

**CITY OF WASHINGTON, GEORGIA**

**Annual Financial Report**

**For the Year Ended  
December 31, 2009**

**City of Washington, Georgia  
Financial Report  
For the Year Ended December 31, 2009**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and 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, 2009, 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'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, 2009, 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 States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2010 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 States of America require that the management's discussion and analysis and the Retirement Plan – Schedule of Funding Progress on pages I through VIII and page 30 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 nonmajor fund financial statements, schedules, 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.

Madison, Georgia  
June 18, 2010

*Free audit. July 3, 2010*

## **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, 2009. 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, 2009 are as follows:

- The City's combined net assets totaled \$20.36 million.
- As of the close of the current year, the City's Governmental funds reported combined ending fund balances of \$ 859,860. 50% of this total amount is available for spending at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$427 thousand.
- Combined Revenue totaled \$ 15.8 million, of which governmental activities totaled \$3.0 million and business-type activities totaled \$ 12.8 million.
- Overall expenses totaled \$ 15.6 million of which governmental activities totaled \$ 4.6 million and business-type activities totaled \$ 10.9 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.

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, 2009

	Governmental	Activities	Business-type	Activities	Total	Total
	2008	2009	2008	2009	2008	2009
Current and other assets	\$1,426,137	\$1,200,299	\$3,310,845	\$10,417,951	\$4,736,982	\$ 11,618,250
Capital Assets	\$5,229,009	\$5,829,746	\$8,811,728	\$8,573,047	\$14,040,737	\$ 14,402,793
Total Assets	\$6,655,146	\$7,030,045	\$12,122,573	\$18,990,998	\$18,777,719	\$ 26,021,043
Long-term liabilities	\$2,040,836	\$1,911,118	\$2,286,281	\$2,630,476	\$4,327,117	\$ 4,541,594
Other liabilities	\$600,410	\$298,602	\$1,163,928	\$824,086	\$1,764,338	\$ 1,122,688
Total Liabilities	\$2,641,246	\$2,209,720	\$3,450,209	\$3,454,562	\$6,091,455	\$ 5,664,282
Net Assets:						
Invested in capital assets						
net of related debt	\$ 3,284,658	\$ 3,999,251	\$ 6,358,225	\$ 6,379,676	\$ 9,642,883	\$ 10,378,927
Restricted	\$ 107,603	\$ 45,225	\$ -	\$ 6,709,696	\$ 107,603	\$ 6,754,921
Unrestricted	\$ 621,639	\$ 775,849	\$ 2,314,139	\$ 2,447,064	\$ 2,935,778	\$ 3,222,913
Total Net Assets	\$ 4,013,900	\$ 4,820,325	\$ 8,672,364	\$ 15,536,436	\$ 12,686,264	\$ 20,356,761

## 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 \$ 20.4 million as of December 31, 2009, an increase of \$7.7 million from December 31, 2008, which indicates an increase in the financial position of the City. This increase is due in most part to the recognition of Investments on the financial statements that in prior years were considered to belong to the Municipal Competitive Trust. The funds have been released to the City of Washington and the City can expect to draw down a portion of these funds on a monthly controlled disbursement schedule.

The largest portion of the City's net assets, \$10.4 million or 51%, 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.

Also, 33% of the City's net assets, \$6.8 million, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3.2 million or 16%, may be used to meet the City's ongoing obligations to citizens and creditors.

### The City's Changes in Net Assets December 31, 2009

		Governmental	Governmental	Business-Type	Business-Type		
Revenues:		Activities	Activities	Activities	Activities	Total	Total
		<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
<b>Program Revenues</b>							
Charges for Services	\$	843,228	586,099	\$11,038,110	12,515,926	\$ 11,881,338	\$ 13,102,025
Operating grants/contributions		57,407	178,069	-	-	57,407	178,069
Capital grants/contributions		164,937	185,741	456,127	-	621,064	185,741
<b>General Revenues</b>							
Property taxes		105,666	765,790	-	-	105,666	765,790
Sales tax		467,306	433,776	-	-	467,306	433,776
Franchise fees		324,800	320,653	-	-	324,800	320,653
Other taxes		-	-	-	-	-	-
Intergovernmental revenues		405,255	514,495	-	10,000	405,255	524,495
Investment earnings		25,907	16,094	86,891	260,880	112,798	276,974
Miscellaneous		541	633	9,878	17,186	10,419	17,819
Gain on sale of capital assets		1,257	-	-	-	1,257	-
<b>Total Revenues</b>		<b>2,396,304</b>	<b>3,001,350</b>	<b>11,591,006</b>	<b>12,803,992</b>	<b>13,987,310</b>	<b>15,805,342</b>
<b>Expenses:</b>							
General government		459,719	498,917	-	-	459,719	498,917
Judicial		1,938	1,938	-	-	1,938	1,938
Public safety		2,042,425	2,128,576	-	-	2,042,425	2,128,576
Public works		933,139	824,321	-	-	933,139	824,321
Health and welfare		209,068	257,446	-	-	209,068	257,446
Culture and recreation		349,134	377,653	-	-	349,134	377,653
Housing and development		477,347	419,163	-	-	477,347	419,163
Interest and fiscal charges		67,293	52,378	-	-	67,293	52,378
Water and sewer		-	-	2,499,665	2,547,589	2,499,665	2,547,589
Electric		-	-	6,603,850	7,790,861	6,603,850	7,790,861
Sanitation		-	-	503,018	494,670	503,018	494,670
Internet telecommunications		-	-	148,485	158,510	148,485	158,510
<b>Total Expenses</b>		<b>4,540,063</b>	<b>4,560,392</b>	<b>9,755,018</b>	<b>10,991,630</b>	<b>14,295,081</b>	<b>15,552,022</b>
Increase in net assets before transfers		(2,143,759)	(1,559,042)	1,835,988	1,812,362	(307,771)	253,320
Transfers		1,396,546	2,365,467	(1,396,546)	(2,365,467)	-	-
Change in net assets before special items		(747,213)	806,425	439,442	(553,105)	(307,771)	253,320
Special item		-	-	-	7,417,177	-	7,417,177
Change in net assets		(747,213)	806,425	439,442	6,864,072	(307,771)	7,670,497
Net assets-January 1		4,761,113	4,013,900	8,232,922	8,672,364	12,994,035	12,686,264
<b>Net assets, December 31</b>		<b>\$ 4,013,900</b>	<b>\$ 4,820,325</b>	<b>\$ 8,672,364</b>	<b>\$ 15,536,436</b>	<b>\$ 12,686,264</b>	<b>\$ 20,356,761</b>
<b>V</b>							

## **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 \$969 thousand, of which \$505 thousand, or 52%, is unreserved and undesignated.

### **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 \$520 thousand, of which \$427 thousand, or 82% was unreserved and undesignated. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. As of December 31, 2009 total unreserved fund balance represents 10 % of general fund expenditures.

### **General Fund Budgetary Highlights**

During the year, the City revised the budget on several occasions. 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. Total amendments to the General Fund decreased total expenditures by approximately \$127,237. Thus the City spent less than it anticipated in its 2009 Original Budget.

The actual revenues for the General Fund were more than the budgeted amount by \$185,312. This excess Revenue is a product of transfers in from other funds. The individual sources within the revenues fluctuated both positively and negatively. Actual operating expenditures were over budgeted amount by \$65 thousand, or .02% of actual expenses, due in part to underestimation of CPI increase for 2009.

## 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, \$1,531,254; Water and Sewer System, \$ 817,334; Other Proprietary Funds, \$ 98,476.

## 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, 2009 amounts to \$ 14,402,793 (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, 2008 and 2009

	Governmental Activities 2008	Governmental Activities 2009	Business-type Activities 2008	Business-type Activities 2009	Total 2008	Total 2009
Land	\$ 217,604	\$ 217,604	\$ 203,190	\$ 203,190	\$ 420,794	\$ 420,794
Infrastructure, net	1,766,458	1,923,667	7,376,861	7,166,925	9,143,319	9,090,592
Construction in Progress	3,978	600,697	301,425	496,608	305,403	1,097,305
Buildings & Improvements, net	2,067,554	1,992,500	332,695	204,327	2,400,249	2,196,827
Machinery & Equipment, net	469,459	490,521	325,527	276,667	794,986	767,188
Vehicles, net	349,974	289,613	272,030	225,330	622,004	514,943
Computers, net	353,982	315,144	-	-	353,982	315,144
Total Capital Assets	\$ 5,229,009	\$ 5,829,746	\$ 8,811,728	\$ 8,573,047	\$ 14,040,737	\$ 14,402,793

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, 2009 the City had a total of \$4.02 million in outstanding long-term debt.

### The City's Outstanding Debt General Obligation and Revenue Bonds December 31, 2008 and 2009

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Payable	\$ 1,944,351	\$ 1,830,495	\$ 2,453,503	\$ 2,193,371	\$ 4,397,854	\$ 4,023,866
Total Debt	\$ 1,944,351	\$ 1,830,495	\$ 2,453,503	\$ 2,193,371	\$ 4,397,854	\$ 4,023,866

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.

# **Basic Financial Statements**

**City of Washington, Georgia**  
**Statement of Net Assets**  
**December 31, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
<b>ASSETS</b>				
Cash and Equivalents	\$ 293,537	\$ 32,703	\$ 326,240	\$ 6
Investments	424,119	1,482,575	1,906,694	2,725
Receivables	357,575	1,770,213	2,127,788	-
Internal Balances	(31,652)	31,652	-	-
Due from Other Governmental Agencies	89,425	-	89,425	-
Inventories	7,963	367,238	375,201	-
Restricted assets	25,245	6,709,696	6,734,941	-
Prepaid expenses	34,087	23,874	57,961	-
Capital Assets				
Land	217,604	203,190	420,794	-
Construction in progress	600,697	496,608	1,097,305	-
Infrastructure, net of depreciation	1,923,667	7,166,925	9,090,592	-
Buildings and improvements, net of depreciation	1,992,500	204,327	2,196,827	-
Equipment and vehicles, net of depreciation	1,095,278	501,997	1,597,275	-
Total Capital Assets	<u>5,829,746</u>	<u>8,573,047</u>	<u>14,402,793</u>	<u>-</u>
Total Assets	<u>7,030,045</u>	<u>18,990,998</u>	<u>26,021,043</u>	<u>2,731</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	69,963	676,485	746,448	-
Deferred Revenues	228,639	-	228,639	-
Long-term liabilities				
Due within one year				
Bonds and notes payable	647,686	147,601	795,287	-
Due in more than one year				
Bonds and notes payable	1,182,809	2,045,770	3,228,579	-
Customer deposits	-	543,257	543,257	-
Compensated absences	80,623	41,449	122,072	-
Total liabilities	<u>2,209,720</u>	<u>3,454,562</u>	<u>5,664,282</u>	<u>-</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,999,251	6,379,676	10,378,927	-
Restricted for:				
Washington Historical Museum operations	9,990	-	9,990	-
Smyrna School Building maintenance	9,990	-	9,990	-
Revolving loan fund	25,245	-	25,245	-
Other projects	-	6,709,696	6,709,696	-
Unrestricted	775,849	2,447,064	3,222,913	2,731
Total net assets	<u>\$ 4,820,325</u>	<u>\$ 15,536,436</u>	<u>\$20,356,761</u>	<u>\$ 2,731</u>

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

**City of Washington, Georgia**  
**Statement of Activities**  
**For the Year Ended December 31, 2009**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Downtown Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental Activities								
General Government	\$ 498,917	\$ 90,877	\$ 8,972	\$ -	\$ (399,068)	\$ -	\$ (399,068)	
Judicial	1,938	-	-	-	(1,938)	-	(1,938)	
Public Safety	2,128,576	358,162	10,851	-	(1,759,563)	-	(1,759,563)	
Public Works	824,321	33,815	131,983	-	(658,523)	-	(658,523)	
Health and Welfare	257,446	61,277	-	-	(196,169)	-	(196,169)	
Culture and Recreation	377,653	34,893	10,741	-	(332,019)	-	(332,019)	
Housing & Development	419,163	7,075	15,522	185,741	(210,825)	-	(210,825)	
Interest on Long-term debt	52,378	-	-	-	(52,378)	-	(52,378)	
Total governmental activities	<u>4,560,392</u>	<u>586,099</u>	<u>178,069</u>	<u>185,741</u>	<u>(3,610,483)</u>	<u>-</u>	<u>(3,610,483)</u>	
Business-type activities:								
Water and Sewer Fund	2,547,589	2,278,499	-	-	-	(269,090)	(269,090)	
Electric Fund	7,790,861	9,659,168	-	-	-	1,868,307	1,868,307	
Solid Waste Fund	494,670	489,005	-	-	-	(5,665)	(5,665)	
Internet Telecommunications	158,510	89,254	-	-	-	(69,256)	(69,256)	
Total business-type activities	<u>10,991,630</u>	<u>12,515,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,524,296</u>	<u>1,524,296</u>	
Total primary government	<u>\$15,552,022</u>	<u>\$ 13,102,025</u>	<u>\$ 178,069</u>	<u>\$ 185,741</u>	<u>(3,610,483)</u>	<u>1,524,296</u>	<u>(2,086,187)</u>	
<b>Component Units</b>								
Downtown Development Authority	8,943	-	-	-				(8,943)
Total component units	<u>\$ 8,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (8,943)</u>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					\$ 765,790	\$ -	\$ 765,790	\$ -
Property taxes, levied for debt service					-	-	-	-
Franchise and other business taxes					320,653	-	320,653	-
Sales taxes					433,776	-	433,776	-
Intergovernmental revenues					514,495	10,000	524,495	2,100
Investment earnings					16,094	260,880	276,974	253
Miscellaneous					633	17,186	17,819	-
Special item					-	7,417,177	7,417,177	-
Transfers					2,365,467	(2,365,467)	-	-
Total general revenues, special items, and transfers					<u>4,416,908</u>	<u>5,339,776</u>	<u>9,756,684</u>	<u>2,353</u>
Change in net assets					806,425	6,864,072	7,670,497	(6,590)
Net assets - beginning					4,013,900	8,672,364	12,686,264	9,321
Net assets - ending					<u>\$ 4,820,325</u>	<u>\$ 15,536,436</u>	<u>\$20,356,761</u>	<u>\$ 2,731</u>

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

**City of Washington, Georgia**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2009**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 224,151	\$ 69,386	\$ 293,537
Investments	195,077	229,042	424,119
Taxes receivable, net	61,569	-	61,569
Due from other funds	10,535	-	10,535
Receivable from other governments	38,211	51,214	89,425
Other receivables	67,367	-	67,367
RFP receivable	228,639	-	228,639
Inventories	-	7,963	7,963
Prepaid expenses	34,085	-	34,085
Restricted cash	25,245	-	25,245
Total assets	<u>884,879</u>	<u>357,605</u>	<u>1,242,484</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	48,722	10,414	59,136
Due to other funds	42,187	-	42,187
Deferred revenue - property tax	41,834	-	41,834
Deferred revenue	228,639	-	228,639
Other accrued expenses	3,089	938	4,027
Other payables	-	6,801	6,801
Total liabilities	<u>364,471</u>	<u>18,153</u>	<u>382,624</u>
Fund balances:			
Reserved for:			
Inventories and prepaids	34,085	7,963	42,048
Other purposes	25,245	19,980	45,225
Unreserved	426,993	-	426,993
Unreserved, reported in non-major:			
Special revenue funds	-	46,621	46,621
Capital projects funds	-	22,199	22,199
Permanent endowment fund	-	242,689	242,689
Total fund balances	<u>520,408</u>	<u>339,452</u>	<u>859,860</u>
Total liabilities and fund balances	<u>\$ 884,879</u>	<u>\$ 357,605</u>	<u>\$ 1,242,484</u>

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

**City of Washington, Georgia**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**December 31, 2009**

Total fund balance, governmental funds (Exhibit C)	\$	859,860
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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 financial statement, but are reported in the governmental activities of the Statement of Net Assets. Those assets consist of:

Land		217,604
Construction in progress		600,697
Infrastructure, net of \$520,001 of accumulated depreciation		1,923,667
Buildings and improvements, net of \$1,976,758 of accumulated depreciation		1,992,500
Equipment and vehicles, net of \$1,131,848 of accumulated depreciation		1,095,278

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, 2008 are:

Notes payable		(1,830,495)
Compensated absences		(80,623)

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

41,837

Net Assets of Governmental Activities in the Statement of Net Assets (Exhibit A)	\$	4,820,325
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**City of Washington, Georgia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2009**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 1,519,931	\$ -	\$ 1,519,931
Licenses and permits	83,548	-	83,548
Intergovernmental	286,693	564,410	851,103
Charges for services	167,122	56,886	224,008
Fines and forfeitures	189,376	-	189,376
Investment earnings	8,345	7,749	16,094
Contributions and donations	17,102	10,741	27,843
Miscellaneous	88,760	428	89,188
Total revenues	<u>2,360,877</u>	<u>640,214</u>	<u>3,001,091</u>
<b>EXPENDITURES</b>			
Current:			
General government	493,423	3,521	496,944
Judicial	1,938	-	1,938
Public Safety	1,745,893	281,354	2,027,247
Public Works	982,728	-	982,728
Health and Welfare	219,626	-	219,626
Culture and Recreation	378,038	-	378,038
Housing and Development	314,422	684,804	999,226
Debt Service:			
Principal	113,856	-	113,856
Interest and other charges	72,823	-	72,823
Total Expenditures	<u>4,322,747</u>	<u>969,679</u>	<u>5,292,426</u>
Excess (deficiency) of revenues over expenditures	<u>(1,961,870)</u>	<u>(329,465)</u>	<u>(2,291,335)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital asset	1,548	-	1,548
Transfers in	2,724,206	784,811	3,509,017
Transfers out	<u>(784,811)</u>	<u>(358,739)</u>	<u>(1,143,550)</u>
Total other financing sources and uses	<u>1,940,943</u>	<u>426,072</u>	<u>2,367,015</u>
Net change in fund balances	(20,927)	96,607	75,680
Fund balances - beginning	<u>541,335</u>	<u>242,845</u>	<u>784,180</u>
Fund balances - ending	<u>\$ 520,408</u>	<u>\$ 339,452</u>	<u>\$ 859,860</u>

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

**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, 2009**

Net change in fund balances - total governmental funds (Exhibit E) \$ 75,680

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report 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 \$870,200 exceeded depreciation \$263,963 in the current period.

606,237

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.

(5,500)

Payments on notes payable are reported as expenditures in the governmental funds, but reduces the liability in the statement of net assets.

113,856

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 (\$41,546) exceeds the current year deferral (\$41,834,).

288

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.

15,864

Change in net assets of governmental activities (Exhibit B)

\$ 806,425

**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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 1,655,150	\$ 1,655,150	\$ 1,519,931	\$ (135,219)
Licenses and permits	80,100	80,100	83,548	3,448
Intergovernmental	881,651	381,651	286,693	(94,958)
Charges for services	167,394	168,994	167,122	(1,872)
Fines and forfeitures	125,000	157,300	189,376	32,076
Investment earnings	7,680	7,680	8,345	665
Contributions and donations	3,324	3,324	17,102	13,778
Miscellaneous	68,446	68,446	88,760	20,314
Total revenues	<u>2,988,745</u>	<u>2,522,645</u>	<u>2,360,877</u>	<u>(161,768)</u>
<b>EXPENDITURES</b>				
Current:				
General government	443,990	493,425	493,423	2
Judicial	2,307	1,938	1,938	-
Public Safety	1,685,387	1,745,904	1,745,893	11
Public Works	924,556	982,729	982,728	1
Health and Welfare	195,500	219,627	219,626	1
Culture and recreation	353,592	378,042	378,038	4
Housing and development	1,172,615	314,432	314,422	10
Debt Service:				
Principal	116,340	116,340	113,856	2,484
Interest and other charges	69,926	70,341	72,823	(2,482)
Total Expenditures	<u>4,964,213</u>	<u>4,322,778</u>	<u>4,322,747</u>	<u>31</u>
Excess (deficiency) of revenues over expenditures	<u>(1,975,468)</u>	<u>(1,800,133)</u>	<u>(1,961,870)</u>	<u>(161,737)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	80,000	80,000	-	(80,000)
Proceeds from sale capital assets	4,000	4,000	1,548	(2,452)
Transfers in	1,992,594	2,331,519	2,724,206	392,687
Transfers out	(142,176)	(656,374)	(784,811)	(128,437)
Total other financing sources and uses	<u>1,934,418</u>	<u>1,759,145</u>	<u>1,940,943</u>	<u>181,798</u>
Net change in fund balances	<u>\$ (41,050)</u>	<u>\$ (40,988)</u>	(20,927)	<u>\$ 20,061</u>
Fund balances - beginning			<u>541,335</u>	
Fund balances - ending			<u>\$ 520,408</u>	

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

**City of Washington, Georgia**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2009**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Water &amp; Sewer Fund</b>	<b>Electric Fund</b>	<b>Other Enterprise Funds</b>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 7,548	\$ 25,155	\$ -	\$ 32,703
Investments	143,714	1,338,861	-	1,482,575
Accounts Receivable, net	283,270	1,094,244	64,789	1,442,303
Due from other funds	384,439	-	42,187	426,626
MEAG receivable	-	327,910	-	327,910
Inventories	115,623	251,615	-	367,238
Prepaid Expenses	-	23,874	-	23,874
Restricted assets	-	6,709,696	-	6,709,696
Total current assets	<u>934,594</u>	<u>9,771,355</u>	<u>106,976</u>	<u>10,812,925</u>
Non-current assets:				
Capital Assets:				
Land and improvements	194,710	8,480	-	203,190
Construction in Progress	496,608	-	-	496,608
Infrastructure	12,072,131	2,413,073	-	14,485,204
Buildings	57,481	494,044	175,300	726,825
Equipment and Vehicles	182,683	404,316	886,043	1,473,042
Less Accumulated depreciation	<u>(6,547,543)</u>	<u>(1,599,442)</u>	<u>(664,837)</u>	<u>(8,811,822)</u>
Total capital assets	<u>6,456,070</u>	<u>1,720,471</u>	<u>396,506</u>	<u>8,573,047</u>
Total non-current assets	<u>6,456,070</u>	<u>1,720,471</u>	<u>396,506</u>	<u>8,573,047</u>
Total assets	<u><u>7,390,664</u></u>	<u><u>11,491,826</u></u>	<u><u>503,482</u></u>	<u><u>19,385,972</u></u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	-	631,788	-	631,788
Salaries payable	764	1,385	710	2,859
Due to other funds	3,836	391,138	-	394,974
Other accrued expenses	-	41,838	-	41,838
Customer deposits	99,533	443,724	-	543,257
Notes and loans payable	147,601	-	-	147,601
Total current liabilities	<u>251,734</u>	<u>1,509,873</u>	<u>710</u>	<u>1,762,317</u>
Non-current liabilities:				
Compensated absences	13,127	20,532	7,790	41,449
Notes and loans payable	<u>2,045,770</u>	<u>-</u>	<u>-</u>	<u>2,045,770</u>
Total non-current liabilities	<u>2,058,897</u>	<u>20,532</u>	<u>7,790</u>	<u>2,087,219</u>
Total liabilities	<u><u>2,310,631</u></u>	<u><u>1,530,405</u></u>	<u><u>8,500</u></u>	<u><u>3,849,536</u></u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	4,262,699	1,720,471	396,506	6,379,676
Restricted Investments	-	6,709,696	-	6,709,696
Unrestricted	<u>817,334</u>	<u>1,531,254</u>	<u>98,476</u>	<u>2,447,064</u>
Total net assets	<u><u>\$ 5,080,033</u></u>	<u><u>\$ 9,961,421</u></u>	<u><u>\$ 494,982</u></u>	<u><u>\$ 15,536,436</u></u>

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

**City of Washington, Georgia**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2009**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Water &amp; Sewer Fund</b>	<b>Electric Fund</b>	<b>Other Enterprise Funds</b>	
<b>REVENUES</b>				
Charges for services	\$ 2,121,255	\$ 9,659,168	\$ 578,259	\$ 12,358,682
Infrastructure surcharge	146,480	-	-	146,480
Tap fees	10,764	-	-	10,764
Miscellaneous	12,785	4,402	-	17,187
Total operating revenues	<u>2,291,284</u>	<u>9,663,570</u>	<u>578,259</u>	<u>12,533,113</u>
<b>OPERATING EXPENSES</b>				
Cost of sales	-	6,357,025	-	6,357,025
Personal services	302,981	520,603	262,370	1,085,954
Contractual services	1,808,706	502,596	274,287	2,585,589
Supplies	31,583	137,779	30,580	199,942
Depreciation	293,228	101,854	80,416	475,498
Other costs	17,238	171,004	5,527	193,769
Total Operating Expenses	<u>2,453,736</u>	<u>7,790,861</u>	<u>653,180</u>	<u>10,897,777</u>
Operating income (loss)	<u>(162,452)</u>	<u>1,872,709</u>	<u>(74,921)</u>	<u>1,635,336</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	10,000	-	-	10,000
Interest and investment revenue	10,057	250,823	-	260,880
Interest expense	(93,853)	-	-	(93,853)
Total non-operating revenue (expenses)	<u>(73,796)</u>	<u>250,823</u>	<u>-</u>	<u>177,027</u>
Income (loss) before contributions and transfers	<u>(236,248)</u>	<u>2,123,532</u>	<u>(74,921)</u>	<u>1,812,363</u>
Transfers in	358,739	6,611	11,696	377,046
Transfers out	(6,611)	(2,706,546)	(29,356)	(2,742,513)
Change in net assets before special item	<u>115,880</u>	<u>(576,403)</u>	<u>(92,581)</u>	<u>(553,104)</u>
Special item	-	7,417,177	-	7,417,177
Change in net assets	<u>115,880</u>	<u>6,840,774</u>	<u>(92,581)</u>	<u>6,864,073</u>
Total net assets - beginning	<u>4,964,153</u>	<u>3,120,647</u>	<u>587,563</u>	<u>8,672,363</u>
Total net assets - ending	<u>\$ 5,080,033</u>	<u>\$ 9,961,421</u>	<u>\$ 494,982</u>	<u>\$ 15,536,436</u>

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

**City of Washington, Georgia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2009**

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Water &amp; Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	
<b>Cash flows from operating activities:</b>				
Cash received from customers on sales	\$2,265,734	\$ 9,587,982	\$ 583,147	\$ 12,436,863
Cash payments to suppliers	(1,858,979)	(7,028,932)	(302,717)	(9,190,628)
Cash payments to employees	(312,246)	(530,959)	(267,001)	(1,110,206)
Other operating revenues	12,785	4,402	-	17,187
Net cash provided by operating activities	<u>107,294</u>	<u>2,032,493</u>	<u>13,429</u>	<u>2,153,216</u>
<b>Cash flows from noncapital financing activities:</b>				
Due from other funds	75,731	2,414,677	10,546	2,500,954
Due to other funds	3,836	(2,473,563)	-	(2,469,727)
Transfers to other funds	(6,611)	(2,699,935)	(29,356)	(2,735,902)
Transfers from other funds	358,739	-	11,696	370,435
Net cash provided by (used for) noncapital financing activities	<u>431,695</u>	<u>(2,758,821)</u>	<u>(7,114)</u>	<u>(2,334,240)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(195,183)	(35,321)	(6,315)	(236,819)
Capital contributions	10,000	-	-	10,000
Interest paid on notes & leases payable	(93,853)	-	-	(93,853)
Principal paid on bonds and notes payable	(260,132)	-	-	(260,132)
Net cash (used for) capital and related financing activities	<u>(539,168)</u>	<u>(35,321)</u>	<u>(6,315)</u>	<u>(580,804)</u>
<b>Cash flows from investing activities:</b>				
Interest and dividends on investments	10,058	250,823	-	260,881
Proceeds from sale of investments	-	522,698	-	522,698
Purchase of investments	(9,779)	-	-	(9,779)
Net cash provided by (used for) investing activities	<u>279</u>	<u>773,521</u>	<u>-</u>	<u>773,800</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>100</b>	<b>11,872</b>	<b>-</b>	<b>11,972</b>
<b>Cash and cash equivalents, January 1</b>	<b>7,448</b>	<b>13,283</b>	<b>-</b>	<b>20,731</b>
<b>Cash and cash equivalents, December 31</b>	<b><u>\$ 7,548</u></b>	<b><u>\$ 25,155</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 32,703</u></b>

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

**City of Washington, Georgia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2009**

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Water &amp; Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (162,452)	\$ 1,872,709	\$ (74,921)	\$ 1,635,336
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation and amortization	293,228	101,854	80,416	475,498
Change in assets and liabilities:				
Receivables, net	4,473	(196,730)	10,415	(181,842)
Inventory	(26,667)	(23,031)	-	(49,698)
Prepaid items	7,977	(690)	2,150	9,437
Accounts payable	-	23,835	-	23,835
Accrued expenses	(9,265)	(10,356)	(4,631)	(24,252)
Customer deposits	-	264,902	-	264,902
Total adjustments	<u>269,746</u>	<u>159,784</u>	<u>88,350</u>	<u>517,880</u>
<b>Net cash provided by operating activities</b>	<u>\$ 107,294</u>	<u>\$ 2,032,493</u>	<u>\$ 13,429</u>	<u>\$ 2,153,216</u>

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

# **Notes to the Financial Statements**

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**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 council members are elected to staggered four-year terms. The Mayor serves as the Chief Executive Officer and the other six council members serve on a part-time basis. The Mayor is assisted by a city 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 (the primary government) and its component units. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Government Accounting and Financial Reporting Standards, include whether:

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

*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.

*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.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

*Fund Financial Statements:* The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and 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.

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

*Governmental Fund Financial Statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. All business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The government has elected not to follow subsequent private-sector guidance.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**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 unrestricted resources first, then restricted resources when approved by council.

**C. Budgets and Budgetary Accounting**

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

1. In 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 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. 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 uncollectibles, 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 taxes deferred at December 31, 2009 were \$41,834.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Property taxes are administered based on the following calendar:

<b>Property Tax Year</b>	<u><b>2008</b></u>
Lien Date	March 30, 2008
Levy Date	March 26, 2009
Collection period	April 7, 2009 - June 10, 2009
Due date	June 10, 2009

**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, 2009 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 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.

The costs of normal maintenance and repairs that do not add to the value of the asset 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 of 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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 Electric fund has certain resources set aside for the purpose of funding capital improvements.

**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.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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.

**L. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**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 nonvesting accumulating rights to receive sick pay benefits.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Deficit Fund Balance or Retained Earnings**

The following funds had a deficit fund balance at December 31, 2009:

CBDG/CHIP Grant Capital Project fund \$(10,414)

**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. It is the responsibility of GMEBS to function as 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, GA 30303 or calling (404) 688-0472.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 3: RETIREMENT PLAN, continued**

For the year ended July 1, 2009 (the most recent actuarial valuation date), the City's total payroll for all employees and the City's total covered payroll amounted to \$2,303,526. 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. The pension benefits were fully vested after 10 years in the Plan. An employee may retire at age 65 and 5 years of service. An employee may elect early retirement at age 55 provided he 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	20
Active employees - vested	45
Active employees - nonvested	<u>37</u>
Total	<u>142</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 \$228,341. 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 fluctuation 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. However, due to the recent unprecedented decline in the investment market and the volatility this creates for funding governmental pension plans, the Board of Trustees has adopted an alternative recommended contribution. The alternative recommended contribution will also be the Actuarial Required Contribution for GASB purposes. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method. Plan members are not permitted to contribute to the City of Washington Retirement Plan.

The actuarially determined recommended contribution was \$297,185 and the alternative recommended contribution was \$228,341 which results in a difference of \$68,844. The City made the actuarially determined recommended contribution.

**Annual Pension Cost**

The City's annual pension cost of \$297,185 was equal to the City's required and actual contributions for the plan year ended July 1, 2009.

**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:

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 3: RETIREMENT PLAN, continued**

The present values of future pension payments were computed by using a discount rate of 8%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.

Future pension payments reflect an assumption of a 5% (computed annually) salary increase and an assumption of a .5% (computed annually) salary increase as a result of merit or seniority. The inflation rate assumption used is 2.50%.

**Three-Year Trend Information**

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/09	\$ 297,185	100%	-
12/31/08	156,306	100%	-
12/31/07	143,780	100%	-

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

Measurement 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
7/1/2009	\$ 3,509,860	\$ 4,491,996	\$ 982,136	78.14%	\$ 2,303,526	42.6%

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, 2009, 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 and the Flexible Trust Account 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 had been 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.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 4: DEPOSITS AND INVESTMENTS, continued**

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 the Flexible Trust Account as investments in the Utilities fund at fair market value, which was \$758,814 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 required 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 and 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. At December 31, 2009, the average remaining terms of the investments in collateralized mortgage obligations is approximately seven years.

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, 2009, 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 transactions are major financial institutions with either high investment grade credit ratings 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 transaction defaults or if the swap is terminated. Any termination of the swap agreements may also result in MEAG Power through the appropriate trust account making or receiving a settlement payment.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 4: DEPOSITS AND INVESTMENTS, continued**

**Investments**

As of December 31, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
<b>General Fund</b>	
Certificates of Deposit	\$ 195,077
<b>Water &amp; Sewer Fund</b>	
Certificates of Deposit	143,714
<b>Electric Fund</b>	
Certificates of Deposit	580,047
MEAG Trust	758,814
MEAG Trust - Restricted	6,709,696
<b>Non-major Governmental</b>	
Certificates of Deposit	209,062
Restricted Certificates of Deposit	<u>19,980</u>
	<u>\$ 8,616,390</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 bankers' acceptances;
- The State of Georgia Local Government Investment Pool;
- Repurchase agreements; and
- Obligations of other political subdivisions of the State of Georgia.

According to State of Georgia law OCGA 50-17-59, all deposits must be secured by certain statutory obligations in an amount equal to 110% of uninsured deposits.

**Concentration 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, 2009.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 5: RECEIVABLES**

	<u>General Fund</u>	<u>Nonmajor Gov't Funds</u>	<u>Water &amp; Sewer Fund</u>	<u>Electric Fund</u>	<u>Nonmajor Enterprise</u>
Accounts	\$ 8,845	\$ -	\$ 365,323	\$ 1,440,912	\$ 85,749
Taxes	86,409	-	-	-	-
Intergovernmental	38,211	82,459	-	-	-
RFP receivable	228,639	-	-	-	-
Other	119,911	-	-	327,910	-
Gross Receivables	<u>482,015</u>	<u>82,459</u>	<u>365,323</u>	<u>1,768,822</u>	<u>85,749</u>
Less: allowance for uncollectibles	(86,229)	-	(82,053)	(346,668)	(20,960)
Net total receivables	<u>\$ 395,786</u>	<u>\$ 82,459</u>	<u>\$ 283,270</u>	<u>\$ 1,422,154</u>	<u>\$ 64,789</u>

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2009 was as follows:

<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 217,604	\$ -	\$ -	\$ 217,604
Construction in progress	3,978	600,697	3,978	600,697
Total capital assets not being depreciated	<u>221,582</u>	<u>600,697</u>	<u>3,978</u>	<u>818,301</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	2,239,282	204,386	-	2,443,668
Buildings	3,969,258	-	-	3,969,258
Equipment, furniture & vehicles	2,212,514	69,095	54,480	2,227,129
Total capital assets being depreciated	<u>8,421,054</u>	<u>273,481</u>	<u>54,480</u>	<u>8,640,055</u>
Less accumulated depreciation for:				
Infrastructure	472,824	47,177	-	520,001
Buildings	1,901,704	75,054	-	1,976,758
Equipment, furniture & vehicles	1,039,099	141,732	48,980	1,131,851
Total accumulated depreciation	<u>3,413,627</u>	<u>263,963</u>	<u>48,980</u>	<u>3,628,610</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 5,229,009</u>	<u>\$ 610,215</u>	<u>\$ 9,478</u>	<u>\$ 5,829,746</u>

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 6: CAPITAL ASSETS, continued**

<b>Business type Activities:</b>	<b>Beginning</b>			<b>Ending</b>
<b>Water &amp; Sewer Fund:</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 194,710	\$ -	\$ -	\$ 194,710
Construction in Progress	<u>301,425</u>	<u>195,183</u>	<u>-</u>	<u>496,608</u>
Total capital assets not being depreciated	<u>496,135</u>	<u>195,183</u>	<u>-</u>	<u>691,318</u>
<i>Capital assets being depreciated:</i>				
Buildings	57,481	-	-	57,481
Plant Systems	12,072,131	-	-	12,072,131
Machinery and equipment	66,796	-	-	66,796
Vehicles	<u>115,887</u>	<u>-</u>	<u>-</u>	<u>115,887</u>
Total capital assets being depreciated	<u>12,312,295</u>	<u>-</u>	<u>-</u>	<u>12,312,295</u>
<i>Less accumulated depreciation for:</i>				
Buildings	32,921	1,733	-	34,654
Plant Systems	6,065,737	285,930	-	6,351,667
Machinery and equipment	52,786	1,050	-	53,836
Vehicles	<u>102,870</u>	<u>4,516</u>	<u>-</u>	<u>107,386</u>
Total accumulated depreciation	<u>6,254,314</u>	<u>293,229</u>	<u>-</u>	<u>6,547,543</u>
<b>Water &amp; sewer fund capital assets, net</b>	<u>\$ 6,554,116</u>	<u>\$ (98,046)</u>	<u>\$ -</u>	<u>\$ 6,456,070</u>

<b>Business type Activities:</b>	<b>Beginning</b>			<b>Ending</b>
<b>Electric Fund:</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,480	\$ -	\$ -	\$ 8,480
Total capital assets not being depreciated	<u>8,480</u>	<u>-</u>	<u>-</u>	<u>8,480</u>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 494,044	\$ -	\$ -	\$ 494,044
Plant systems	2,385,042	28,031	-	2,413,073
Machinery and equipment	55,438	7,290	-	62,728
Vehicles	<u>341,588</u>	<u>-</u>	<u>-</u>	<u>341,588</u>
Total capital assets being depreciated	<u>3,276,112</u>	<u>35,321</u>	<u>-</u>	<u>3,311,433</u>
<i>Less accumulated depreciation for:</i>				
Buildings	361,209	1,335	-	362,544
Plant systems	889,276	77,337	-	966,613
Machinery and equipment	41,796	3,614	-	45,410
Vehicles	<u>205,307</u>	<u>19,568</u>	<u>-</u>	<u>224,875</u>
Total accumulated depreciation	<u>1,497,588</u>	<u>101,854</u>	<u>-</u>	<u>1,599,442</u>
<b>Electric fund capital assets, net</b>	<u>\$ 1,787,004</u>	<u>\$ (66,533)</u>	<u>\$ -</u>	<u>\$ 1,720,471</u>

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 6: CAPITAL ASSETS, continued**

<b>Business type Activities:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Nonmajor Enterprise Funds</b>				
<i>Capital assets being depreciated:</i>				
Buildings	\$ 175,300	\$ -	\$ -	\$ 175,300
Machinery and equipment	548,363	6,315	-	554,678
Vehicles	331,366	-	-	331,366
Total capital assets being depreciated	<u>1,055,029</u>	<u>6,315</u>	<u>-</u>	<u>1,061,344</u>
Less accumulated depreciation for:				
Buildings	125,300	-	-	125,300
Machinery and equipment	250,488	57,801	-	308,289
Vehicles	208,633	22,616	-	231,249
Total accumulated depreciation	<u>584,421</u>	<u>80,417</u>	<u>-</u>	<u>664,838</u>
<b>Nonmajor Enterprise funds capital assets, net</b>	<u>\$ 470,608</u>	<u>\$ (74,102)</u>	<u>\$ -</u>	<u>\$ 396,506</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 8,811,728</u>	<u>\$ (238,681)</u>	<u>\$ -</u>	<u>\$ 8,573,047</u>

Governmental activities depreciation expense was charged to functions as follows:

General government	\$ 7,968
Public safety	108,933
Public works	58,406
Health and welfare	78,370
Culture and recreation	9,940
Housing and development	347
Total government activities depreciation expense	<u>\$ 263,964</u>

**NOTE 7: INTERFUND BALANCES AND ACTIVITY**

**Balances Due to/from Other Funds**

<u>Due From:</u>	<u>Due to:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Water &amp; Sewer</u>	<u>Nonmajor Enterprise</u>	
General fund	\$ -	\$ -	\$ 42,187	\$ 42,187
Electric	6,699	384,439	-	391,138
Water & Sewer	3,836	-	-	3,836
	<u>\$ 10,535</u>	<u>\$ 384,439</u>	<u>\$ 42,187</u>	<u>\$ 437,161</u>

**Transfers to/from Other Funds**

Transfers to/from other funds at December 31, 2009 consists of the following:

<u>Transfer Out:</u>	<u>Transfer In:</u>					<u>Total</u>
	<u>General Fund</u>	<u>Electric Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Nonmajor Enterprise</u>	<u>Nonmajor Govt'l</u>	
General fund	\$ -	\$ -	\$ -	\$ -	\$ 784,811	\$ 784,811
Electric	2,694,850	-	-	11,696	-	2,706,546
Water & Sewer	-	6,611	-	-	-	6,611
Nonmajor Govt'l	-	-	358,739	-	-	358,739
Nonmajor Enterprise	29,356	-	-	-	-	29,356
	<u>\$ 2,724,206</u>	<u>\$ 6,611</u>	<u>\$ 358,739</u>	<u>\$ 11,696</u>	<u>\$ 784,811</u>	<u>\$ 3,886,063</u>

Due to/Due from and transfers between General, major and nonmajor governmental funds were primarily to assist in the daily operations of these funds.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 8: LONG-TERM DEBT**

**A. Governmental Funds**

General obligation to 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 \$11,093.40 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, \$700,000 was available to drawdown. The interest rate is 4.0% with a single maturity on December 31, 2010. The balance as of December 31, 2009 was \$563,658. The purpose of the loan is to finance the completion of renovation of the Pope Center.

**Long-term obligation activity:**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Pope Center Note Payable	1,944,350	-	113,855	1,830,495	647,686
Compensated absences	96,485	115,870	131,732	80,623	-
	<u>\$ 2,040,835</u>	<u>\$ 115,870</u>	<u>\$ 245,587</u>	<u>\$ 1,911,118</u>	<u>\$ 647,686</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:

**Notes Payable - Pope Center**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 647,686	\$ 65,856	\$ 713,542
2011	87,446	45,674	133,120
2012	90,882	42,239	133,121
2013	94,702	38,419	133,121
2014	98,555	34,566	133,121
2015-2019	556,200	109,404	665,604
2020-2021	255,024	10,786	265,810
	<u>\$ 1,830,495</u>	<u>\$ 346,944</u>	<u>\$ 2,177,439</u>

**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 loan was \$77,960 at December 31, 2009. The loan calls for quarterly payments of principal and interest of \$8,012 through 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 loan was \$646,071 at December 31, 2009. The loan calls for quarterly payments of principal and interest of \$14,313 through October 2024. Proceeds were used for construction of improving sewer rehab.

Note payable to Georgia Environmental Facilities Authority in the original amount of \$497,848 bearing interest at 4.24%. The balance of the loan was \$10,193 at December 31, 2009. The loan calls for quarterly payments of principal and interest of \$10,014 through May 2021. 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 loan was \$1,444,147 at December 31, 2009. The loan calls for monthly payments of principal and interest of \$9,746 through February 1, 2027. The purpose of the note was to finance improvements to the Water and Sewer system.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 8: LONG-TERM DEBT, continued**

The Water & Sewer Fund is obligated under a note to Farmers State Bank. The note was originally issued for \$77,500. The balance of the note at December 31, 2009 was \$15,000. The note is payable in full; including interest at 3.90% with a maturity of August 28, 2010. The purpose of the note was to finance a water and sewer line extension to the Detention Center.

**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, 2009:

<b>Enterprise Funds:</b>	<b><u>Beginning</u></b>			<b><u>Ending</u></b>	<b><u>Due within</u></b>
	<b><u>Balances</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balances</u></b>	<b><u>one year</u></b>
<b>Notes Payable</b>					
GEFA 88	108,071	-	30,111	77,960	30,718
GEFA 99	142,125	-	131,932	10,193	10,193
GEFA 03	677,099	-	31,028	646,071	32,269
GEFA 04	1,501,208	-	57,061	1,444,147	59,421
Regions Bank	25,000	-	10,000	15,000	15,000
<b>Compensated absence - Electric</b>	19,209	26,430	25,107	20,532	-
<b>Compensated absence-Water &amp; Sewer</b>	15,148	12,238	14,259	13,127	-
<b>Compensated absence - Nonmajor</b>	9,152	10,594	11,956	7,790	-
	<u>\$ 2,497,012</u>	<u>\$ 49,262</u>	<u>\$ 311,454</u>	<u>\$ 2,234,820</u>	<u>\$ 147,601</u>

**Debt Service Requirements**

Debt service requirements for the Notes Payable are as follows:

<b>Notes Payable</b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2010	\$ 147,601	\$ 84,287
2011	126,776	79,480
2012	115,245	74,987
2013	103,401	70,806
2014	107,628	66,579
2015-2019	607,850	263,187
2020-2024	742,687	128,350
2025-2027	242,182	12,299
	<u>\$ 2,193,370</u>	<u>\$ 779,975</u>

**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, 2009 were as follows:

	<b><u>Total</u></b>	<b><u>Interest</u></b>	<b><u>Net</u></b>
	<b><u>interest</u></b>	<b><u>costs</u></b>	<b><u>interest</u></b>
	<b><u>costs</u></b>	<b><u>capitalized</u></b>	<b><u>expense</u></b>
	<b><u>incurred</u></b>		
<b>Business-type activities:</b>			
Water and Sewer Fund	93,853	-	93,853

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 9: CONTINGENCIES AND COMMITMENTS**

**A. Grants**

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

**B. Litigation**

The City is a defendant in various lawsuits. The City records liabilities resulting from claims and legal actions only when they become probable and measurable. One pending law suit with Brightwood Lane Limited Partnership was turned over to the City's insurance company and does not expect to exceed insurance coverage. A settlement agreement was reached between the parties and finalized in March 2010.

**C. Commitments**

**Municipal Electrical Authority of Georgia**

The City of Washington, Georgia is one of approximately 50 participants who have entered into Power Sales Contract 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 therefore 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 Contract 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 "Obligation 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 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 notes issued for such purpose in anticipation of the bonds, have been paid or provision has been made for their payment.

At December 31, 2009 the outstanding debt of the Authority was approximately \$3,876,212,237. The City of Washington's guarantee varies by individual projects undertaken by the Authority and approximates \$41,513,002 at December 31, 2009.

**Georgia Public Web Membership**

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 pay, 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, 2009, the City's cost was \$26,295 in services obtained from GPW.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 9: CONTINGENCIES AND COMMITMENTS, continued**

**D. Construction**

At December 31, 2009, the City had the following active projects:

	<u>Estimated Project Cost</u>	<u>Expended to date</u>
<b>Governmental Funds</b>		
Redevelopment Project	\$ 1,105,740	\$ 785,718
<b>Water &amp; Sewer Fund</b>		
Site Upgrades - Aonia & Skull Shoals	6,500,000	496,608

**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 coverage.

**NOTE 11: JOINT VENTURES**

Under Georgia law, the City, in conjunction with other cities and counties in the Central Savannah River District, is a member of the CSRA Regional Development Center (CSRARDC) and is required to pay annual dues. Membership in the RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC's in Georgia. The RDC 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 RDC.

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

**NOTE 12: 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 statues 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

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 12: RELATED ENTITY, continued**

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 time 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, 2009, Payments in Lieu of Taxes paid to the City was \$8,177.

**NOTE 13: 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 suppliers for their retail electric power supply. This is expected to include customers assigned to electric systems of political subdivisions, which are wholesale power customers of MEAG, such as 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 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 three 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 \$740,372.

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 \$2,604,428.

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 \$4,105,268.

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

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 13: MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA (MEAG) TRUST, continued**

Prior to the anticipated actual deregulation date, the City shall have the right to cause the Trustee to use funds from the Credit Support Operating Trust Account to reduce, or as credit against, its monthly billings (i) to mitigate wholesale rate increases which have an impact of greater than 20% on the City's wholesale cost in any year (ii) to mitigate the adverse impact of any wholesale cost increase which results 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 20% 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 14: REVOLVING LOAN FUND**

During fiscal year ending December 31, 2007, the 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 \$1,129.94. 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 2009 is summarized below.

Beginning balance	\$ 17,830
Principal repayments	5,912
Interest earned - bank account	114
Interest earned - notes receivable	1,389
Other	<u>-</u>
Ending balance	<u>\$ 25,245</u>

**NOTE 15: SPECIAL ITEM**

As stated above, the City had limited withdrawal rights to the funds held in the Municipal Electric Authority of Georgia (MEAG), Municipal Competitive Trust account (MCT). Commencing January 2009, amendments were approved that changed the withdrawal rights of the trust beneficiaries. These amendments allowed access to previously unallowed funds. These changes resulted in recording of a special item to record the balances in the Credit Support and Reserve Funded Debt accounts of the MCT of \$7,417,177 as restricted assets in the Electric Fund.

**NOTE 15: SUBSEQUENT EVENT**

On January 21, 2010, the City entered into a loan agreement with the Georgia Environmental Facilities Authority (GEFA). The City borrowed \$5,700,000 from the Drinking Water State Revolving Fund to finance the costs of acquiring, constructing, and installing the upgrades to the Aonia water treatment plant with newer technology to meet current requirements, and improving the aging Skull Shoals water treatment facility. The estimated date of completion of construction is June 2011. The note has 0% interest and will be repaid in 239 consecutive monthly installments. As of June 18, 2010 there have been no draw downs on this note.

# **Required Supplementary Information**

**CITY OF WASHINGTON, GEORGIA**  
**Required Supplementary Information**  
**December 31, 2009**

**RETIREMENT PLAN**  
Schedule of Funding Progress

<u>Date</u>	<u>(a)</u> <b>Actuarial Value of Assets</b>	<u>(b)</u> <b>Actuarial Accrued Liability (AAL)</b>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>(c)</u> <b>Covered Payroll</b>	<u>UAAL as a percentage of covered payroll (b - a) / c</u>
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%
12/31/2004	3,855,296	3,644,909	(210,387)	105.8%	1,922,709	-10.9%

## **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.

### **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, 2009**

	<b>Total Special Revenue Funds</b>	<b>Total Capital Project Funds</b>	<b>Total Permanent Funds</b>	<b>Total Other Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 33,591	\$ -	\$ 35,795	\$ 69,386
Investments	2,168	-	226,874	229,042
Receivable from other governments	18,601	32,613	-	51,214
Inventories	7,963	-	-	7,963
Total assets	<u>62,323</u>	<u>32,613</u>	<u>262,669</u>	<u>357,605</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	-	10,414	-	10,414
Due to other funds	-	-	-	-
Other accrued expenses	938	-	-	938
Other payables	6,801	-	-	6,801
Total liabilities	<u>7,739</u>	<u>10,414</u>	<u>-</u>	<u>18,153</u>
Fund balances:				
Reserved for:				
Inventories	7,963	-	-	7,963
Other purposes	-	-	19,980	19,980
Unreserved	46,621	22,199	242,689	311,509
Total fund balances	<u>54,584</u>	<u>22,199</u>	<u>262,669</u>	<u>339,452</u>
Total liabilities and fund balances	<u>\$ 62,323</u>	<u>\$ 32,613</u>	<u>\$ 262,669</u>	<u>\$ 357,605</u>

**City of Washington, Georgia**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2009**

	<b>Total Special Revenue Funds</b>	<b>Total Capital Project Funds</b>	<b>Total Permanent Funds</b>	<b>Total Other Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental	\$ 116,605	\$ 447,805	\$ -	\$ 564,410
Charges for services	56,018	868	-	56,886
Investment earnings	73	-	7,676	7,749
Contributions and Donations	10,741	-	-	10,741
Miscellaneous	428	-	-	428
Total revenues	<u>183,865</u>	<u>448,673</u>	<u>7,676</u>	<u>640,214</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,521	-	-	3,521
Public Safety	281,354	-	-	281,354
Housing and Development	-	684,804	-	684,804
Total Expenditures	<u>284,875</u>	<u>684,804</u>	<u>-</u>	<u>969,679</u>
Excess (deficiency) of revenues over expenditures	<u>(101,010)</u>	<u>(236,131)</u>	<u>7,676</u>	<u>(329,465)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	230,374	554,437	-	784,811
Transfers out	-	(358,739)	-	(358,739)
Total other financing sources and uses	<u>230,374</u>	<u>195,698</u>	<u>-</u>	<u>426,072</u>
Net change in fund balances	129,364	(40,433)	7,676	96,607
Fund balances - beginning	<u>(74,780)</u>	<u>62,632</u>	<u>254,993</u>	<u>242,845</u>
Fund balances - ending	<u>\$ 54,584</u>	<u>\$ 22,199</u>	<u>\$ 262,669</u>	<u>\$ 339,452</u>

**City of Washington, Georgia  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2009**

	<u>Police Special Revenue</u>	<u>Callaway Plantation Operating</u>	<u>E-911</u>	<u>Callaway Plantation Furnishings</u>	<u>Callaway Charitable Trust</u>	<u>Total Special Revenue Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 9,101	\$ -	\$ 238	\$ 17,451	\$ 6,801	\$ 33,591
Investments	-	2,168	-	-	-	2,168
Receivable from other governments	-	-	18,601	-	-	18,601
Inventories	-	-	-	7,963	-	7,963
Total assets	<u>9,101</u>	<u>2,168</u>	<u>18,839</u>	<u>25,414</u>	<u>6,801</u>	<u>62,323</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	-	-	-	-	-	-
Other accrued expenses	-	-	938	-	-	938
Other payables	-	-	-	-	6,801	6,801
Total liabilities	<u>-</u>	<u>-</u>	<u>938</u>	<u>-</u>	<u>6,801</u>	<u>7,739</u>
Fund balances:						
Reserved for:						
Inventories	-	-	-	7,963	-	7,963
Unreserved	9,101	2,168	17,901	17,451	-	46,621
Total fund balances	<u>9,101</u>	<u>2,168</u>	<u>17,901</u>	<u>25,414</u>	<u>-</u>	<u>54,584</u>
Total liabilities and fund balances	<u>\$ 9,101</u>	<u>\$ 2,168</u>	<u>\$ 18,839</u>	<u>\$ 25,414</u>	<u>\$ 6,801</u>	<u>\$ 62,323</u>

**City of Washington, Georgia**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2009**

	<u>Police Special Revenue</u>	<u>Callaway Plantation Operating</u>	<u>E-911</u>	<u>Callaway Plantation Furnishings</u>	<u>Callaway Charitable Trust</u>	<u>Total Special Revenue Funds</u>
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ 116,605	\$ -	\$ -	\$ 116,605
Charges for services	-	-	56,018	-	-	56,018
Investment earnings	-	73	-	-	-	73
Contributions and Donations	5,726	-	-	5,015	-	10,741
Miscellaneous	428	-	-	-	-	428
Total revenues	<u>6,154</u>	<u>73</u>	<u>172,623</u>	<u>5,015</u>	<u>-</u>	<u>183,865</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	3,521	-	3,521
Public Safety	6,795	-	274,559	-	-	281,354
Total Expenditures	<u>6,795</u>	<u>-</u>	<u>274,559</u>	<u>3,521</u>	<u>-</u>	<u>284,875</u>
Excess (deficiency) of revenues over expenditures	<u>(641)</u>	<u>73</u>	<u>(101,936)</u>	<u>1,494</u>	<u>-</u>	<u>(101,010)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	230,374	-	-	230,374
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>230,374</u>	<u>-</u>	<u>-</u>	<u>230,374</u>
Net change in fund balances	(641)	73	128,438	1,494	-	129,364
Fund balances - beginning	9,742	2,095	(110,537)	23,920	-	(74,780)
Fund balances - ending	<u>\$ 9,101</u>	<u>\$ 2,168</u>	<u>\$ 17,901</u>	<u>\$ 25,414</u>	<u>\$ -</u>	<u>\$ 54,584</u>

**City of Washington, Georgia**  
**Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**December 31, 2009**

	<u>CDBG/ CHIP Grant Fund</u>	<u>SPLOST Fund</u>	<u>Total Capital Project Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivable from other governments	-	32,613	32,613
Total assets	<u>-</u>	<u>32,613</u>	<u>32,613</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	10,414	-	10,414
Total liabilities	<u>10,414</u>	<u>-</u>	<u>10,414</u>
Fund balances:			
Unreserved	(10,414)	32,613	22,199
Total fund balances	<u>(10,414)</u>	<u>32,613</u>	<u>22,199</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 32,613</u>	<u>\$ 32,613</u>

**City of Washington, Georgia**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended December 31, 2009**

	<b>CDBG/ CHIP Grant Fund</b>	<b>SPLOST Fund</b>	<b>Total Capital Projects Funds</b>
<b>REVENUES</b>			
Intergovernmental	\$121,678	\$ 326,127	\$447,805
Charges for services	868	-	868
Total revenues	<u>122,546</u>	<u>326,127</u>	<u>448,673</u>
<b>EXPENDITURES</b>			
Housing and Development	684,804	-	684,804
Total Expenditures	<u>684,804</u>	<u>-</u>	<u>684,804</u>
Excess (deficiency) of revenues over expenditures	<u>(562,258)</u>	<u>326,127</u>	<u>(236,131)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	554,437	-	554,437
Transfers out	-	(358,739)	(358,739)
Total other financing sources and uses	<u>554,437</u>	<u>(358,739)</u>	<u>195,698</u>
Net change in fund balances	<u>(7,821)</u>	<u>(32,612)</u>	<u>(40,433)</u>
Fund balances - beginning	<u>(2,593)</u>	<u>65,225</u>	<u>62,632</u>
Fund balances - ending	<u><u>\$ (10,414)</u></u>	<u><u>\$ 32,613</u></u>	<u><u>\$ 22,199</u></u>

**City of Washington, Georgia**  
**Combining Balance Sheet**  
**Nonmajor Permanent Funds**  
**December 31, 2009**

	<u>Cemetery Fund</u>	<u>Historical Properties Commission</u>	<u>Callaway Charitable Trust</u>	<u>Total Permanent Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 35,795	\$ 35,795
Investments	200,010	16,572	10,292	226,874
Total assets	<u>200,010</u>	<u>16,572</u>	<u>46,087</u>	<u>262,669</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances:				
Reserved for:				
Other purposes	-	9,990	9,990	19,980
Unreserved	200,010	6,582	36,097	242,689
Total fund balances	<u>200,010</u>	<u>16,572</u>	<u>46,087</u>	<u>262,669</u>
Total liabilities and fund balances	<u>\$ 200,010</u>	<u>\$ 16,572</u>	<u>\$ 46,087</u>	<u>\$ 262,669</u>

**City of Washington, Georgia**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Permanent Funds**  
**For the Year Ended December 31, 2009**

	<u>Cemetery Fund</u>	<u>Historical Properties Commission</u>	<u>Callaway Charitable Trust</u>	<u>Total Permanent Funds</u>
<b>REVENUES</b>				
Investment earnings	\$ 6,754	\$ 456	\$ 466	\$ 7,676
Total revenues	<u>6,754</u>	<u>456</u>	<u>466</u>	<u>7,676</u>
<b>EXPENDITURES</b>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	6,754	456	466	7,676
<b>OTHER FINANCING (USES)</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	6,754	456	466	7,676
Fund balances - beginning	193,256	16,116	45,621	254,993
Fund balances - ending	<u>\$ 200,010</u>	<u>\$ 16,572</u>	<u>\$ 46,087</u>	<u>\$ 262,669</u>

**City of Washington, Georgia**  
**Police Department Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Contributions	\$ 4,000	\$ 5,726	\$ 5,726	\$ -
Other	<u>500</u>	<u>500</u>	<u>428</u>	<u>(72)</u>
Total Revenues	<u>4,500</u>	<u>6,226</u>	<u>6,154</u>	<u>(72)</u>
<b>EXPENDITURES</b>				
Public Safety	<u>4,500</u>	<u>6,800</u>	<u>6,795</u>	<u>5</u>
Total Expenditures	<u>4,500</u>	<u>6,800</u>	<u>6,795</u>	<u>5</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (574)</u>	(641)	<u>\$ (67)</u>
Fund Balance - January 1			<u>9,742</u>	
Fund Balance - December 31			<u>\$ 9,101</u>	

Exhibit 10

**City of Washington, Georgia**  
**Callaway Plantation Operating Trust**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Investment income	\$ <u>100</u>	\$ <u>100</u>	\$ <u>73</u>	\$ <u>(27)</u>
Total Revenues	<u>100</u>	<u>100</u>	<u>73</u>	<u>(27)</u>
<b>EXPENDITURES</b>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 100</u>	<u>\$ 100</u>	73	<u>\$ (27)</u>
Fund Balance - January 1			<u>2,095</u>	
Fund Balance - December 31			<u>\$ 2,168</u>	

**City of Washington, Georgia**  
**E-911 Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Ingovernmental	\$ -	\$ -	\$ 116,605	\$ 116,605
Charges for Services	222,409	222,409	56,018	(166,391)
Total Revenues	<u>222,409</u>	<u>222,409</u>	<u>172,623</u>	<u>(49,786)</u>
<b>EXPENDITURES</b>				
Public Safety	360,385	347,185	274,559	72,626
Total Expenditures	<u>360,385</u>	<u>347,185</u>	<u>274,559</u>	<u>72,626</u>
<b>Deficiency of Revenues under Expenditures</b>	(137,976)	(124,776)	(101,936)	33,718
<b>Other financing sources:</b>				
Transfers from other funds	137,976	124,776	230,374	105,598
<b>Total other financing sources</b>	<u>137,976</u>	<u>124,776</u>	<u>230,374</u>	<u>105,598</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	128,438	<u>\$ 139,316</u>
Fund Balance - January 1			(110,537)	
Fund Balance - December 31			<u>\$ 17,901</u>	

Exhibit 12

**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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Contributions	\$ -	\$ 5,000	\$ 5,015	\$ 15
Total Revenues	<u>-</u>	<u>5,000</u>	<u>5,015</u>	<u>15</u>
<b>EXPENDITURES</b>				
Culture & Recreation	-	5,000	3,521	1,479
Total Expenditures	<u>-</u>	<u>5,000</u>	<u>3,521</u>	<u>1,479</u>
Net change in fund balances			1,494	
Fund Balance - January 1			23,920	
Fund Balance - December 31			<u>\$ 25,414</u>	

**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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Other	-	-	-	-
Total Revenues	-	-	-	-
<b>EXPENDITURES</b>				
Total Expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund Balance - January 1			-	
Fund Balance - December 31			\$ -	

Exhibit 14

**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, 2009**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to date</u>	<u>Project Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 1,335,567	357,372	\$ 1,692,939	\$ 2,025,526
Other	-	-	-	-
Total Revenues	<u>1,335,567</u>	<u>357,372</u>	<u>1,692,939</u>	<u>2,025,526</u>
<b>EXPENDITURES</b>				
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Net change in fund balance	<u>1,335,567</u>	<u>357,372</u>	1,692,939	<u>2,025,526</u>
Other financing sources/(uses):				
Transfers to other funds	<u>(1,298,837)</u>	<u>(358,739)</u>	<u>(1,657,576)</u>	<u>2,025,526</u>
	<u>(1,298,837)</u>	<u>(358,739)</u>	<u>(1,657,576)</u>	-
Fund Balance - January 1		<u>65,225</u>		
Fund Balance - December 31		\$ <u>63,858</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, 2009**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to date</u>	<u>Project Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 121,678	\$ 121,678	\$ 800,000
Charges for services	-	868	868	-
Total Revenues	<u>-</u>	<u>122,546</u>	<u>122,546</u>	<u>800,000</u>
<b>EXPENDITURES</b>				
Housing and development	<u>100,914</u>	<u>684,804</u>	<u>785,718</u>	<u>1,098,500</u>
Total Expenditures	<u>100,914</u>	<u>684,804</u>	<u>785,718</u>	<u>1,098,500</u>
Net change in fund balance	<u>(100,914)</u>	<u>(562,258)</u>	(663,172)	<u>(298,500)</u>
Other financing sources/(uses):				
Transfers from other funds	<u>98,321</u>	<u>554,437</u>	<u>652,758</u>	<u>298,500</u>
	<u>98,321</u>	<u>554,437</u>	<u>652,758</u>	<u>298,500</u>
Fund Balance - January 1		<u>(2,593)</u>		
Fund Balance - December 31		<u>\$ (10,414)</u>		

Exhibit 16

**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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Investment income	\$ 2,000	\$ 2,000	\$ 6,754	\$ 4,754
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>6,754</u>	<u>4,754</u>
<b>EXPENDITURES</b>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 2,000</u>	<u>\$ 2,000</u>	6,754	<u>\$ 4,754</u>
Fund Balance - January 1			<u>193,256</u>	
Fund Balance - December 31			<u>\$ 200,010</u>	

**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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Investment income	\$ 700	\$ 700	\$ 456	\$ (244)
Total Revenues	<u>700</u>	<u>700</u>	<u>456</u>	<u>(244)</u>
<b>EXPENDITURES</b>				
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 700</u>	<u>\$ 700</u>	456	<u>\$ (244)</u>
Fund Balance - January 1			<u>16,116</u>	
Fund Balance - December 31			<u>\$ 16,572</u>	

Exhibit 18

**City of Washington, Georgia**  
**Callaway Charitable Trust Endowment - Principal**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Investment income	\$ 450	\$ 450	\$ 466	\$ 16
Total Revenues	<u>450</u>	<u>450</u>	<u>466</u>	<u>16</u>
<b>EXPENDITURES</b>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing (uses):</b>				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 450</u>	<u>\$ 450</u>	466	<u>\$ 16</u>
Fund Balance - January 1			<u>45,621</u>	
Fund Balance - December 31			<u>\$ 46,087</u>	

## **Nonmajor Proprietary Funds**

### **Enterprise Funds**

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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 that periodic determination of net income appropriate for accountability purposes.

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**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**  
**Combining Statement of Net Assets**  
**Nonmajor Proprietary Funds**  
**December 31, 2009**

	<u>Solid Waste Fund</u>	<u>Internet Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Accounts Receivable, net	\$ 56,121	\$ 8,668	\$ 64,789
Due from other funds	42,187	-	42,187
Total current assets	<u>98,308</u>	<u>8,668</u>	<u>106,976</u>
Non-current assets:			
Capital Assets:			
Buildings	175,300	-	175,300
Equipment and Vehicles	366,332	519,711	886,043
Less Accumulated depreciation	<u>(372,010)</u>	<u>(292,827)</u>	<u>(664,837)</u>
Total capital assets	<u>169,622</u>	<u>226,884</u>	<u>396,506</u>
Total assets	<u><u>267,930</u></u>	<u><u>235,552</u></u>	<u><u>503,482</u></u>
<b>LIABILITIES</b>			
Current Liabilities:			
Salaries payable	710	-	710
Total current liabilities	<u>710</u>	<u>-</u>	<u>710</u>
Non-current liabilities:			
Compensated absences	7,790	-	7,790
Total non-current liabilities	<u>7,790</u>	<u>-</u>	<u>7,790</u>
Total liabilities	<u>8,500</u>	<u>-</u>	<u>8,500</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	169,622	226,884	396,506
Unrestricted	89,808	8,668	98,476
Total net assets	<u>\$ 259,430</u>	<u>\$ 235,552</u>	<u>\$ 494,982</u>

**City of Washington, Georgia**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Nonmajor Proprietary Funds**  
**For the Year Ended December 31, 2009**

	<u>Solid Waste</u> <u>Fund</u>	<u>Internet Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Charges for services	\$ 489,005	\$ 89,254	\$ 578,259
Total operating revenues	<u>489,005</u>	<u>89,254</u>	<u>578,259</u>
<b>OPERATING EXPENSES</b>			
Personal services	262,370	-	262,370
Contractual services	172,192	102,095	274,287
Supplies	29,156	1,424	30,580
Depreciation	26,143	54,273	80,416
Other Costs	4,809	718	5,527
Total Operating Expenses	<u>494,670</u>	<u>158,510</u>	<u>653,180</u>
Operating income (loss)	<u>(5,665)</u>	<u>(69,256)</u>	<u>(74,921)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Income (loss) before transfers	<u>(5,665)</u>	<u>(69,256)</u>	<u>(74,921)</u>
Transfers in	-	11,696	11,696
Transfers out	(29,356)	-	(29,356)
Change in net assets	(35,021)	(57,560)	(92,581)
Total net assets - beginning	294,451	293,112	587,563
Total net assets - ending	<u>\$ 259,430</u>	<u>\$ 235,552</u>	<u>\$ 494,982</u>

**CITY OF WASHINGTON, GEORGIA**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**For the Fiscal Year Ended December 31, 2009**

	<u>Solid Waste Fund</u>	<u>Internet Telecommunications Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 491,324	\$ 91,823	\$ 583,147
Payments to suppliers	(199,198)	(103,519)	(302,717)
Payments to employees	(267,001)	-	(267,001)
Net cash used by operating activities	<u>25,125</u>	<u>(11,696)</u>	<u>13,429</u>
<b>Cash flows from noncapital financing activities:</b>			
Due from other funds	10,546	-	10,546
Transfers in	-	11,696	11,696
Transfers out	(29,356)	-	(29,356)
Net cash provided by noncapital financing activities	<u>(18,810)</u>	<u>11,696</u>	<u>(7,114)</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(6,315)	-	(6,315)
Net cash used by capital and related financing activities	<u>(6,315)</u>	<u>-</u>	<u>(6,315)</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	-	-	-
Cash - beginning of the year	-	-	-
Cash - end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	(5,665)	(69,256)	(74,921)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation and amortization expense	26,143	54,273	80,416
Change in assets and liabilities:			
Receivables	7,128	3,287	10,415
Prepaid items	2,150	-	2,150
Accrued expenses	(4,631)	-	(4,631)
Net cash used by operating activities	<u>\$ 25,125</u>	<u>\$ (11,696)</u>	<u>\$ 13,429</u>

# **Supplemental Schedules**

**City of Washington, Georgia**  
**General Fund**  
**Schedule of Revenues - Budget and Actual**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes	\$ 825,690	\$ 825,690	\$ 754,464	\$ (71,226)
Local option sales tax	355,000	355,000	299,133	(55,867)
Miscellaneous taxes	474,460	474,460	466,334	(8,126)
Total	<u>1,655,150</u>	<u>1,655,150</u>	<u>1,519,931</u>	<u>(135,219)</u>
<b>Licenses &amp; permits:</b>				
Business licenses	80,100	80,100	83,548	3,448
Total	<u>80,100</u>	<u>80,100</u>	<u>83,548</u>	<u>3,448</u>
<b>Intergovernmental revenues:</b>				
State Grants	180,851	180,851	150,867	(29,984)
Federal Grants	630,800	130,800	72,240	(58,560)
Local Grants	5,000	5,000	-	(5,000)
Homeowners tax relief	65,000	65,000	63,586	(1,414)
Total	<u>881,651</u>	<u>381,651</u>	<u>286,693</u>	<u>(94,958)</u>
<b>Charges for services:</b>				
Public Safety	103,994	103,994	104,436	442
Other	63,400	65,000	62,686	(2,314)
Total	<u>167,394</u>	<u>168,994</u>	<u>167,122</u>	<u>(1,872)</u>
<b>Fines &amp; forfeitures:</b>				
	<u>125,000</u>	<u>157,300</u>	<u>189,376</u>	<u>32,076</u>
<b>Interest income:</b>				
Investments	<u>7,680</u>	<u>7,680</u>	<u>8,345</u>	<u>665</u>
<b>Contributions and donations:</b>				
Contributions	<u>3,324</u>	<u>3,324</u>	<u>17,102</u>	<u>13,778</u>
<b>Miscellaneous:</b>				
Rents	65,946	65,946	64,984	(962)
Other	2,500	2,500	23,776	21,276
Total	<u>68,446</u>	<u>68,446</u>	<u>88,760</u>	<u>20,314</u>
<b>Total Revenues</b>	<u><u>\$ 2,988,745</u></u>	<u><u>\$ 2,522,645</u></u>	<u><u>\$ 2,360,877</u></u>	<u><u>\$ (161,768)</u></u>

**City of Washington, Georgia**  
**General Fund**  
**Schedule of Operating Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>GENERAL GOVERNMENT</b>				
<b>Executive Administration</b>				
Personal services	\$ 96,055	\$ 98,835	\$ 96,920	\$ 1,915
Purchased/contracted services	82,700	104,842	108,408	(3,566)
Supplies	15,700	15,140	13,011	2,129
Capital outlay	-	5,995	5,995	-
Other costs	-	-	478	(478)
<b>Total Executive Administration</b>	<u>194,455</u>	<u>224,812</u>	<u>224,812</u>	<u>-</u>
<b>General Government Buildings</b>				
Personal services	219,950	239,028	238,095	933
Purchased/contracted services	15,085	15,085	10,489	4,596
Supplies	14,500	14,500	20,027	(5,527)
<b>Total General Government Buildings</b>	<u>249,535</u>	<u>268,613</u>	<u>268,611</u>	<u>2</u>
<b>Total General Government</b>	<u>443,990</u>	<u>493,425</u>	<u>493,423</u>	<u>2</u>
<b>JUDICIAL</b>				
<b>Municipal Court</b>				
Personal services	2,307	1,938	1,938	-
<b>Total Municipal court</b>	<u>2,307</u>	<u>1,938</u>	<u>1,938</u>	<u>-</u>
<b>Total Judicial</b>	<u>2,307</u>	<u>1,938</u>	<u>1,938</u>	<u>-</u>
<b>PUBLIC SAFETY</b>				
<b>Police</b>				
Personal services	752,883	764,918	763,762	1,156
Purchased/contracted services	102,075	109,575	119,313	(9,738)
Supplies	63,500	63,500	54,088	9,412
Other costs	10,000	21,050	21,879	(829)
<b>Total Police</b>	<u>928,458</u>	<u>959,043</u>	<u>959,042</u>	<u>1</u>
<b>Fire</b>				
Personal services	503,765	518,581	539,409	(20,828)
Purchased/contracted services	69,250	69,250	58,587	10,663
Supplies	54,300	54,300	44,133	10,167
<b>Total Fire</b>	<u>627,315</u>	<u>642,131</u>	<u>642,129</u>	<u>2</u>
<b>Animal Control</b>				
Purchased/contracted services	25,000	25,000	25,000	-
Other costs	57,671	71,377	71,376	1
<b>Total Animal Control</b>	<u>\$ 82,671</u>	<u>\$ 96,377</u>	<u>\$ 96,376</u>	<u>\$ 1</u>

**City of Washington, Georgia**  
**General Fund**  
**Schedule of Operating Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Emergency Management</b>				
Personal services	\$ 42,543	\$ 43,953	\$ 45,137	\$ (1,184)
Purchased/contracted services	2,100	2,100	1,164	936
Supplies	2,000	2,000	1,745	255
Other costs	300	300	300	-
<b>Total Emergency Management</b>	<u>46,943</u>	<u>48,353</u>	<u>48,346</u>	<u>7</u>
<b>Total Public Safety</b>	<u>1,685,387</u>	<u>1,745,904</u>	<u>1,745,893</u>	<u>11</u>
<b>PUBLIC WORKS</b>				
<b>Highways &amp; Streets</b>				
Personal services	356,900	380,930	407,982	(27,052)
Purchased/contracted services	118,550	136,800	138,910	(2,110)
Supplies	93,200	93,200	93,628	(428)
Capital outlay	230,000	242,225	212,633	29,592
<b>Total Highways and Streets</b>	<u>798,650</u>	<u>853,155</u>	<u>853,153</u>	<u>2</u>
<b>Street Lighting</b>				
Supplies	110,000	110,737	110,737	-
<b>Total Street Lighting</b>	<u>110,000</u>	<u>110,737</u>	<u>110,737</u>	<u>-</u>
<b>Cemetery</b>				
Personal services	13,156	9,564	9,715	(151)
Purchased/contracted services	1,250	8,750	8,671	79
Supplies	1,500	523	452	71
<b>Total Cemetery</b>	<u>15,906</u>	<u>18,837</u>	<u>18,838</u>	<u>(1)</u>
<b>Total Public Works</b>	<u>924,556</u>	<u>982,729</u>	<u>982,728</u>	<u>1</u>
<b>HEALTH &amp; WELFARE</b>				
<b>Community Services</b>				
Other costs	100,000	101,262	101,262	-
<b>Total Community Services</b>	<u>100,000</u>	<u>101,262</u>	<u>101,262</u>	<u>-</u>
<b>Community Center</b>				
Purchased/contracted services	15,500	38,365	56,635	(18,270)
Supplies	-	-	21,179	(21,179)
Capital outlay	80,000	80,000	40,550	39,450
<b>Total Community Center</b>	<u>95,500</u>	<u>118,365</u>	<u>118,364</u>	<u>1</u>
<b>Total Health &amp; Welfare</b>	<u>\$ 195,500</u>	<u>\$ 219,627</u>	<u>\$ 219,626</u>	<u>\$ 1</u>

**City of Washington, Georgia**  
**General Fund**  
**Schedule of Operating Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>CULTURE &amp; RECREATION</b>				
<b>Parks</b>				
Personal services	\$ 104,994	\$ 109,474	\$ 111,233	\$ (1,759)
Purchased/contracted services	57,600	57,425	48,338	9,087
Supplies	27,250	29,080	26,579	2,501
Other costs	107,800	123,865	123,365	500
<b>Total Parks</b>	<u>297,644</u>	<u>319,844</u>	<u>319,840</u>	<u>4</u>
<b>Libraries</b>				
Other costs	55,948	58,198	58,198	-
<b>Total Libraries</b>	<u>55,948</u>	<u>58,198</u>	<u>58,198</u>	<u>-</u>
<b>Total Culture &amp; Recreation</b>	<u>353,592</u>	<u>378,042</u>	<u>378,038</u>	<u>4</u>
<b>HOUSING &amp; DEVELOPMENT</b>				
<b>Planning &amp; Zoning</b>				
Personal services	48,265	48,265	58,204	(9,939)
Purchased/contracted services	29,900	21,123	11,610	9,513
Supplies	2,650	2,650	2,223	427
<b>Total Planning &amp; Zoning</b>	<u>80,815</u>	<u>72,038</u>	<u>72,037</u>	<u>1</u>
<b>Economic Development &amp; Assistance</b>				
Personal services	44,715	44,715	45,930	(1,215)
Purchased/contracted services	805,615	19,800	33,114	(13,314)
Supplies	123,000	64,155	2,343	61,812
Other costs	20,000	4,002	51,284	(47,282)
<b>Total Economic Development &amp; Assistance</b>	<u>993,330</u>	<u>132,672</u>	<u>132,671</u>	<u>1</u>
<b>Economic Development</b>				
Purchased/contracted services	-	202	201	1
<b>Total Economic Development</b>	<u>-</u>	<u>202</u>	<u>201</u>	<u>1</u>
<b>Downtown Development</b>				
Personal services	59,870	59,870	60,309	(439)
Purchased/contracted services	34,100	45,150	41,866	3,284
Supplies	4,500	4,500	7,338	(2,838)
<b>Total Downtown Development</b>	<u>98,470</u>	<u>109,520</u>	<u>109,513</u>	<u>7</u>
<b>Total Housing &amp; Development</b>	<u>1,172,615</u>	<u>314,432</u>	<u>314,422</u>	<u>10</u>
<b>DEBT SERVICE</b>				
Principal	116,340	116,340	113,856	2,484
Interest	69,926	70,341	72,823	(2,482)
<b>Total Debt Service</b>	<u>186,266</u>	<u>186,681</u>	<u>186,679</u>	<u>2</u>
<b>TOTAL EXPENDITURES</b>	<u>\$4,964,213</u>	<u>\$4,322,778</u>	<u>\$4,322,747</u>	<u>\$ 31</u>

# Treadwell, Tamplin & Co.

Certified Public Accountants

A Limited Liability Partnership

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

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 City of Washington, Georgia as of and for the year ended December 31, 2009, which collectively comprise the City of Washington's basic financial statements and have issued our report thereon dated June 18, 2010. 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

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2006-1, 2009-1, 2009-2

*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 accompany schedule of findings and responses to be significant deficiencies. 2008-5

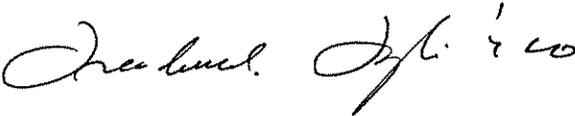
### Compliance and Other Matters

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*.

The City of Washington, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the 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 the finance committee, mayor, council, management, others within the entity, and the State of Georgia and is not intended to be and should not be used by anyone other than these specified parties.

*Treadwell, Tamplin & Co., CPA's*  
*June 18, 2010*

A handwritten signature in cursive script that reads "Treadwell Tamplin & Co." with a stylized flourish at the end.

**CITY OF WASHINGTON, GEORGIA**  
**Schedule of Findings**  
**For the Year Ended December 31, 2009**

**Internal Controls**

<b>2006-1</b>	<b>Statement of Condition:</b>	At present, management is not preparing the financial statements, they are being assisted by auditors. The intent of SAS 112 is not to prevent auditors from preparing the client's financial statements. Instead, the issue to be considered when determining if a significant deficiency or material weakness exists is whether the client is capable of preparing the financial statements and has the skills and competencies necessary to prevent, detect, and correct a material misstatement.
	<b>Criteria:</b>	Management is responsible for the financial statements, including the preparation of such statements. A system of internal control over financial reporting does not stop at the general ledger. It includes controls over financial statement preparation, including footnote disclosure.
	<b>Effect:</b>	A control deficiency exists when the client does not have controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements.
	<b>Cause:</b>	The size of the City's accounting staff prevents them from having the time and level of competence to prepare the financial statements. This is a condition found in most small governments in Georgia.
	<b>Recommendation:</b>	We recommend the City provide additional training to the financial staff to provide the skills to review, prevent, and detect material misstatements in the City's financial statements.
	<b>Response:</b>	The City of Washington agrees with the recommendation and will continue to educate the staff
<b>2008-5</b>	<b>Statement of Condition:</b>	During our audit we noted that the City is currently performing inventory counts once a year. An adjustment is made at year end adjusting the general ledger to the inventory count. The adjustment is coded to expense accounts. There is not a system in place which tracks items placed in service or those items used for capital asset additions.
	<b>Criteria:</b>	For significant inventory purchases, there should be procedures to track items put in service.
	<b>Effect:</b>	The City could incur a loss of assets.
	<b>Cause:</b>	The City does not have controls in place to monitor movement of inventory.
	<b>Recommendation:</b>	We recommend that the City improve procedures that track significant inventory purchases and subsequent use of inventory items for significant repairs. This system need not be complex nor expensive. Management could implement a successful tracking system through the use of Excel and a process by which inventory usage of high value inventory items is reconciled to approved work orders. This would safeguard the City's assets from potential loss. The current practice of adjusting inventory value at year end provides no assurance that the items have actually been used for the associated purpose. We would also recommend that management carefully review the inventory levels maintained by the City. Minimizing inventory levels to only the amounts that the City absolutely needs on hand should reduce the possibility of theft of the assets, reduce the possibility that the inventory could become damaged or obsolete, and improve the City's cash flow.
	<b>Response:</b>	The City of Washington agrees with the recommendation and will implement the changes.

**CITY OF WASHINGTON, GEORGIA**  
**Schedule of Findings**  
**For the Year Ended December 31, 2009**

<b>2009-1</b>	<b>Statement of Condition:</b>	We noted in our testing of the cutoff of expenses that there were two invoices that should have been included in the current period. Consequently, management did not include this expense in its listing of accounts payable. In addition, we noted that fine and forfeitures revenue was recorded based on ticket date issuance rather than by adjudication date. GASB-33 states that a receivable should be recognized as soon as the government has a legal claim to the resources
	<b>Criteria:</b>	One of the assertions that management makes in its financial statements is that the transactions reported in the financial statements occurred in the period that management is reporting on. The accounting literature refers to this assertion as "cutoff". Therefore, in order for the City's financial statement to fairly present the results for the year, proper cutoffs are critical under both the modified accrual basis and the full accrual basis of accounting.
	<b>Effect:</b>	Accounts payable and expenditures were understated in the CDBG Capital Project fund. In the General fund, accounts receivable and fine revenue were overstated.
	<b>Cause:</b>	The City received the invoices long after year end. The financial staff had already completed its normal activity of scanning subsequent period cash disbursements for amounts that should be included in the current period. In relation to the revenue recognition, management implemented a policy during 2009 requiring that all issued tickets be reconciled to the listing of tickets entered into the Municipal Court docket. This policy change caused the Financial Coordinator to believe that the appropriate revenue recognition policy for fines and forfeitures was for the City to recognize revenue for the fine upon issuance of the ticket rather than adjudication.
	<b>Recommendation:</b>	We suggest that the City carefully review invoices received between when the staff has completed its year end closeout procedures and the issuance of the City's financial statements. We also recommend that the city review all accounting policies to ensure that revenue recognition is in accordance with governmental accounting standards.
	<b>Response:</b>	The City of Washington agrees with the recommendation of invoice review and will be more diligent in making sure that all expenses are recorded in the appropriate accounting year before the books are closed out. The City of Washington also agrees with the recommendation of Revenue Recognition procedures, and now has a better understanding of reporting revenues according to governmental accounting standards.

**CITY OF WASHINGTON, GEORGIA**  
**Schedule of Findings**  
**For the Year Ended December 31, 2009**

<b>2009-2</b>	<b>Statement of Condition:</b>	The City uses a consolidated utility billing system to record accounts receivable and deposits for the different enterprise funds. We noted that the utility billing software was programmed to appropriately allocate the accounts receivable balances between the different enterprise funds. However, the billing system has been programmed to record all of the customer deposit liability transactions in the electric fund. Additionally, our audit procedures on the internal balances of the City indicated that the general fund was reporting a receivable from the 9-1-1 fund. Based on the operating results that the 9-1-1 fund has historically reported, it is apparent that the 9-1-1 fund is unlikely to ever obtain the resources to repay the money loaned by the general fund. GASB Statement No. 34, paragraph 112(a)(1) directs that interfund "loans" not expected to be repaid within a reasonable period be reclassified as transfers. Accordingly, we proposed an audit adjustment to reclassify the loan as a transfer.
	<b>Criteria:</b>	The focus of the financial statements for governmental entities is on opinion units, namely major funds and aggregate remaining fund data. Because the financial statements focus on different funds within the City, the individual funds should report all of the assets and liabilities of the individual funds. Additionally, any transfer of resources between funds should be reported as either internal balances or transfers, depending on whether the resources will be repaid by the recipient fund.
	<b>Effect:</b>	Even though the misstatements that we noted have no effect on the reported results and financial condition of the City taken as a whole, the individual funds mentioned above were misstated. If the City does not report all of its interfund activity in accordance with GAAP, a financial statement user that focuses his or her attention on an individual fund of the city could come to an erroneous conclusion about the financial condition of an individual fund.
	<b>Cause:</b>	Management has focused on the entity as a whole. For financial reporting purposes, external users focus on different funds of the City. Management should focus on the components of the balance sheet at the fund level.
	<b>Recommendation:</b>	We recommend that the City put controls in place to evaluate the existence and completeness of interfund balances.
	<b>Response:</b>	The City of Washington agrees with the recommendation and will be sure to accurately represent the due to/from's for each fund and book transfers between funds for those balances that the City knows will not be repaid.

**CITY OF WASHINGTON, GEORGIA**  
**Schedule of Projects Constructed**  
**With Special Sales Tax Proceeds**  
**For the Fiscal Year Ended December 31, 2009**

	<u>Original Estimated Cost</u>		<u>Expenditures</u>		<u>Estimated Percentages of Completion</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
Water & Sewer improvements	2,025,526	1,375,941	344,908	1,720,849	84.96%