	2,000	DCA CDBG/Small Cities
Land- Lonnie Street	2,000	DCA CDBG/Small Cities
Total	$ 6,300	

NOTE 14: 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, 2012 actuarial valuation of the City of Douglas Retirement Plan, the City's contributions for 2012 were based on covered payroll of $7,036,182. The City made the recommended contribution of $1,602,734 or 22.78% 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, 2012, the current plan membership includes the following categories of participants:

- Retirees and beneficiaries currently receiving benefits	115
- Terminated employees entitled to benefits but not yet receiving them	25
- Current active employees	
- vested	104
- nonvested	112
Total membership in the plan	356

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, 2012, January 1, 2011, and January 1, 2010 actuarial valuations:

	2012	2011	2010
- Actuarial value of assets	$ 26,680,870	$ 25,962,993	$ 24,278,890
- Actuarial accrued liability	31,374,640	30,667,410	28,879,115
- Percentage funded	85.0%	84.7%	84.1%
- Unfunded actuarial accrued liability	4,693,770	4,704,417	4,600,135
- Employer contributions	1,602,734	1,574,019	1,569,497
- Annual covered payroll	7,036,182	6,910,123	6,890,270
- Unfunded as a percentage of covered payroll	66.7%	68.1%	66.8%
- Employer contributions as a percentage of covered payroll	22.8%	22.8%	22.8%
- Annual pension cost	1,602,734	1,574,019	1,569,497
- 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 15: 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 16: 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 pro rata 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,

	2011	2012
Health Claims Payable - July 1	$ -	$ -
Claims Incurred During the Year Ended June 30	1,943,297	2,026,817
	1,943,297	2,026,817
Claims Paid During the Year Ended June 30	(1,943,297)	(2,026,817)
Health Claims Payable - June 30	$ -	$ -

NOTE 17: 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 pro rata 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,

	2011	2012
Health Claims Payable - July 1	$ 380,811	$ 891,066
Claims Incurred During the Year Ended June 30	925,761	564,590
	1,306,572	1,455,656
Claims Paid During the Year Ended June 30	(415,506)	(627,336)
Health Claims Payable - June 30	$ 891,066	$ 828,320

NOTE 18: 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, 2012:

	Current Operations	Debt Service	Budgetary Basis
General Government	$ 4,824,613	$ -	$ 4,824,613
Public Safety	5,485,598	228,053	5,713,651
Culture and Recreation	1,445,220	-	1,445,220
Housing and Development	927,610	-	927,610
Capital Outlay	367,544	-	367,544
Total	$ 13,050,585	$ 228,053	$ 13,278,638

NOTE 19: 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 Southern Georgia Regional Commission (SGRC). Membership in an SGRC 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 SGRCs. Each county and municipality in the state is required by law to pay the minimum annual dues to the SGRC. The City paid annual dues in the amount of $14,058 to the SGRC for the year ended June 30, 2010. The SGRC 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 SGRC'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 SGRC beyond its resources. (O.C.G.A. 50-8-39.1) The financial statements of the SGRC can be obtained from the SGRC board.

NOTE 20: 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 2012, the City collected $187,436 in hotel/motel taxes. They expended $166,294, which was 89% of the amount collected.

NOTE 21: 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 2012.

	Sanitation Fund	Gas Fund	Electric Fund	Water and Sewer Fund	Nonmajor Governmental Fund	General Fund	Total
Transfers (to)/from							
General Fund	$ (30,000)	$ 453,000	$ 3,574,850	$ 171,000	$ 55,000	$ -	$ 4,223,850
Gas Fund	-	-	-	-	-	(453,000)	(453,000)
Electric Fund	-	-	-	-	-	(3,574,850)	(3,574,850)
Water & Sewer	-	-	-	-	-	(171,000)	(171,000)
Sanitation Fund	-	-	-	-	-	30,000	30,000
Capital Projects	-	-	-	-	-	(55,000)	(55,000)
Total	$ (30,000)	$ 453,000	$ 3,574,850	$ 171,000	$ 55,000	$ (4,223,850)	$ -

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

NOTE 22: 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 January 1, 2012, employee membership data relative to the OPEB plan consist of the following:

Current retirees, beneficiaries, and dependents	37
Current active participants	204
Total	241

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, 2012 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, 2012, 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 actuarial valuation was performed for the plan as of January 1, 2012 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. Calculations are based on the type of benefits provided under the terms of the plan at the time of each valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective.The City's annual OPEB cost is $863,511.

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	$	904,507
Interest on Existing (NOO)		58,646
ARC Adjustment		(99,642)
Annual OPEB Cost		863,511
Actual Contribution Amount		-
Net Increase in NOO		-
NOO as of Valuation Date		-
Net OPEB Obligation - beginning of year		-
Net OPEB Obligation - end of year	$	863,511

The City's annual OPEB cost, the percentage of annual cost contributed to the plan, and the net OPEB obligation for 2012 is as follows:

Year Ended	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
6/30/2010	$ 530,402	0%	$ 530,402
6/30/2012	$ 904,507	0%	$ 904,507

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%
1/1/2012	$ -	$ 7,635,222	$ 7,635,222	0%	$ 6,371,193	119.84%

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

Additional Information

Additional information as of the latest actuarial valuation follows:

Valuation date	1/1/2012
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed, 25 years
Remaining amortization period	22 years as of July 1, 2011
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return	4.00%
Inflation rate	3.50%
Medical and drug cost trend rate	8.5% graded to 5% in 7 years
Plan membership:	
Current retirees, beneficiaries, and dependents	37
Current active participants	204
Terminated participants entitled but not yet eligible	0
Total	241

NOTE 23: PROPERTY TAX CALENDAR

Property taxes are assessed and attached 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, 2011 were due on December 1, 2011. Liens were attached to property for unpaid taxes on January 31, 2012.

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, 2012 was $342,965,555.

Based on the 2011 City millage levy of 7.510%, a property owner would pay $7.51 per $1,000 of assessed valuation.

Current tax collections of $2,049,313 for the fiscal year ended June 30, 2012 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, 2012 were $192,963.

REQUIRED SUPPLEMENTARY INFORMATION

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

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%
1/1/2009	18,510,720	31,433,239	12,922,519	58.89%	6,628,323	194.96%
1/1/2010	24,278,890	28,879,115	4,600,135	84.10%	6,890,270	66.80%
1/1/2011	25,962,993	30,667,410	4,704,417	84.66%	6,910,123	68.08%
1/1/2012	26,680,870	31,374,640	4,693,770	85.04%	7,036,182	66.71%

* 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, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash	$ 546,834	$ 488,361	$ 1,035,195
Investments	934	-	934
Accounts Receivable	16,366	-	16,366
Interfund Receivable	132,082	111,318	243,400
TOTAL ASSETS	$ 696,216	$ 599,679	$ 1,295,895
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts/Deposits Payable	$ 200	$ -	$ 200
Interfund Payables	75,559	562,521	638,080
Total Liabilities	$ 75,759	$ 562,521	$ 638,280
Fund Balance	$ 620,457	$ 37,158	$ 657,615
TOTAL LIABILITIES & FUND BALANCE	$ 696,216	$ 599,679	$ 1,295,895

CITY OF DOUGLAS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Sales Taxes	$ 2,048	$ 761,558	$ 763,606
Revenue from Use of Money or Property	394	140	534
Revenue from Other Agencies	823,891	509,511	1,333,402
Charges for Services or Materials	402,233	-	402,233
Other Revenues/Reimbursements	222,673	-	222,673
Total Revenues	$ 1,451,239	$ 1,271,209	$ 2,722,448
EXPENDITURES			
Current Operating:			
Culture & Recreation	$ 623,758	$ 6,341	$ 630,099
Public Safety	10,094	-	10,094
Housing & Development	23,345	19,206	42,551
Capital Outlay	751,404	1,143,773	1,895,177
Debt service			
Principal	5,000	-	5,000
Interest	-	-	-
Total Expenditures	$ 1,413,601	$ 1,169,320	$ 2,582,921
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 37,638	$ 101,889	$ 139,527
OTHER FINANCING SOURCES (USES)			
Sale of Property	$ -	$ -	$ -
Transfers from (to) Other Funds	(167,215)	-	(167,215)
Capital Lease Proceeds	-	-	-
Total Other Financing Sources (Uses)	$ (167,215)	$ -	$ (167,215)
NET CHANGE IN FUND BALANCES	$ (129,577)	$ 101,889	$ (27,688)
FUND BALANCE - BEGINNING	750,034	(64,731)	685,303
FUND BALANCES - ENDING	$ 620,457	$ 37,158	$ 657,615

CITY OF DOUGLAS, GEORGIA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Capital Project Funds				Special Revenue Funds						
	SPLOST 2000	SPLOST 2005	SPLOST 2012	Airport Improvement Fund	Recreation Activity Fund	Forfeiture Fund	Program Income HUD Fund	DCA Program Income Fund	Central Multipurpose Complex Fund	Main Street Program Fund	Various Nonmajor Projects Fund
ASSETS											
Cash	$ 56,529	$ -	$ 296,196	$ 135,636	$ 148,803	$ 36,215	$ 18,011	$ 85,646	$ 5,190	$ 8,558	$ 48,833
Investments	-	-	-	-	-	-	-	-	934	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	-
Interfund Receivables	65,626	-	45,692	-	-	-	-	-	-	-	119,558
TOTAL ASSETS	$ 122,155	$ -	$ 341,888	$ 135,636	$ 148,803	$ 36,215	$ 18,011	$ 85,646	$ 6,124	$ 8,558	$ 168,391
LIABILITIES AND FUND BALANCE											
Accounts/Deposits Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 200
Interfund Payables	76,456	157,093	265,735	63,237	-	-	-	-	-	-	74,559
Total Liabilities	$ 76,456	$ 157,093	$ 265,735	$ 63,237	$ -	$ -	$ -	$ -	$ -	$ -	$ 74,759
Fund Balance	$ 45,699	$ (157,093)	$ 76,153	$ 72,399	$ 148,803	$ 36,215	$ 18,011	$ 85,646	$ 6,124	$ 8,558	$ 93,632
TOTAL LIABILITIES & FUND BALANCE	$ 122,155	$ -	$ 341,888	$ 135,636	$ 148,803	$ 36,215	$ 18,011	$ 85,646	$ 6,124	$ 8,558	$ 168,391

CITY OF DOUGLAS, GEORGIA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2012

	Special Revenue Funds								
	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	$ 160,536	$ 20,055	$ -	$ 11,001	$ -	$ 3,415	$ 14	$ 557	$ 1,035,195
Investments	-	-	-	-	-	-	-	-	934
Accounts Receivable	-	16,366	-	-	-	-	-	-	16,366
Interfund Receivables	12,524	-	-	-	-	-		-	243,400
TOTAL ASSETS	$ 173,060	$ 36,421	$ -	$ 11,001	$ -	$ 3,415	$ 14	$ 557	$ 1,295,895
LIABILITIES AND FUND BALANCE									
Accounts/Deposits Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 200
Interfund Payables	-	-	-	1,000	-	-	-	-	638,080
Total Liabilities	$ -	$ -	$ -	$ 1,000	$ -	$ -	$ -	$ -	$ 638,280
Fund Balance	$ 173,060	$ 36,421	$ -	$ 10,001	$ -	$ 3,415	$ 14	$ 557	$ 657,615
TOTAL LIABILITIES & FUND BALANCE	$ 173,060	$ 36,421	$ -	$ 11,001	$ -	$ 3,415	$ 14	$ 557	$ 1,295,895

CITY OF DOUGLAS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Capital Project Funds				Special Revenue Funds						
	SPLOST 2000	SPLOST 2005	SPLOST 2012	Airport Improvement Fund	Recreation Activity Fund	Forfeiture Fund	Program Income HUD Fund	DCA Program Income Fund	Central Multi-Purpose Complex Fund	Main Street Program Fund	Various Nonmajor Projects Fund
REVENUES											
Sales Taxes	$ 224,309	$ 241,053	$ 296,196	$ -	$ -	$ 2,048	$ -	$ -	$ -	$ -	$ -
Revenue from Use of Money or Property	42	-	-	98	-	15	9	44	116	4	109
Revenue from Other Agencies	-	-	-	509,511	-	27,197	-	-	-	-	776,664
Charges for Services or Materials	-	-	-	-	361,275	-	-	-	-	-	-
Other Revenues/Reimbursements	-	-	-	-	-	-	-	672	-	30,240	3,325
Total Revenues	$ 224,351	$ 241,053	$ 296,196	$ 509,609	$ 361,275	$ 29,260	$ 9	$ 716	$ 116	$ 30,244	$ 780,098
EXPENDITURES											
Current Operating:											
Culture & Recreation	$ 6,341	$ -	$ -	$ -	$ 408,197	$ -	$ -	$ -	$ 15,968	$ 30,000	$ -
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Housing & Development	-	-	-	19,206	-	-	-	10,874	-	-	-
Capital Outlay	162,720	241,053	220,043	519,957	-	2,436	-	-	-	-	748,968
Debt Service											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-		-	-	-	-	-	-
Total Expenditures	$ 169,061	$ 241,053	$ 220,043	$ 539,163	$ 408,197	$ 2,436	$ -	$ 10,874	$ 15,968	$ 30,000	$ 748,968
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 55,290	$ -	$ 76,153	$ (29,554)	$ (46,922)	$ 26,824	$ 9	$ (10,158)	$ (15,852)	$ 244	$ 31,130
OTHER FINANCING SOURCES (USES)											
Transfers from (to) Other Funds	$ -	$ -	$ -	$ -	$ -	$ -	$ (600)	$ -	-	$ -	$ (166,566)
Sale of Property	-	-	-	-	-	-	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	$ 55,290	$ -	$ 76,153	$ (29,554)	$ (46,922)	$ 26,824	$ (591)	$ (10,158)	$ (15,852)	$ 244	$ (135,436)
FUND BALANCES - BEGINNING OF YEAR	(9,591)	(157,093)	-	101,953	195,725	9,391	18,602	95,804	21,976	8,314	229,068
FUND BALANCES - END OF YEAR	$ 45,699	$ (157,093)	$ 76,153	$ 72,399	$ 148,803	$ 36,215	$ 18,011	$ 85,646	$ 6,124	$ 8,558	$ 93,632

CITY OF DOUGLAS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2012

	Special Revenue Funds								
	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 Nonmajor Governmental Funds
REVENUES									
Sales Taxes	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ 763,606
Revenue from Use of Money or Property	74	17	-	1	-	3		2	534
Revenue from Other Agencies	-	-	-	20,030	-	-		-	1,333,402
Charges for Services or Materials	40,958		-	-	-	-		-	402,233
Other Revenues/Reimbursements	-	187,436	-	-	-	1,000		-	222,673
Total Revenues	$ 41,032	$ 187,453	$ -	$ 20,031	$ -	$ 1,003	$ -	$ 2	$ 2,722,448
EXPENDITURES									
Current Operating:									
Culture & Recreation	$ -	$ 166,294	$ -	$ -	$ -	$ -		$ 3,299	$ 630,099
Public Safety	-	-	-	10,094	-	-		-	10,094
Housing & Development	8,720	-	-	-	-	3,751		-	42,551
Capital Outlay	-	-	-	-	-	-		-	1,895,177
Debt Service									
Principal	5,000	-	-	-	-	-		-	5,000
Interest	-	-	-	-	-	-		-	-
Total Expenditures	$ 13,720	$ 166,294	$ -	$ 10,094	$ -	$ 3,751	$ -	$ 3,299	$ 2,582,921
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 27,312	$ 21,159	$ -	$ 9,937	$ -	$ (2,748)	$ -	$ (3,297)	$ 139,527
OTHER FINANCING SOURCES (USES)									
Transfers from (to) Other Funds	$ -	$ -	$ (23)	$ -	$ (26)	$ -	$ -	$ -	$ (167,215)
Sale of Property	-	-	-	-	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	$ 27,312	$ 21,159	$ (23)	$ 9,937	$ (26)	$ (2,748)	$ -	$ (3,297)	$ (27,688)
FUND BALANCES - BEGINNING OF YE	145,748	15,262	23	64	26	6,163	14	3,854	685,303
FUND BALANCES - END OF YEAR	$ 173,060	$ 36,421	$ -	$ 10,001	$ -	$ 3,415	$ 14	$ 557	$ 657,615

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
Section III	Report Required by Single Audit Act

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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, 2012, which collectively comprise the City of Douglas, Georgia's basic financial statements and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 December 10, 2012.

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
December 10, 2012

REPORT ON SPECIAL CITY SALES AND USE TAX

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

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

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

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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, 2012. 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, 2012, in conformity with accounting principles generally accepted in the United States of America.

Hurst + Hurst

Douglas, Georgia
December 10, 2012

CITY OF DOUGLAS, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 2000
FOR THE YEAR ENDED JUNE 30, 2012

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Years	Total	Estimate Percentage of Completion
1 Airport	$ 568,000	$ 568,000	$ 495,760	$ -	$ 495,760	87.28%
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	62,000	-	62,000	100.00%
5 Natural Gas	250,000	250,000	250,000	-	250,000	100.00%
6 Parks & Cemetery	1,246,000	1,250,914	1,041,846	-	1,041,846	83.29%
7 Water/Wastewater	500,000	500,000	460,464	1,883	462,347	92.47%
8 Youth Center	450,000	1,106,954	1,102,638	-	1,102,638	99.61%
9 Road/Drainage Improvements	5,890,000	4,672,156	5,012,581	167,178	5,179,759	110.86%
Total	$ 9,276,000	$ 8,770,024	$ 8,144,158	$ 169,061	$ 8,945,490	102.00%

CITY OF DOUGLAS, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 2005
FOR THE YEAR ENDED JUNE 30, 2012

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Years	Total	Estimate Percentage of Completion
1 Water & Sewer Improvements	$ 5,625,000	$ 264,000	$ -	$ 241,053	$ 241,053	91.31%
2 Municipal Building Improvements	800,000	-	-	-	-	0.00%
3 Technology Improvements	195,000	231,000	193,092	-	193,092	83.59%
4 Public Works Improvements	1,000,000	241,053	-	-	-	0.00%
Total	$ 7,620,000	$ 736,053	$ 193,092	$ 241,053	$ 434,145	58.98%

CITY OF DOUGLAS, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 2012
FOR THE YEAR ENDED JUNE 30, 2012

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Years	Total	Estimate Percentage of Completion
1 Airport Improvements	$ 737,000	$ -	$ -	$ -	$ -	0.00%
2 Public Safety - Facility Improvements	45,000	-	-	-	-	0.00%
3 Public Works - Facility Improvements	90,000	-	-	-	-	0.00%
4 Recreation - Facility Improvements	650,000	-	-	-	-	0.00%
5 Road, Street, & Bridge Projects	500,000	-	-	220,043	220,043	44.01%
6 Technology Equipment & Upgrades	250,000	-	-	-	-	0.00%
7 Water/Sewer System Improvements	18,845,561	-	-	-	-	0.00%
Total	$ 21,117,561	$ -	$ 8,144,158	$ 220,043	$ 220,043	1.04%

REPORT REQUIRED BY SINGLE AUDIT ACT

H&H Hurst & Hurst, CPA's, LLC

ROBERT W. HURST, JR., CPA

SMALL BUSINESS SPECIALISTS

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Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 (Unqualified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)

To the Honorable Mayor and City Commission
Douglas, Georgia

Compliance

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

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

In our opinion, the City of Douglas, Georgia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

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

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

material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Douglas, Georgia, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Douglas, Georgia's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the entity, County Commission, State of Georgia, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Douglas, Georgia
December 10, 2012

CITY OF DOUGLAS, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-through Grantor/ Program or Cluster Title	CFDA Number	Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Programs:			
CDBG	14.227	Various	$ 8,100
CHIP	14.225	Various	180,260
Total U.S. Department of Housing and Urban Development			$ 188,360
U.S. Department of Justice			
Direct Programs:			
JAG	16.738	Various	$ 10,030
Pass-through program from:			
GDOT (FAA)	20.500	Various	$ 404,851
GDOT (FAA)	20.500	Various	91,993
Total GDOT (FAA)			$ 496,844
Total Expenditures of Federal Awards			$ 695,234

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Douglas, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF DOUGLAS, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	____Yes	__X__No
Significant deficiencies identified not considered to be material weaknesses?	____Yes	__X__No
Noncompliance material to financial Statements noted?	____Yes	__X__No

Federal Awards

Internal Control over major programs:		
Material weaknesses identified?	____Yes	__X__No
Significant deficiencies identified not considered to be material weaknesses?	____Yes	__X__No
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____Yes	__X__No

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
20.500	GDOT (FAA)

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk?	____Yes	__X__No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.