CITY OF DOUGLAS, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CITY OF DOUGLAS, GEORGIA
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 Position 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 Position 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 Position – 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, 2013

PAGE NO.

COMBINING 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

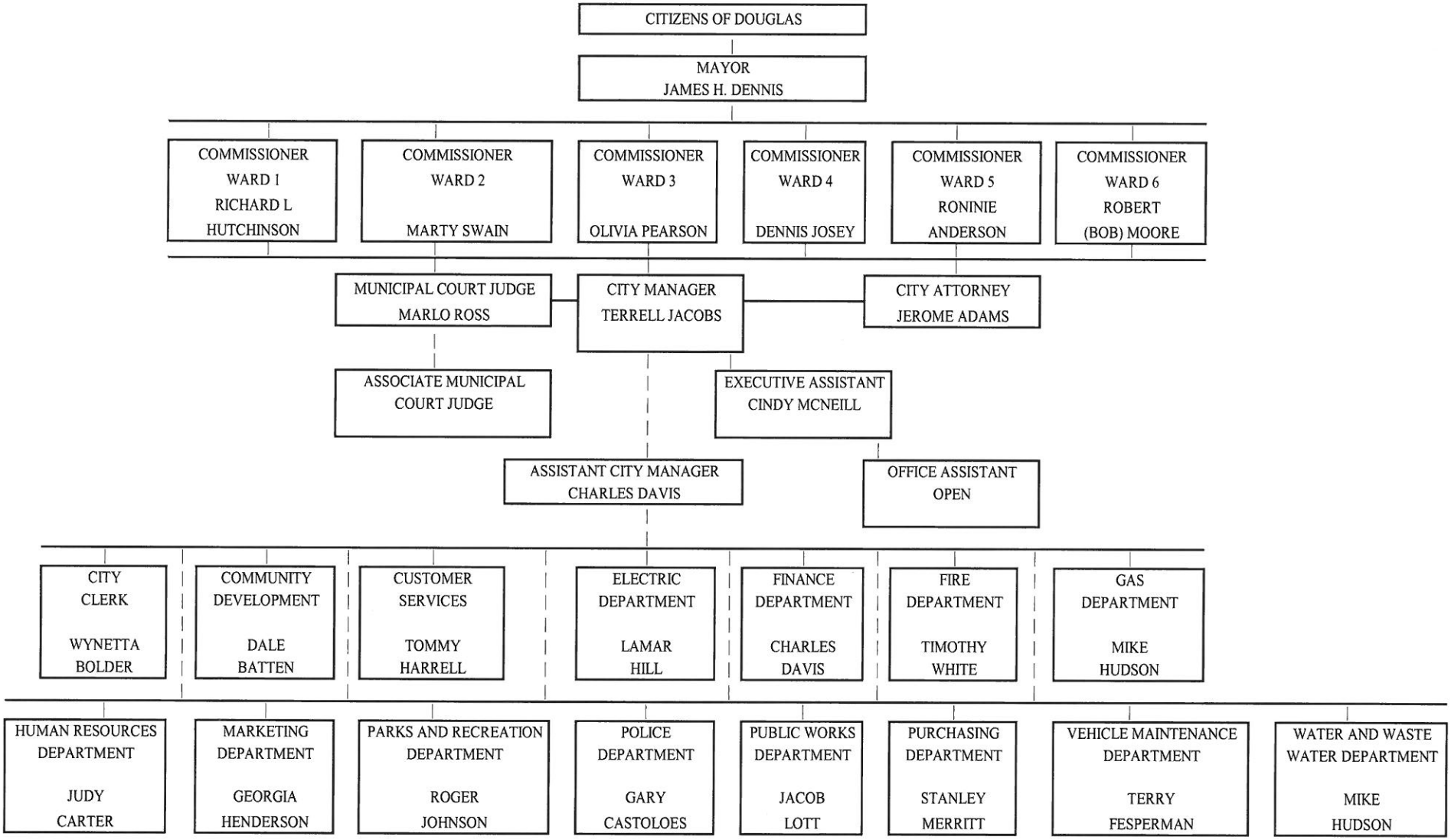
Section II

Reports Required by the State 77

Report on Special Purpose Local Option Sales Tax 78

INTRODUCTORY SECTION

CITY OF DOUGLAS
ORGANIZATIONAL CHART



CITY OF DOUGLAS, GEORGIA
PRINCIPAL OFFICIALS
JUNE 30, 2013

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

HURST & HURST
CPAs, LLC

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements 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 and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Douglas, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to expresss 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 Standard,* issued by the Comptroller General of the United States. Those standards require that plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 of the City of Douglas, Georgia, as of June 30, 2013, and the respective changes in financial, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Pension information on pages 10-21 and 65 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Douglas, Georgia's basic financial statements. The introductory section, and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide and assurance it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 20, 2013, on our consideration of the City of Douglas, Georgia's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Douglas, Georgia's internal control over financial reporting and compliance.

Hurst & Hurst

Douglas, Georgia
December 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF DOUGLAS, GEORGIA
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Our discussion and analysis of the City of Douglas, Georgia's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- The City's net position totaled $66.9 million for its governmental and business-type activities, an increase of $6.5 million over the previous fiscal year. Net position for governmental activities increased $4.0 million, or 17%, and business-type activities increased $2.5 million, or 7%.

- Total combined revenues for governmental and business-type activities were $55.9 million, an increase of $5.3 million over the previous fiscal year. Revenues for governmental activities increased $3.6 million, or 34%, and revenues for business-type activities increased $1.7 million, or 4%.

- Overall expenses were $49.3 million, an increase of $2.6 million over the previous year. Expenses for governmental activities increased $.5 million, or 3%, and expenses for business-type activities increased $2.1 million, or 6%.

- As of June 30, 2013, governmental activities' expenses exceeded program revenue, resulting in the use of $10.3 million in general revenues (primarily taxes).

- In the City's business-type activities, revenues were $41.6 million and expenses were $34.7 million, for an operating profit of approximately $6.9 million for 2013.

- The General Fund resources available for appropriation were $.08 million less than budgeted, and expenditures were $.53 million less than budgeted.

- The combined governmental funds' balance as of June 30, 2013 was $ 7.1 million, of which the general fund comprised $3.1 million, SPLOST V fund comprised $3.3 and other governmental funds (which are presented in detail on pages 66 through 72) comprised $0.7 million.

- The General Fund reported an increase of $0.45 million in total fund balance to $3.1 million from the prior fiscal year.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1)government-wide financial statements 2)fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Statement of Net Position 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 Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. The Statement of Activities presents information showing how the City's net position 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.

Reporting the City as a Whole-Government-wide Financial Statements

The Statement of Net Position 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 Position 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 position and changes in them. You can think of the City's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position 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 Position 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 2013.

Reporting the City's Most Significant Funds

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. Some funds are required to be established by State Law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. Fund financial statements provide detailed information about the City's major funds. 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 nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the City's fund balances by law, creditors, City council, and the City's annually adopted budget. Unassigned fund balance is available for spending for any purpose. 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 governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations on pages 27 and 29, respectively.

  The City maintains 20 governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and SPLOST V Fund which are considered to be major funds. Data from the other 18 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

- 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 Position 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 life and health care, in Internal Service Funds. The proprietary fund statements begin on page 31.

Notes to Financial Statements and Other Information

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

THE CITY AS A WHOLE

NET POSITION:

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
Net Position
(000's Omitted)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
Assets:	2012	2013	2012	2013	2012	2013	2012-2013
Current assets	$ 7,507	$ 10,249	$ 8,207	$ 7,901	$ 15,714	$ 18,150	15.5%
Unrestricted non current	-	-	129	129	129	129	0.0%
Restricted assets - non current	-	-	15,750	19,038	15,750	19,038	20.9%
Capital assets- net	22,321	22,389	20,040	19,423	42,361	41,812	-1.3%
Total assets	**29,828**	**32,638**	**44,126**	**46,491**	**73,954**	**79,129**	**7.0%**
Liabilities:							
Long-term debt outstanding	1,299	812	1,541	1,098	2,840	1,910	-32.7%
Other liabilities	5,059	4,047	5,758	6,041	10,817	10,088	-6.7%
Total liabilities	**6,358**	**4,859**	**7,299**	**7,139**	**13,657**	**11,998**	**-12.1%**
Deferred Inflows	-	263	-	-	-	263	0.0%
Net position:							
Invested in capital assets, net of debt	21,168	22,055	18,214	17,933	39,382	39,988	1.5%
Restricted for SPLOST	-	3,297	-	-	-	3,297	0.0%
Unrestricted (deficit)	2,302	2,164	18,613	21,419	20,915	23,583	12.8%
Total net position	**$ 23,470**	**$ 27,516**	**$ 36,827**	**$ 39,352**	**$ 60,297**	**$ 66,868**	**10.9%**

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. The City was able to report positive balances in all categories of net position. The City's combined net position increased $6.5 million from $60.4 million to $66.9 million as of June 30, 2013. $4.0 million of this increase was in governmental activities and was primarily due to the receipt of SPLOST tax for the 2012 Special Purpose Local Option Sales Tax. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were $23.6 million at the end of this year. This is an increase of $4.1 million over the last two fiscal years.

The largest portion of the City's net position (approximately 60%) 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. An additional portion of the City's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (35%) may be used to meet the government's ongoing obligation to citizens and creditors.

A Net OPEB(Post Employment Health Care Benefits) Obligation in the amount of $.86 million has been recorded as of June 30, 2013. 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 position of our business-type activities increased by 6.8 percent ($39.3 million in 2013 compared to $36.8 million in 2012). The increase of $2.5 million in net assets resulted from a net operating profit of $6.9 million, and a net transfer of $4.4 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 position 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 POSITION:

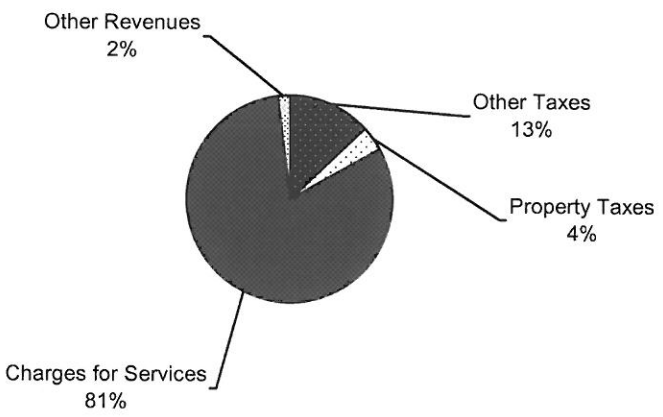
The City's total change in net assets was a total increase of $6.5 million comprised of an increase of $4.0 million in the current fiscal year as a result of its governmental activities and an increase of $2.5 million as a result of its business-type activities. Key elements of this increase are as follows:

Table 2
Changes in Net Position
(000 Omitted)

	Governmental Activities		Business Type Activities		Total Primary Government		Total % Change
	2012	2013	2012	2013	2012	2013	2012-2013
Revenues							
Program revenues:							
Charges for services	$ 2,953	$ 3,355	$39,887	$41,614	$42,840	$44,969	5.0%
Operating grants	522	-	-	-	522	-	-100.0%
Capital grants	762	539	-	-	762	539	-29.3%
General revenues:							
Property taxes	2,277	2,265	-	-	2,277	2,265	-0.5%
Other taxes	3,790	7,579	-	-	3,790	7,579	100.0%
Investment earnings	16	4	86	8	102	12	-88.2%
Other Revenues	239	455	-	-	239	455	90.4%
Total general / program revenues	**10,559**	**14,197**	**39,973**	**41,622**	**50,532**	**55,819**	**10.5%**
Program Expense							
General government	4,861	4,897	-	-	4,861	4,897	0.7%
Public safety	5,666	5,724	-	-	5,666	5,724	1.0%
Public works	-	-	32,579	34,571	32,579	34,571	6.1%
Culture and recreation	2,374	2,107	-	-	2,374	2,107	-11.2%
Housing and development	1,151	1,833	-	-	1,151	1,833	59.3%
Interest and fiscal charges	47	18	93	182	140	200	42.9%
Total program expenses	**14,099**	**14,579**	**32,672**	**34,753**	**46,771**	**49,332**	**5.5%**
Changes in net position before special and extraordinary items and transfers	(3,540)	(382)	7,301	6,869	3,761	6,487	72.5%
Transfers	4,224	4,428	(4,224)	(4,428)	-	-	-
Capital Contributions	-	-	-	85	-	85	0.0%
Changes in net position	**$ 684**	**$ 4,046**	**$ 3,077**	**$ 2,526**	**$ 3,761**	**$ 6,487**	**72.5%**

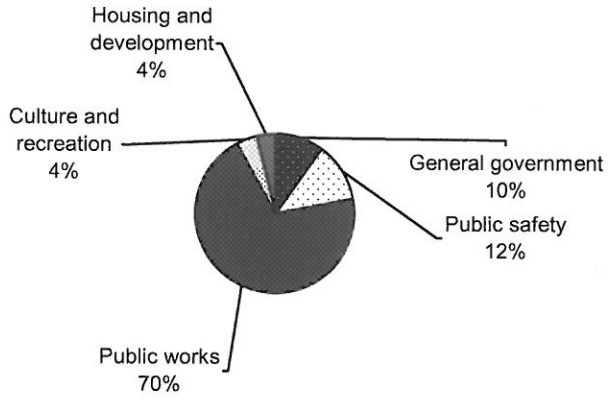
As can be seen from the following chart, approximately 4% of the City's combined total revenue is provided by property taxes, 81% by fees, fines, charges for services, an additional 13% by other taxes, and the remaining 2% by a combination of sales tax, grants, contributions, investment income and other 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 – FY2013



The City's major expenses, at 70% 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 by Activity– FY2013



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 in-flows, outflows, 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 2013 fiscal year with a balance of $7.1 million in its governmental funds. Of this, the unassigned portion was $2.9 million. The remaining $4.2 million is reserved for inventories, or restricted or assigned to various special revenue funds. $3.3 million of this amount was restricted for the SPLOST 2012 fund.

Major Funds – Governmental:

General Fund

The General Fund is the operating fund of the City. At the end of the current year, the fund balance was $3.1 million, of which $2.7 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 21% 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 $4.2 million and $5.5 million, respectively, in 2013. The majority of expenses are for employee benefits, maintenance and utilities cost.

The fund balance in the general fund increased $0.45 million during FY 2013 to $3.1 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 remained stable. 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 $3.1 million fund balance should help the City weather the current economic climate and any unanticipated events. As of June 30, 2013, the City has 2 1/2 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.

SPLOST V Fund

This fund accounts for tax revenues and capital expenditures related to the Special Purpose Local Option Sales Tax beginning in 2012. Total assets were $3.3 million; liabilities $.005 million; and total fund balance was $3.29 million for the year ended June 30, 2013. Additional information on this SPLOST Fund can be found on page 80.

Other Governmental Funds:

Combined assets were $1.01 million; liabilities $0.32 million; and fund balance was $.69 million for the year ended June 30, 2013. 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 Recreation Activity Fund, Forfeiture Fund, Program Income HUD Fund, DCA Program Income Fund, Central Multi-Purpose Complex Fund, Main Street Program Fund, Airport Rental Receipts Fund, Motel Tax Fund, DCA CHIP Program, Small Agency Incentive Grant Fund, Heat Grant Fund, GHFA Energy Fund, Park Improvement Project Fund, and Youth Summer/After School Program Fund.

Combined total assets of the above funds were $.85 million as of June 30, 2013, liabilities $0.29 million and fund balances were $0.56 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, and Airport Improvement Fund. Capital Projects Funds had $0.16 million in assets, $.03 million in liabilities and a fund balance of $.13 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 $39.9 million in 2012 to $41.6 million in 2013. In July 2013 water/sewer rates were increased 6.7% to cover expenses of the aging infrastructure. In July 2013, sanitation rates were increased 6% to cover the CPI and Fuel Surcharge from Transwaste Services and to further establish a Stormwater Utility and Maintenance Program. There was a 5 mil increase in July 2012 in electric rates for all customers except large power customers for which there was a 2 mil increase. In January 2013 there was a 2 mil increase to all customers to cover increased wholesale power costs, to begin closing the gap between actual wholesale cost and what the City pays and to cover increased Federal environment expenses. The increase in gas revenue is due to an increase in gas consumption by some of the City's larger customers and an expansion of services to new customers. Costs of services increased from $32.6 million in 2012 to $34.6 million in 2013. This increase was mainly due to cost of services related to the increase in revenue. The combined net operating income of proprietary funds totaled $6.9 million for the year ended June 30, 2013. 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 $0.08 million less than budgeted, actual expenditures were $0.53 million less than budgeted resulting in a $0.45 million

dollar surplus. Operating expenditures were closely monitored to offset any 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, 2013 amounts to $41.8 million, net of accumulated depreciation of $29.7 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 $.07 million for governmental activities and decreased $0.62 million for business-type activities. During FY 2013 there were additions to governmental activities of $1.5 million and additions to business-type activities of $.98 million. Major capital asset events during fiscal year 2013 for governmental activities included street resurfacing, ongoing upgrades to public buildings, water/sewer system infrastructure improvements, street resurfacing and the purchase of transportation equipment and various other equipment for the police and public works departments.

Major capital asset events during fiscal year 2013 for business-type activities include expenditures for distribution system improvements for the electric, gas, and water systems, and the purchase of various machinery and equipment and transportation equipment.

Depreciation expense for the period was $3.01 million of which $1.4 million was allocated to the governmental activities functions and $1.61 million to the business-type activities functions. Additional information on Capital Assets can be found on page 46-47.

Long-term Debt

As of June 30, 2013, the City of Douglas had $2.7 million in outstanding long-term debt principal, of which $.78 million is due within one year.

Outstanding debt decreased by $.54 million as compared to last year. There were no new capital leases or additional debt during the year ending June 30, 2013. 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	$ 64	$ 1,304	$ 1,368
Capital leases	428	130	558
Compensated Absences	597	166	763
	$ 1,089	$ 1,600	$ 2,689

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 2014 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. An increase in millage rate was not proposed for the 2014 budget due to the careful management of expenditures. 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 and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Douglas, P.O. Box 470, Douglas, GA, 31534 or call 912-389-3401.

BASIC FINANCIAL STATEMENTS

CITY OF DOUGLAS, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2013

	PRIMARY GOVERNMENT		
	Government Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Investments	$ 5,593,394	$ -	$ 5,593,394
Cash	4,541,833	1,349,453	5,891,286
Investments	636	80,129	80,765
Accounts Receivable, Net of Allowance of $0 and $26,870, respectively	32,325	2,887,524	2,919,849
Unbilled Accounts Receivable	-	2,022,494	2,022,494
Taxes Receivable, Net of Allowance of $2,805	290,373	-	290,373
Interfund Balances	(498,900)	498,900	-
Due from Other Governments	139,451	-	139,451
Inventory and Prepayments	149,777	1,062,482	1,212,259
Total Current Assets	$ 10,248,889	$ 7,900,982	$ 18,149,871
Noncurrent Assets:			
Investments	$ -	$ 34,307	$ 34,307
Restricted Assets:			
Cash	-	430,122	430,122
Investments	-	4,926,048	4,926,048
MEAG Trust	-	13,681,595	13,681,595
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	8,917,514	36,791	8,954,305
Infrastructure	5,270,504	-	5,270,504
Machinery and Equipment	1,018,785	752,115	1,770,900
Transportation Equipment	677,420	614,463	1,291,883
Distribution System	-	17,825,075	17,825,075
Computer Equipment	7,584	3,738	11,322
Office Equipment	34,124	-	34,124
Furniture and Fixtures	-	-	-
Appliances	-	-	-
Construction in Process	2,082,419	-	2,082,419
Total Noncurrent Assets	$ 22,389,151	$ 38,590,115	$ 60,979,266
TOTAL ASSETS	$ 32,638,040	$ 46,491,097	$ 79,129,137
LIABILITIES			
Current Liabilities:			
Accounts and Contracts Payable	$ 2,522,611	$ 4,192,837	$ 6,715,448
Net OPEB Obligation	863,511	-	863,511
Other Payables	384,146	438,881	823,027
Customer Deposits Payable	-	907,731	907,731
Current Portion of Long-Term Debt	277,058	501,668	778,726
Total Current Liabilities	$ 4,047,326	$ 6,041,117	$ 10,088,443

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

CITY OF DOUGLAS, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2013

	PRIMARY GOVERNMENT		
	Government Activities	Business-type Activities	Total
Noncurrent Liabilities:			
Estimated Liability for Compensated Absences	$ 597,388	$ 166,179	$ 763,567
Long Term Debt (net of current portion)	57,500	931,719	989,219
Capital Leases (net of current portion)	157,326	-	157,326
Total Noncurrent Liabilities	$ 812,214	$ 1,097,898	$ 1,910,112
Deferred Inflows of Resources	$ 262,826	$ -	$ 262,826
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$ 5,122,366	$ 7,139,015	$ 12,261,381
NET POSITION			
Investment in Capital Assets, Net of Related Debt	$ 22,054,593	$ 17,933,443	$ 39,988,036
Restricted By Bond Covenants	-	-	-
Restricted for SPLOST	3,296,513	-	3,296,513
Unrestricted	2,164,568	21,418,639	23,583,207
TOTAL NET POSITION	$ 27,515,674	$ 39,352,082	$ 66,867,756
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 32,638,040	$ 46,491,097	$ 79,129,137

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, 2013

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 POSITION: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary Government							
Governmental Activities							
General Government	$ 4,897,398	$ 2,202,535	$ -	$ 427,007	$ (2,267,856)	$ -	$ (2,267,856)
Public Safety	5,724,075	63,175	-	111,702	(5,549,198)	-	(5,549,198)
Culture and Recreation	2,106,607	804,150	-	-	(1,302,457)	-	(1,302,457)
Housing and Development	1,833,263	285,352	-	-	(1,547,911)	-	(1,547,911)
Interest and Fiscal Charges	18,123	-	-	-	(18,123)	-	(18,123)
Total Governmental Activities	$ 14,579,466	$ 3,355,212	$ -	$ 538,709	$ (10,685,545)	$ -	$ (10,685,545)
Business-Type Activities							
Natural Gas	$ 4,151,438	$ 4,931,753	$ -	$ -	$ -	$ 780,315	$ 780,315
Electric	22,259,348	26,800,894	-	-	-	4,541,546	4,541,546
Water and Sewer	5,779,348	7,059,716	-	-	-	1,280,368	1,280,368
Sanitation System	2,563,170	2,821,915	-	-	-	258,745	258,745
Total Business-Type Activities	$ 34,753,304	$ 41,614,278	$ -	$ -	$ -	$ 6,860,974	$ 6,860,974
Total Primary Government	$ 49,332,770	$ 44,969,490	$ -	$ 538,709	$ (10,685,545)	$ 6,860,974	$ (3,824,571)
General Revenues:							
Property Taxes, Levied For General Purpose					$ 2,265,452	$ -	$ 2,265,452
Sales and Use Taxes					5,790,968	-	5,790,968
Franchise Taxes					338,155	-	338,155
Other Taxes					1,450,309	-	1,450,309
Interest Earnings					3,825	-	3,825
Sale of Capital Assets					106,401	7,645	114,046
Other Revenue and Reimbursements					348,253	-	348,253
Total General Revenues					$ 10,303,363	$ 7,645	$ 10,311,008
Capital Contributions					$ -	$ 84,725	$ 84,725
Transfers					4,427,963	(4,427,963)	-
Total General Revenues and Transfers					$ 14,731,326	$ (4,335,593)	$ 10,395,733
Change in Net Position					$ 4,045,781	$ 2,525,381	$ 6,571,162
Net Assets - Beginning					23,469,893	36,826,696	60,296,589
Net Assets - Ending					$ 27,515,674	$ 39,352,077	$ 66,867,751

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

CITY OF DOUGLAS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Major Governmental Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	SPLOST V		
ASSETS				
Equity in Pooled Cash and Investments	$ 5,593,394	$ -	$ -	$ 5,593,394
Cash	251,820	3,301,858	988,155	4,541,833
Investments	-	-	636	636
Accounts and Notes Receivable	22,279	-	10,046	32,325
Taxes Receivable (Net of allowance of $2,805)	290,373	-	-	290,373
Due from Other Governments	139,451	-	-	139,451
Interfund Receivables	300,227	-	16,280	316,507
Inventory	149,777	-	-	149,777
Total Assets	$ 6,747,321	$ 3,301,858	$ 1,015,117	$ 11,064,296
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 2,510,306	$ 2,552	$ 9,753	$ 2,522,611
Other Payables	384,146	-	-	384,146
Interfund Payables	499,866	2,793	312,752	815,411
Total Liabilities	$ 3,394,318	$ 5,345	$ 322,505	$ 3,722,168
Deferred Inflows of Resources	$ 262,826	$ -	$ -	$ 262,826
Total Liabilities and Deferred Inflows of Resources	$ 3,657,144	$ 5,345	$ 322,505	$ 3,984,994
Fund Balances:				
Nonspendable:				
Inventory and Prepayments	$ 149,777	$ -	$ -	$ 149,777
Restricted for:				-
Cemetary	29,812	-	-	29,812
Police Technology	8,639	-	-	8,639
DCCPRD	83,956	-	-	83,956
Haz Mat	74,971	-	-	74,971
Committed to:	-	-	-	-
Assigned to:				
Special Revenue Funds	-	-	565,439	565,439
Restriced for:				
SPLOST	-	3,296,513	-	3,296,513
Unassigned:	2,743,022	-	127,173	2,870,195
Total Fund Balances	$ 3,090,177	$ 3,296,513	$ 692,612	$ 7,079,302
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,747,321	$ 3,301,858	$ 1,015,117	$ 11,064,296

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 POSITION
JUNE 30, 2013

Total fund balances for governmental funds	$	7,079,302
The change in net position 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.		22,389,151
Certain liabilities, such as compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(597,388)
Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(1,355,395)
Total net position of governmental activities	$	27,515,674

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, 2013

	Major Governmental Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	SPLOST V		
Revenues:				
Taxes	$ 5,174,203	$ 3,868,644	$ 197,967	$ 9,240,814
Intergovernmental Revenues	-	-	621,461	621,461
License & Permits	332,563	-	-	332,563
Charges for Services	264,560	-	336,651	601,211
Fines & Forfeitures	321,874	-	-	321,874
Intergovernmental	-	-	-	-
Revenue from Use of Money or Property	3,825	940	481	5,246
Other Revenues/Reimbursements	2,686,578	-	211,275	2,897,853
	-			
Total Revenues	$ 8,783,603	$ 3,869,584	$ 1,367,835	$ 14,021,022
Expenditures:				
Current:				
General Government	$ 4,243,261	$ -	$ -	$ 4,243,261
Public Safety	5,336,436	-	127,700	5,464,136
Culture and Recreation	1,304,428	-	532,280	1,836,708
Housing and Development	1,391,099	-	49,227	1,440,326
Capital Outlay:	339,524	518,229	611,776	1,469,529
Debt Service:				
Principal	249,775	-	3,750	253,525
Interest	18,123	-	-	18,123
Total Expenditures	$ 12,882,646	$ 518,229	$ 1,324,733	$ 14,725,608
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (4,099,043)	$ 3,351,355	$ 43,102	$ (704,586)
OTHER FINANCING SOURCES (USES)				
Sale of Property	$ 106,401	$ -	$ -	$ 106,401
Transfers from (to) Other Funds	4,439,838	(71,069)	59,194	4,427,963
Capital Lease Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	$ 4,546,239	$ (71,069)	$ 59,194	$ 4,534,364
Net Change in Fund Balances	$ 447,196	$ 3,280,286	$ 102,296	$ 3,829,778
Fund Balances - Beginning	2,642,981	16,227	590,314	3,249,522
Fund Balances - Ending	$ 3,090,177	$ 3,296,513	$ 692,610	$ 7,079,300

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, 2013

Net changes in fund balances - total governmental funds reported in the *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds*		$ 3,829,778
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.		68,237
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 position. This amount is the net effect of these differences in the treatment of Long-Term debt and related items.		
Debt issued:		
Capital lease	$ -	
Repayments:	253,525	
Net Adjustment		253,525
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.		(105,759)
Change in net position of governmental activities reported in the *Statement of Activities.*		$ 4,045,781

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Beginning budgetary fund balance:	$ 16,227	$ 16,227	$ 16,227	
Resources (inflows):				
Taxes	$ 5,214,500	$ 5,255,000	$ 5,174,203	$ (80,797)
Licenses & Permits	313,000	326,000	332,563	6,563
Charges for Services	370,300	371,300	264,560	(106,740)
Fines & Forfeitures	300,000	300,000	321,874	21,874
Revenue from Use of Money or Property	7,200	7,200	3,825	(3,375)
Other Revenues/Reimbursements	2,640,901	2,722,975	2,686,578	(36,397)
Transfers from Other Funds	4,427,963	4,427,963	4,439,838	11,875
Proceeds from Disposition of Assets	-	-	106,401	106,401
Amounts available for appropriation	$ 13,273,864	$ 13,410,438	$ 13,329,842	$ (80,596)
Charges to appropriations (outflows):				
General Government	$ 4,540,425	$ 4,452,559	$ 4,283,110	$ 169,449
Public Safety	5,783,793	5,749,626	5,549,381	200,245
Culture and Recreation	1,423,048	1,397,491	1,315,719	81,772
Housing and Development	1,526,598	1,471,238	1,394,912	76,326
Capital Outlay	-	339,524	339,524	-
Total charges to appropriations	$ 13,273,864	$ 13,410,438	$ 12,882,646	$ 527,792
Net Changes in Fund Balance	$ -	$ -	$ 447,196	$ 447,196
Ending Budgetary Fund Balance	$ 16,227	$ 16,227	$ 463,423	

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

CITY OF DOUGLAS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities-Proprietary Funds					Governmental Activities
	Natural Gas	Electric	Water and Sewer	Nonmajor Proprietary Fund	Totals	Internal Service
ASSETS						
Current Assets:						
Cash	$ 8,051	$ 35	$ 1,040,826	$ 269,584	$ 1,318,496	30,957
Investments	22,872	57,257	-	-	80,129	-
Accounts Receivable	364,988	1,999,616	382,628	167,162	2,914,394	-
Less: Allowance for Doubtful Accounts	(944)	(19,045)	(4,724)	(2,157)	(26,870)	-
Unbilled Accounts Receivable	206,042	1,303,107	373,422	139,923	2,022,494	-
Interfund Receivables	10,760	20,176	51,222	14,775	96,933	401,967
Inventory	193,908	663,051	205,523	-	1,062,482	-
	-					
Total Current Assets	$ 805,677	$ 4,024,197	$ 2,048,897	$ 589,287	$ 7,468,058	$ 432,924
Noncurrent Assets:						
Investments	$ -	$ -	$ 34,307	$ -	$ 34,307	$ -
Restricted Assets:						
Cash	-	-	430,122	-	430,122	-
Investments	97,658	1,882,496	2,018,389	927,505	4,926,048	-
MEAG Trust	-	13,681,595	-	-	13,681,595	-
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	33,617	618	2,556	-	36,791	-
Transportation Equipment	34,530	297,062	131,735	151,136	614,463	-
Machinery and Equipment	61,579	46,650	387,685	256,201	752,115	-
Computer Equipment	-	3,738	-	-	3,738	-
Distribution System	2,093,780	3,751,406	11,979,889	-	17,825,075	-
Total Noncurrent Assets	$ 2,377,759	$ 19,692,220	$ 15,185,294	$ 1,334,842	$ 38,590,115	$ -
TOTAL ASSETS	$ 3,183,436	$ 23,716,417	$ 17,234,191	$ 1,924,129	$ 46,058,173	$ 432,924

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

CITY OF DOUGLAS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	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	$ 37,408	$ 3,871,447	$ 150,006	$ 133,976	$ 4,192,837	$ -
Interfund Payables	-	-	-	-	-	-
Other Payables	578	-	5,379	-	5,957	432,924
Current Portion of Long Term Debt	-	-	459,516	42,152	501,668	-
Payable from restricted assets:						
Customer Deposits Payable	96,692	528,386	282,653	-	907,731	-
Total Current Liabilities	$ 134,678	$ 4,399,833	$ 897,554	$ 176,128	$ 5,608,193	$ 432,924
Noncurrent Liabilities:						
Long Term Debt	$ -	$ -	$ 844,354	$ 87,365	$ 931,719	$ -
Estimated Liability for Compensated Absences	20,574	45,808	77,003	22,794	166,179	-
Capital Leases	-	-	-	-	-	-
Total Noncurrent Liabilities	$ 20,574	$ 45,808	$ 921,357	$ 110,159	$ 1,097,898	$ -
TOTAL LIABILITIES	$ 155,252	$ 4,445,641	$ 1,818,911	$ 286,287	$ 6,706,091	$ 432,924
NET POSITION						
Investment in Capital Assets, Net of Related Debt	$ 2,223,506	$ 4,128,129	$ 11,303,988	$ 277,820	$ 17,933,443	$ -
Restricted by Bond Covenants	-	-		-	-	-
Unrestricted	804,678	15,142,647	4,111,292	1,360,022	21,418,639	-
TOTAL NET POSITION	$ 3,028,184	$ 19,270,776	$ 15,415,280	$ 1,637,842	$ 39,352,082	$ -
TOTAL LIABILITIES AND NET POSITION	$ 3,183,436	$ 23,716,417	$ 17,234,191	$ 1,924,129	$ 46,058,173	$ 432,924

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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	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	$ 4,549,072	$ 24,722,271	$ 6,910,979	$ 2,789,071	38,971,393	$ -
Cut-in Charges	1,920	59,313	6,870	-	68,103	-
Penalties	7,642	168,808	59,231	32,824	268,505	-
Other	373,119	1,850,502	82,636	20	2,306,277	3,929,178
Total Operating Revenues	$ 4,931,753	$ 26,800,894	$ 7,059,716	$ 2,821,915	$ 41,614,278	$ 3,929,178
OPERATING EXPENSES						
Cost of Sales and Services	$ 3,066,568	$ 18,918,369	$ -	$ 1,617,964	$ 23,602,901	$ -
Administration & Operating	912,170	2,901,724	4,661,637	886,102	9,361,633	3,929,247
Depreciation	170,682	332,485	1,049,398	54,062	1,606,627	-
Total Operating Expenses	$ 4,149,420	$ 22,152,578	$ 5,711,035	$ 2,558,128	$ 34,571,161	$ 3,929,247
Operating Income (Loss)	$ 782,333	$ 4,648,316	$ 1,348,681	$ 263,787	$ 7,043,117	$ (69)
NONOPERATING REVENUES (EXPENSES)						
Interest Revenue	$ 1,368	$ -	$ 4,258	$ 2,019	$ 7,645	$ 69
Interest Expense	(2,018)	(106,770)	(68,313)	(5,042)	(182,143)	-
Total Nonoperating Revenues (Expenses)	$ (650)	$ (106,770)	$ (64,055)	$ (3,023)	$ (174,498)	$ 69
Net Income (Loss) before Contribution and Transfers	$ 781,683	$ 4,541,546	$ 1,284,626	$ 260,764	$ 6,868,619	$ -
TRANSFERS/CONTRIBUTIONS:						
Capital Contributions	-	-	-	84,725	84,725	
Transfer from (to) Other Funds	(453,000)	(3,574,850)	(400,113)	-	(4,427,963)	-
Change of Net Position	$ 328,683	$ 966,696	$ 884,513	$ 345,489	$ 2,525,381	$ -
Total Net Position - Beginning of Year	2,699,499	18,304,077	14,530,767	1,292,353	36,826,696	-
Total Net Position - End of Year	$ 3,028,184	$ 19,270,776	$ 15,415,280	$ 1,637,842	$ 39,352,077	$ -

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, 2013

	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	$ 4,691,279	$ 26,627,502	$ 7,009,664	$ 2,799,467	$ 41,127,912	$ -
Cash Paid to Suppliers	(3,912,441)	(21,352,344)	(3,323,309)	(1,960,324)	(30,548,418)	-
Cash Paid to Employees	(439,932)	(923,976)	(1,905,407)	(521,364)	(3,790,679)	-
Cash Received from Interfund Services Provided	-	87,439	-	-	87,439	4,265,524
Cash Paid for Internal Services Provided	-	-	-	-	-	(4,264,188)
Net Cash Provided (Used) by Operating Activities	$ 338,906	$ 4,438,621	$ 1,780,948	$ 317,779	$ 6,876,254	$ 1,336
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In (Out)	$ (453,000)	$ (3,574,850)	$ (400,113)	$ -	$ (4,427,963)	$ -
Net Cash Provided (Used) by Noncapital Financing Activities	$ (453,000)	$ (3,574,850)	$ (400,113)	$ -	$ (4,427,963)	$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds of Notes Payable	$ -	$ -	$ -	$ -	$ -	$ -
Purchase of Capital Assets	-	-	-	-	-	-
Principal Payments on Note Payable	-	-	(480,200)	(41,164)	(521,364)	-
Interest Paid	(2,018)	(106,770)	(70,500)	(5,042)	(184,330)	69
Net Cash Provided (Used) by Capital and Related Financing Activities	$ (2,018)	$ (106,770)	$ (550,700)	$ (46,206)	$ (705,694)	$ 69
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale (Purchase) of Investments	$ -	$ -	$ -	$ -	$ -	$ -
Collection on Notes Receivable	-	20,969	-	-	20,969	-
Receipts of Interest and Dividends	1,368	-	4,258	2,019	7,645	-
Net Cash Provided (Used) by Investing Activities	$ 1,368	$ 20,969	$ 4,258	$ 2,019	$ 28,614	$ -
Net Increase (Decrease) in Cash and	$ (114,744)	$ 777,970	$ 834,393	$ 273,592	$ 1,771,211	$ 1,405
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	243,275	11,059,442	2,654,944	923,497	14,881,158	29,552
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 128,531	$ 11,837,412	$ 3,489,337	$ 1,197,089	$ 16,652,369	$ 30,957

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, 2013

	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	$ 128,351	$ 12,041,760	$ 3,059,215	$ 1,197,089	$ 16,426,415	$ 30,957
Restricted	-	-	430,122	-	430,122	-
Total	$ 128,351	$ 12,041,760	$ 3,489,338	$ 1,197,089	$ 16,856,538	$ 30,957
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Net Operating Income (Loss)	$ 782,333	$ 4,648,316	$ 1,348,681	$ 263,787	$ 7,043,117	$ (69)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	170,682	332,485	1,049,398	54,062	1,606,627	-
Amortization Expense	-	-	-	-	-	-
(Increase) Decrease in Accounts Receivable	(195,475)	(293,932)	(17,020)	(22,448)	(528,875)	-
(Increase) Decrease in Unbilled Accounts Receivable	(44,999)	(95,028)	(32,097)	(3,014)	(175,138)	-
(Increase) Decrease in Interfund Receivables	(10,760)	(5,102)	(41,125)	178,209	121,222	336,346
(Increase) Decrease in Inventory	3,664	21,646	76,258	-	101,568	-
Increase (Decrease) in Estimated Liability for Compensated Absences	20,574	(28,765)	58,505	4,813	55,127	-
Increase (Decrease) in Accounts Payable	(225,846)	50,041	(62,705)	(11,473)	(249,983)	-
Increase (Decrease) in Interfund Payables	(188,236)	-	-	-	(188,236)	
Increase (Decrease) in Customer Deposits	594	306,007	(936)	-	305,665	-
Increase (Decrease) in Other Payable	26,375	(292,701)	(598,011)	(146,157)	(1,010,494)	(334,941)
Net Cash Provided (Used) by Operating Activities	$ 338,906	$ 4,642,967	$ 1,780,948	$ 317,779	$ 7,080,600	$ 1,336

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 44

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

NOTE 24: IMPLMENTATION OF GASB STATEMENTS NO. 63 & 65 63

NOTE 25: SUBSEQUENT EVENTS 63

NOTE 26: PRIOR YEAR ADJUSTMENTS 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 position 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.

Splost 2012 – This fund accounts for tax revenues and capital expenditures related to the Special Purpose Local Option Sales Tax beginning in 2012.

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. For unrestricted amounts of fund balance, it is the city's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

The Finance Director (established by the Charter) operates under and by the authority of the Commission. All assigned funds are established by action of the City Commission and/or perimeters that are established by the issuing authority of special revenue funds

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, 2013. 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 position, 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, 2013, 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 Positions 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 positions and in the proprietary funds' statement of Net Positions. 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:

Asset Class	Estimated Lives		
	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 position and the proprietary fund type statement of net position, 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 position."

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

Net Position – Net position represents the difference between assets and liabilities. Net position 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 position is 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 remaining net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position 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 positions. 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. Excess of Expenditures over Appropriations

The City had no departments with expenditures in excess of appropriations for the year ended June 30, 2013

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, 2013 the City was not undercollateralized at any financial institutions.

The City has $8,059,357 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.

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, 2013 was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital Assets, not being depreciated:				
Land	$ 4,380,801	$ -	$ -	$ 4,380,801
Assets Not in Use	-	-	-	-
Construction in Progress	1,002,342	1,080,077	-	2,082,419
Total Capital Assets, not being Depreciated	$ 5,383,143	$ 1,080,077	$ -	$ 6,463,220
Capital Assets, Being Depreciated:				
Building and Improvements	$ 15,979,453	$ 50,503	$ -	$ 16,029,956
Furniture and Fixtures	53,000	-	-	53,000
Transportation Equipment	3,535,574	194,918	275,501	4,005,993
Office Equipment	189,018	24,854	33,963	247,835
Infrastructure	8,479,654	-	-	8,479,654
Appliances	5,919	-	-	5,919
Machinery and Equipment	2,840,210	119,177	102,790	3,062,177
Computer Equipment	74,420	-	-	74,420
Total Capital Assets, Being Depreciated	$ 31,157,248	$ 389,452	$ 412,254	$ 31,958,954
Less Accumulated Depreciation:				
Buildings and Improvements	$ 6,461,544	$ 650,898	$ -	$ 7,112,442
Furniture and Fixtures	53,000	-	-	53,000
Transportation Equipment	2,810,867	242,205	275,501	3,328,573
Office Equipment	157,110	22,638	33,963	213,711
Infrastructure, Retroactive Implementation	2,903,165	305,985	-	3,209,150
Appliances	5,919	-	-	5,919
Machinery and Equipment	1,775,202	165,400	102,790	2,043,392
Computer Equipment	52,665	14,171	-	66,836
Total Accumulated Depreciation	$ 14,219,472	$ 1,401,297	$ 412,254	$ 16,033,023
Total Capital Assets, Being Depreciated, Net	$ 16,937,776	$ (1,011,845)	$ -	$ 15,925,931
Governmental Activities Capital Assets, Net	$ 22,320,919	$ 68,232	$ -	$ 22,389,151

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
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	$ -	$ (164,587)	$ 80,804
Transporation Equipment	2,491,825	199,171	(982,445)	1,708,551
Machinery and Equipment	2,742,255	375,563	(1,460,301)	1,657,517
Computer Equipment	368,730	-	(233,736)	134,994
Distribution Plant and Other Improvements	45,522,266	409,188	(16,659,874)	29,271,580
Total Capital Assets, being Depreciated	$ 51,370,467	$ 983,922	$ (19,500,943)	$ 32,853,446
Less Accumulated Depreciation:				
Buildings and Improvements	$ 204,063	$ 4,536	$ (164,587)	$ 44,012
Transporation Equipment	1,912,438	164,094	(982,445)	1,094,087
Machinery and Equipment	2,253,539	112,165	(1,460,301)	905,403
Computer Equipment	362,804	2,188	(233,736)	131,256
Distribution Plant and Other Improvements	26,782,738	1,323,668	(16,659,874)	11,446,532
Total Accumulated Depreciation	$ 31,515,582	$ 1,606,651	$ (19,500,943)	$ 13,621,290
Total Capital Assets, Being Depreciated, Net	$ 19,854,885	$ (622,729)	$ -	$ 19,232,156
Business-type Activities Capital Assets, Net	$ 20,046,128	$ (622,729)	$ -	$ 19,423,399

Depreciation Expense was charged to Governmental Activities as follows:

General and Administrative	$ 478,522
Public Safety	259,939
Culture and Recreation	269,899
Housing and Development	392,937
Total	$ 1,401,297

NOTE 5: DUE FROM OTHER GOVERNMENTS

Receivables from other governments as of June 30, 2013, are as follows:

GENERAL FUND	
State of Georgia - Local Option Sales Tax	$ 139,451
Total Receivables	$ 139,451

NOTE 6: INTERFUND BALANCES AND ACTIVITY

The City has interfund receivables and payables at June 30, 2013 as follows:

Balances due to/from other funds	Interfund Receivables	Interfund Payables
GOVERNMENTAL FUNDS:		
Major Funds:		
General Fund	$ 300,227	$ 499,866
Nonmajor Governmental Funds	16,281	315,545
INTERNAL SERVICE FUNDS	401,970	-
ENTERPRISE FUNDS:		
Major Funds:		
Gas Fund	10,760	-
Electric Fund	20,176	-
Water & Sewer Fund	51,222	-
Nonmajor Funds	14,775	-
Total	$ 815,411	$ 815,411

General Fund:		
Due from Nonmajor Governmental Funds		300,227
	$	300,227
Internal Service Fund:		
Due from General Fund		401,970
	$	401,970
Nonmajor Governmental Funds:		
Capital Projects	$	3,756
Due from Nonmajor Governmental Funds		12,525
	$	16,281
Enterprise Funds:		
Electric		
Due from General		20,176
	$	20,176
Water & Sewer		
Due from SPLOST	$	2,793
Due from General		48,429
	$	51,222
Gas		
Due from General	$	10,760
	$	10,760
Due from Nonmajor Funds		
Due from General	$	14,775
	$	14,775

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	$ 96,692
Electric Fund	528,386
Water and Sewer Fund	282,653
Total Customer Deposits	$ 907,731
MEAG Trust	
	$ 13,681,595
Total MEAG Flexible Trust	$ 13,681,595

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 $62,500 at June 30, 2013. 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 $118,176 at June 30, 2013. 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 $937,570 at June 30, 2013. 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 $248,124 at June 30, 2013. 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:

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, 2013:

	Carrying Value	Gross Amount
Vehicles	$ 412,108	$ 976,535
Equipment	145,543	580,376
Totals	$ 557,651	$ 1,556,911

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, 2013:

For year ending June 30,	Governmental Activities	Enterprise Funds
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	$ 482,804	$ 134,580
Less amount representing interest	(32,163)	(5,064)
Present value of future minimum lease payments	$ 450,641	$ 129,516

D. Compensated Absences

Governmental activities:
Accumulated sick pay obligation and related social security as of June 30, 2013, amounted to $597,388. 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, 2013 amounted to $166,359. 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, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Loan Payable	$ 67,500	$ -	$ 3,750	$ 63,750	$ 6,250
Capital Leases	677,909	-	249,775	428,134	270,808
Compensated Absences	421,768	175,620	-	597,388	-
Total	$ 1,167,177	$ 175,620	$ 253,525	$ 1,089,272	$ 277,058
Business Type activities:					
Notes Payable	1,784,070		480,201	1,303,869	459,516
Capital Leases	170,681	-	41,164	129,517	42,152
Compensated Absences	111,052	55,307	-	166,359	-
Total	$ 2,065,803	$ 55,307	$ 521,365	$ 1,599,745	$ 501,668

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, 2013 and 2012, 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, 2013 and 2012, 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, 2012	$ 12,694	$ 18,767	$ -	$ -
Current Year Additions	-	-	-	-
Balance, June 30, 2013	$ 12,694	$ 18,767	$ -	$ -
Electric Fund				
Balance, July 1, 2012	$ 269,663	$ -	$ -	$ -
Current Year Additions	-	-	-	-
Balance, June 30, 2013	$ 269,663	$ -	$ -	$ -
Water & Sewer Fund				
Balance, July 1, 2012	$ 2,413,862	$ 194,829	$ 164,743	$ 902,940
Current Year Additions	-	-		
Balance, June 30, 2013	$ 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, 2013 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, 2013 actuarial valuation of the City of Douglas Retirement Plan, the City's contributions for 2013 were based on covered payroll of $6,090,874. The City made the recommended contribution of $1,576,337 or 25.44% 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, 2013, the current plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	132
Terminated employees entitled to benefits but not yet receiving them	24
Current active emploees:	
-vested	97
-nonvested	99
Total membership in the plan	352

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, 2013, January 1, 2012, and January 1, 2011 actuarial valuations:

	2013	2012	2011
- Actuarial value of assets	$ 27,805,527	$ 26,680,870	$ 25,962,993
- Actuarial accrued liability	34,797,922	31,374,640	30,667,410
- Percentage funded	79.9%	85.0%	84.7%
- Unfunded actuarial accrued liability	6,992,395	4,693,770	4,704,417
- Employer contributions	1,576,337	1,602,734	1,574,019
- Annual covered payroll	6,090,874	7,036,182	6,910,123
- Unfunded as a percentage of covered payroll	114.8%	66.7%	68.1%
- Employer contributions as a percentage of covered payroll	25.9%	22.8%	22.8%
- Annual pension cost	1,576,337	1,602,734	1,574,019
- 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,

	2012	2013
Health Claims Payable - July 1	$ -	$ -
Claims Incurred During the Year Ended June 30	2,026,817	2,550,736
	2,026,817	2,550,736
Claims Paid During the Year Ended June 30	(2,026,817)	(2,550,736)
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,

	2012	2013
Health Claims Payable - July 1	$ 891,066	$ 828,320
Claims Incurred During the Year Ended June 30	564,590	409,629
	1,455,656	1,237,949
Claims Paid During the Year Ended June 30	(627,336)	(717,850)
Health Claims Payable - June 30	$ 828,320	$ 520,099

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, 2013:

	Current Operations	Debt Service	Budgetary Basis
General Government	$ 4,243,261	$ 39,849	$ 4,283,110
Public Safety	5,336,436	212,945	5,549,381
Culture and Recreation	1,304,428	11,291	1,315,719
Housing and Development	1,391,099	3,813	1,394,912
Capital Outlay	339,524	-	339,524
Total	$ 12,614,748	$ 267,898	$ 12,882,646

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 2013, the City collected $163,812 in hotel/motel taxes. They expended $180,272, which was 110% 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 2013.

	Gas Fund	Electric Fund	Water and Sewer Fund	Nonmajor Governmental Fund	General Fund	Total
Transfers (to)/from						
General Fund	$ 453,000	$ 3,574,850	$ 400,113	$ 11,875	$ -	$ 4,439,838
Gas Fund	-	-	-	-	(453,000)	(453,000)
Electric Fund	-	-	-	-	(3,574,850)	(3,574,850)
Water & Sewer	-	-	-	-	(400,113)	(400,113)
Capital Projects	-	-	-	-	(11,875)	(11,875)
Total	$ 453,000	$ 3,574,850	$ 400,113	$ 11,875	$ (4,439,838)	$ -

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:

Plan membership:	
Current retirees, beneficiaries, and dependents	37
Current active participants	204
Terminated participants entitled but not yet eligible	0
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		29,000
Net Increase in NOO		834,511
NOO as of Valuation Date		863,511
Net OPEB Obligation - beginning of year		530,402
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
6/30/2011	$ 530,402	0%	$ 530,402
6/30/2012	$ 863,511	0%	$ 863,511

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 credi
Amortization method	Level dollar, close
Remaining amortization period	22 years as of July 1
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%
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, 2012 were due on December 1, 2012. Liens were attached to property for unpaid taxes on January 31, 2013.

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, 2013 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 $1,999,394 for the fiscal year ended June 30, 2013 were 95% 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, 2013 were $262,826.

NOTE 24: IMPLEMENTATION OF GASB STATEMENTS NO. 63 & 65

In calendar year 2012, the government early implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources*, and *Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. There are numerous terminology changes throughout the financial section of this report. These classification changes do not require a prior period adjustment.

NOTE 25: SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through December 20, 2013 (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.

NOTE 26: PRIOR PERIOD ADJUSTMENTS

Multiple discrepancies were discovered in the interfund payable/receivable accounts of SPLOST 2000, SPLOST 2012, and Various Nonmajor Projects Funds.

	SPLOST 2000	SPLOST 2012	Various Nonmajor Projects
Fund Balance Beginning	$ 45,699	$ 76,153	$ 93,632
Correct Interfund Activity	(113,526)	(59,926)	122,378
Fund Balance As Restated	$ (67,827)	$ 16,227	$ 216,010

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)
5/1/2005	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%
1/1/2013	27,805,527	34,797,922	6,992,395	79.91%	6,090,874	114.80%

* Not less than zero

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Capital Projects Funds

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

CITY OF DOUGLAS, GEORGIA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash	$ 825,640	$ 162,515	$ 988,155
Investments	636	-	636
Accounts Receivable	10,046	-	10,046
Interfund Receivable	16,280	-	16,280
TOTAL ASSETS	$ 852,602	$ 162,515	$ 1,015,117
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts/Deposits Payable	$ 9,753	$ -	$ 9,753
Interfund Payables	277,410	35,342	312,752
Total Liabilities	$ 287,163	$ 35,342	$ 322,505
Fund Balance:			
Assigned	$ 565,439	$ -	$ 565,439
Unassigned	-	127,173	127,173
TOTAL LIABILITIES & FUND BALANCE	$ 852,602	$ 162,515	$ 1,015,117

CITY OF DOUGLAS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Sales Taxes	$ -	$ 197,967	$ 197,967
Revenue from Use of Money or Property	400	81	481
Revenue from Other Agencies	607,716	13,745	621,461
Charges for Services or Materials	336,651	-	336,651
Other Revenues/Reimbursements	211,275	-	211,275
Total Revenues	$ 1,156,042	$ 211,793	$ 1,367,835
EXPENDITURES			
Current Operating:			
Culture & Recreation	$ 532,280	$ -	$ 532,280
Public Safety	127,700	-	127,700
Housing & Development	49,227	-	49,227
Capital Outlay	608,609	3,167	611,776
Debt service			
Principal	3,750	-	3,750
Interest	-	-	-
Total Expenditures	$ 1,321,566	$ 3,167	$ 1,324,733
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (165,524)	$ 208,626	$ 43,102
OTHER FINANCING SOURCES (USES)			
Sale of Property	$ -	$ -	$ -
Transfers from (to) Other Funds	(11,875)	71,069	59,194
Capital Lease Proceeds	-	-	-
Total Other Financing Sources (Uses)	$ (11,875)	$ 71,069	$ 59,194
NET CHANGE IN FUND BALANCES	$ (177,399)	$ 279,695	$ 102,296
FUND BALANCE - BEGINNING	742,835	(152,521)	590,314
FUND BALANCES - ENDING	$ 565,436	$ 127,174	$ 692,610

CITY OF DOUGLAS, GEORGIA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Capital Project Funds			Special Revenue Funds						
	SPLOST 2000	SPLOST 2005	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	$ 22,817	$ -	$ 139,698	$ 119,007	$ 79,656	$ 19,505	$ 87,566	$ 1,009	$ 8,562	$ 292,574
Investments	-	-	-	-	-	-	-	636	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-	-
Interfund Receivables	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	$ 22,817	$ -	$ 139,698	$ 119,007	$ 79,656	$ 19,505	$ 87,566	$ 1,645	$ 8,562	$ 292,574
LIABILITIES AND FUND BALANCE										
Accounts/Deposits Payable	$ -	$ -	$ -	$ 2,174	$ -	$ -	$ -	$ -	$ -	$ 200
Interfund Payables	22,817	-	12,525	-	-	-	-	-	-	267,990
Total Liabilities	$ 22,817	$ -	$ 12,525	$ 2,174	$ -	$ -	$ -	$ -	$ -	$ 268,190
Fund Balance										
Assigned				$ 116,833	$ 79,656	$ 19,505	$ 87,566	$ 1,645	$ 8,562	$ 24,384
Unassigned	$ 0	$ -	$ 127,173							
TOTAL LIABILITIES & FUND BALANCE	$ 22,817	$ -	$ 139,698	$ 119,007	$ 79,656	$ 19,505	$ 87,566	$ 1,645	$ 8,562	$ 292,574

CITY OF DOUGLAS, GEORGIA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2013

	Special Revenue Funds								
	Airport Rental Receipts Fund	Motel Tax Fund	DCA CHIP Program	Small Agency Incentive Grant Fund*	2012 Heat Grant Fund	GHFA Home Fund	Park Improvement Project Fund	Youth Summer/ After School Program Fund	Total Nonmajor Special Revenue Funds
ASSETS									
Cash	$ 183,587	$ 16,213	$ -	$ -	$ 6,762	$ 4,217	$ 14	$ 6,968	$ 988,155
Investments	-	-	-	-	-	-	-	-	636
Accounts Receivable	-	-	-	-	10,046	-	-	-	10,046
Interfund Receivables	12,524	3,756	-	-	-	-		-	16,280
TOTAL ASSETS	$ 196,111	$ 19,969	$ -	$ -	$ 16,808	$ 4,217	$ 14	$ 6,968	$ 1,015,117
LIABILITIES AND FUND BALANCE									
Accounts/Deposits Payable	$ -	$ -	$ -	$ -	$ 7,379	$ -	$ -	$ -	$ 9,753
Interfund Payables	-	-	-	-	9,420	-	-	-	312,752
Total Liabilities	$ -	$ -	$ -	$ -	$ 16,799	$ -	$ -	$ -	$ 322,505
Fund Balance									
Assigned	$ 196,111	$ 19,969	$ -	$ -	$ 9	$ 4,217	$ 14	$ 6,968	$ 565,439
Unassigned									$ 127,173
TOTAL LIABILITIES & FUND BALANCE	$ 196,111	$ 19,969	$ -	$ -	$ 16,808	$ 4,217	$ 14	$ 6,968	$ 1,015,117

* Reported as Justice Assistance Grant Fund in 2012

CITY OF DOUGLAS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Capital Project Funds			Special Revenue Funds						
	SPLOST 2000	SPLOST 2005	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	$ 93,570	$ 104,396	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revenue from Use of Money or Property	-	-	81	-	25	9	42	65	4	137
Revenue from Other Agencies	-	-	13,745	-	63,150	-	-	-	-	407,994
Charges for Services or Materials	-	-	-	285,838	-	-	-	-	-	-
Other Revenues/Reimbursements	-	-	-	-	-	1,485	2,128	-	30,000	5,050
Total Revenues	$ 93,570	$ 104,396	$ 13,826	$ 285,838	$ 63,175	$ 1,494	$ 2,170	$ 65	$ 30,004	$ 413,181
EXPENDITURES										
Current Operating:										
Culture & Recreation	$ -	$ -	$ -	$ 315,862	$ -	$ -	$ -	$ 4,545	$ 30,000	$ -
Public Safety	-	-	-	-	6,004	-	-	-	-	-
Housing & Development	-	-	-	-	-	-	250	-	-	-
Capital Outlay	25,743	18,372	(40,948)	-	3,802	-	-	-	-	604,807
Debt Service										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-		-	-	-	-	-	-
Total Expenditures	$ 25,743	$ 18,372	$ (40,948)	$ 315,862	$ 9,806	$ -	$ 250	$ 4,545	$ 30,000	$ 604,807
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 67,827	$ 86,024	$ 54,774	$ (30,024)	$ 53,369	$ 1,494	$ 1,920	$ (4,480)	$ 4	$ (191,626)
OTHER FINANCING SOURCES (USES)										
Transfers from (to) Other Funds	$ -	$ 71,069	$ -	$ (1,947)	$ (9,928)	$ -	$ -	-	$ -	$ -
Sale of Property	-	-	-	-	-	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	$ 67,827	$ 157,093	$ 54,774	$ (31,971)	$ 43,441	$ 1,494	$ 1,920	$ (4,480)	$ 4	$ (191,626)
FUND BALANCES - BEGINNING OF YEAR	(67,827)	(157,093)	72,399	148,803	36,215	18,011	85,646	6,124	8,558	216,010
FUND BALANCES - END OF YEAR	$ -	$ -	$ 127,173	$ 116,832	$ 79,656	$ 19,505	$ 87,566	$ 1,644	$ 8,562	$ 24,384

CITY OF DOUGLAS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2013

	Special Revenue Funds								
	Airport Rental Receipts Fund	Motel Tax Fund	DCA CHIP Program	Small Agency Incentive Grant Fund*	2012 Heat Grant Fund	GHFA Home Fund	Park Improvement Project Fund	Youth Summer/ After School Program Fund	Total Nonmajor Governmental Funds
REVENUES									
Sales Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 197,967
Revenue from Use of Money or Property	89	18	-	-	7	2	-	2	481
Revenue from Other Agencies	-	-	24,877		111,695	-	-	-	621,461
Charges for Services or Materials	50,813		-	-	-	-	-	-	336,651
Other Revenues/Reimbursements	-	163,812	-	-	-	800	-	8,000	211,275
Total Revenues	$ 50,902	$ 163,830	$ 24,877	$ -	$ 111,702	$ 802	$ -	$ 8,002	$ 1,367,834
EXPENDITURES									
Current Operating:									
Culture & Recreation	$ -	$ 180,282	$ -	$ -	$ -	$ -	$ -	$ 1,591	$ 532,280
Public Safety	-	-	-	10,001	111,695	-	-	-	127,700
Housing & Development	24,100	-	24,877	-	-	-	-	-	49,227
Capital Outlay	-	-	-	-	-	-	-	-	611,776
Debt Service									
Principal	3,750	-	-	-	-	-	-	-	3,750
Interest	-	-	-	-	-	-	-	-	-
Total Expenditures	$ 27,850	$ 180,282	$ 24,877	$ 10,001	$ 111,695	$ -	$ -	$ 1,591	$ 1,324,733
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 23,052	$ (16,452)	$ -	$ (10,001)	$ 7	$ 802	$ -	$ 6,411	$ 43,101
OTHER FINANCING SOURCES (USES)									
Transfers from (to) Other Funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 59,194
Sale of Property	-	-	-	-	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	$ 23,052	$ (16,452)	$ -	$ (10,001)	$ 7	$ 802	$ -	$ 6,411	$ 102,295
FUND BALANCES - BEGINNING OF YE	173,060	36,421	-	10,001	-	3,415	14	557	590,314
FUND BALANCES - END OF YEAR	$ 196,112	$ 19,969	$ -	$ -	$ 7	$ 4,217	$ 14	$ 6,968	$ 692,609

* Reported as Justice Assistance Grant Fund in 2012

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

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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Douglas, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Douglas, Georgia's basic financial statements, and have issued our report thereon dated December 20, 2013

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given those limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 20, 2013.

Purpose of this Report

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

Hurst & Hurst

Hurst and Hurst CPAs

Douglas, Georgia
December 20, 2013

REPORT ON SPECIAL CITY SALES AND USE TAX

HURST & HURST
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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, 2013. 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, 2013, in conformity with accounting principles generally accepted in the United States of America.

Hurst & Hurst

Douglas, Georgia
December 20, 2013

CITY OF DOUGLAS, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 2000
FOR THE YEAR ENDED JUNE 30, 2013

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Years	Total	Estimate Percentage of Completion
1 Airport	$ 568,000	$ 568,000	$ 491,997	$ 2,926	$ 494,923	87.13%
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	22,817	1,064,663	85.11%
7 Water/Wastewater	500,000	500,000	462,347	-	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	5,179,759	-	5,179,759	110.86%
Total	$ 9,276,000	$ 8,770,024	$ 8,941,727	$ 25,743	$ 8,967,470	102.25%

CITY OF DOUGLAS, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 2005
FOR THE YEAR ENDED JUNE 30, 2013

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	-	-	18,372	18,372	2.30%
3 Technology Improvements	195,000	231,000	259,502	-	259,502	112.34%
4 Public Works Improvements	1,000,000	241,053	-	-	-	0.00%
Total	$ 7,620,000	$ 736,053	$ 500,555	$ 18,372	$ 518,927	70.50%

CITY OF DOUGLAS, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX 2012
FOR THE YEAR ENDED JUNE 30, 2013

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	-	-	92,725	92,725	103.03%
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	-	-	425,504	425,504	2.26%
Total	$ 21,117,561	$ -	$ -	$ 518,229	$ 738,272	3.50%