

ANNUAL FINANCIAL REPORT
CITY OF WASHINGTON, GEORGIA
YEAR ENDED DECEMBER 31, 2011

**CITY OF WASHINGTON, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011**

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Washington, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Washington, Georgia as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Washington's management. Our responsibility is to express opinions on these financial statements based on our audit.

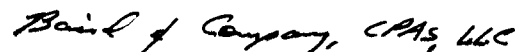
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Washington, Georgia as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012 on our consideration of the City of Washington, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and the Retirement Plan – Schedule of Funding Progress on pages 3 through 8 and page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Washington, Georgia's financial statements as a whole. The combining and individual fund financial statements, supplemental schedules, and Schedule of Projects Constructed with Special Purpose Sales Tax are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, supplemental schedules, Schedule of Expenditures of Federal Awards, and the Schedule of Projects Constructed with Special Sales Tax Proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
June 29, 2012

Management's Discussion & Analysis

The Management's Discussion and Analysis of the Annual Financial Statements of the City of Washington, Georgia (the "City") provides an overall narrative and analysis of the City's financial statements for the fiscal year ended December 31, 2011. This discussion and analysis is designed to look at the City's financial performance as a whole. Readers should also review the complete financial statements, with notes, which follow this narrative, to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for the year ended December 31, 2011 are as follows:

The City's combined net assets totaled \$20.16 million.

As of the close of the current year, the City's Governmental funds reported combined ending fund balances of \$870 thousand. 53% of this total amount is available for spending at the City's discretion (*Unrestricted fund balance*).

At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$197 thousand.

Combined Operating Revenue totaled \$ 16.14 million, of which governmental activities totaled \$3.26 million and business-type activities totaled \$ 12.88 million.

Overall Operating expenses totaled \$ 18.51 million of which governmental activities totaled \$ 6.54 million and business-type activities totaled \$ 11.97 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status. They are designed to provide readers with a broad overview of the City of Washington's finances, in a manner similar to a private-sector business.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City of Washington, Georgia's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's non-major governmental funds, all of which are added together in one column on the appropriate basic financial statements.

Government-wide Financial Statements

The Government-wide financial statements provide a broad view of the City's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the economic condition at the end of the fiscal year. These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means the statements take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include the following two statements:

The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expense and program revenues for each function of the City.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities and 3) component units. The governmental activities include most of the City's basic services such as general administration, judicial services, public safety, public works, health and welfare, culture and recreation, and housing and development. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those services that the City charges a fee to customers in order to provide. These include the Electric System, Water and Sewer System, Sanitation System and Internet Services.

Fund Financial Statements

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements. The funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. These fund categories use different accounting approaches and should be interpreted differently.

Governmental Funds

Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide statements, these funds focus on how assets can readily be converted into cash and the amount of funds left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which focuses on current financial resources. Such information may be useful in evaluating the City's short-term financing requirements. These statements provide a detailed short-term view of the City's finances that assists in determining whether that will be adequate financial resources available to meet the City's current needs. The relationship between government activities in the government-wide financial statements and the governmental funds financial statements is described in a reconciliation that is a part of the fund financial statements.

The City has four governmental fund types: the General Fund, Special Revenue Funds, Capital Project Funds, and Permanent Funds. Only one individual fund is being considered a major fund – the General Fund.

Proprietary Funds

The City has one type of proprietary fund used to account for activities that operate similar to commercial enterprises found in the private sector. Funds that charge fees for services provided to outside customers including other local governments are known as Enterprise Funds. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds use the accrual basis of accounting, thus there is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The City has four enterprise funds: Electric System, Water and Sewer System, Sanitation System and Internet Services. The City has no internal service funds. The Electric System and Water and Sewerage System are the only funds being considered major funds for presentation purposes.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a government as an agent for individuals, private organizations, other governments and other departments. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These funds are not reflected in the government-wide financial statements because the resources are not available to support the City's operations or programs. The City of Washington does not have any Fiduciary Funds at this time.

Government-wide Financial Analysis

**The City's Net Assets
December 31, 2011**

	Governmental 2010	Activities 2011	Business-type 2010	Activities 2011	Total 2010	Total 2011
Current and other assets	\$ 1,810,791	\$ 1,431,713	\$ 11,824,216	\$ 10,077,731	\$ 13,635,007	\$ 11,509,444
Capital Assets	<u>6,322,321</u>	<u>6,689,445</u>	<u>8,703,732</u>	<u>11,376,713</u>	<u>15,026,053</u>	<u>18,066,158</u>
Total Assets	<u>8,133,112</u>	<u>8,121,158</u>	<u>20,527,948</u>	<u>21,454,444</u>	<u>28,661,060</u>	<u>29,575,602</u>
Long-term liabilities	1,819,231	1,004,481	3,119,848	4,537,093	4,939,079	5,541,574
Other liabilities	<u>426,725</u>	<u>1,172,462</u>	<u>2,379,696</u>	<u>2,702,800</u>	<u>2,806,421</u>	<u>3,875,262</u>
Total Liabilities	<u>2,245,956</u>	<u>2,176,943</u>	<u>5,499,544</u>	<u>7,239,893</u>	<u>7,745,500</u>	<u>9,416,836</u>
Net Assets:						
Invested in capital assets						
net of related debt	4,611,750	6,103,242	6,713,377	6,317,347	11,325,127	12,420,589
Restricted	227,986	314,991	-	5,910,780	227,986	6,225,771
Unrestricted	<u>1,047,420</u>	<u>(474,018)</u>	<u>8,750,192</u>	<u>1,986,424</u>	<u>9,797,612</u>	<u>1,512,406</u>
Total Net Assets	<u>\$ 5,887,156</u>	<u>\$ 5,944,215</u>	<u>\$ 15,463,569</u>	<u>\$ 14,214,551</u>	<u>\$ 21,350,725</u>	<u>\$ 20,158,766</u>

Net Assets

Net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City exceeded liabilities by \$ 20.16 million as of December 31, 2011, a decrease of \$1.19 million from December 31, 2010, which indicates a decrease in the financial position of the City.

The largest portion of the City's net assets, \$12.42 million or 62%, reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, sidewalks, water lines and sewer lines) less any related debt used to acquire those assets that is still 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's Changes in Net Assets December 31, 2011

Revenues:	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
	2010	2011	2010	2011	2010	2011
Program Revenues						
Charges for Services	\$ 562,419	\$ 657,486	\$ 13,253,182	\$ 12,557,263	\$ 13,815,601	\$ 13,214,749
Operating Grants/ Contributions	220,360	325,073	-	-	220,360	325,073
Capital Grants/ Contributions	1,196,091	596,064	-	-	1,196,091	596,064
General Revenues						
Property Taxes	796,759	775,912	-	-	796,759	775,912
Sales Tax	550,824	478,272	-	-	550,824	478,272
Franchise Fees	317,447	282,156	-	-	317,447	282,156
Other Taxes	-	-	-	-	-	-
Intergovernmental Revenues	7,892	6,836	15,000	4,281	22,892	11,117
Investment Earnings	9,837	9,202	236,413	304,618	246,250	313,820
Miscellaneous	422	96,964	9,724	320,809	10,146	417,773
Special Items	-	-	-	3,689	-	3,689
Gain on Sale of Capital Assets	10,833	(5,134)	-	(6,076)	10,833	(11,210)
Total Revenues	3,672,884	3,222,831	13,514,319	13,184,584	17,187,203	16,407,415
Expenses:						
General government	549,473	531,550	-	-	549,473	531,550
Judicial	2,931	3,984	-	-	2,931	3,984
Public safety	2,328,316	2,379,717	-	-	2,328,316	2,379,717
Public works	878,635	948,478	-	-	878,635	948,478
Health and welfare	211,869	186,605	-	-	211,869	186,605
Culture and recreation	392,395	489,539	-	-	392,395	489,539
Housing and development	636,814	944,875	-	-	636,814	944,875
Interest and fiscal charges	49,309	66,648	-	-	49,309	66,648
Water and sewer	-	-	2,593,399	2,749,930	2,593,399	2,749,930
Electric	-	-	8,023,378	8,638,341	8,023,378	8,638,341
Sanitation	-	-	541,871	536,193	541,871	536,193
Internet telecommunications	-	-	130,104	123,511	130,104	123,511
Total Expenses	5,049,742	5,551,396	11,288,752	12,047,975	16,338,494	17,599,371
(Decrease) Increase in net assets before transfers	(1,376,858)	(2,328,565)	2,225,567	1,136,609	848,709	(1,191,956)
Transfers	2,443,689	2,385,624	(2,443,689)	(2,385,624)	-	-
Change in net assets	1,066,831	57,059	(218,122)	(1,249,015)	848,709	(1,191,956)
Net assets-January 1	4,820,325	5,887,156	15,536,436	15,463,566	20,356,761	21,350,722
Prior period adjustment	-	-	145,255	-	145,255	-
Net assets, December 31	\$ 5,887,156	\$ 5,944,215	\$ 15,463,569	\$ 14,214,551	\$ 21,350,725	\$ 20,158,766

Financial Analysis of the City's Individual Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the City's financial requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The combined fund balance of all the governmental funds is \$870 thousand, of which \$459 thousand, or 53%, is spendable and unrestricted. This represents approximately 7% of the Governmental fund's operating expenditures.

General Fund

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was \$280 thousand, of which \$197 thousand or 70% was spendable and unrestricted. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total fund expenditures. As of December 31, 2011 total unrestricted fund balance represents 3 % of general fund operating expenditures.

General Fund Budgetary Highlights

During the year, the City revised the budget twice and did so during the 3rd & 4th quarters. Generally, budget amendments fall into one of five categories: 1) amendments to appropriate fund balance for encumbrances from the prior year, 2) amendments made to adjust the estimates that are used to prepare the original budget resolution once exact information is available; 3) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; 4) amendments to increase appropriations that become necessary to maintain services; and 5) amendments to transfer appropriations between departments. The fifth category has no effect on the final budget and, therefore, is not addressed in this narrative. Amendments to the General Fund increased total expenditures by approximately \$544.3 thousand. Approximately \$307.9 thousand was for increased capital outlay projects, 66.1 thousand were increased transfers out to other funds, and \$51.6 thousand was an increase in FICA tax liability due to an IRS audit. The remaining \$118.7 thousand of expenditures increases were due to an increase in items such as supplies, contracted services and intergovernmental activities.

The actual revenues for the General Fund were more than the budgeted amount by \$89,620. This excess Revenue is a product of several sources with the two major increased sources being Intergovernmental revenue and Increased Tax Revenue over projected. The individual sources within the revenues fluctuated both positively and negatively. Actual operating expenditures were under budgeted amount by \$83,273 or 2% of actual expenses, due mostly to overestimation of repairs & maintenance for 2011.

Proprietary Funds

The activities of the City that render services to the general public on a user charge basis or that require periodic determination of revenues for public policy are accounted for as Enterprise Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets at the end of the year were as follows: Electric System, \$368,759; Water and Sewer System, \$1,177,838; other enterprise funds, \$439,827 for a grand total of \$1,986,424 of unrestricted net assets for all enterprise funds.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2011 amounts to \$ 18,066,158 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, construction in progress and infrastructure. Infrastructure assets are items that are normally immovable and of value only to the City, such as roads, streets and sidewalks, drainage systems and other similar items.

The City's Capital Assets (net of depreciation) December 31, 2010 and 2011

	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities		
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Land	\$ 591,997	\$ 591,997	\$ 203,190	\$ 203,190	\$ 795,187	\$ 795,187
Infrastructure, net	2,703,953	3,147,257	7,015,275	6,701,141	9,719,228	9,848,398
Construction in Progress	26,540	-	840,619	3,825,259	867,159	3,825,259
Buildings & Improvements, 1	1,925,101	1,857,705	202,595	200,862	2,127,696	2,058,567
Equipment & Vehicles, net	<u>1,074,730</u>	<u>1,092,486</u>	<u>442,053</u>	<u>446,261</u>	<u>1,516,783</u>	<u>1,538,747</u>
 Total Capital Assets	 <u>\$ 6,322,321</u>	 <u>\$ 6,689,445</u>	 <u>\$ 8,703,732</u>	 <u>\$ 11,376,713</u>	 <u>\$ 15,026,053</u>	 <u>\$ 18,066,158</u>

Additional information on the City's capital assets can be found in Note 6 of the notes to the financial statements of this report.

Long -Term Debt

As of December 31, 2011 the City had a total of \$2.91 million in outstanding long-term debt.

The City's Outstanding Debt General Obligation December 31, 2010 and 2011

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2011	2010	2011	2010	2011
Notes Payable	<u>\$ 1,204,023</u>	<u>\$ 1,116,927</u>	<u>\$ 1,915,825</u>	<u>\$ 1,797,917</u>	<u>\$ 3,119,848</u>	<u>\$ 2,914,844</u>
 Total Debt	 <u>\$ 1,204,023</u>	 <u>\$ 1,116,927</u>	 <u>\$ 1,915,825</u>	 <u>\$ 1,797,917</u>	 <u>\$ 3,119,848</u>	 <u>\$ 2,914,844</u>

Additional information on the City's Long Term Debt can be found in note 8 of the notes to the financial statements of this report.

Requests for information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be addressed to the City Administrator, City of Washington, Georgia, P.O. Box 9, Washington, Georgia 30673.

CITY OF WASHINGTON, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Urban Redevelopment Authority
Assets					
Cash and cash equivalents	\$ 561,380	\$ 1,022,089	\$ 1,583,469	\$ 31	\$ 1,949
Investments	284,481	1,013,599	1,298,080	2,455	-
Receivables	439,512	1,576,331	2,015,843	-	-
Internal balances	65,725	(65,725)	-	-	-
MEAG receivable	-	274,000	274,000	-	-
Inventories	7,963	381,050	389,013	-	-
Prepaid expenses	48,984	27,001	75,985	-	-
Restricted assets	23,668	-	23,668	-	-
Investments, MEAG Trust, unavailable	-	5,359,889	5,359,889	-	-
Investments in joint venture	-	337,536	337,536	-	-
Debt issuance costs	-	151,961	151,961	-	-
Capital assets (net of accumulated depreciation)					
Land	591,997	203,190	795,187	-	-
Construction in progress	-	3,825,259	3,825,259	-	-
Infrastructure	3,147,257	6,701,141	9,848,398	-	-
Buildings and improvements	1,857,705	200,862	2,058,567	-	-
Equipment	-	263,512	263,512	-	-
Vehicles	1,092,486	182,749	1,275,235	-	-
Total assets	8,121,158	21,454,444	29,575,602	2,486	1,949
Liabilities					
Accounts payable and accrued expenses	247,152	1,980,918	2,228,070	-	-
Salaries payable	-	6,155	6,155	-	-
Deferred revenues	226,661	-	226,661	-	-
Customer deposits	-	550,891	550,891	-	-
Compensated absences	112,446	38,061	150,507	-	-
Noncurrent liabilities:					
Due within one year	586,203	126,775	712,978	-	-
Due in more than one year	1,004,481	4,537,093	5,541,574	-	-
Total liabilities	2,176,943	7,239,893	9,416,836	-	-
Net Assets					
Invested in capital assets, net of related debt	6,103,242	6,317,347	12,420,589	-	-
Restricted for:					
Capital projects	291,323	5,910,780	6,202,103	-	-
Revolving loan fund	3,688	-	3,688	-	-
Non-expendable trust	19,980	-	19,980	-	-
Unrestricted	(474,018)	1,986,424	1,512,406	2,486	1,949
Total net assets	\$ 5,944,215	\$ 14,214,551	\$ 20,158,766	\$ 2,486	\$ 1,949

The accompanying notes are an integral part of these financial statements.

**CITY OF WASHINGTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Urban Redevelopment Authority
Primary government:									
Governmental activities:									
General government	\$ 531,550	\$ 495,465	\$ -	\$ -	\$ (36,085)	\$ -	\$ (36,085)	\$ -	\$ -
Judicial	3,984	-	-	-	(3,984)	-	(3,984)	-	-
Public safety	2,379,717	97,829	242,126	-	(2,039,762)	-	(2,039,762)	-	-
Public works	948,478	33,038	63,141	324,333	(527,966)	-	(527,966)	-	-
Health and welfare	186,605	-	10,000	176,792	187	-	187	-	-
Culture and recreation	489,539	23,830	5,000	-	(460,709)	-	(460,709)	-	-
Housing and development	944,875	7,324	4,806	94,939	(837,806)	-	(837,806)	-	-
Interest on long-term debt	66,648	-	-	-	(66,648)	-	(66,648)	-	-
Total governmental activities	5,551,396	657,486	325,073	596,064	(3,972,773)	-	(3,972,773)	-	-
Business-type activities:									
Water and Sewer Fund	2,749,930	2,728,448	-	-	-	(21,482)	(21,482)	-	-
Electric Fund	8,638,341	9,256,185	-	-	-	617,844	617,844	-	-
Solid Waste Fund	536,193	508,326	-	-	-	(27,867)	(27,867)	-	-
Internet Telecommunications	123,511	64,304	-	-	-	(59,207)	(59,207)	-	-
Total business-type activities	12,047,975	12,557,263	-	-	-	509,288	509,288	-	-
Total primary government	\$ 17,599,371	\$ 13,214,749	\$ 325,073	\$ 596,064	(3,972,773)	509,288	(3,463,485)	-	-
Component units:									
Downtown Development Authority	\$ 325	\$ 200	\$ -	\$ -	-	-	-	(125)	-
Urban Redevelopment Authority	-	-	-	-	-	-	-	-	-
Total component units	\$ 325	\$ 200	\$ -	\$ -	-	-	-	(125)	-
General revenues:									
Property taxes, levied for general purposes					775,912	-	775,912	-	-
Sales taxes					478,272	-	478,272	-	-
Franchise and other business taxes					282,156	-	282,156	-	-
Intergovernmental revenues					6,836	4,281	11,117	-	-
Investment earnings					9,202	304,618	313,820	-	-
Miscellaneous					96,964	320,809	417,773	-	-
Contributions					-	3,689	3,689	-	-
Gain (loss) on disposal of capital asset					(5,134)	(6,076)	(11,210)	-	-
Transfers					2,385,624	(2,385,624)	-	-	-
Total general revenues and transfers					4,029,832	(1,758,303)	2,271,529	-	-
Change in net assets					57,059	(1,249,015)	(1,191,956)	(125)	-
Net assets, beginning of year					5,887,156	15,463,566	21,350,722	2,611	1,949
Net assets, end of year					<u>\$ 5,944,215</u>	<u>\$ 14,214,551</u>	<u>\$ 20,158,766</u>	<u>\$ 2,486</u>	<u>\$ 1,949</u>

**CITY OF WASHINGTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 266,994	\$ 294,386	\$ 561,380
Investments	77,463	207,018	284,481
Taxes receivable, net	68,605	-	68,605
Due from other funds	102,467	32,507	134,974
Receivable from other governments	37,149	41,545	78,694
Other receivables, net	35,800	9	35,809
RFP receivable	256,404	-	256,404
Inventories	-	7,963	7,963
Prepaid expenses	48,984	-	48,984
Restricted assets	<u>3,688</u>	<u>19,980</u>	<u>23,668</u>
 Total assets	 <u>\$ 897,554</u>	 <u>\$ 603,408</u>	 <u>\$ 1,500,962</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 199,198	\$ 10,196	\$ 209,394
Due to other funds	69,249	-	69,249
Deferred revenue- property tax	88,235	-	88,235
Deferred revenue- RFP	225,300	-	225,300
Deferred revenue- GEFA	-	1,361	1,361
Other accrued expenses	<u>35,979</u>	<u>1,779</u>	<u>37,758</u>
 Total liabilities	 <u>617,961</u>	 <u>13,336</u>	 <u>631,297</u>
Fund Balances			
Nonspendable	48,984	27,943	76,927
Restricted	33,342	300,822	334,164
Committed	1,739	261,307	263,046
Assigned	234,260	-	234,260
Unassigned	<u>(38,732)</u>	<u>-</u>	<u>(38,732)</u>
 Total fund balances	 <u>279,593</u>	 <u>590,072</u>	 <u>869,665</u>
 Total liabilities and fund balances	 <u>\$ 897,554</u>	 <u>\$ 603,408</u>	 <u>\$ 1,500,962</u>

**CITY OF WASHINGTON, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

Total fund balances - governmental funds \$ 869,665

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not current financial resources
and therefore are not reported in this fund statement, but are reported
in the governmental activities of the Statement of Net Assets

Those assets consist of:

Land	591,997
Infrastructure	3,800,927
Buildings and improvements	3,969,258
Furniture, fixtures, and equipment	2,322,043
Accumulated depreciation	<u>(3,994,780)</u>

Total capital assets 6,689,445

Some revenues will be collected after year end but are not available soon
enough to pay for the current period's expenditures and therefore are classified
as deferred revenue in the funds.

88,235

Long-term liabilities applicable to the City's governmental activities are
not due and payable in the current period and are not included in the fund
financial statement, but are included in the governmental activities of the
Statement of Net Assets. Balances at December 31, 2011 are:

Notes payable	(1,590,684)
Compensated absences	<u>(112,446)</u>

Total long-term liabilities (1,703,130)

Net assets of governmental activities \$ 5,944,215

CITY OF WASHINGTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 1,765,657	\$ -	\$ 1,765,657
Licenses and permits	75,726	-	75,726
Intergovernmental	187,018	649,915	836,933
Charges for services	163,272	57,716	220,988
Fines and forfeitures	254,248	-	254,248
Investment earnings	5,594	3,609	9,203
Contributions and donations	-	5,000	5,000
Miscellaneous	96,965	-	96,965
	<u>2,548,480</u>	<u>716,240</u>	<u>3,264,720</u>
Total revenues			
EXPENDITURES			
Current expenditures:			
General government	565,998	-	565,998
Judicial	3,984	-	3,984
Public safety	1,888,205	404,572	2,292,777
Public works	897,095	-	897,095
Health and welfare	184,336	-	184,336
Culture and recreation	402,240	-	402,240
Housing and development	657,990	219,465	877,455
Debt service:			
Principal	614,564	-	614,564
Interest	66,648	-	66,648
Capital outlay:			
Public safety	57,305	-	57,305
Public works	82,403	-	82,403
Culture and recreation	497,244	-	497,244
	<u>5,918,012</u>	<u>624,037</u>	<u>6,542,049</u>
Total expenditures			
(Deficiency) excess of revenues (under) over expenditures	<u>(3,369,532)</u>	<u>92,203</u>	<u>(3,277,329)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	495,321	-	495,321
Sale of capital assets	166	-	166
Transfer in	2,654,240	-	2,654,240
Transfer out	(186,874)	(81,742)	(268,616)
	<u>2,962,853</u>	<u>(81,742)</u>	<u>2,881,111</u>
Total other financing sources (uses)			
CHANGE IN FUND BALANCES	(406,679)	10,461	(396,218)
FUND BALANCES, BEGINNING OF YEAR	<u>686,272</u>	<u>579,611</u>	<u>1,265,883</u>
FUND BALANCES, END OF YEAR	<u>\$ 279,593</u>	<u>\$ 590,072</u>	<u>\$ 869,665</u>

**CITY OF WASHINGTON, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net change in fund balances - governmental funds \$ (396,218)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$639,102 are more than depreciation \$264,528 in the current period. 374,574

In governmental funds, capital assets are not recorded in the fund. Thus a disposal of an asset has no effect in the governmental fund, other than recording of the proceeds, if any, from the sale. However, the statement of activities recognizes a gain or loss related to the disposal of the assets. (5,300)

Payments on notes payable are reported as expenditures in the governmental funds, but reduce the liability in the Statement of Net Assets. 614,564

Note proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities (495,321)

Governmental funds defer all tax revenues not collected within 60 days of year end. However, the Statement of Activities uses the accrual method and, thus, the entire amount is recognized as revenue, regardless of the collection date. This is the amount by which the prior year deferral (\$124,989) is more than the current year deferral (\$88,235) (36,754)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable, available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. An adjustment is required due to a different basis of accounting for compensated absences. (3,786)

Change in net assets of governmental activities \$ 57,059

CITY OF WASHINGTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET
(GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amount		Actual Amount	Variance with Final Budget -
	Original	Final		Over (Under)
REVENUES				
Taxes	\$ 1,700,427	\$ 1,742,227	\$ 1,765,657	\$ 23,430
Licenses and permits	77,200	86,200	75,726	(10,474)
Intergovernmental	141,141	144,141	187,018	42,877
Charges for services	159,577	160,427	163,272	2,845
Fines and forfeitures	175,400	252,030	254,248	2,218
Investment earnings	350	4,150	5,594	1,444
Other	69,685	69,685	96,965	27,280
 Total revenues	 2,323,780	 2,458,860	 2,548,480	 89,620
EXPENDITURES				
Current				
General government	567,270	612,760	565,998	(46,762)
Judicial	2,986	3,986	3,984	(2)
Public safety	1,922,071	1,948,146	1,945,510	(2,636)
Public works	941,488	982,098	979,498	(2,600)
Health and welfare	134,394	185,739	184,336	(1,403)
Culture and recreation	592,772	908,010	899,484	(8,526)
Housing and development	646,618	679,318	657,990	(21,328)
Debt Service:				
Principal	122,446	614,691	614,564	(127)
Interest and other charges	66,349	66,529	66,648	119
 Total expenditures	 4,996,394	 6,001,277	 5,918,012	 (83,265)
 Excess (deficiency) of revenues over expenditures	 (2,672,614)	 (3,542,417)	 (3,369,532)	 172,885
OTHER FINANCING SOURCES				
Proceeds from long-term debt	-	492,425	495,321	2,896
Proceeds from sale of capital assets	1,000	1,000	166	(834)
Transfers in	3,058,583	2,683,150	2,654,240	(28,910)
Transfer out	(207,342)	(273,447)	(186,874)	86,573
 Total other financing sources	 2,852,241	 2,903,128	 2,962,853	 59,725
 CHANGE IN FUND BALANCE	 \$ 179,627	 \$ (639,289)	 (406,679)	 \$ 232,610
 FUND BALANCE, BEGINNING OF YEAR			 686,272	
 FUND BALANCE, END OF YEAR			 \$ 279,593	

CITY OF WASHINGTON, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			Total
	Water & Sewer Fund	Electric Fund	Non-Major Enterprise Funds	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 657,103	\$ 364,986	\$ -	\$ 1,022,089
Investments	151,509	862,090	-	1,013,599
Accounts receivable, net	433,570	1,067,567	75,194	1,576,331
Due from other funds	55,111	5,882,372	56,682	5,994,165
MEAG receivable	-	274,000	-	274,000
Inventories	99,370	281,680	-	381,050
Prepaid expenses	-	27,001	-	27,001
Total current assets	<u>1,396,663</u>	<u>8,759,696</u>	<u>131,876</u>	<u>10,288,235</u>
Non-current assets:				
Investments MEAG Trust, unavailable	-	5,359,889	-	5,359,889
Investment in joint venture	-	-	337,536	337,536
Debt issuance costs	151,961	-	-	151,961
Total non-current assets	<u>151,961</u>	<u>5,359,889</u>	<u>337,536</u>	<u>5,849,386</u>
Non-current assets	<u>151,961</u>	<u>5,359,889</u>	<u>337,536</u>	<u>5,849,386</u>
Capital assets, net of accumulated depreciation	<u>9,481,105</u>	<u>1,632,325</u>	<u>263,283</u>	<u>11,376,713</u>
Total non-current assets	<u>9,633,066</u>	<u>6,992,214</u>	<u>600,819</u>	<u>17,226,099</u>
Total assets	<u>\$ 11,029,729</u>	<u>\$ 15,751,910</u>	<u>\$ 732,695</u>	<u>\$ 27,514,334</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	\$ 518,946	\$ 1,446,408	\$ 15,564	\$ 1,980,918
Salaries payable	1,735	2,805	1,615	6,155
Due to other funds	45,237	6,014,653	-	6,059,890
Notes and loan payable	126,775	-	-	126,775
Customer deposits	100,183	450,708	-	550,891
Total current liabilities	<u>792,876</u>	<u>7,914,574</u>	<u>17,179</u>	<u>8,724,629</u>
Non-current liabilities				
Notes and loans payable	4,537,093	-	-	4,537,093
Compensated absences	-	25,655	12,406	38,061
Total non-current liabilities	<u>4,537,093</u>	<u>25,655</u>	<u>12,406</u>	<u>4,575,154</u>
Total liabilities	<u>5,329,969</u>	<u>7,940,229</u>	<u>29,585</u>	<u>13,299,783</u>
Net Assets				
Investments in capital assets, net of related debt	4,421,739	1,632,325	263,283	6,317,347
Restricted	100,183	5,810,597	-	5,910,780
Unrestricted	1,177,838	368,759	439,827	1,986,424
Total net assets	<u>5,699,760</u>	<u>7,811,681</u>	<u>703,110</u>	<u>14,214,551</u>
Total liabilities and net assets	<u>\$ 11,029,729</u>	<u>\$ 15,751,910</u>	<u>\$ 732,695</u>	<u>\$ 27,514,334</u>

CITY OF WASHINGTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
	Water & Sewer Fund	Electric Fund	Non Major Funds	Total
OPERATING REVENUES				
Charges for services	\$ 2,574,292	\$ 9,256,185	\$ 572,630	\$ 12,403,107
Water surcharge	147,040	-	-	147,040
Tap fees	7,116	-	-	7,116
Miscellaneous	-	319,609	1,200	320,809
Total operating revenues	<u>2,728,448</u>	<u>9,575,794</u>	<u>573,830</u>	<u>12,878,072</u>
OPERATING EXPENSES				
Cost of sales	-	7,266,922	-	7,266,922
Personnel services	340,386	564,063	305,519	1,209,968
Contractual services	1,947,487	463,884	222,763	2,634,134
Supplies	89,747	129,625	52,214	271,586
Depreciation	240,057	84,279	75,065	399,401
Other costs	55,024	129,568	4,143	188,735
Total operating expenses	<u>2,672,701</u>	<u>8,638,341</u>	<u>659,704</u>	<u>11,970,746</u>
Operating (loss) income	<u>55,747</u>	<u>937,453</u>	<u>(85,874)</u>	<u>907,326</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	4,281	-	-	4,281
Interest and investment revenue	6,323	171,079	127,216	304,618
Gain (loss) on disposal	4,057	-	(10,133)	(6,076)
Interest expense	(77,229)	-	-	(77,229)
Total non-operating revenue (expenses)	<u>(62,568)</u>	<u>171,079</u>	<u>117,083</u>	<u>225,594</u>
(Loss) income before contributions and transfers	<u>(6,821)</u>	<u>1,108,532</u>	<u>31,209</u>	<u>1,132,920</u>
Capital contributions	3,689	-	-	3,689
Transfers in	263,216	-	-	263,216
Transfers out	-	(2,648,840)	-	(2,648,840)
Total contributions and transfers	<u>266,905</u>	<u>(2,648,840)</u>	<u>-</u>	<u>(2,381,935)</u>
Change in net assets	<u>260,084</u>	<u>(1,540,308)</u>	<u>31,209</u>	<u>(1,249,015)</u>
NET ASSETS, BEGINNING OF YEAR	<u>5,439,676</u>	<u>9,351,989</u>	<u>671,901</u>	<u>15,463,566</u>
NET ASSETS, END OF YEAR	<u>\$ 5,699,760</u>	<u>\$ 7,811,681</u>	<u>\$ 703,110</u>	<u>\$ 14,214,551</u>

**CITY OF WASHINGTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 2,644,271	\$ 9,563,285	\$ 595,374	\$ 12,802,930
Cash received from interfund services provided	26,794	-	23,783	50,577
Cash paid to suppliers and others	(1,596,297)	(6,648,676)	(358,188)	(8,603,161)
Cash paid to employees	(323,903)	(1,028,652)	(359,811)	(1,712,366)
Cash received (paid) for interfund services provided	<u>43,933</u>	<u>(27,979)</u>	<u>-</u>	<u>15,954</u>
Net cash provided by (used in) operating activities	<u>794,798</u>	<u>1,857,978</u>	<u>(98,842)</u>	<u>2,553,934</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to other funds	-	(2,648,840)	-	(2,648,840)
Transfer from other funds	<u>263,216</u>	<u>-</u>	<u>-</u>	<u>263,216</u>
Net cash provided by (used in) noncapital financing activities	<u>263,216</u>	<u>(2,648,840)</u>	<u>-</u>	<u>(2,385,624)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Intergovernmental revenues	4,281	-	-	4,281
Purchase of capital assets	(2,983,140)	(82,735)	(18,242)	(3,084,117)
Interest paid on long term debt	(77,229)	-	-	(77,229)
(Purchase) sale of investments	(3,214)	202,365	-	199,151
Gain (loss) on disposal of property	4,057	-	(10,133)	(6,076)
Increase in note payables	2,652,894	-	-	2,652,894
Debt issuance costs	(56,961)	-	-	(56,961)
Capital contributions	3,689	-	-	3,689
MEAG investments	<u>-</u>	<u>709,294</u>	<u>-</u>	<u>709,294</u>
Net cash (used by) provided by capital and related financing activities	<u>(455,623)</u>	<u>828,924</u>	<u>(28,375)</u>	<u>344,926</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>6,323</u>	<u>171,079</u>	<u>127,217</u>	<u>304,619</u>
Net cash provided by investing activities	<u>6,323</u>	<u>171,079</u>	<u>127,217</u>	<u>304,619</u>
Net increase in cash	608,714	209,141	-	817,855
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>48,389</u>	<u>155,845</u>	<u>-</u>	<u>204,234</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 657,103</u>	<u>\$ 364,986</u>	<u>\$ -</u>	<u>\$ 1,022,089</u>

**CITY OF WASHINGTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating (loss) income	\$ 55,747	\$ 937,453	\$ (85,874)	\$ 907,326
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	240,057	84,279	75,065	399,401
Change in accounts receivable	(84,177)	94,589	22,069	32,481
Change in MEAG receivable	-	(107,100)	-	(107,100)
Change in investments	-	-	(113,628)	(113,628)
Change in inventories	7,604	(7,152)	-	452
Change in prepaid expenses	7,905	(11,692)	3,252	(535)
Change in due from other funds	26,794	-	(4,263)	22,531
Change in accounts payable	495,961	868,002	2,493	1,366,456
Change in salaries payable	(235)	705	18	488
Change in accrued liabilities	-	(39,262)	-	(39,262)
Change in compensated absences	-	4,409	2,026	6,435
Change in customer deposits	1,209	5,768	-	6,977
Change in due to other funds	43,933	27,979	-	71,912
Total adjustments	739,051	920,525	(12,968)	1,646,608
Net cash provided by (used in) operating activities	<u>\$ 794,798</u>	<u>\$ 1,857,978</u>	<u>\$ (98,842)</u>	<u>\$ 2,553,934</u>

Notes to Financial Statements

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Incorporated in 1780, under the laws of the State of Georgia, the City of Washington is governed by a seven member Mayor/Council form of government. The Mayor is elected to a four-year term, and the 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 the City Administrator to handle the daily operations of the City.

The financial statements of the City of Washington, Georgia, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 public safety, fire protection, public works maintenance, and general administrative services.

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 Washington, Georgia (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 power 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

Discretely Presented Component Units – The component unit columns in the government-wide financial statements include the financial data of the City's component units. They are included because, if excluded, the City's financial statements would be misleading. They are reported in separate columns in the government-wide financial statements to emphasize their legal separation from the City. The following component units are included in the statements:

Downtown Development Authority of Washington, Georgia – The Downtown Development Authority's seven member governing board is appointed by the City Council. Separate financial statements of the component unit can be obtained from the Downtown Development Authority, P.O. Box 9, Washington, Georgia 30673.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Urban Redevelopment Authority of Washington, Georgia – The Urban Redevelopment Authority's governing board is appointed by the City Council. Separate financial statements of the component unit can be obtained from the Urban Redevelopment Authority, P.O. Box 9, Washington, Georgia 30673.

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities 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 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 enterprise funds, each displayed in a separate column. All remaining governmental and enterprise 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.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The City reports the following major enterprise 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.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements – The government and proprietary fund financial statements are reported using the accrual basis of accounting and an economic resources measurement focus. 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 modified accrual basis of accounting and have a current financial resources measurement focus. 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 enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 20, 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.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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 November, a proposed operating budget for the fiscal year commencing January 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 January 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 Council. 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 the City ordinance or State law.
6. The City does not 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 Washington does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure 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 deposit in excess of FDIC insured amounts must be secured by an equivalent amount of State of Georgia or U.S.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 market value.

F. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectible, when material.

G. Property Tax Calendar

The City bills and collects its own property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables. Assessed values are an approximation of market value. At the government-wide level, property taxes are recognized as revenue when they are levied. The governmental fund statements recognize property taxes as revenue as soon as they are considered to be both measurable and available. Property tax revenues deferred at December 31, 2011 were \$88,235.

Property taxes are administered based on the following calendar:

Property Tax Year	2010
Lien Date	March 30, 2010
Levy Date	September 12, 2011
Collection Period	Nov. 11, 2011 - Jan. 15, 2012
Due Date	January 15, 2012

H. Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased. Inventories of the proprietary fund are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Certain payments made to vendors that will benefit periods beyond December 31, 2011 are recorded as prepaid items and are recorded as expenditures when consumed rather than when purchased.

I. Capital Assets

Capital Assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets or business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated lives:

Asset Class	Estimated Useful Lives
Infrastructure	50
Building and Improvements	12-40
Vehicles	5-20
Machinery & Equipment	7-10
Electric Plant Systems	30

Pursuant to GASB Statement No. 34, Phase 3 governments are not required to report major general infrastructure assets retroactively. General infrastructure assets acquired prior to January 1, 2004 are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, and other infrastructure assets acquired subsequent to January 1, 2004.

J. Restricted Assets

The General fund has certain resources set aside for the purpose of a revolving loan fund. The Historical Properties Commission and the Callaway Charitable Trust Permanent funds each have non-expendable investments.

K. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Equity

Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

Nonspendable- amounts that are either not in spendable form or legally or contractually required to be maintained intact.

Restricted- amounts constrained to specific purposes by third parties (statutory, bond covenant or granting agency), through constitutional provisions, or by establishing legislation.

Committed- amounts constrained to specific purposes by the City itself, using the highest level of decision-making authority; reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove the constraint.

Assigned- amounts the City intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned- amounts that are available for any purpose; positive amounts are reported only in the general fund.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available. The City would typically use the restricted fund balance first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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 vacation. 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 160 hours of unused vacation leave may be accumulated. In accordance with the provisions of GASB Statement 11, concerning Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balance or Retained Earnings

There were no funds with a deficit fund balance at December 31, 2011.

B. Excess of Expenditures over Appropriations

The City had no departments with an excess of expenditures over appropriations.

NOTE 3: RETIREMENT BENEFITS

Defined Benefit Pension Plan

Plan Description

The City of Washington, Georgia Defined Benefit Pension Plan, City of Washington Retirement Plan, provides retirement, disability, and death benefits to plan members and beneficiaries. The City of Washington Retirement Plan is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by its board of trustees. O.C.G.A. Section 47-5-1 et. Seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the GMEBS to the respective employer entities; for the City of Washington Retirement Plan, that authority rests with the City of Washington, Georgia's Mayor and Council. It is the responsibility of GMEBS to function as the investment and administrative agent for the City of Washington, Georgia with respect to the pension plan. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS.

The report may be obtained by writing to Georgia Municipal Employee Benefits System, 201 Pryor Street, SW, Atlanta, Georgia 30303 or calling (404) 688-0472.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 3: RETIREMENT BENEFITS(Continued)

For the year ended July 1, 2011 (the most recent actuarial valuation date), the City's total payroll for all employees and the City's total covered payroll amounted to \$2,381,454. Covered payroll refers to all compensation paid by the City to active employees covered by the City of Washington, Georgia Retirement Plan on which contributions to the pension are based.

Under the provision of the Plan, plan members do not contribute to the Plan. For employees, pension benefits are fully vested after 10 years in the Plan. For elected officials, vesting is immediate. An employee may retire at age 65 with 5 years of service. Elected officials and Municipal legal officers may retire at age 65. An employee may elect early retirement at age 55 provided he/she has a minimum of 10 years total credited service.

Plan Asset Matters and Accounting Policies

The Plan's financial statements are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and increments in cash value of death benefits.

Investments in securities are valued at current market prices. Plan assets do not include any loans, bonds, or other instruments or securities of the City or related parties.

Plan Membership

Retirees and beneficiaries receiving benefits	40
Terminated employees entitled to, but not receiving benefits	23
Active employees - vested	53
Active employees - non-vested	<u>29</u>
Total	<u>145</u>

Contributions

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these funding standards is \$175,798. The GMEBS Board of Trustees has adopted an actuarial funding policy which requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. The GMEBS funding policy is to contribute an amount equal to the recommended contribution each year. If the employer contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable state funding standards. Plan members are not permitted to contribute to the City of Washington Retirement Plan.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 3: RETIREMENT PLAN (Continued)

The actuarially determined recommended contribution was \$190,445. The City made the actuarially determined recommended contribution.

Annual Pension Cost

The City's annual pension cost of \$190,445 was equal to the City's required and actual contributions for the plan year ended July 1, 2011.

Significant Actuarial Assumptions

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

A variety of significant actuarial assumptions are used to determine the projected unit credit measure of the pension obligation and these are summarized below:

Valuation Date	July 1, 2011	July 1, 2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar (Closed)	Level Dollar (Closed)
Remaining Amortization Period	13 years	10 years
Asset Valuation Method	Smoothed Market Value*	Smoothed Market Value*
Actuarial assumptions:		
Net Investment Rate of Return	7.75%	7.75%
Projected Salary Increases	3.50%	3.50%
Cost of Living Adjustments	2.50%	2.50%

*Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.

Three-Year Trend Information

Fiscal Year	Annual Pension	Percentage of APC	Net Pension
<u>Funding</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
12/31/11	\$190,445	100%	-
12/31/10	178,538	100%	-
12/31/09	297,185	100%	-

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 3: RETIREMENT PLAN (Continued)

The City has provided assets to fund the obligations caused by its defined benefit plan as follows:

<u>Measurement Date</u>	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	(c) Covered Payroll	UAAL as a Percentage of covered payroll (b-a)/c
7/1/2011	\$ 5,087,214	\$ 5,255,566	\$ 168,352	96.80%	\$ 2,381,454	7.07%

The required supplementary information immediately following the notes to the financial statements contains multiyear trend information about whether plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 4: DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits - This is the risk that in the event of a bank failure, the City's deposits may not be recovered. State law requires deposits with financial institutions be collateralized in an amount equal to 110% of uninsured deposits. As of December 31, 2011, the City was entirely insured or collateralized by securities held by the pledging financial institutions. Therefore, the City has no custodial credit risk for deposits.

Custodial Credit Risk - Investments - This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk on investments. The risk factors for the Municipal Competitive Trust are discussed below.

Municipal Competitive Trust - MEAG Power formed a trust known as the "Municipal Competitive Trust" for the benefit of its Participants (which includes the City of Washington, Georgia along with 46 other cities and counties) and has funded the Competitive Trust with certain monies which are accumulated in MEAG Power reserves, including certain rate stabilization monies and sums from the debt service reserves which were released following a successful effort to obtain bondholder consent to amend the Project One and General Resolution Projects Resolutions. Surety bonds were substituted for the debt service reserves to preserve the security of the bond holders, thus allowing the accumulated debt service reserves to be transferred to the Competitive Trust. Funds in the Competitive Trust will be invested and reinvested, and will be available to reduce future power supply costs of the Participants to meet retail competition.

Discretionary funds from the Participants were deposited in the Flexible Trust Account, which is part of the Municipal Competitive Trust established by MEAG and represents an involuntary participation external investment pool that is not registered with the S.E.C. as an investment company. The City of Washington, Georgia has recorded the investments in

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

the Flexible Trust Account as investments in the Utilities Fund at fair market value, which was \$862,090 at the balance sheet date. Fair market value is determined based on the fair value of the underlying portfolio calculated daily with earnings distributed monthly. The fair value of the position in the external investment pool is the same as the value of the pool shares. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, certain government agencies if guaranteed by the United States Government, direct and general obligations of states, certain Federal Agency discount notes and repurchase agreements collateralized by securities which would otherwise be permissible under the laws of the State of Georgia.

Under the above parameters, investments are made in mortgage and derivative securities. These securities principally include agency-issued mortgages, collateralized mortgage obligations, principal-only strips and interest only securities that are requested to repay 100% of their principal investment at maturity. The yield on derivative securities is based on cash flows received as determined by a specified formula or index, and/or cash flows from principal repayments on underlying mortgages. Therefore, the rate of return on market value of these securities may be sensitive to changes in their respective index or formula and/or in prepayment on mortgages, which may result from changing interest rates.

MEAG Power and therefore the City of Washington, Georgia, to the extent of its portion of the Flexible Trust Account is exposed to credit and market risk relating to its investments. Credit risk arises when an entity is unable to recover its investments either by an inability to withdraw the funds through nonperformance of a counterparty or an inability to recover collateral. Market risk could affect the investments adversely when either the value of items purchased or the value of underlying collateral securities declines. As of December 31, 2011 MEAG Power and the City of Washington, Georgia were not exposed to any known economic losses due to these risks.

Derivative Financial Instruments - Derivative financial instruments are used primarily in the management of interest rate exposure and include interest rate swap transactions. Derivative financial instruments are not held or issued for trading purposes. The counterparties to derivative transitions are major financial institutions with either high investment grade credit rating or agreements to collateralize their net position.

Swap transactions are accrued to interest expense for the difference between the agreed upon fixed and floating rates. Options are recorded at fair value based on the estimated amount that would be received or paid to terminate the options at the reporting dated based on broker quotes. Options are revalued and marked to market.

MEAG Power and the City's portion of the Flexible Trust Account will be exposed to less variable rate exposure if the counterparty to the swap transactions defaults or if the swap is terminated.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2011, the City had the following investments:

Investment Type	<u>Fair Value</u>
General Fund	
Certificates of Deposit	\$ 77,463
Water & Sewer Fund	
Certificates of Deposit	151,509
Electric Fund	
MEAG Trust	862,090
MEAG Trust - noncurrent	5,359,889
Non-major Funds	
Certificates of Deposit	<u>226,952</u>
	<u>\$ 6,677,903</u>

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 arising from increasing interest rates.

Credit Risk

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

- Obligations of the State of Georgia or any other states;
- Obligations issued by the United States;
- Obligations fully insured or guaranteed by the United States Government or governmental agency;
- Obligations of any corporation of the United States Government;
- Prime banker's 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.

Contraction of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. GASB Statement 40 requires disclosure when the percent is 5% or more in any one issuer. The City had no investments that met this requirement at December 31, 2011.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 5: RECEIVABLES

	<u>General Fund</u>	<u>Nonmajor Gov't Funds</u>	<u>Water & Sewer Fund</u>	<u>Electric Fund</u>	<u>Nonmajor Enterprise</u>
Accounts	\$ 3,373	\$ -	\$ 493,252	\$ 1,498,332	\$ 101,347
Taxes	191,032	27,903	-	-	-
Intergovernmental	37,150	13,643	-	-	-
RFP receivable	256,404	-	-	-	-
Other	<u>93,816</u>	<u>9</u>	<u>-</u>	<u>274,000</u>	<u>-</u>
Gross receivables	581,775	41,555	493,252	1,772,332	101,347
Less: allowance for uncollectibles	<u>(183,816)</u>	<u>-</u>	<u>(149,682)</u>	<u>(429,765)</u>	<u>(26,153)</u>
Net total receivables	<u>\$ 397,959</u>	<u>\$ 41,555</u>	<u>\$ 343,570</u>	<u>\$ 1,342,567</u>	<u>\$ 75,194</u>

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Balance 1/1/2011</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 12/31/2011</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 591,997	\$ -	\$ -	\$ 591,997
Construction in progress	<u>26,540</u>	<u>-</u>	<u>(26,540)</u>	<u>-</u>
Total capital assets not being depreciated	<u>618,537</u>	<u>-</u>	<u>(26,540)</u>	<u>591,997</u>
Capital assets being depreciated				
Infrastructure	3,275,346	525,581	-	3,800,927
Buildings and improvements	3,969,258	-	-	3,969,258
Furniture, fixtures, and vehicles	<u>2,253,915</u>	<u>137,911</u>	<u>(69,783)</u>	<u>2,322,043</u>
Total capital assets being depreciated	<u>9,498,519</u>	<u>663,492</u>	<u>(69,783)</u>	<u>10,092,228</u>
Less accumulated depreciation:				
Infrastructure	(571,393)	(82,277)	-	(653,670)
Buildings and improvements	(2,044,157)	(67,396)	-	(2,111,553)
Furniture, fixtures, and vehicles	<u>(1,179,185)</u>	<u>(114,855)</u>	<u>64,483</u>	<u>(1,229,557)</u>
Less accumulated depreciation	<u>(3,794,735)</u>	<u>(264,528)</u>	<u>64,483</u>	<u>(3,994,780)</u>
Net capital assets being depreciated	<u>5,703,784</u>	<u>398,964</u>	<u>(5,300)</u>	<u>6,097,448</u>
Governmental activities capital assets - net	<u><u>\$ 6,322,321</u></u>	<u><u>\$ 398,964</u></u>	<u><u>\$ (31,840)</u></u>	<u><u>\$ 6,689,445</u></u>

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 6: CAPITAL ASSETS (Continued)

Governmental activities depreciation expense was charged to functions as follows:

General government	\$	2,306
Public safety		86,940
Public works		70,889
Health and welfare		2,269
Culture and recreation		87,299
Housing and development		<u>14,825</u>
 Total depreciation expense - governmental activities	 \$	 <u>264,528</u>

	Balance 1/1/2011	Additions	Transfers/ Deletions	Balance 12/31/2011
Business type activities:				
Water and Sewer Fund:				
Capital assets not being depreciated				
Land	\$ 194,710	\$ -	\$ -	\$ 194,710
Construction in process	<u>840,619</u>	<u>2,984,640</u>	<u>-</u>	<u>3,825,259</u>
 Total capital assets not being depreciated	 <u>1,035,329</u>	 <u>2,984,640</u>	 <u>-</u>	 <u>4,019,969</u>
 Capital assets being depreciated				
Buildings	57,481	-	-	57,481
Infrastructure	12,231,172	-	-	12,231,172
Machinery and equipment	81,582	-	-	81,582
Vehicles	<u>115,887</u>	<u>-</u>	<u>(22,500)</u>	<u>93,387</u>
 Total capital assets being depreciated	 <u>12,486,122</u>	 <u>-</u>	 <u>(22,500)</u>	 <u>12,463,622</u>
 Less accumulated depreciation for:				
Buildings	(36,386)	(1,733)	-	(38,119)
Infrastructure	(6,584,525)	(236,304)	-	(6,820,829)
Machinery and equipment	(55,132)	(2,020)	-	(57,152)
Vehicles	<u>(107,386)</u>	<u>-</u>	<u>21,000</u>	<u>(86,386)</u>
 Less accumulated depreciation	 <u>(6,783,429)</u>	 <u>(240,057)</u>	 <u>21,000</u>	 <u>(7,002,486)</u>
 Net capital assets being depreciated	 <u>5,702,693</u>	 <u>(240,057)</u>	 <u>(1,500)</u>	 <u>5,461,136</u>
 Water and sewer fund capital assets - net	 <u>\$ 6,738,022</u>	 <u>\$ 2,744,583</u>	 <u>\$ (1,500)</u>	 <u>\$ 9,481,105</u>

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 6: CAPITAL ASSETS (Continued)

	Balance 1/1/2011	Additions	Transfers/ Deletions	Balance 12/31/2011
Business type activities:				
Electric Fund:				
Capital assets not being depreciated				
Land	\$ 8,480	\$ -	\$ -	\$ 8,480
Total capital assets not being depreciated	<u>8,480</u>	<u>-</u>	<u>-</u>	<u>8,480</u>
Capital assets being depreciated				
Buildings	494,044	-	-	494,044
Infrastructure	2,413,073	-	-	2,413,073
Machinery and equipment	62,728	82,734	-	145,462
Vehicles	356,528	-	-	356,528
Total capital assets being depreciated	<u>3,326,373</u>	<u>82,734</u>	<u>-</u>	<u>3,409,107</u>
Less accumulated depreciation for:				
Buildings	(362,544)	-	-	(362,544)
Infrastructure	(1,044,445)	(77,830)	-	(1,122,275)
Machinery and equipment	(49,023)	(4,717)	-	(53,740)
Vehicles	(244,972)	(1,731)	-	(246,703)
	<u>(1,700,984)</u>	<u>(84,278)</u>	<u>-</u>	<u>(1,785,262)</u>
Electric fund capital assets - net	<u>\$ 1,633,869</u>	<u>\$ (1,544)</u>	<u>\$ -</u>	<u>\$ 1,632,325</u>
	Balance 1/1/2011	Additions	Transfers/ Deletions	Balance 12/31/2011
Business type activities:				
Nonmajor Enterprise Funds				
Capital assets being depreciated				
Buildings	\$ 175,300	\$ -	\$ -	\$ 175,300
Machinery and equipment	554,678	16,639	-	571,317
Vehicles	347,317	-	(127,893)	219,424
Total capital assets being depreciated	<u>1,077,295</u>	<u>16,639</u>	<u>(127,893)</u>	<u>966,041</u>
Less accumulated depreciation for:				
Buildings	(125,300)	-	-	(125,300)
Machinery and equipment	(366,289)	(57,668)	-	(423,957)
Vehicles	(253,864)	-	100,363	(153,501)
	<u>(745,453)</u>	<u>(57,668)</u>	<u>100,363</u>	<u>(702,758)</u>
Nonmajor Enterprise funds capital assets - net	<u>\$ 331,842</u>	<u>\$ (41,029)</u>	<u>\$ (27,530)</u>	<u>\$ 263,283</u>
Business type activities capital assets - net	<u>\$ 8,703,733</u>	<u>\$ 2,702,010</u>	<u>\$ (29,030)</u>	<u>\$ 11,376,713</u>

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 7: INTERFUND BALANCES AND ACTIVITY

Internal Balances

Balances due to/from other funds for the year ended December 31, 2011 consists of the following:

Due from:	Due to:					Total
	General Fund	Electric Fund	Water & Sewer Fund	Nonmajor Enterprise	Nonmajor Gov't'l	
General Fund	\$ -	\$ -	\$ -	\$ 36,741	\$ 32,507	\$ 69,248
Electric	57,230	-	55,111	19,941	-	132,282
Water & Sewer	45,237	463,835	-	-	-	509,072
Nonmajor Enterprise	-	1,331	-	-	-	1,331
Total	\$ 102,467	\$ 465,166	\$ 55,111	\$ 56,682	\$ 32,507	\$ 711,933

The interfund balances represent amounts owed, other than charges for goods and services due in less than one year.

Transfers to/from Other Funds

Transfer to/from other funds for the year ended December 31, 2011 consists of the following:

Transfers out	Transfers in			Total
	General Fund	Water & Sewer Fund	Nonmajor Gov't'l	
General Fund	\$ -	\$ -	\$ 186,874	\$ 186,874
Electric	2,626,529	-	-	2,626,529
Nonmajor Gov't'l	27,711	263,216	-	290,927
Total	\$ 2,654,240	\$ 263,216	\$ 186,874	\$ 3,104,330

The transfers to the General Fund from the Electric fund in the amount of \$2,626,529 were to assist in the daily operation of the fund. The transfer to the Water and Sewer Fund from the SPLOST Fund in the amount of \$263,216 was for the Water Fund's share of SPLOST revenue. Transfers between the General Fund and the nonmajor funds were to assist in the daily operation of the funds.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 8: LONG-TERM DEBT

A. Governmental Funds

General obligation of the City consisted of the following:

A loan was obtained at Farmers State Bank the original amount of \$1,500,000. The loan calls for 180 monthly payments in the amount of \$11,093 commencing on January 20, 2007. The interest rate for the loan is 3.94% with a maturity of December 20, 2021. The purpose of the loan is to finance renovation of the Pope Center. An additional loan was obtained at Farmers and Merchants Bank. The interest rate is 4.0% with a single maturity on December 31, 2011. The purpose of the loan is to finance the completion of renovation of the Pope Center.

Long-term Obligation Activity:

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011	Due within One Year
<u>Governmental Activities</u>					
Pope Center note payable	\$ 1,183,157	\$ -	\$ (87,794)	\$ 1,095,363	\$ 90,882
Pope Center note payable	527,414	495,321	(527,414)	495,321	495,321
Accrued compensated absences	<u>108,660</u>	<u>3,786</u>	<u>-</u>	<u>112,446</u>	<u>-</u>
Total debt - governmental activities	<u>\$ 17,080,220</u>	<u>\$ 499,107</u>	<u>\$ (615,208)</u>	<u>\$ 1,703,130</u>	<u>\$ 586,203</u>

For governmental activities, compensated absences are liquidated by the general fund.

Annual debt service requirements to maturity for general obligation note payable are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2012	\$ 90,882	\$ 39,268	\$ 133,121
2013	94,702	38,419	133,121
2014	98,555	34,566	133,121
2015	102,565	30,556	133,121
2016	106,660	26,461	133,121
2017-2021	<u>601,999</u>	<u>63,173</u>	<u>665,172</u>
Total	<u>\$ 1,095,363</u>	<u>\$ 232,443</u>	<u>\$ 1,330,777</u>

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 8: LONG-TERM DEBT (Continued)

B. Business-type Activities

Note payable

Note payable to Georgia Environmental Facilities Authority in the original amount of \$509,036 bearing interest at 2.00%. The balance of the note was \$15,904 at December 31, 2011. The note calls for quarterly payment of principal and interest of \$8,012 and matures June 2012. Proceeds were used for construction of dewatering facilities.

Note payable to Georgia Environmental Facilities Authority in the original amount of \$789,731 bearing interest at 3.94%. The balance of the note was \$580,211 at December 31, 2011. The note calls for quarterly payments of principal and interest of \$14,313 and matures October 2024. Proceeds were used for construction of improving sewer rehab.

Note payable to Georgia Environmental Facilities Authority in the original amount of \$1,599,998 bearing interest at 4.06%. The balance of the note was \$1,266,212 at December 31, 2011. The note calls for monthly payments of principal and interest of \$9,746 and matures February 1, 2027. The purpose of then note was to finance improvements to the Water and Sewer system.

Note payable to Georgia Environmental Facilities Authority in the original amount of \$2,788,765 bearing zero interest. The balance of the note was \$2,788,765 at December 31, 2011. The note calls for monthly payments of \$5,910 beginning January 31, 2014 and matures December 31, 2053. The purpose of the note was to finance the Water and Sewer fund's construction.

Long-term Obligation Activity

The following is a summary of changes in long-term debt in the Enterprise Fund for the year ending December 31, 2011:

	Balance			Balance		Due within
	1/1/2011	Additions	Deletions	12/31/2011	One Year	
<u>Business-type Activities</u>						
GEFA 88	\$ 47,242	\$ -	\$ (31,337)	\$ 15,905	\$ 15,905	
GEFA 03	613,772	-	(33,561)	580,211	34,901	
GEFA 04	1,330,341	-	(64,129)	1,266,212	64,439	
GEFA 09	-	2,788,765	-	2,788,765	-	
	<u>1,991,355</u>	<u>2,788,765</u>	<u>(129,027)</u>	<u>1,862,328</u>	<u>115,245</u>	
Total Notes Payable- Water and Sewer	1,991,355	2,788,765	(129,027)	1,862,328	115,245	
Accrued compensated absences - Water and Sewer	21,246	-	(8,472)	12,774	-	
Accrued compensated absences- Electric	19,619	6,036	-	25,655	-	
Accrued compensated absences- Nonmajor	10,380	2,025	-	12,405	-	
	<u>10,380</u>	<u>2,025</u>	<u>-</u>	<u>12,405</u>	<u>-</u>	
Total debt - business-type activities	<u>\$ 2,042,600</u>	<u>\$ 2,796,826</u>	<u>\$ (137,499)</u>	<u>\$ 1,913,162</u>	<u>\$ 115,245</u>	

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 8: LONG-TERM DEBT (Continued)

Debt Service Requirements

Debt service requirements for the GEFA '03 Notes Payable are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2012	34,901	22,350	57,251
2013	36,297	20,954	57,251
2014	37,748	19,503	57,251
2015	39,257	17,994	57,251
2016	40,827	16,424	57,251
2017-2021	229,968	56,287	286,255
2022-2024	161,213	10,488	171,701
Total	<u>\$ 580,211</u>	<u>\$ 164,000</u>	<u>\$ 744,211</u>

Debt service requirements for the GEFA '04 Notes Payable are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2012	\$ 64,439	\$ 52,517	\$ 116,956
2013	67,104	49,852	116,956
2014	69,880	47,076	116,956
2015	72,771	44,185	116,956
2016	75,781	41,175	116,956
2017-2021	428,598	156,182	584,780
2022-2024	487,639	(351,195)	136,444
Total	<u>\$ 1,266,212</u>	<u>\$ 39,793</u>	<u>\$ 1,306,005</u>

Debt service requirements for the GEFA '09 Notes Payable are as follows:

For the year ending December 31,	Principal	Interest	Total Debt Service
2012	\$ -	\$ -	\$ -
2013	-	-	-
2014	69,719	-	69,719
2015	69,719	-	69,719
2016	69,719	-	69,719
2017-2021	348,595	-	348,595
2022-2053	2,231,013	-	2,231,013
Total	<u>\$ 2,788,765</u>	<u>\$ -</u>	<u>\$ 2,788,765</u>

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 8: LONG-TERM DEBT (Continued)

Capitalization of Interest

Interest costs incurred in the Enterprise Fund during construction are capitalized, net of interest income from the proceeds of related tax-exempt debt, as part of the related assets of the Water and Sewer Enterprise Fund. Interest costs on long-term debt incurred and capitalized during the year ended December 31, 2011 were as follows:

	Total Interest Cost <u>Incurred</u>	Interest Costs <u>Capitalized</u>	Net Interest <u>Expense</u>
<u>Business-type Activities:</u>			
Water and Sewer Fund	<u>\$ 77,229</u>	<u>\$ -</u>	<u>\$ 77,229</u>

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

Based on the advice of the city attorney, there are no measurable, material claims outstanding against the City at December 31, 2011.

C. Commitments

Municipal Electrical Authority of Georgia

The City of Washington, Georgia is one of approximately 50 participants who have entered into Power Sales Contracts with the Municipal Electrical Authority of Georgia (MEAG). Under these contracts, the Authority has agreed to provide to the participants, and the participants have agreed to take from the Authority, such output and services from the various projects of the Authority as may be available for the useful life thereof. The participants are required to make payments according to rates and charges established by the Authority to produce revenues sufficient to pay the Authority's cost attributable to such projects. In general, the Power Sales Contracts provide that if, at any time, (i) a project is terminated prior to completion, or (ii) a project is declared by the Authority to be totally and permanently retired from service, or (iii) a project is totally, but not permanently, out of service and the Authority is unable to provide service from alternative sources, then each participant will remain liable to pay a fixed percentage referred to as an "Obligations share" of the Authority's costs attributable to such projects. In case of default by a participant under its contracts relating to any of the various projects, such participant would remain liable to pay the greater of its obligation share of the Authority's costs attributable to such

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 9: CONTINGENCIES AND COMMITMENTS (Continued)

project or the amount determined to be due under the rates and charges established by the Authority.

Payments under the Power Sales Contracts are not subject to reduction whether by offset or otherwise, and will not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever. Each Power Sales Contract will continue in full force and effect at least until such time, not to exceed 50 years, as all bonds issued for the purpose of financing the costs of acquisition and construction of the applicable project, and note issued for such purpose in anticipation of the bonds, have been paid or provision has been made for their payment.

At December 31, 2011 the outstanding debt of the Authority was approximately \$5,019,393,786. The City of Washington's guarantee varies by individual projects undertaken by the Authority and is approximately \$55,752,394 at December 31, 2011.

D. Construction

At December 31, 2011, the City has the following active projects:

	Estimated Project Cost	Expended to date
Water & Sewer Fund		
Site Upgrades- Aonia & Skull Shoals	\$ 8,547,067	\$ 3,825,259

E. Concentration

Approximately 30% of electric and water/sewer revenues are generated from one customer.

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 for which the City purchases commercial insurance.

For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 11: JOINT VENTURES

CSRA Regional Commission

Under Georgia law, the City, in conjunction with other cities and counties in the Central Savannah River Area, is a member of the CSRA Regional Commission (CSRARC) and is required to pay annual dues. Membership in the RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC's in Georgia. The RC board members include the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC.

Separate financial statements of the Central Savannah River Area Regional Commission may be obtained directly from the RC's administrative office at 3023 Riverwatch Parkway, Suite A, Augusta, Georgia 30907.

Washington-Wilkes Payroll Development Authority

The Washington-Wilkes Payroll Development Authority is a governmental organization chartered by the State of Georgia. It is formed for the purpose of promoting business development in Wilkes County, Georgia and the City of Washington, Georgia. The Authority is reported as a discretely presented component unit of Wilkes County, Georgia.

The Authority has a five member board consisting of the Wilkes County Chairman, the City of Washington Mayor, the President of the Chamber of Commerce, one appointee by the County Chairman and one appointee by the City Mayor. The member governments are contingently liable for the debts of the Authority. At December 31, 2011 the outstanding debt of the Authority was approximately \$2,336,839. The City of Washington's guarantee was approximately \$1,133,577 at December 31, 2011.

Separate financial statements of the Washington-Wilkes Payroll Development Authority may be obtained directly from the PDA's administrative office at: 23 Court Street, Washington, Georgia 30673.

NOTE 12: JOINT VENTURES WITH EQUITY INTEREST

Georgia Public Web

The City and other members of MEAG's telecommunication project created Georgia Public Web (a Georgia not for profit corporation) to provide internet and telecommunication services to customers in Georgia. On August 1, 2000, the City signed a 50 year commitment to contribute, on a monthly basis, a proportionate share of the difference between GPW's budgeted costs and revenues. The City's proportionate share is 1.93% and for the year ending December 31, 2011, the City's cost was \$21,370 in services obtained from GPW and the City's share of profits was \$127,216.

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 12: JOINT VENTURES WITH EQUITY INTEREST (Continued)

Separate financial statements of the Georgia Public Web may be obtained directly from the GPW's administrative office at 1470 Riveredge Parkway, Atlanta, Georgia 30328.

NOTE 13: RELATED ENTITY

On August 21, 1951, the City of Washington (the "City") entered into a cooperative agreement with the Housing Authority of the City of Washington, Georgia (the "Housing Authority"). Under the terms of this agreement, the Housing Authority agrees to endeavor to secure a contract or contracts with the Public Housing Authority (the "PHA") for loans and annual contributions and agrees to endeavor to develop and administer one or more projects. The obligations of the parties apply only to projects aggregating not more than 250 units of low-rent housing located within the corporate limits of the City of Washington. Under the constitution and statutes of the State of Georgia, all projects are exempt from all real and personal property taxes levied or imposed by any taxing body.

The City agrees that it will not levy or impose real or personal property taxes or special assessments upon such projects or upon the Housing Authority with respect thereto as long as:

- i. the projects are owned or
- ii. a contract exists between the Housing Authority and the PHA, or
- iii. bonds issued in connection with the project are outstanding

During such period, the Housing Authority shall make "Payments in Lieu of Taxes" in lieu of such taxes and special assessments and in payment for the public services and facilities furnished from item to time without other cost or charge for or with respect to such project. The Payment in Lieu of Taxes shall be an amount equal to either:

- i. ten percent (10%) of the aggregate during such fiscal year, or
- ii. the amount permitted to be paid by applicable state law.

For the fiscal year ending December 31, 2011, Payment in Lieu of Taxes paid to the City was \$6,836.

NOTE 14: MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA (MEAG) 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 supplies 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 Washington. 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 is to provide a means for MEAG and its wholesale customers who elect to become beneficiaries of the Trust to deposit funds to be invested at the best prudent rates of return and be applied, in accordance with the

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 14: MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA (MEAG) TRUST (Continued)

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 Washington, and within the account creates the following four subaccounts in which the City of Washington participates:

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

According to 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 balance of the account at year end is \$862,090.

Generation Trust – The type of subaccount may be funded from contributions by the City, from the City's Discretionary Reserve Fund with MEAG, or from other available funds.

According to Trust provisions, the City shall have the right to withdraw part of all funds from the Generation Trust Account after January 1, 2037.

The balance of the account at year end is \$332,880.

Credit Support Operating Trust Account – This type of subaccount 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.

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 a 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 balance of the account at year end is \$1,703,562.

Reserve Funded Debt Trust – This type of subaccount may be funded from contributions by MEAG from any funds it has available for such purposes.

The balance of the account at year end is \$3,323,448.

According to the Trust provisions, the City has no right to withdraw amounts from the Reserve Funded Debt Trust Account unless MEAG consents in writing thereto, and in the event MEAG should consent to a withdrawal, the withdrawn funds must be applied to the

**CITY OF WASHINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 14: MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA (MEAG) TRUST (Continued)

outstanding balance of the City's current monthly billing on account of its entitlement or obligation share(s) under its Power Sales Contracts(s) of MEAG's Annual Project Generation Fixed Charges.

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 30% on the City's wholesale cost in any year (ii) to mitigate the adverse impact of any wholesale cost increase which results from the phase-out of special rates in any year, and (iii) to mitigate the impact of wholesale costs which exceed the system average wholesale cost by more than 30% in any year, all as set forth in a certificate of the City and MEAG.

Amendments were passed as of January 1, 2009, that allowed subsequent limited access to the Credit Support and Reserve Funded accounts.

NOTE 15: REVOLVING LOAN FUND

During fiscal year ending December 31, 2007, Fitzpatrick, LLC began making repayments in accordance with the RFP Loan Agreement which was signed December 30, 2002. The original principal amount due to the City is \$250,000. Principal and interest are due in 240 equal consecutive monthly installments of \$1,130. The funds from the repayment of this loan are maintained in a separate bank account. A Revolving Loan Fund (RLF) has been established. The RLF follows the guidelines regulated by the Georgia Department of Community Affairs. The activity from 2011 is summarized below:

Beginning balance	\$ 1,676
Plus:	
Principal repayments	1,893
Interest earned - bank account	12
Interest earned -notes receivable	<u>107</u>
Ending Balance	<u>\$ 3,688</u>

NOTE 16: NET ASSETS RESTRICTED BY ENABLING LEGISLATION

In 2005, referendums were passed providing for a 1% sales tax. The City of Washington entered into an intergovernmental agreement with Wilkes County. The City of Washington receives a share of the proceeds as stated in the agreement. The funds are to be used by the City for water and sewer capital improvements. These funds have restrictions on the use of the remaining fund balance in the funds as follows:

Capital Projects	<u>\$ 267,843</u>
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Required Supplementary Information

**CITY OF WASHINGTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011**

Retirement Plan
Schedule of funding progress

Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	(c) Covered Payroll	UAAL as a percentage of covered payroll (b-a)/c
12/31/2011	5,087,214	5,255,566	168,352	96.8%	2,381,454	7.1%
12/31/2010	4,677,314	4,708,907	31,593	99.3%	2,391,243	1.3%
12/31/2009	3,509,860	4,491,996	982,136	78.1%	2,303,526	42.6%
12/31/2008	4,670,641	4,382,779	(287,862)	106.6%	2,239,869	-12.9%
12/31/2007	4,433,041	4,324,076	(108,965)	102.5%	2,121,599	-5.1%
12/31/2006	4,192,359	4,003,798	(188,561)	104.7%	2,127,509	-8.9%
12/31/2005	3,995,060	3,798,680	(196,380)	105.2%	1,918,962	-10.2%

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Callaway Charitable Trust Endowment – This fund is used to account for receipts of expendable investment earnings from the Callaway Charitable Endowment Trust.

Callaway Plantation Operating Trust – This fund accounts for receipts and disbursements of monies collected from operating the Callaway Plantation Tourism Center.

Callaway Plantation Furnishings Trust – This fund accounts for receipts and disbursements of funds collected for maintaining the furnishings of the Callaway Plantation Tourism Center.

Police Department Special Revenue – This fund accounts for receipts and disbursements of funds collected for special fundraising events.

E-911 Fund – This fund accounts for the fiscal activity relating to the imposition, collection, and uses of the E-911 emergency telephone number system fees.

Capital Project Funds

Capital project funds are used to account for major capital expenditures that are not financed by proprietary and trust funds.

SPLOST – This fund is used to account for the SPLOST monies received from Wilkes County to be used for water and sewer capital improvements and debt relief.

CDBG Grant Fund– This fund accounts for CDBG grant activity.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Callaway Charitable Trust Endowment Principal – This fund accounts for the principal originally donated for the Callaway Charitable Endowment Trust. The principal must be maintained intact and invested.

Cemetery Perpetual Care – This fund accounts for monies collected from the sale of perpetual care contracts at City-owned cemeteries, as well as receipt of investment earnings on all perpetual care investments and payment of cemetery maintenance expenditures.

Historical Properties Commission Trust – This fund accounts for receipts and disbursements of contributions for City-owned historical properties. The principal must be maintained intact.

**CITY OF WASHINGTON, GEORGIA
COMBINED BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	Total Special Revenue Funds	Total Capital Project Funds	Total Permanent Funds	Total Other Governmental Funds
Assets				
Cash and cash equivalents	\$ 16,917	\$ 239,940	\$ 37,529	\$ 294,386
Investments	2,292	-	204,726	207,018
Due from other funds	1,920	30,587		32,507
Due from other governments	11,112	30,433	-	41,545
Other receivables	9	-	-	9
Inventories	7,963	-	-	7,963
Restricted assets	<u>-</u>	<u>-</u>	<u>19,980</u>	<u>19,980</u>
 Total Assets	 <u>\$ 40,213</u>	 <u>\$ 300,960</u>	 <u>\$ 262,235</u>	 <u>\$ 603,408</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,920	\$ 8,276	\$ -	\$ 10,196
Other accrued expenses	1,779	-	-	1,779
Deferred revenue - GEFA	<u>-</u>	<u>1,361</u>	<u>-</u>	<u>1,361</u>
 Total Liabilities	 <u>3,699</u>	 <u>9,637</u>	 <u>-</u>	 <u>13,336</u>
 Fund balances				
Nonspendable	7,963	-	19,980	27,943
Restricted	9,499	291,323	-	300,822
Committed	<u>19,052</u>	<u>-</u>	<u>242,255</u>	<u>261,307</u>
 Total Fund Balances	 <u>36,514</u>	 <u>291,323</u>	 <u>262,235</u>	 <u>590,072</u>
 Total Liabilities and Fund Balances	 <u>\$ 40,213</u>	 <u>\$ 300,960</u>	 <u>\$ 262,235</u>	 <u>\$ 603,408</u>

**CITY OF WASHINGTON, GEORGIA
 COMBINED SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	Total Special Revenue Funds	Total Capital Project Funds	Total Permanent Funds	Total Other Governmental Funds
Revenues				
Intergovernmental	\$ 145,843	\$ 504,072	\$ -	\$ 649,915
Charges for services	57,716	-	-	57,716
Investment earnings	77	396	3,136	3,609
Contributions and donations	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total Revenues	<u>208,636</u>	<u>504,468</u>	<u>3,136</u>	<u>716,240</u>
Expenditures				
Current:				
Housing and development	5,000	214,465	-	219,465
Public safety	<u>404,572</u>	<u>-</u>	<u>-</u>	<u>404,572</u>
Total Expenditures	<u>409,572</u>	<u>214,465</u>	<u>-</u>	<u>624,037</u>
Excess (deficiency) of revenues over expenditures	<u>(200,936)</u>	<u>290,003</u>	<u>3,136</u>	<u>92,203</u>
Transfers in (out)	<u>186,874</u>	<u>(263,216)</u>	<u>(5,400)</u>	<u>(81,742)</u>
Net Change in Fund Balance	(14,062)	26,787	(2,264)	10,461
FUND BALANCES, BEGINNING OF YEAR	<u>50,576</u>	<u>264,536</u>	<u>264,499</u>	<u>579,611</u>
FUND BALANCES, END OF YEAR	<u>\$ 36,514</u>	<u>\$ 291,323</u>	<u>\$ 262,235</u>	<u>\$ 590,072</u>

**CITY OF WASHINGTON, GEORGIA
COMBINED BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2011**

	Callaway Plantation Operating	E-911	Callaway Plantation Furnishing	Total Special Revenue Funds
Assets				
Assets				
Cash and cash equivalents	\$ -	\$ 157	\$ 16,760	\$ 16,917
Investments	2,292	-	-	2,292
Due from other funds	-	1,920		1,920
Due from other governments	-	11,112		11,112
Other receivables	-	9		9
Inventories	-	-	7,963	7,963
	<u>-</u>	<u>-</u>	<u>7,963</u>	<u>7,963</u>
 Total Assets	 <u>\$ 2,292</u>	 <u>\$ 13,198</u>	 <u>\$ 24,723</u>	 <u>\$ 40,213</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 1,920	\$ -	\$ 1,920
Other accrued expenses	-	1,779	-	1,779
	<u>-</u>	<u>1,779</u>	<u>-</u>	<u>1,779</u>
 Total Liabilities	 <u>-</u>	 <u>3,699</u>	 <u>-</u>	 <u>3,699</u>
 Fund balances				
Nonspendable	-	-	7,963	7,963
Restricted	-	9,499	-	9,499
Unreserved	2,292	-	16,760	19,052
	<u>2,292</u>	<u>-</u>	<u>16,760</u>	<u>19,052</u>
 Total Fund Balances	 <u>2,292</u>	 <u>9,499</u>	 <u>24,723</u>	 <u>36,514</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,292</u>	 <u>\$ 13,198</u>	 <u>\$ 24,723</u>	 <u>\$ 40,213</u>

**CITY OF WASHINGTON, GEORGIA
 COMBINED SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	Callaway Plantation Operating	E-911	Callaway Plantation Furnishing	Total Special Revenue Funds
Revenues				
Intergovernmental	\$ -	\$ 145,843	\$ -	\$ 145,843
Charges for services	-	57,716	-	57,716
Investment earnings	77	-	-	77
Contributions and donations	-	-	5,000	5,000
	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
 Total Revenues	 <u>77</u>	 <u>203,559</u>	 <u>5,000</u>	 <u>208,636</u>
Expenditures				
Current:				
General government	-	-	5,000	5,000
Public safety	-	404,572	-	404,572
	<u>-</u>	<u>404,572</u>	<u>-</u>	<u>404,572</u>
 Total Expenditures	 <u>-</u>	 <u>404,572</u>	 <u>5,000</u>	 <u>409,572</u>
 Excess (deficiency) of revenues over expenditures	 <u>77</u>	 <u>(201,013)</u>	 <u>-</u>	 <u>(200,936)</u>
 Transfers in (out)	 <u>-</u>	 <u>186,874</u>	 <u>-</u>	 <u>186,874</u>
 Net Change in Fund Balance	 <u>77</u>	 <u>(14,139)</u>	 <u>-</u>	 <u>(14,062)</u>
 FUND BALANCES, BEGINNING OF YEAR	 <u>2,215</u>	 <u>23,638</u>	 <u>24,723</u>	 <u>50,576</u>
 FUND BALANCES, END OF YEAR	 <u>\$ 2,292</u>	 <u>\$ 9,499</u>	 <u>\$ 24,723</u>	 <u>\$ 36,514</u>

**CITY OF WASHINGTON, GEORGIA
BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2011**

	<u>SPLOST Fund</u>	<u>CBDG Fund</u>	<u>Total Capital Project Funds</u>
Assets			
Assets			
Cash and cash equivalents	\$ 239,940	\$ -	\$ 239,940
Due from other funds	-	30,587	30,587
Intergovernmental receivables	<u>27,903</u>	<u>2,530</u>	<u>30,433</u>
 Total Assets	 <u>\$ 267,843</u>	 <u>\$ 33,117</u>	 <u>\$ 300,960</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 8,276	\$ 8,276
Deferred revenue - GEFA	<u>-</u>	<u>1,361</u>	<u>1,361</u>
 Total Liabilities	 <u>-</u>	 <u>9,637</u>	 <u>9,637</u>
Fund balances			
Restricted	<u>267,843</u>	<u>23,480</u>	<u>291,323</u>
 Total Fund Balances	 <u>267,843</u>	 <u>23,480</u>	 <u>291,323</u>
 Total Liabilities and Fund Balances	 <u>\$ 267,843</u>	 <u>\$ 33,117</u>	 <u>\$ 300,960</u>

CITY OF WASHINGTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	SPLOST Fund	CBDG Fund	Total Capital Project Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Intergovernmental	\$ 324,333	\$ 179,739	\$ 504,072
Investment earnings	<u>396</u>	<u>-</u>	<u>396</u>
 Total Revenues	 <u>324,729</u>	 <u>179,739</u>	 <u>504,468</u>
Expenditures			
Capital outlay			
Housing and development	<u>-</u>	<u>214,465</u>	<u>214,465</u>
 Total Expenditures	 <u>-</u>	 <u>214,465</u>	 <u>214,465</u>
 Excess (deficiency) of revenues over expenditures	 <u>324,729</u>	 <u>(34,726)</u>	 <u>290,003</u>
 Transfers in (out)	 <u>(263,216)</u>	 <u>-</u>	 <u>(263,216)</u>
 Net Change in Fund Balance	 61,513	 (34,726)	 26,787
 FUND BALANCES, BEGINNING OF YEAR	 <u>206,330</u>	 <u>58,206</u>	 <u>264,536</u>
 FUND BALANCES, END OF YEAR	 <u>\$ 267,843</u>	 <u>\$ 23,480</u>	 <u>\$ 291,323</u>

**CITY OF WASHINGTON, GEORGIA
 COMBINED BALANCE SHEET
 NONMAJOR PERMANENT FUNDS
 DECEMBER 31, 2011**

	<u>Cemetery Fund</u>	<u>Historical Properties Commission</u>	<u>Callaway Charitable Trust</u>	<u>Total Permanent Funds</u>
Assets				
Assets				
Cash	\$ -	\$ -	\$ 37,529	\$ 37,529
Investments	196,954	7,136	636	204,726
Restricted assets	<u>-</u>	<u>9,990</u>	<u>9,990</u>	<u>19,980</u>
 Total Assets	 <u>\$ 196,954</u>	 <u>\$ 17,126</u>	 <u>\$ 48,155</u>	 <u>\$ 262,235</u>
 Liabilities and Fund Balances				
Liabilities:	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances:				
Nonspendable	-	9,990	9,990	19,980
Committed	<u>196,954</u>	<u>7,136</u>	<u>38,165</u>	<u>242,255</u>
 Total Fund Balances	 <u>196,954</u>	 <u>17,126</u>	 <u>48,155</u>	 <u>262,235</u>
 Total Liabilities and Fund Balances	 <u>\$ 196,954</u>	 <u>\$ 17,126</u>	 <u>\$ 48,155</u>	 <u>\$ 262,235</u>

**CITY OF WASHINGTON, GEORGIA
 COMBINED SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Cemetery Fund</u>	<u>Historical Properties Commission</u>	<u>Callaway Charitable Trust</u>	<u>Total Permanent Funds</u>
Revenues				
Investment earnings	\$ 2,636	\$ 223	\$ 277	\$ 3,136
Total Revenues	<u>2,636</u>	<u>223</u>	<u>277</u>	<u>3,136</u>
Expenditures				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>2,636</u>	<u>223</u>	<u>277</u>	<u>3,136</u>
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(5,400)</u>	<u>(5,400)</u>
Net Change in Fund Balance	2,636	223	(5,123)	(2,264)
FUND BALANCES, BEGINNING OF YEAR	<u>194,318</u>	<u>16,903</u>	<u>53,278</u>	<u>264,499</u>
FUND BALANCES, END OF YEAR	<u>\$ 196,954</u>	<u>\$ 17,126</u>	<u>\$ 48,155</u>	<u>\$ 262,235</u>

**CITY OF WASHINGTON, GEORGIA
CALLAWAY PLANTATION OPERATING SPECIAL REVENUE FUND -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Investment income	\$ 100	\$ 100	\$ 77	\$ (23)
Total Revenues	<u>100</u>	<u>100</u>	<u>77</u>	<u>(23)</u>
Expenditures				
General government	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 100</u>	<u>\$ 100</u>	77	<u>\$ (23)</u>
Fund Balance, beginning of year			<u>2,215</u>	
Fund Balance, end of year			<u>\$ 2,292</u>	

CITY OF WASHINGTON, GEORGIA
E-911 FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (GAAP) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Intergovernmental	\$ 157,951	\$ 157,951	\$ 145,843	\$ (12,108)
Charges for services	62,500	62,500	57,716	(4,784)
Total Revenues	220,451	220,451	203,559	(16,892)
Expenditures				
Public safety	378,248	405,248	404,572	(676)
Total Expenditures	378,248	405,248	404,572	(676)
Other Financing Sources				
Transfers from General Fund	157,797	184,797	186,874	2,077
Net Change in Fund Balance	\$ -	\$ -	(14,139)	\$ (16,216)
Fund Balance, beginning of year			23,638	
Fund Balance, end of year			\$ 9,499	

**CITY OF WASHINGTON, GEORGIA
 CALLAWAY PLANTATION FURNISHINGS TRUST
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Contributions	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Expenditures				
Culture and recreation	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance, beginning of year			<u>24,723</u>	
Fund Balance, end of year			<u>\$ 24,723</u>	

**CITY OF WASHINGTON, GEORGIA
SPLOST CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to date</u>	<u>Project Budget</u>
Revenues				
Intergovernmental	\$ 2,096,404	\$ 324,333	\$ 2,420,737	\$ 2,025,526
Investment income	<u>-</u>	<u>396</u>	<u>396</u>	<u>-</u>
 Total Revenues	 <u>2,096,404</u>	 <u>324,729</u>	 <u>2,421,133</u>	 <u>2,025,526</u>
Expenditures				
Public works	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Other Financing Sources				
Transfers to other funds	<u>(1,890,074)</u>	<u>(263,216)</u>	<u>(2,153,290)</u>	<u>(1,890,074)</u>
 Net Change in Fund Balance	 <u>\$ 206,330</u>	 61,513	 <u>\$ 267,843</u>	 <u>\$ 2,025,526</u>
 Fund Balance, beginning of year		 <u>206,330</u>		
 Fund Balance, end of year		 <u>\$ 267,843</u>		

**CITY OF WASHINGTON, GEORGIA
CDBG/CHIP GRANT CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to date</u>	<u>Project Budget</u>
Revenues				
Intergovernmental	\$ 828,345	\$ 176,792	\$ 1,005,137	\$ 800,000
Charges for services	1,736	-	1,736	-
Other	<u>2,301</u>	<u>2,947</u>	<u>5,248</u>	<u>-</u>
 Total revenues	 <u>832,382</u>	 <u>179,739</u>	 <u>1,012,121</u>	 <u>800,000</u>
Expenditures				
Housing and development	<u>1,698,428</u>	<u>214,465</u>	<u>1,912,893</u>	<u>1,098,500</u>
 Total expenditures	 <u>1,698,428</u>	 <u>214,465</u>	 <u>1,912,893</u>	 <u>1,098,500</u>
 Revenues under expenditures	 <u>(866,046)</u>	 <u>(34,726)</u>	 <u>(900,772)</u>	 <u>(866,046)</u>
Other Financing Sources				
Transfers in	<u>925,120</u>	<u>-</u>	<u>925,120</u>	<u>298,500</u>
 Total Other Financing Sources	 <u>925,120</u>	 <u>-</u>	 <u>925,120</u>	 <u>298,500</u>
 Net Change in Fund Balance	 <u>\$ 59,074</u>	 <u>(34,726)</u>	 <u>\$ 24,348</u>	 <u>\$ (567,546)</u>
 Fund Balance, beginning of year		 <u>58,206</u>		
 Fund Balance, end of year		 <u>\$ 23,480</u>		

**CITY OF WASHINGTON, GEORGIA
CEMETERY PERPETUAL CARE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Investment income	\$ 2,000	\$ 2,000	\$ 2,636	\$ 636
 Total Revenues	2,000	2,000	2,636	636
Expenditures				
Capital outlay	-	-	-	-
 Total Expenditures	-	-	-	-
 Net Change in Fund Balance	\$ 2,000	\$ 2,000	2,636	\$ 636
 Fund Balance, beginning of year			194,318	
 Fund Balance, end of year			\$ 196,954	

**CITY OF WASHINGTON, GEORGIA
HISTORICAL PROPERTIES COMMISSION TRUST
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Investment income	\$ 400	\$ 400	\$ 223	\$ (177)
Total Revenues	400	400	223	(177)
Expenditures				
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balance	\$ 400	\$ 400	223	\$ (177)
Fund Balance, beginning of year			16,903	
Fund Balance, end of year			\$ 17,126	

**CITY OF WASHINGTON, GEORGIA
 CALLAWAY CHARITABLE TRUST
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Investment income	\$ 400	\$ 400	\$ 277	\$ (123)
Total Revenues	<u>400</u>	<u>400</u>	<u>277</u>	<u>(123)</u>
Expenditures				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>400</u>	<u>400</u>	<u>277</u>	<u>(123)</u>
Transfers (out)	<u>-</u>	<u>-</u>	<u>(5,400)</u>	<u>(5,400)</u>
Net Change in Fund Balance	<u>\$ 400</u>	<u>\$ 400</u>	<u>(5,123)</u>	<u>\$ (123)</u>
Fund Balance, beginning of year			<u>53,278</u>	
Fund Balance, end of year			<u>\$ 48,155</u>	

Nonmajor Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's Council has decided periodic determination of net income appropriate for accountability purposes.

Solid Waste Fund – This fund accounts for user fees and expenses for the sanitation services provided to the City.

Internet Telecommunications Fund – This fund accounts for user fees and expenses for the internet services available to the citizens of the City.

**CITY OF WASHINGTON, GEORGIA
 COMBINED SCHEDULE OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 DECEMBER 31, 2011**

	Solid Waste Fund	Internet Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets			
Due from other funds	\$ 36,741	\$ 19,941	\$ 56,682
Accounts receivable	<u>64,787</u>	<u>10,407</u>	<u>75,194</u>
Total current assets	<u>101,528</u>	<u>30,348</u>	<u>131,876</u>
Noncurrent assets			
Investment in joint venture	-	337,536	337,536
Capital assets, net of accumulated depreciation	<u>144,946</u>	<u>118,337</u>	<u>263,283</u>
Total noncurrent assets	<u>144,946</u>	<u>455,873</u>	<u>600,819</u>
Total assets	<u><u>246,474</u></u>	<u><u>486,221</u></u>	<u><u>732,695</u></u>
LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable	13,959	1,605	15,564
Salaries payable	<u>1,615</u>	<u>-</u>	<u>1,615</u>
Total current liabilities	<u>15,574</u>	<u>1,605</u>	<u>17,179</u>
Noncurrent liabilities			
Compensated absences	<u>12,406</u>	<u>-</u>	<u>12,406</u>
Total noncurrent liabilities	<u>12,406</u>	<u>-</u>	<u>12,406</u>
Total liabilities	<u>27,980</u>	<u>1,605</u>	<u>29,585</u>
Net Assets			
Investments in capital assets, net of related debt	144,946	118,337	263,283
Unrestricted	<u>73,548</u>	<u>366,279</u>	<u>439,827</u>
Total net assets	<u>218,494</u>	<u>484,616</u>	<u>703,110</u>
Total liabilities and net assets	<u><u>\$ 246,474</u></u>	<u><u>\$ 486,221</u></u>	<u><u>\$ 732,695</u></u>

**CITY OF WASHINGTON, GEORGIA
 COMBINED SCHEDULE OF REVENUES, EXPENSES AND CHANGES
 IN FUND ASSETS NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Solid Waste Fund</u>	<u>Internet Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 508,326	\$ 64,304	\$ 572,630
Miscellaneous	<u>-</u>	<u>1,200</u>	<u>1,200</u>
 Total operating revenues	 <u>508,326</u>	 <u>65,504</u>	 <u>573,830</u>
OPERATING EXPENSES			
Personnel services	305,519	-	305,519
Contractual services	153,851	68,912	222,763
Supplies	52,214	-	52,214
Depreciation	20,791	54,274	75,065
Other	<u>3,818</u>	<u>325</u>	<u>4,143</u>
 Total operating expenses	 <u>536,193</u>	 <u>123,511</u>	 <u>659,704</u>
 Operating (loss)	 <u>(27,867)</u>	 <u>(58,007)</u>	 <u>(85,874)</u>
NON-OPERATING REVENUES (EXPENSES)			
(Loss) on disposal of capital asset	(10,133)	-	(10,133)
Investment income	<u>-</u>	<u>127,216</u>	<u>127,216</u>
 Total non-operating revenues (expenses)	 <u>(10,133)</u>	 <u>127,216</u>	 <u>117,083</u>
 Income (loss) before capital contributions and transfers	 <u>(38,000)</u>	 <u>69,209</u>	 <u>31,209</u>
 Change in net assets	 <u>(38,000)</u>	 <u>69,209</u>	 <u>31,209</u>
NET ASSETS, BEGINNING OF YEAR	<u>256,494</u>	<u>415,407</u>	<u>671,901</u>
NET ASSETS, END OF YEAR	<u>\$ 218,494</u>	<u>\$ 484,616</u>	<u>\$ 703,110</u>

**CITY OF WASHINGTON, GEORGIA
 COMBINED SCHEDULE OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Internet Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 529,471	\$ 65,903	\$ 595,374
Cash received from (payments for) interfund services provided	25,141	(1,358)	23,783
Cash payments to suppliers	(228,383)	(129,805)	(358,188)
Cash payments to employees	<u>(305,537)</u>	<u>(54,274)</u>	<u>(359,811)</u>
Net cash provided by (used for) operating activities	<u>20,692</u>	<u>(119,534)</u>	<u>(98,842)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Investment revenue	-	127,217	127,217
Purchase of capital asset	(10,559)	(7,683)	(18,242)
(Loss) from sale of asset	<u>(10,133)</u>	<u>-</u>	<u>(10,133)</u>
Net cash provided by capital and related financing activities	<u>(20,692)</u>	<u>119,534</u>	<u>98,842</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating (loss)	\$ (27,867)	\$ (58,007)	\$ (85,874)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	20,791	54,274	75,065
Change in assets and liabilities:			
Receivables, net	23,104	(1,035)	22,069
Prepaid items	3,252	-	3,252
Due from other funds	(2,905)	(1,358)	(4,263)
Investments	-	(113,628)	(113,628)
Compensated absences	2,026	-	2,026
Accounts payable	2,273	220	2,493
Salaries payable	<u>18</u>	<u>-</u>	<u>18</u>
Total adjustments	<u>48,559</u>	<u>(61,527)</u>	<u>(12,968)</u>
Net cash provided by (used in) operating activities	<u>\$ 20,692</u>	<u>\$ (119,534)</u>	<u>\$ (98,842)</u>

**CITY OF WASHINGTON, GEORGIA
GENERAL FUND
SCHEDULE OR REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes:				
Property tax	\$ 1,013,227	\$ 1,020,427	\$ 995,064	\$ (25,363)
Local option sales tax	310,000	338,400	338,492	92
Miscellaneous taxes	<u>377,200</u>	<u>383,400</u>	<u>432,101</u>	<u>48,701</u>
 Total taxes	 <u>1,700,427</u>	 <u>1,742,227</u>	 <u>1,765,657</u>	 <u>23,430</u>
Licenses and permits:				
Business licenses	<u>77,200</u>	<u>86,200</u>	<u>75,726</u>	<u>(10,474)</u>
 Total licenses and permits	 <u>77,200</u>	 <u>86,200</u>	 <u>75,726</u>	 <u>(10,474)</u>
Intergovernmental revenues:				
State grants	33,251	36,251	76,607	40,356
Federal grants	100,000	100,000	103,575	3,575
Payments in lieu of taxes	<u>7,890</u>	<u>7,890</u>	<u>6,836</u>	<u>(1,054)</u>
 Total intergovernmental	 <u>141,141</u>	 <u>144,141</u>	 <u>187,018</u>	 <u>42,877</u>
Charges for services:				
Public safety	111,582	111,582	107,944	(3,638)
Other	<u>47,995</u>	<u>48,845</u>	<u>55,328</u>	<u>6,483</u>
 Total charges for services	 <u>159,577</u>	 <u>160,427</u>	 <u>163,272</u>	 <u>2,845</u>
 Fines and forfeitures	 <u>175,400</u>	 <u>252,030</u>	 <u>254,248</u>	 <u>2,218</u>
 Interest income	 <u>350</u>	 <u>4,150</u>	 <u>5,594</u>	 <u>1,444</u>
Contributions and donations:				
Miscellaneous:				
Rents	58,885	58,885	68,300	9,415
Other	<u>10,800</u>	<u>10,800</u>	<u>28,665</u>	<u>17,865</u>
 Total miscellaneous	 <u>69,685</u>	 <u>69,685</u>	 <u>96,965</u>	 <u>27,280</u>
 Total revenues	 <u>\$ 2,323,780</u>	 <u>\$ 2,458,860</u>	 <u>\$ 2,548,480</u>	 <u>\$ 89,620</u>

**CITY OF WASHINGTON, GEORGIA
GENERAL FUND
SCHEDULE OF OPERATING EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES				
General Government				
Executive Administration:				
Personnel services	\$ 107,725	\$ 168,025	\$ 172,110	\$ 4,085
Purchased/contracted services	99,300	108,500	99,596	(8,904)
Supplies	10,300	10,300	13,661	3,361
Other costs	-	-	1,759	1,759
	217,325	286,825	287,126	301
Total Executive Administration				
General Government Buildings:				
Personnel services	257,420	247,420	244,453	(2,967)
Purchased/contracted services	64,925	64,925	22,223	(42,702)
Supplies	27,600	13,590	12,196	(1,394)
	349,945	325,935	278,872	(47,063)
Total General Government Buildings				
Total General Government				
	567,270	612,760	565,998	(46,762)
Judicial				
Municipal Court:				
Personnel services	2,086	2,286	2,956	670
Purchased/contracted services	550	1,350	1,028	(322)
Supplies	350	350	-	(350)
	2,986	3,986	3,984	(2)
Total Municipal Court				
Total Judicial				
	2,986	3,986	3,984	(2)
Public safety				
Police:				
Personnel services	806,677	806,677	779,443	(27,234)
Purchased/contracted services	131,250	131,250	156,306	25,056
Supplies	79,800	95,225	91,198	(4,027)
Capital outlay	31,000	31,000	36,615	5,615
Other costs	24,000	26,100	26,098	(2)
	1,072,727	1,090,252	1,089,660	(592)
Total Police				

**CITY OF WASHINGTON, GEORGIA
GENERAL FUND
SCHEDULE OF OPERATING EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Fire:				
Personnel services	\$ 558,888	\$ 558,888	\$ 581,396	\$ 22,508
Purchased/contracted services	94,550	90,300	58,465	(31,835)
Supplies	61,500	78,100	81,391	3,291
Other costs	-	-	5,946	5,946
	<u>714,938</u>	<u>727,288</u>	<u>727,198</u>	<u>(90)</u>
Total Fire				
Animal Control:				
Purchased/contracted services	30,000	30,000	30,000	-
Other costs	61,000	64,000	63,943	(57)
	<u>91,000</u>	<u>94,000</u>	<u>93,943</u>	<u>(57)</u>
Total Animal Control				
Emergency Management:				
Personnel services	38,806	32,006	30,538	(1,468)
Purchased/contracted services	2,300	2,300	1,036	(1,264)
Supplies	2,000	2,000	1,479	(521)
Other costs	300	300	1,656	1,356
	<u>43,406</u>	<u>36,606</u>	<u>34,709</u>	<u>(1,897)</u>
Total Emergency Management				
Total Public Safety	<u>1,922,071</u>	<u>1,948,146</u>	<u>1,945,510</u>	<u>(2,636)</u>
Public Works				
Highways and streets:				
Personnel services	384,122	401,772	413,636	11,864
Purchased/contracted services	152,100	173,360	215,224	41,864
Supplies	121,000	121,000	122,531	1,531
Capital outlay	140,000	140,000	82,403	(57,597)
	<u>797,222</u>	<u>836,132</u>	<u>833,794</u>	<u>(2,338)</u>
Total Highways and streets				
Street Lighting:				
Supplies	114,000	119,700	119,639	(61)
	<u>114,000</u>	<u>119,700</u>	<u>119,639</u>	<u>(61)</u>
Total Street Lighting				

**CITY OF WASHINGTON, GEORGIA
GENERAL FUND
SCHEDULE OF OPERATING EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Cemetery:				
Personnel services	\$ 11,966	\$ 11,966	\$ 10,445	\$ 1,521
Purchased/contracted services	1,300	1,300	440	860
Supplies	12,000	8,000	435	7,565
Capital outlay	5,000	5,000	14,745	(9,745)
Total Cemetery	<u>30,266</u>	<u>26,266</u>	<u>26,065</u>	<u>201</u>
Total Pubic Works	<u>941,488</u>	<u>982,098</u>	<u>979,498</u>	<u>2,600</u>
Health and Welfare				
Community services:				
Other costs	100,796	111,046	109,685	1,361
Total Community services	<u>100,796</u>	<u>111,046</u>	<u>109,685</u>	<u>1,361</u>
Community center:				
Personnel services	123	123	244	(121)
Purchased/contracted services	21,175	31,975	37,318	(5,343)
Supplies	12,300	25,745	31,653	(5,908)
Capital outlay	-	16,850	5,436	11,414
Total Community center	<u>33,598</u>	<u>74,693</u>	<u>74,651</u>	<u>42</u>
Total Health & Welfare	<u>134,394</u>	<u>185,739</u>	<u>184,336</u>	<u>1,403</u>
Culture and recreation				
Libraries:				
Other costs	59,860	59,860	59,860	-
Total Libraries	<u>59,860</u>	<u>59,860</u>	<u>59,860</u>	<u>-</u>
Callaway Plantation:				
Personnel services	37,430	37,430	38,370	(940)
Purchased/contracted services	38,200	31,000	29,277	1,723
Supplies	18,600	18,600	16,551	2,049
Capital outlay	5,000	-	-	-
Total Callaway Plantation	<u>99,230</u>	<u>87,030</u>	<u>84,198</u>	<u>2,832</u>

**CITY OF WASHINGTON, GEORGIA
GENERAL FUND
SCHEDULE OF OPERATING EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Museum:				
Personnel services	\$ 35,843	\$ 35,843	\$ 36,679	\$ (836)
Purchased/contracted services	21,210	11,210	8,601	2,609
Supplies	<u>14,000</u>	<u>10,000</u>	<u>9,877</u>	<u>123</u>
Total museum	<u>71,053</u>	<u>57,053</u>	<u>55,157</u>	<u>1,896</u>
Historic Properties:				
Personnel services	44,729	44,729	44,750	(21)
Purchased/contracted services	4,150	4,150	1,028	3,122
Supplies	450	450	620	(170)
Other costs	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total historic properties	<u>49,829</u>	<u>49,829</u>	<u>46,398</u>	<u>3,431</u>
Park areas:				
Purchased/contracted services	-	200	452	(252)
Other costs	<u>112,800</u>	<u>118,800</u>	<u>118,515</u>	<u>285</u>
Total park areas	<u>112,800</u>	<u>119,000</u>	<u>118,967</u>	<u>33</u>
Booker Park pool:				
Personnel services	-	3,400	3,335	65
Purchased/contracted services	-	26,105	26,322	(217)
Supplies	-	11,885	13,439	(1,554)
Capital outlay	<u>200,000</u>	<u>493,848</u>	<u>491,808</u>	<u>2,040</u>
Total Booker Park pool	<u>200,000</u>	<u>535,238</u>	<u>534,904</u>	<u>334</u>
Total Culture & Recreation	<u>592,772</u>	<u>908,010</u>	<u>899,484</u>	<u>8,526</u>
Housing & Development				
Planning & zoning:				
Personnel services	62,140	62,140	61,827	313
Purchased/contracted services	32,550	32,550	16,269	16,281
Supplies	<u>4,350</u>	<u>4,350</u>	<u>2,067</u>	<u>2,283</u>
Total planning & zoning	<u>99,040</u>	<u>99,040</u>	<u>80,163</u>	<u>18,877</u>

**CITY OF WASHINGTON, GEORGIA
GENERAL FUND
SCHEDULE OF OPERATING EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Urban redevelopment:				
Purchased/contracted services	\$ 12,200	\$ 15,200	\$ 14,748	\$ 452
Total urban redevelopment	<u>12,200</u>	<u>15,200</u>	<u>14,748</u>	<u>452</u>
Economic development & assistance:				
Personnel services	65,051	65,051	65,245	(194)
Purchased/contracted services	40,450	53,350	51,403	1,947
Supplies	8,750	10,550	13,184	(2,634)
Capital outlay	-	2,200	-	2,200
Other costs	101,500	108,000	109,165	(1,165)
Total economic development & assistance	<u>215,751</u>	<u>239,151</u>	<u>238,997</u>	<u>154</u>
Community Development and Housing:				
Personnel services	49,787	49,787	51,137	(1,350)
Purchased/contracted services	5,000	5,000	2,712	2,288
Supplies	3,000	3,000	2,874	126
Other costs	6,000	15,800	16,191	(391)
Total Community development and housing	<u>63,787</u>	<u>73,587</u>	<u>72,914</u>	<u>673</u>
Economic development planning:				
Purchased/contracted services	190,127	190,127	190,127	-
Total economic development planning	<u>190,127</u>	<u>190,127</u>	<u>190,127</u>	<u>-</u>
Washington revolving fund				
Purchased/contracted services	-	1,850	1,819	31
Total Washington revolving fund	<u>-</u>	<u>1,850</u>	<u>1,819</u>	<u>31</u>

**CITY OF WASHINGTON, GEORGIA
GENERAL FUND
SCHEDULE OF OPERATING EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Downtown development:				
Personnel services	\$ 44,063	\$ 38,713	\$ 38,679	\$ 34
Purchased/contracted services	15,650	15,650	15,680	(30)
Supplies	3,000	3,000	3,200	(200)
Other costs	3,000	3,000	1,663	1,337
Total downtown development	65,713	60,363	59,222	1,141
Total housing & development	646,618	679,318	657,990	21,328
Debt service				
Principal	122,446	614,691	614,564	127
Interest	66,349	66,529	66,648	(119)
Total debt service	188,795	681,220	681,212	8
Total Expenditures	\$ 4,996,394	\$ 6,001,277	\$ 5,918,012	\$ 83,265

Required Reports

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

To the Mayor and City Council of the
City of Washington, Georgia

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Washington, Georgia as of and for the year ended December 31, 2011, which collectively comprise the City of Washington's basic financial statements and have issued our report thereon dated June 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: **2011-1, 2011-2, and 2011-3**. A *significant deficiency*, is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and questions costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Washington, 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 we reported to management of City of Washington, Georgia, in a letter dated June 29, 2012

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

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

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
June 29, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Mayor and City Council of the
City of Washington, Georgia

Compliance

We have audited the City of Washington, Georgia's compliance with types of compliance requirements described in the U.S. Office of Management and Budget (OMB) circular A-133 *Compliance supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. City of Washington, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations contracts, and grants applicable to each of its major federal programs is the responsibility of City of Washington, Georgia's management. Our responsibility is to express an opinion on City of Washington, Georgia's compliance based on our audit.

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

In our opinion, City of Washington, Georgia complied in all material respects with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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

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

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

City of Washington, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Washington, Georgia's responses and, accordingly, we express no opinion on the responses.

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

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
June 29, 2012

**CITY OF WASHINGTON, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Federal Grantor/ Pass Thru Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor/ Contract Number</u>	<u>Program Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
(Passed through GHFA-DCA-Georgia)			
HUD Counseling Assistance Program	14.169		\$ 460
HUD Counseling Assistance Program	14.169		7,990
HUD Counseling Assistance Program	14.169	HC12-0421-069	<u>1,800</u>
			10,250
(Passed through DCA-Georgia)			
CDBG State's Program and Non-Entitlement Grants in Hawaii	14.228	08b-x-157-2-5080	<u>3,364</u>
Total U.S. Department of Housing and Urban Development			<u>13,614</u>
<u>U.S. Department of Labor</u>			
(Passed through ECG-Georgia)			
WIA Youth Activities (ARRA)	17.259	N/A	<u>4,806</u>
Total U.S. Department of Labor			<u>4,806</u>
<u>U.S. Environmental Protection Agency</u>			
(Passed through GEFA Georgia)			
Capitalization Grants for Clean Water State Revolving Funds	66.458	DWSRF09-026	<u>3,793,824</u>
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96485907-0	<u>94,939</u>
Total U.S. Environmental Protection Agency			<u>3,888,763</u>
<u>U.S. Department of Energy</u>			
(Passed through GEFA Georgia)			
Energy Efficiency and Conservation Block Grant Program (ARRA)	81.128	DE-EE0000806	<u>173,428</u>
Total U.S. Department of Energy			<u>173,428</u>
Total Expenditures of Federal Awards			<u>\$ 4,080,611</u>

CITY OF WASHINGTON, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2011

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Washington, Georgia under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non – Profit Organizations*. Because the schedule presents only a selected portion of the operations of City of Washington, Georgia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Washington, Georgia.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, Cost Principals for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Note 3 – Non-cash Awards

City of Washington, Georgia did not receive any non-cash federal awards during the year ended December 31, 2011..

**CITY OF WASHINGTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2011**

Section I - Summary of Auditors' Results

I. Summary of Auditors' Results:

- A. The auditors' report expresses an unqualified opinion on the financial statements of City of Washington, Georgia.
- B. Three significant deficiencies were disclosed during the audit of the financial statements are reported in Part II below.
- C. No material weaknesses were disclosed during the audit of the financial statements..
- D. No instances of noncompliance material to the financial statements of City of Washington, Georgia which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- E. No significant deficiencies or material weaknesses in internal controls over major federal award programs were disclosed during the audit.
- F. The auditors' report on compliance for the major federal award programs for City of Washington, Georgia expresses an unqualified opinion on all major federal programs.
- G. Our audit disclosed no audit findings which relate to the federal awards which are required to be reported under section 510(a) of OMB Circular A-
- H. Major federal program for City of Washington, Georgia for the fiscal year ended June 30, 2011 are:

<u>Program Name</u>	<u>CFDA #</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458

- I. The threshold for determining Type A programs for City of Washington, Georgia is \$300,000.
- J. City of Washington, Georgia qualified as a low risk auditee.

**CITY OF WASHINGTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Section II - Findings and Questioned Costs - Financial Statement Findings and Responses

2011-1	Criteria:	The information contained in the Capital Asset subsidiary ledger should agree to the general ledger.
	Condition:	During our testing, we found that reports generated by the capital asset software did not agree to the general ledger.
	Cause:	The Capital Asset subsidiary ledger was not reconciled to the general ledger.
	Effect:	An audit adjustment was needed to correct the Capital Asset balance in the general ledger.
	Recommendation:	To improve internal controls, management should establish policies and procedures to reconcile the Capital Asset subsidiary ledger to the general ledger on a periodic basis.
	Response:	Policies and procedures have always been in place for reconciling capital assets in the asset software with the general ledger. Due to a complete computer failure within the finance department, the City believes the asset software was corrupted in the recovery process. The City has made the necessary corrections and will ensure that future years are monitored very closely.
2011-2	Criteria:	All audit adjustments should be made to the general ledger in a timely manner.
	Condition:	While testing certain account balances, we found that certain prior audit adjustments had not been made.
	Cause:	All audit adjustment from the prior year had not been posted to the general ledger.
	Effect:	Certain account balances were not accurately recorded in the general ledger.
	Recommendation:	To improve internal control, management should establish policies and procedures to post all audit adjustment in a timely manner.
	Response:	The City has implemented policies and procedures to post all future audit adjustments in a timely manner.

**CITY OF WASHINGTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Section II - Findings and Questioned Costs - Financial Statement Findings and Responses (Con't)

2011-3	Criteria:	GASB Statement No. 14, requires that an equity ownership interest in a joint venture be reported as an asset on the books of record of the participating governmental entity.
	Condition:	The investment and investment interest in the City's joint venture was not accurately reported in the general ledger..
	Cause:	The entry to record the City's equity interest in Georgia Public Web's was not made to the general ledger in a timely manner.
	Effect:	The City's equity interest in the Georgia Public Web was not recorded in the general ledger, understating the City's assets and net assets..
	Recommendation:	To improve internal control, management should implement policies and procedures to record its equity interest in its joint ventures.
	Response:	The City has made the necessary changes on its system to handle this investment properly for future years. The City has also implemented policies and procedures to ensure joint ventures are recorded on their books.

Section III - Findings and Questioned Costs - Federal Awards Findings and Responses

None reported.

**CITY OF WASHINGTON, GEORGIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

There were no reported prior year findings relative to federal awards.

**CITY OF WASHINGTON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

	Original	Expenditures			Estimated Percentages of Completion
	Estimated Cost	Prior Years	Current Year	Total	
SPLOST 2005-2011					
Water & Sewer improvements	<u>\$ 2,025,526</u>	<u>\$ 1,981,842</u>	<u>\$ 79,473</u>	<u>\$ 2,061,315</u>	101.77%
SPLOST 2011-2017					
Water & Sewer improvements	<u>\$ 2,025,960</u>	<u>\$ -</u>	<u>\$ 183,783</u>	<u>\$ 183,783</u>	9.07%