

**CITY OF WASHINGTON, GEORGIA**

**Annual Financial Report**

**For the Year Ended  
December 31, 2010**

**City of Washington, Georgia  
Financial Report  
For the Year Ended December 31, 2010**

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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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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, 2010, 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 23, 2011 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 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Dreadwell, Sampkin & Co.*

Madison, Georgia  
June 23, 2011

## **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, 2010. 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, 2010 are as follows:

- The City's combined net assets totaled \$21.35 million.
- As of the close of the current year, the City's Governmental funds reported combined ending fund balances of \$1.25 million. 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 \$635 thousand.
- Combined Revenue totaled \$ 17.1 million, of which governmental activities totaled \$3.6 million and business-type activities totaled \$ 13.5 million.
- Overall expenses totaled \$ 16.2 million of which governmental activities totaled \$ 5.0 million and business-type activities totaled \$ 11.2 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 there will be adequate financial resources available to meet the City's current needs. The relationship between governmental 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. The General Fund and the CDBG Grant funds are considered major funds.

### *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, 2010

	Governmental	Activities	Business-type	Activities	Total	Total
	2009	2010	Restated 2009	2010	Restated 2009	2010
Current and other assets	\$1,309,468	\$1,810,791	\$10,563,206	\$10,013,425	\$11,872,674	\$ 11,824,216
Capital Assets	\$5,829,746	\$6,322,321	\$8,573,047	\$8,703,732	\$14,402,793	\$ 15,026,053
Total Assets	\$7,139,214	\$8,133,112	\$19,136,253	\$18,717,157	\$26,275,467	\$ 26,850,269
Long-term liabilities	\$1,911,118	\$1,819,231	\$2,630,476	\$2,042,600	\$4,541,594	\$ 3,861,831
Other liabilities	\$298,602	\$426,725	\$824,086	\$1,210,988	\$1,122,688	\$ 1,637,713
Total Liabilities	\$2,209,720	\$2,245,956	\$3,454,562	\$3,253,588	\$5,664,282	\$ 5,499,544
<b>Net Assets:</b>						
Invested in capital assets						
net of related debt	\$ 3,999,251	\$ 4,611,750	\$ 6,379,676	\$ 6,713,377	\$ 10,378,927	\$ 11,325,127
Restricted	\$ 45,225	\$ 227,986		\$ -	\$ 45,225	\$ 227,986
Unrestricted	\$ 885,018	\$ 1,047,420	\$ 9,301,985	\$ 8,750,192	\$ 10,187,003	\$ 9,797,612
Total Net Assets	\$ 4,929,494	\$ 5,887,156	\$ 15,681,661	\$ 15,463,569	\$ 20,611,155	\$ 21,350,725

## 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 \$ 21.35 million as of December 31, 2010, an increase of \$849 thousand from December 31, 2009, which indicates an increase in the financial position of the City.

The largest portion of the City's net assets, \$11.3 million or 53%, reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, sidewalks, water lines and sewer lines) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City has a balance of \$9,797,612 in unrestricted net assets. However, \$6,069,183 or 62% of this balance are from the investments in the MEAG Trust account. While the balance is not restricted for a specific purpose, these funds are not available to the City until a future date. Therefore, these assets are not available for spending at this time.

**The City's Changes in Net Assets  
December 31, 2010**

		Governmental	Governmental	Business-Type	Business-Type		
Revenues:		Activities	Activities	Activities	Activities	Total	Total
		<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Program Revenues							
Charges for Services		\$ 586,099	562,419	\$12,515,926	13,253,182	\$ 13,102,025	\$ 13,815,601
Operating grants/contributions		178,069	220,360	-	-	178,069	220,360
Capital grants/contributions		185,741	1,195,994	-	-	185,741	1,195,994
General Revenues							
Property taxes		765,790	796,759	-	-	765,790	796,759
Sales tax		433,776	550,824	-	-	433,776	550,824
Franchise fees		320,653	317,447	-	-	320,653	317,447
Intergovernmental revenues		514,495	7,892	10,000	15,000	524,495	22,892
Investment earnings		16,094	9,837	260,880	236,413	276,974	246,250
Miscellaneous		633	422	17,186	9,724	17,819	10,146
Special Items		-	-	7,417,177	-	7,417,177	-
Gain on sale of capital assets		-	10,833	-	-	-	10,833
<b>Total Revenues</b>		<b>3,001,350</b>	<b>3,672,787</b>	<b>20,221,169</b>	<b>13,514,319</b>	<b>23,222,519</b>	<b>17,187,106</b>
Expenses:							
General government		498,917	549,473	-	-	498,917	549,473
Judicial		1,938	2,931	-	-	1,938	2,931
Public safety		2,128,576	2,328,316	-	-	2,128,576	2,328,316
Public works		824,321	878,538	-	-	824,321	878,538
Health and welfare		257,446	211,869	-	-	257,446	211,869
Culture and recreation		377,653	392,395	-	-	377,653	392,395
Housing and development		419,163	636,814	-	-	419,163	636,814
Interest and fiscal charges		52,378	49,309	-	-	52,378	49,309
Water and sewer		-	-	2,547,589	2,593,399	2,547,589	2,593,399
Electric		-	-	7,790,861	8,023,378	7,790,861	8,023,378
Sanitation		-	-	494,670	541,871	494,670	541,871
Internet telecommunications		-	-	158,510	130,104	158,510	130,104
<b>Total Expenses</b>		<b>4,560,392</b>	<b>5,049,645</b>	<b>10,991,630</b>	<b>11,288,752</b>	<b>15,552,022</b>	<b>16,338,397</b>
Increase in net assets before transfers		(1,559,042)	(1,376,858)	9,229,539	2,225,567	7,670,497	848,709
Transfers		2,365,467	2,443,689	(2,365,467)	(2,443,689)	-	-
Change in net assets		806,425	1,066,831	6,864,072	(218,122)	7,670,497	848,709
Net assets-January 1		4,013,900	4,820,325	8,672,364	15,536,436	12,686,264	20,356,761
Prior period adjustment					145,255		
<b>Net assets, December 31</b>		<b>\$ 4,820,325</b>	<b>\$ 5,887,156</b>	<b>\$ 15,536,436</b>	<b>\$ 15,463,569</b>	<b>\$ 20,356,761</b>	<b>\$ 21,205,470</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 \$1.26 million, of which \$926 thousand, or 74%, 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 \$674 thousand, of which \$635 thousand or 94% 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, 2010 total unreserved fund balance represents 13 % of general fund expenditures.

### **General Fund Budgetary Highlights**

During the year, the City only had to revise the budget once and did so at year end. 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 increased total expenditures by approximately \$1.16 million. Of this increase \$531 thousand was merely for bookkeeping purposes to pay off one of the Pope Center notes which automatically renewed on January 2011 therefore offsetting the expense with the new loan proceeds. Approximately \$271.5 thousand of the amendments were for Rusher Street Rehabilitation Project which was offset completely by CDBG Grant Revenue. The remainder of the budget adjustments was for various expenses, the two major expenses being the increase in employee retirement and employee health insurance expense for 2010.

The actual revenues for the General Fund were more than the budgeted amount by \$73,129. 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 \$30.4 thousand, or .99% of actual expenses, due mostly to underestimation of employee insurance and retirement rate increases for 2010.

## 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, \$7,718,120; Water and Sewer System, \$ 692,011; Other Proprietary Funds, \$ 340,061 for a total of \$8,750,192 of unrestricted net assets. As discussed previously, \$6,069,183 or 69% of the unrestricted net assets represent investments in the MEAG Trust account. These assets are not available for spending until a future date.

## 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, 2010 amounts to \$ 15,026,053 (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, 2009 and 2010

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2009	2010	2009	2010	2009	2010
Land	\$ 217,604	\$ 591,997	\$ 203,190	\$ 203,190	\$ 420,794	\$ 795,187
Infrastructure, net	1,923,667	2,703,953	7,166,925	7,015,275	9,090,592	9,719,228
Construction in Progress	600,697	26,540	496,608	840,619	1,097,305	867,159
Buildings & Improvements, net	1,992,500	1,925,101	204,327	202,595	2,196,827	2,127,696
Equipment & Vehicles, net	1,095,278	1,074,730	276,667	442,053	1,371,945	1,516,783
<b>Total Capital Assets</b>	<b>\$ 5,829,746</b>	<b>\$ 6,322,321</b>	<b>\$ 8,347,717</b>	<b>\$ 8,703,732</b>	<b>\$ 14,177,463</b>	<b>\$ 15,026,053</b>

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, 2010 the City had a total of \$3.7 million in outstanding long-term debt.

### The City's Outstanding Debt General Obligation and Revenue Bonds December 31, 2009 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Notes Payable	\$ 1,830,495	\$ 1,710,571	\$ 2,193,371	\$ 1,991,355	\$ 4,023,866	\$ 3,701,926
Total Debt	\$ 1,830,495	\$ 1,710,571	\$ 2,193,371	\$ 1,991,355	\$ 4,023,866	\$ 3,701,926

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, 2010**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>	<b>Urban Redevelopment Authority</b>
<b>ASSETS</b>					
Cash and Equivalents	\$ 469,886	\$ 204,234	\$ 674,120	\$ 6	\$ 1,949
Investments	397,595	1,212,750	1,610,345	2,605	-
Receivables	745,549	1,749,704	2,495,253	-	-
Internal Balances	(50,676)	50,676	-	-	-
Due from Other Governmental Agencies	178,781	-	178,781	-	-
Inventories	7,963	381,503	389,466	-	-
Prepaid expenses	40,037	26,466	66,503	-	-
Restricted assets	21,656	-	21,656	-	-
Investments, MEAG Trust, unavailable	-	6,069,183	6,069,183	-	-
Investment in joint venture	-	223,909	223,909	-	-
Debt issuance costs	-	95,000	95,000	-	-
Capital Assets					
Land	591,997	203,190	795,187	-	-
Construction in progress	26,540	840,619	867,159	-	-
Infrastructure, net	2,703,953	7,015,275	9,719,228	-	-
Buildings and improvements, net	1,925,101	202,595	2,127,696	-	-
Equipment and vehicles, net	1,074,730	442,053	1,516,783	-	-
Total Capital Assets	<u>6,322,321</u>	<u>8,703,732</u>	<u>15,026,053</u>	<u>-</u>	<u>-</u>
Total Assets	<u>8,133,112</u>	<u>18,717,157</u>	<u>26,850,269</u>	<u>2,611</u>	<u>1,949</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	198,086	667,074	865,160	-	-
Deferred Revenues	228,639	-	228,639	-	-
Customer Deposits	-	543,914	543,914	-	-
Long-term liabilities					
Due within one year					
Bonds and notes payable	615,208	126,775	741,983	-	-
Due in more than one year					
Bonds and notes payable	1,095,363	1,864,580	2,959,943	-	-
Compensated absences	108,660	51,245	159,905	-	-
Total liabilities	<u>2,245,956</u>	<u>3,253,588</u>	<u>5,499,544</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	4,611,750	6,713,377	11,325,127	-	-
Restricted for:					
Capital projects	206,330	-	206,330	-	-
Revolving loan fund	1,676	-	1,676	-	-
Non-expendable trust	19,980	-	19,980	-	-
Unrestricted	1,047,420	8,750,192	9,797,612	2,611	1,949
Total net assets	<u>\$ 5,887,156</u>	<u>\$ 15,463,569</u>	<u>\$21,350,725</u>	<u>\$ 2,611</u>	<u>\$ 1,949</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, 2010**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Downtown Development Authority	Urban Redevelopment Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
<b>Primary government</b>									
Governmental Activities									
General Government	\$ 549,473	\$ 80,683	\$ 4,277	\$ -	\$ (464,513)	\$ -	\$ (464,513)		
Judicial	2,931	-	-	-	(2,931)	-	(2,931)		
Public Safety	2,328,316	367,524	186,831	-	(1,773,961)	-	(1,773,961)		
Public Works	878,538	26,981	-	434,710	(416,847)	-	(416,847)		
Health and Welfare	211,869	61,801	-	706,667	556,599	-	556,599		
Culture and Recreation	392,395	19,280	19,884	-	(353,231)	-	(353,231)		
Housing & Development	636,814	6,150	9,368	54,617	(566,679)	-	(566,679)		
Interest on Long-term debt	49,309	-	-	-	(49,309)	-	(49,309)		
Total governmental activities	<u>5,049,645</u>	<u>562,419</u>	<u>220,360</u>	<u>1,195,994</u>	<u>(3,070,872)</u>	<u>-</u>	<u>(3,070,872)</u>		
Business-type activities:									
Water and Sewer Fund	2,593,399	2,513,259	-	-	-	(80,140)	(80,140)		
Electric Fund	8,023,378	10,166,178	-	-	-	2,142,800	2,142,800		
Solid Waste Fund	541,871	496,207	-	-	-	(45,664)	(45,664)		
Internet Telecommunications	130,104	77,538	-	-	-	(52,566)	(52,566)		
Total business-type activities	<u>11,288,752</u>	<u>13,253,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,964,430</u>	<u>1,964,430</u>		
Total primary government	<u>\$16,338,397</u>	<u>\$ 13,815,601</u>	<u>\$ 220,360</u>	<u>\$ 1,195,994</u>	<u>(3,070,872)</u>	<u>1,964,430</u>	<u>(1,106,442)</u>		
<b>Component Units</b>									
Downtown Development Authority	175	-	-	-				(175)	-
Urban Redevelopment Authority	97,364	-	99,313	-					1,949
Total component units	<u>\$ 97,539</u>	<u>\$ -</u>	<u>\$ 99,313</u>	<u>\$ -</u>				<u>\$ (175)</u>	<u>\$ 1,949</u>
<b>General revenues:</b>									
Taxes:									
Property taxes, levied for general purposes					\$ 796,759	\$ -	\$ 796,759	\$ -	\$ -
Franchise and other business taxes					317,447	-	317,447	-	-
Sales taxes					550,824	-	550,824	-	-
Intergovernmental revenues					7,892	15,000	22,892	-	-
Investment earnings					9,837	236,413	246,250	55	-
Miscellaneous					422	9,724	10,146	-	-
Gain on sale of capital asset					10,833	-	10,833	-	-
Transfers					2,443,689	(2,443,689)	-	-	-
Total general revenues and transfers					<u>4,137,703</u>	<u>(2,182,552)</u>	<u>1,955,151</u>	<u>55</u>	<u>-</u>
Change in net assets					1,066,831	(218,122)	848,709	(120)	1,949
Net assets - beginning, as previously reported					4,820,325	15,536,436	20,356,761	2,731	-
Prior period adjustment					-	145,255	145,255	-	-
Net assets - beginning, as restated					<u>4,820,325</u>	<u>15,681,691</u>	<u>20,502,016</u>	<u>2,731</u>	<u>-</u>
Net assets - ending					<u>\$ 5,887,156</u>	<u>\$ 15,463,569</u>	<u>\$21,350,725</u>	<u>\$ 2,611</u>	<u>\$ 1,949</u>

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

**City of Washington, Georgia**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2010**

	<u>General Fund</u>	<u>CDBG Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 243,930	\$ -	\$ 268,790	\$ 512,720
Investments	150,861	-	203,944	354,805
Taxes receivable, net	447,372	-	-	447,372
Due from other funds	12,805	34,674	1,629	49,108
Receivable from other governments	80,702	64,372	33,707	178,781
Other receivables, net	39,867	-	12	39,879
RFP receivable	258,298	-	-	258,298
Inventories	-	-	7,963	7,963
Prepaid expenses	36,953	1,565	1,519	40,037
Restricted assets	1,676	-	19,980	21,656
Total assets	<u>1,272,464</u>	<u>100,611</u>	<u>537,544</u>	<u>1,910,619</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	145,204	34,718	1,929	181,851
Due to other funds	92,097	7,687	-	99,784
Deferred revenue - property tax	124,989	-	-	124,989
Deferred revenue - RFP	228,639	-	-	228,639
Other accrued expenses	7,544	-	1,929	9,473
Other payables	-	-	6,801	6,801
Total liabilities	<u>598,473</u>	<u>42,405</u>	<u>10,659</u>	<u>651,537</u>
Fund balances:				
Reserved for:				
Inventories and prepaids	36,953	1,565	9,482	48,000
Capital projects	-	56,641	206,330	262,971
Other purposes	1,676	-	19,980	21,656
Unreserved	635,362	-	-	635,362
Unreserved, reported in:				
Special revenue funds	-	-	53,375	53,375
Permanent endowment fund	-	-	237,718	237,718
Total fund balances	<u>673,991</u>	<u>58,206</u>	<u>526,885</u>	<u>1,259,082</u>
Total liabilities and fund balances	<u>\$ 1,272,464</u>	<u>\$ 100,611</u>	<u>\$ 537,544</u>	<u>\$ 1,910,619</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, 2010**

Total fund balance, governmental funds (Exhibit C)	\$	1,259,082
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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		591,997
Construction in progress		26,540
Infrastructure, net of \$571,394 of accumulated depreciation		2,703,953
Buildings and improvements, net of \$2,044,158 of accumulated depreciation		1,925,101
Equipment and vehicles, net of \$1,179,182 of accumulated depreciation		1,074,730

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, 2010 are:

Notes payable		(1,710,571)
Compensated absences		(108,660)

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.

124,984

Net Assets of Governmental Activities in the Statement of Net Assets (Exhibit A)	\$	5,887,156
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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, 2010**

	<u>General Fund</u>	<u>CDBG Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 1,581,875	\$ -	\$ -	\$ 1,581,875
Licenses and permits	73,351	-	-	73,351
Intergovernmental	115,153	706,667	578,441	1,400,261
Charges for services	147,913	-	62,347	210,260
Fines and forfeitures	198,969	-	-	198,969
Investment earnings	4,741	-	5,127	9,868
Contributions and donations	1,589	-	22,365	23,954
Miscellaneous	77,968	2,301	-	80,269
Total revenues	<u>2,201,559</u>	<u>708,968</u>	<u>668,280</u>	<u>3,578,807</u>
<b>EXPENDITURES</b>				
Current:				
General Government	534,959	-	5,811	540,770
Judicial	2,931	-	-	2,931
Public Safety	1,932,085	-	363,621	2,295,706
Public Works	844,813	-	-	844,813
Health and Welfare	139,908	-	-	139,908
Culture and Recreation	409,213	-	-	409,213
Housing and Development	458,997	-	-	458,997
Debt Service:				
Principal	650,240	-	-	650,240
Interest and other charges	71,577	-	-	71,577
Capital Outlay:				
Housing and Development	-	912,710	-	912,710
Total Expenditures	<u>5,044,723</u>	<u>912,710</u>	<u>369,432</u>	<u>6,326,865</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,843,164)</u>	<u>(203,742)</u>	<u>298,848</u>	<u>(2,748,058)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	530,218	-	-	530,218
Sale of capital asset	14,333	-	-	14,333
Transfers in	2,916,472	272,362	149,184	3,338,018
Transfers out	(464,276)	-	(271,013)	(735,289)
Total other financing sources and uses	<u>2,996,747</u>	<u>272,362</u>	<u>(121,829)</u>	<u>3,147,280</u>
Net change in fund balances	153,583	68,620	177,019	399,222
Fund balances - beginning	520,408	(10,414)	349,866	859,860
Fund balances - ending	<u>\$ 673,991</u>	<u>\$ 58,206</u>	<u>\$ 526,885</u>	<u>\$ 1,259,082</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, 2010**

Net change in fund balances - total governmental funds (Exhibit E)	\$	399,222
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 \$912,268 exceeded depreciation \$257,153 in the current period.		655,115
In governmental funds, capital assets are not recorded in the fund. Thus a transfer of an asset to the Water & Sewer Fund has no effect in the governmental fund. However, the statement of activities recognizes a transfer related to the transfer of the asset.		(159,040)
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.		(3,500)
Payments on notes payable are reported as expenditures in the governmental funds, but reduce the liability in the statement of net assets.		650,240
Note proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Net Activities.		(530,218)
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 (\$41,834) is less than the current year deferral (\$124,989).		83,155
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.		(28,143)
Change in net assets of governmental activities (Exhibit B)	\$	1,066,831

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

**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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 1,670,344	\$ 1,715,517	\$ 1,581,875	\$ (133,642)
Licenses and permits	83,300	73,800	73,351	(449)
Intergovernmental	181,537	182,137	115,153	(66,984)
Charges for services	166,525	171,525	147,913	(23,612)
Fines and forfeitures	160,000	199,300	198,969	(331)
Investment earnings	6,080	6,080	4,741	(1,339)
Contributions and donations	3,324	279	1,589	1,310
Miscellaneous	69,014	83,314	77,968	(5,346)
Total revenues	<u>2,340,124</u>	<u>2,431,952</u>	<u>2,201,559</u>	<u>(230,393)</u>
<b>EXPENDITURES</b>				
Current:				
General government	472,940	542,490	534,959	7,531
Judicial	2,695	3,658	2,931	727
Public Safety	1,858,690	1,941,040	1,932,085	8,955
Public Works	896,445	904,345	844,813	59,532
Health and Welfare	127,650	140,160	139,908	252
Culture and recreation	371,757	412,912	409,213	3,699
Housing and development	452,505	574,100	458,997	115,103
Debt Service:				
Principal	118,879	650,309	650,240	69
Interest and other charges	59,242	71,512	71,577	(65)
Total Expenditures	<u>4,360,803</u>	<u>5,240,526</u>	<u>5,044,723</u>	<u>195,803</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,020,679)</u>	<u>(2,808,574)</u>	<u>(2,843,164)</u>	<u>(34,590)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	-	396,745	530,218	133,473
Proceeds from sale capital assets	6,000	2,850	14,333	11,483
Transfers in	2,169,391	2,841,191	2,916,472	75,281
Transfers out	<u>(197,862)</u>	<u>(475,362)</u>	<u>(464,276)</u>	<u>11,086</u>
Total other financing sources and uses	<u>1,977,529</u>	<u>2,765,424</u>	<u>2,996,747</u>	<u>231,323</u>
Net change in fund balances	<u>\$ (43,150)</u>	<u>\$ (43,150)</u>	153,583	<u>\$ 196,733</u>
Fund balances - beginning			<u>520,408</u>	
Fund balances - ending			<u>\$ 673,991</u>	

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

**City of Washington, Georgia**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2010**

	<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	\$ 48,389	\$ 155,845	\$ -	\$ 204,234
Investments	148,295	1,064,455	-	1,212,750
Accounts Receivable, net	349,393	1,162,157	71,254	1,582,804
Due from other funds	81,905	-	66,694	148,599
MEAG receivable	-	166,900	-	166,900
Inventories	106,974	274,529	-	381,503
Prepaid Expenses	7,905	15,309	3,252	26,466
Total current assets	<u>742,861</u>	<u>2,839,195</u>	<u>141,200</u>	<u>3,723,256</u>
Non-current assets:				
Investments, MEAG Trust, unavailable	-	6,069,183	-	6,069,183
Investment in joint venture	-	-	223,909	223,909
Debt issuance costs	95,000	-	-	95,000
Capital Assets:				
Land and improvements	194,710	8,480	-	203,190
Construction in progress	840,619	-	-	840,619
Infrastructure, net	5,646,647	1,368,628	-	7,015,275
Buildings, net	21,095	131,500	50,000	202,595
Equipment and Vehicles, net	34,950	125,261	281,842	442,053
Total capital assets	<u>6,738,021</u>	<u>1,633,869</u>	<u>331,842</u>	<u>8,703,732</u>
Total non-current assets	<u>6,833,021</u>	<u>7,703,052</u>	<u>555,751</u>	<u>15,091,824</u>
Total assets	<u><u>7,575,882</u></u>	<u><u>10,542,247</u></u>	<u><u>696,951</u></u>	<u><u>18,815,080</u></u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	22,984	586,090	13,071	622,145
Salaries payable	1,970	2,100	1,597	5,667
Due to other funds	1,303	96,620	-	97,923
Other accrued expenses	-	39,262	-	39,262
Customer deposits	98,974	444,940	-	543,914
Notes and loans payable	126,775	-	-	126,775
Total current liabilities	<u>252,006</u>	<u>1,169,012</u>	<u>14,668</u>	<u>1,435,686</u>
Non-current liabilities:				
Compensated absences	19,619	21,246	10,380	51,245
Notes and loans payable	1,864,580	-	-	1,864,580
Total non-current liabilities	<u>1,884,199</u>	<u>21,246</u>	<u>10,380</u>	<u>1,915,825</u>
Total liabilities	<u>2,136,205</u>	<u>1,190,258</u>	<u>25,048</u>	<u>3,351,511</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	4,747,666	1,633,869	331,842	6,713,377
Unrestricted	692,011	7,718,120	340,061	8,750,192
Total net assets	<u><u>\$ 5,439,677</u></u>	<u><u>\$ 9,351,989</u></u>	<u><u>\$ 671,903</u></u>	<u><u>\$ 15,463,569</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, 2010**

	<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	\$ 2,362,347	\$ 10,166,178	\$ 573,745	\$ 13,102,270
Water surcharge	146,630	-	-	146,630
Tap fees	4,282	-	-	4,282
Miscellaneous	-	8,894	830	9,724
Total operating revenues	<u>2,513,259</u>	<u>10,175,072</u>	<u>574,575</u>	<u>13,262,906</u>
<b>OPERATING EXPENSES</b>				
Cost of sales	-	6,654,847	-	6,654,847
Personal services	331,298	580,866	276,693	1,188,857
Contractual services	1,859,768	440,849	263,610	2,564,227
Supplies	71,010	149,727	49,837	270,574
Depreciation	235,888	101,542	80,616	418,046
Other costs	13,262	39,269	1,219	53,750
Total operating expenses	<u>2,511,226</u>	<u>7,967,100</u>	<u>671,975</u>	<u>11,150,301</u>
Operating income (loss)	<u>2,033</u>	<u>2,207,972</u>	<u>(97,400)</u>	<u>2,112,605</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	15,000	-	-	15,000
Interest and investment revenue	4,751	89,048	-	93,799
Share of income from joint venture	-	-	86,336	86,336
Interest expense	(82,173)	-	-	(82,173)
Total non-operating revenue (expenses)	<u>(62,422)</u>	<u>89,048</u>	<u>86,336</u>	<u>112,962</u>
Income (loss) before contributions and transfers	<u>(60,389)</u>	<u>2,297,020</u>	<u>(11,064)</u>	<u>2,225,567</u>
Capital contributions	159,040	-	-	159,040
Transfers in	260,993	-	42,730	303,723
Transfers out	-	(2,906,452)	-	(2,906,452)
Change in net assets	<u>359,644</u>	<u>(609,432)</u>	<u>31,666</u>	<u>(218,122)</u>
Net assets - beginning, as previously reported	5,080,033	9,961,421	494,982	15,536,436
Prior period adjustment	-	-	145,255	145,255
Net assets - beginning, as restated	<u>5,080,033</u>	<u>9,961,421</u>	<u>640,237</u>	<u>15,681,691</u>
Total net assets - ending	<u>\$ 5,439,677</u>	<u>\$ 9,351,989</u>	<u>\$ 671,903</u>	<u>\$ 15,463,569</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, 2010**

	<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	\$2,433,874	\$ 10,058,996	\$ 566,891	\$ 13,059,761
Cash payments to suppliers	(1,907,050)	(7,144,460)	(303,628)	(9,355,138)
Cash payments to employees	(323,600)	(540,175)	(273,216)	(1,136,991)
Other operating revenues	-	8,894	-	8,894
Net cash provided (used for) by operating activities	<u>203,224</u>	<u>2,383,255</u>	<u>(9,953)</u>	<u>2,576,526</u>
<b>Cash flows from noncapital financing activities:</b>				
Due from other funds	301,975	-	(24,507)	277,468
Due to other funds	(2,533)	(335,140)	-	(337,673)
Transfers to other funds	-	(2,906,452)	-	(2,906,452)
Transfers from other funds	260,993	-	42,730	303,723
Net cash provided by (used for) noncapital financing activities	<u>560,435</u>	<u>(3,241,592)</u>	<u>18,223</u>	<u>(2,662,934)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(358,797)	(14,940)	(15,952)	(389,689)
Interest paid on notes & leases payable	(82,173)	-	-	(82,173)
Principal paid on bonds and notes payable	(187,016)	-	-	(187,016)
Debt issuance costs paid	(95,000)	-	-	(95,000)
Net cash (used for) capital and related financing activities	<u>(722,986)</u>	<u>(14,940)</u>	<u>(15,952)</u>	<u>(753,878)</u>
<b>Cash flows from investing activities:</b>				
Interest and dividends on investments	4,749	89,048	7,682	101,479
Proceeds from sale of investments	-	914,919	-	914,919
Purchase of investments	(4,581)	-	-	(4,581)
Net cash provided by (used for) investing activities	<u>168</u>	<u>1,003,967</u>	<u>7,682</u>	<u>1,011,817</u>
<b>Net increase in cash and cash equivalents</b>	40,841	130,690	-	171,531
<b>Cash - beginning of the year</b>	7,548	25,155	-	32,703
<b>Cash - end of the year</b>	<u>\$ 48,389</u>	<u>\$ 155,845</u>	<u>\$ -</u>	<u>\$ 204,234</u>

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, 2010**

	<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 (used) by operating activities:</b>				
Operating income (loss)	\$ 2,033	\$ 2,207,972	\$ (97,400)	\$ 2,112,605
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation and amortization	235,888	101,542	80,616	418,046
Change in assets and liabilities:				
Receivables, net	(66,123)	93,097	(6,465)	20,509
Inventory	8,649	(22,914)	-	(14,265)
Prepaid items	(7,905)	8,565	(3,252)	(2,592)
Accounts payable	22,984	(45,698)	13,071	(9,643)
Accrued expenses	7,698	40,691	3,477	51,866
Total adjustments	<u>201,191</u>	<u>175,283</u>	<u>87,447</u>	<u>463,921</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 203,224</u></u>	<u><u>\$ 2,383,255</u></u>	<u><u>\$ (9,953)</u></u>	<u><u>\$ 2,576,526</u></u>
<b>Noncash transactions affecting financial position:</b>				
Increase in fixed assets from capital assets transferred from the Capital Projects Fund	\$ 159,040	\$ -	\$ -	\$ 159,040
Increase in transfers from capital assets transferred from the Capital Projects Fund	(159,040)	-	-	(159,040)
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

# **Notes to Financial Statements**

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**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.

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

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

**B. Basis of Presentation, Basis of Accounting**

**Basis of Presentation**

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

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**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.

*CDBG Grant Fund* – This is a capital project fund which accounts for grant activity.

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

*Governmental Fund Financial Statements* – Governmental funds are reported using the modified accrual basis of accounting and have a current financial resources measurement focus. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. All business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 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, 2010**

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

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

**C. Budgets and Budgetary Accounting**

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

1. In November, a proposed operating budget for the fiscal year commencing January 1 is submitted to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of an ordinance.
4. All budget revisions or changes must be approved as required by Georgia law and administrative policy. Transfer of budgetary amounts between line items within a fund can be done with the approval of the City Administrator. Transfer of amounts between each department of each fund must be approved by the City Council. This is the legal level of budgetary control.
5. The funds obtained from any source may be used for any appropriations named in said budget, except funds specifically restricted by 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 tax revenues deferred at December 31, 2010 were \$124,989.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

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

Property taxes are administered based on the following calendar:

<b>Property Tax Year</b>	<u><b>2009</b></u>
Lien Date	March 30, 2009
Levy Date	September 13, 2010
Collection period	Nov. 11, 2010 - Jan. 15, 2011
Due date	January 15, 2011

**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, 2010 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 Historical Properties Commission and the Callaway Charitable Trust Permanent funds each have non-expendable investments.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

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

**K. Long-term Obligations**

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

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

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

**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**

There were no funds with a deficit fund balance at December 31, 2010.

**B. Excess of Expenditures over Appropriations**

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

**NOTE 3: RETIREMENT BENEFITS**

**Defined Benefit Pension Plan**

**Plan Description**

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

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**NOTE 3: RETIREMENT PLAN, continued**

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.

For the year ended July 1, 2010 (the most recent actuarial valuation date), the City's total payroll for all employees and the City's total covered payroll amounted to \$2,391,243. Covered payroll refers to all compensation paid by the City to active employees covered by the City of Washington, Georgia Retirement Plan on which contributions to the pension are based.

Under the provision of the Plan, plan members do not contribute to the Plan. For employees, pension benefits are fully vested after 10 years in the Plan. For elected officials, vesting is immediate. An employee may retire at age 65 with 5 years of service. Elected officials and Municipal legal officers may retire at age 65. An employee may elect early retirement at age 55 provided he 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	38
Terminated employees entitled to, but not receiving benefits	21
Active employees - vested	49
Active employees - nonvested	<u>37</u>
Total	<u>145</u>

**Contributions**

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

The actuarially determined recommended contribution was \$178,538. The City made the actuarially determined recommended contribution.

**Annual Pension Cost**

The City's annual pension cost of \$178,538 was equal to the City's required and actual contributions for the plan year ended July 1, 2010.

**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.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**NOTE 3: RETIREMENT PLAN, continued**

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

Valuation date	July 1, 2010	July 1, 2009
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Dollar (Closed)	Level Dollar (Closed)
Remaining amortization period	10 years	Varies
Asset valuation method	Smoothed Market Value*	Market Value**
Actuarial assumptions:		
Net Investment rate of return	7.75%	8.00%
Projected Salary Increases	3.50%	5.50%
Cost of Living Adjustments	2.50%	2.50%

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

\*\* Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

**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
12/31/10	\$ 178,538	100%	-
12/31/09	297,185	100%	-
12/31/08	156,306	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
7/1/2010	\$ 4,677,314	\$ 4,708,907	\$ 31,593	99.33%	\$ 2,391,243	1.3%

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, 2010, 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.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

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

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

Municipal Competitive Trust - MEAG Power formed a trust known as the “Municipal Competitive Trust” for the benefit of its Participants (which includes the City of Washington, Georgia along with 46 other cities and counties) and has funded the Competitive Trust with certain monies which 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.

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 \$479,603 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.

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, 2010, 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 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, 2010**

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

**Investments**

As of December 31, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
<b>General Fund</b>	
Certificates of Deposit	\$ 150,861
<b>Water &amp; Sewer Fund</b>	
Certificates of Deposit	148,295
<b>Electric Fund</b>	
Certificates of Deposit	584,852
MEAG Trust	479,603
MEAG Trust - noncurrent	6,069,183
<b>Non-major Funds</b>	
Certificates of Deposit	<u>223,924</u>
	<u>\$ 7,656,718</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, 2010.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**NOTE 5: RECEIVABLES**

	<u>General Fund</u>	<u>CDBG Grant Fund</u>	<u>Nonmajor Gov't Funds</u>	<u>Water &amp; Sewer Fund</u>	<u>Electric Fund</u>	<u>Nonmajor Enterprise</u>
Accounts	\$ 3,224	\$ -	\$ -	\$ 444,708	\$ 1,545,209	\$ 93,264
Taxes	520,384	-	-	-	-	-
Intergovernmental	80,702	64,372	33,707	-	-	-
RFP receivable	258,298	-	-	-	-	-
Other	98,032	-	-	-	166,900	-
Gross Receivables	<u>960,640</u>	<u>64,372</u>	<u>33,707</u>	<u>444,708</u>	<u>1,712,109</u>	<u>93,264</u>
Less: allowance for uncollectibles	<u>(134,401)</u>	<u>-</u>	<u>-</u>	<u>(95,315)</u>	<u>(383,052)</u>	<u>(22,010)</u>
Net total receivables	<u>\$ 826,239</u>	<u>\$ 64,372</u>	<u>\$ 33,707</u>	<u>\$ 349,393</u>	<u>\$ 1,329,057</u>	<u>\$ 71,254</u>

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 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	\$ 374,393	\$ -	\$ 591,997
Construction in progress	600,697	790,954	1,365,111	26,540
Total capital assets not being depreciated	<u>818,301</u>	<u>1,165,347</u>	<u>1,365,111</u>	<u>618,537</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	2,443,668	831,678	-	3,275,346
Buildings	3,969,258	-	-	3,969,258
Equipment, furniture & vehicles	2,227,129	121,314	94,528	2,253,915
Total capital assets being depreciated	<u>8,640,055</u>	<u>952,992</u>	<u>94,528</u>	<u>9,498,519</u>
Less accumulated depreciation for:				
Infrastructure	520,001	51,392	-	571,393
Buildings	1,976,758	67,399	-	2,044,157
Equipment, furniture & vehicles	1,131,851	138,362	91,028	1,179,185
Total accumulated depreciation	<u>3,628,610</u>	<u>257,153</u>	<u>91,028</u>	<u>3,794,735</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 5,829,746</u>	<u>\$ 1,861,186</u>	<u>\$ 1,368,611</u>	<u>\$ 6,322,321</u>

Governmental activities depreciation expense was charged to functions as follows:

General government	\$ 8,128
Public safety	105,791
Public works	59,998
Health and welfare	71,961
Culture and recreation	9,722
Housing and development	1,553
Total government activities depreciation expense	<u>\$ 257,153</u>

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**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	496,608	344,011	-	840,619
Total capital assets not being depreciated	<u>691,318</u>	<u>344,011</u>	<u>-</u>	<u>1,035,329</u>
<i>Capital assets being depreciated:</i>				
Buildings	57,481	-	-	57,481
Infrastructure	12,072,131	159,041	-	12,231,172
Machinery and equipment	66,796	14,785	-	81,581
Vehicles	115,887	-	-	115,887
Total capital assets being depreciated	<u>12,312,295</u>	<u>173,826</u>	<u>-</u>	<u>12,486,121</u>
<i>Less accumulated depreciation for:</i>				
Buildings	34,654	1,732	-	36,386
Infrastructure	6,351,667	232,858	-	6,584,525
Machinery and equipment	53,836	1,296	-	55,132
Vehicles	107,386	-	-	107,386
Total accumulated depreciation	<u>6,547,543</u>	<u>235,886</u>	<u>-</u>	<u>6,783,429</u>
<b>Water &amp; sewer fund capital assets, net</b>	<u>\$ 6,456,070</u>	<u>\$ 281,951</u>	<u>\$ -</u>	<u>\$ 6,738,021</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
Infrastructure	2,413,073	-	-	2,413,073
Machinery and equipment	62,728	-	-	62,728
Vehicles	341,588	14,940	-	356,528
Total capital assets being depreciated	<u>3,311,433</u>	<u>14,940</u>	<u>-</u>	<u>3,326,373</u>
<i>Less accumulated depreciation for:</i>				
Buildings	362,544	-	-	362,544
Infrastructure	966,613	77,832	-	1,044,445
Machinery and equipment	45,410	3,613	-	49,023
Vehicles	224,875	20,097	-	244,972
Total accumulated depreciation	<u>1,599,442</u>	<u>101,542</u>	<u>-</u>	<u>1,700,984</u>
<b>Electric fund capital assets, net</b>	<u>\$ 1,720,471</u>	<u>\$ (86,602)</u>	<u>\$ -</u>	<u>\$ 1,633,869</u>

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**NOTE 6: CAPITAL ASSETS, continued**

<b>Business type Activities:</b>	<b>Beginning</b>			<b>Ending</b>
<b>Nonmajor Enterprise Funds</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 175,300	\$ -	\$ -	\$ 175,300
Machinery and equipment	554,678	-	-	554,678
Vehicles	331,366	15,951	-	347,317
Total capital assets being depreciated	<u>1,061,344</u>	<u>15,951</u>	<u>-</u>	<u>1,077,295</u>
Less accumulated depreciation for:				
Buildings	125,300	-	-	125,300
Machinery and equipment	308,289	58,000	-	366,289
Vehicles	231,249	22,615	-	253,864
Total accumulated depreciation	<u>664,838</u>	<u>80,615</u>	<u>-</u>	<u>745,453</u>
<b>Nonmajor Enterprise funds capital assets, net</b>	<u>\$ 396,506</u>	<u>\$ (64,664)</u>	<u>\$ -</u>	<u>\$ 331,842</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 8,573,047</u>	<u>\$ 130,685</u>	<u>\$ -</u>	<u>\$ 8,703,732</u>

**NOTE 7: INTERFUND BALANCES AND ACTIVITY**

**Internal Balances**

Balances due to/from other funds for the year ended December 31, 2010 consists of the following:

<u>Due From:</u>	<u>Due to:</u>					<u>Total</u>
	<u>General</u>	<u>CDBG</u>	<u>Water &amp;</u>	<u>Nonmajor</u>	<u>Nonmajor</u>	
<u>Fund</u>	<u>Fund</u>	<u>Grant Fund</u>	<u>Sewer</u>	<u>Enterprise</u>	<u>Govt'l</u>	
General fund	\$ -	\$ 34,674	\$ -	\$ 55,794	\$ 1,629	\$ 92,097
Electric	3,815	-	81,905	10,900	-	96,620
Water & Sewer	1,303	-	-	-	-	1,303
CDBG	7,687	-	-	-	-	7,687
	<u>\$ 12,805</u>	<u>\$ 34,674</u>	<u>\$ 81,905</u>	<u>\$ 66,694</u>	<u>\$ 1,629</u>	<u>\$ 197,707</u>

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

**Transfers to/from Other Funds**

Transfers to/from other funds for the year ended December 31, 2010 consists of the following:

<u>Transfer Out:</u>	<u>Transfer In:</u>						<u>Total</u>
	<u>General</u>	<u>CDBG</u>	<u>Electric</u>	<u>Water &amp;</u>	<u>Nonmajor</u>	<u>Nonmajor</u>	
<u>Fund</u>	<u>Fund</u>	<u>Grant Fund</u>	<u>Fund</u>	<u>Sewer Fund</u>	<u>Enterprise</u>	<u>Govt'l</u>	
General fund	\$ -	\$ 272,362	\$ -	\$ -	\$ 42,730	\$ 149,184	\$ 464,276
Electric	2,906,452	-	-	-	-	-	2,906,452
Nonmajor Govt'l	10,020	-	-	260,993	-	-	271,013
	<u>\$ 2,916,472</u>	<u>\$ 272,362</u>	<u>\$ -</u>	<u>\$ 260,993</u>	<u>\$ 42,730</u>	<u>\$ 149,184</u>	<u>\$ 3,641,741</u>

The transfers to the General Fund from the Electric fund in the amount of \$2,906,452 were to assist in the daily operation of the fund. The transfer to the CDBG Grant fund from the General Fund in the amount of \$272,362 was for the City's match on the grant project. The transfer to the Water and Sewer Fund from the SPLOST Fund in the amount of \$260,993 was for the Water Fund's share of SPLOST revenue. Transfers between the General Fund and the nonmajor funds were to assist in the daily operation of the funds.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**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 commencing on January 20, 2007. The interest rate for the loan is 3.94% with a maturity of December 20, 2021. The purpose of the loan is to finance renovation of the Pope Center. An additional loan was obtained at Farmers and Merchants Bank. The interest rate is 4.0% with a single maturity on December 31, 2011. The purpose of the loan is to finance the completion of renovation of the Pope Center.

**Long-term obligation activity:**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Pope Center Note Payable \$	1,267,067	-	83,910	1,183,157	87,794
Pope Center Note Payable	563,428	530,218	566,232	527,414	527,414
Total Notes Payable	1,830,495	530,218	650,142	1,710,571	615,208
Compensated absences	80,623	122,233	94,196	108,660	-
\$	<u>1,911,118</u>	<u>652,451</u>	<u>744,338</u>	<u>1,819,231</u>	<u>615,208</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>
2011	\$ 615,208	\$ 67,137	\$ 682,345
2012	90,882	42,239	133,121
2013	94,702	38,419	133,121
2014	98,555	34,566	133,121
2015	102,565	30,556	133,121
2016-2020	578,803	86,801	665,604
2021	129,856	2,833	132,689
\$	<u>1,710,571</u>	<u>302,551</u>	<u>2,013,122</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 note was \$47,242 at December 31, 2010. The note calls for quarterly payments of principal and interest of \$8,012 and matures June 2012. Proceeds were used for construction of dewatering facilities.

Note payable to Georgia Environmental Facilities Authority in the original amount of \$789,731 bearing interest at 3.94%. The balance of the note was \$613,772 at December 31, 2010. The note calls for quarterly payments of principal and interest of \$14,313 and matures October 2024. Proceeds were used for construction of improving sewer rehab.

Note payable to Georgia Environmental Facilities Authority in the original amount of \$497,848 bearing interest at 4.24%. The note was paid in full during fiscal year 2010. Proceeds were used for construction of improving sewer rehab.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

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

Note payable to Georgia Environmental Facilities Authority in the original amount of \$1,599,998 bearing interest at 4.06%. The balance of the note was \$1,330,341 at December 31, 2010. The note calls for monthly payments of principal and interest of \$9,746 and matures February 1, 2027. The purpose of the note was to finance improvements to the Water and Sewer system.

The Water & Sewer Fund is obligated under a note to Farmers State Bank. The note was originally issued for \$77,500 at an interest rate of 3.9%. The note was paid in full during fiscal year 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, 2010:

<b>Enterprise Funds:</b>	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>	<b>Due within one year</b>
<b>Notes Payable - Water &amp; Sewer</b>					
GEFA 88	\$ 77,960	\$ -	\$ 30,718	\$ 47,242	\$ 31,337
GEFA 99	10,193	-	10,193	-	-
GEFA 03	646,071	-	32,299	613,772	33,559
GEFA 04	1,444,147	-	113,806	1,330,341	61,879
Regions Bank	15,000	-	15,000	-	-
<b>Total Notes Payable - Water &amp; Sewer</b>	<u>2,193,371</u>	<u>-</u>	<u>202,016</u>	<u>1,991,355</u>	<u>126,775</u>
<b>Compensated absence - Electric</b>	20,532	28,021	27,307	21,246	-
<b>Compensated absence-Water &amp; Sewer</b>	13,127	13,399	6,907	19,619	-
<b>Compensated absence - Nonmajor</b>	7,790	10,858	8,268	10,380	-
	<u>\$ 2,234,820</u>	<u>\$ 52,278</u>	<u>\$ 244,498</u>	<u>\$ 2,042,600</u>	<u>\$ 126,775</u>

**Debt Service Requirements**

Debt service requirements for the Notes Payable are as follows:

		<b>Notes Payable</b>	
		<u>Principal</u>	<u>Interest</u>
2011	\$	126,776	\$ 79,480
2012		115,245	74,987
2013		103,401	70,806
2014		107,628	66,579
2015		112,028	62,179
2016-2020		632,700	238,337
2021-2025		714,918	98,537
2026		78,659	2,910
		<u>\$ 1,991,355</u>	<u>\$ 693,815</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, 2010 were as follows:

	<b>Total interest costs incurred</b>	<b>Interest costs capitalized</b>	<b>Net interest expense</b>
<b>Business-type activities:</b>			
Water and Sewer Fund	\$ 82,173	\$ -	\$ 82,173

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**NOTE 9: CONTINGENCIES AND COMMITMENTS**

**A. Grants**

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

**B. Litigation**

Based on the advice of the city attorney, there are no measurable, material claims outstanding against the City at December 31, 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, 2010 the outstanding debt of the Authority was approximately \$4,575,785,117. The City of Washington's guarantee varies by individual projects undertaken by the Authority and approximates \$49,914,276 at December 31, 2010.

**D. Construction**

At December 31, 2010, the City had the following active projects:

	<b>Estimated Project Cost</b>	<b>Expended to date</b>
<b>Governmental Funds</b>		
Booker Pool	\$ 500,000	\$ 26,540
<b>Water &amp; Sewer Fund</b>		
Site Upgrades - Aonia & Skull Shoals	8,547,067	840,619

**E. Concentration**

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

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**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**

**CSRA Regional Commission**

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

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

**Washington-Wilkes Payroll Development Authority**

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

The Authority has a five member board consisting of the Wilkes County Chairman, the City of Washington Mayor, the President of the Chamber of Commerce, one appointee by the County Chairman and one appointee by the City Mayor. The member governments are contingently liable for the debts of the Authority. At December 31, 2010 the outstanding debt of the Authority was approximately \$2,771,486. The City of Washington's guarantee was approximately \$1,385,743 at December 31, 2010.

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

**NOTE 12: JOINT VENTURES WITH EQUITY INTEREST**

**Georgia Public Web**

The City and other members of MEAG's telecommunication project created Georgia Public Web (a Georgia not for profit corporation) to provide internet and telecommunication services to customers in Georgia. On August 1, 2000, the City signed a 50 year commitment to contribute, on a monthly basis, a proportionate share of the difference between GPW's budgeted costs and revenues. The City's proportionate share is 1.93% and for the year ending December 31, 2010, the City's cost was \$25,426 in services obtained from GPW and the City's share of profits was \$86,336.

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

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**NOTE 13: RELATED ENTITY**

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

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

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

During such period, the Housing Authority shall make “Payments in Lieu of Taxes” in lieu of such taxes and special assessments and in payment for the public services and facilities furnished from 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, 2010, Payments in Lieu of Taxes paid to the City was \$7,892.

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

The Trust was created by MEAG in anticipation of future deregulation of the electric industry, which will provide customers with a choice among electric 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 four subaccounts in which the City of Washington participates:

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

According to Trust provisions, the City has the following withdrawal rights with respect to this fund:  
The City has, at any time, the right to withdraw part or all funds from the Flexible Operating Trust Account.

The balance of the account at year end is \$479,603.

Generation Trust – 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 shall have the right to withdraw part or all funds from the Generation Trust Account after January 1, 2037.

The balance of the account at year end is \$167,862.

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.

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**NOTE 14: MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA (MEAG) TRUST, continued**

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 \$2,637,350.

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

The balance of the account at year end is \$3,263,971.

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.

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 15: REVOLVING LOAN FUND**

During fiscal year ending December 31, 2007, Fitzpatrick, LLC began making repayments in accordance with the RFP Loan Agreement which was signed December 30, 2002. The original principal amount due to the City is \$250,000. Principal and interest are due in 240 equal consecutive monthly installments of \$1,130. The funds from the repayment of this loan are maintained in a separate bank account. A Revolving Loan Fund (RLF) has been established. The RLF follows the guidelines regulated by the Georgia Department of Community Affairs. The activity from 2010 is summarized below:

Beginning balance	\$ 25,245
Plus:	
Principal repayments	1,446
Interest earned - bank account	26
Interest earned - notes receivable	54
Less:	
new loan issued	(25,000)
bank fees	(95)
Ending balance	<u><u>\$ 1,676</u></u>

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**NOTE 16: NET ASSETS RESTRICTED BY ENABLING LEGISLATION**

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

Capital Projects	\$ 206,330
------------------	------------

**NOTE 17: PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was required in the Internet Fund to correctly report the Georgia Public Web as a joint venture. The adjustment increased beginning assets and unrestricted net assets in the amount of \$145,255. During fiscal year December 31, 2010, the City reported the equity share of earnings from the joint venture in the amount of \$86,336. This was reported as investment income and was an increase to the investment in joint venture.

**NOTE 18: 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 March 2013. The note has 0% interest and will be repaid in 239 consecutive monthly installments. On January 5, 2011, the GEFA board approved an increase of \$2,847,067 in loan funds. This brings the total loan amount to \$8,547,067. The modification of the promissory note and loan agreement was signed on March 3, 2011. The first draw down on this loan was on April 29, 2011. The City is responsible for paying a 2% administrative fee on the loan. As December 31, 2010 the City had paid \$95,000 of these fees .

## **Required Supplementary Information**

**CITY OF WASHINGTON, GEORGIA**  
**Required Supplementary Information**  
**December 31, 2010**

**RETIREMENT PLAN**  
Schedule of Funding Progress

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

	<b>Total Special Revenue Funds</b>	<b>SPLOST Capital Project Fund</b>	<b>Total Permanent Funds</b>	<b>Total Other Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 51,349	\$ 181,452	\$ 35,989	\$ 268,790
Investments	2,215	-	201,729	203,944
Due from other funds	1,629	-	-	1,629
Receivable from other governments	8,829	24,878	-	33,707
Other receivables	12	-	-	12
Inventories	7,963	-	-	7,963
Prepaid expenses	1,519	-	-	1,519
Restricted assets	-	-	19,980	19,980
Total assets	<u>73,516</u>	<u>206,330</u>	<u>257,698</u>	<u>537,544</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	1,929	-	-	1,929
Other accrued expenses	1,929	-	-	1,929
Other payables	6,801	-	-	6,801
Total liabilities	<u>10,659</u>	<u>-</u>	<u>-</u>	<u>10,659</u>
Fund balances:				
Reserved for:				
Inventories and prepaids	9,482	-	-	9,482
Capital projects	-	206,330	-	206,330
Other purposes	-	-	19,980	19,980
Unreserved	53,375	-	237,718	291,093
Total fund balances	<u>62,857</u>	<u>206,330</u>	<u>257,698</u>	<u>526,885</u>
Total liabilities and fund balances	<u>\$ 73,516</u>	<u>\$ 206,330</u>	<u>\$ 257,698</u>	<u>\$ 537,544</u>

**City of Washington, Georgia**  
**Combined Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2010**

	<b>Total Special Revenue Funds</b>	<b>SPLOST Capital Project Fund</b>	<b>Total Permanent Funds</b>	<b>Total Other Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental	\$ 143,762	\$ 434,679	\$ -	\$ 578,441
Charges for services	62,347	-	-	62,347
Investment earnings	47	31	5,049	5,127
Contributions and Donations	22,365	-	-	22,365
Total revenues	<u>228,521</u>	<u>434,710</u>	<u>5,049</u>	<u>668,280</u>
<b>EXPENDITURES</b>				
Current:				
General Government	5,811	-	-	5,811
Public Safety	363,621	-	-	363,621
Public Works	-	-	-	-
Total Expenditures	<u>369,432</u>	<u>-</u>	<u>-</u>	<u>369,432</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(140,911)</u>	<u>434,710</u>	<u>5,049</u>	<u>298,848</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	149,184	-	-	149,184
Transfers out	-	(260,993)	(10,020)	(271,013)
Total other financing sources and uses	<u>149,184</u>	<u>(260,993)</u>	<u>(10,020)</u>	<u>(121,829)</u>
Net change in fund balances	8,273	173,717	(4,971)	177,019
Fund balances - beginning	54,584	32,613	262,669	349,866
Fund balances - ending	<u>\$ 62,857</u>	<u>\$ 206,330</u>	<u>\$ 257,698</u>	<u>\$ 526,885</u>

**City of Washington, Georgia**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**December 31, 2010**

	<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	\$ 12,281	\$ -	\$ 15,507	\$ 16,760	\$ 6,801	\$ 51,349
Investments	-	2,215	-	-	-	2,215
Due from other funds	-	-	1,629	-	-	1,629
Receivable from other governments	-	-	8,829	-	-	8,829
Other receivables	-	-	12	-	-	12
Inventories	-	-	-	7,963	-	7,963
Prepaid expenses	-	-	1,519	-	-	1,519
Total assets	<u>12,281</u>	<u>2,215</u>	<u>27,496</u>	<u>24,723</u>	<u>6,801</u>	<u>73,516</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	-	-	1,929	-	-	1,929
Other accrued expenses	-	-	1,929	-	-	1,929
Other payables	-	-	-	-	6,801	6,801
Total liabilities	<u>-</u>	<u>-</u>	<u>3,858</u>	<u>-</u>	<u>6,801</u>	<u>10,659</u>
Fund balances:						
Reserved for:						
Inventories and prepaids	-	-	1,519	7,963	-	9,482
Unreserved	12,281	2,215	22,119	16,760	-	53,375
Total fund balances	<u>12,281</u>	<u>2,215</u>	<u>23,638</u>	<u>24,723</u>	<u>-</u>	<u>62,857</u>
Total liabilities and fund balances	<u>\$ 12,281</u>	<u>\$ 2,215</u>	<u>\$ 27,496</u>	<u>\$ 24,723</u>	<u>\$ 6,801</u>	<u>\$ 73,516</u>

**City of Washington, Georgia**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2010**

	<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	\$ -	\$ -	\$ 143,762	\$ -	\$ -	\$ 143,762
Charges for services	-	-	62,347	-	-	62,347
Investment earnings	-	47	-	-	-	47
Contributions and Donations	17,245	-	-	5,120	-	22,365
Total revenues	<u>17,245</u>	<u>47</u>	<u>206,109</u>	<u>5,120</u>	<u>-</u>	<u>228,521</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	5,811	-	5,811
Public Safety	14,065	-	349,556	-	-	363,621
Total Expenditures	<u>14,065</u>	<u>-</u>	<u>349,556</u>	<u>5,811</u>	<u>-</u>	<u>369,432</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,180</u>	<u>47</u>	<u>(143,447)</u>	<u>(691)</u>	<u>-</u>	<u>(140,911)</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	149,184	-	-	149,184
Total other financing sources	<u>-</u>	<u>-</u>	<u>149,184</u>	<u>-</u>	<u>-</u>	<u>149,184</u>
Net change in fund balances	3,180	47	5,737	(691)	-	8,273
Fund balances - beginning	9,101	2,168	17,901	25,414	-	54,584
Fund balances - ending	<u>\$ 12,281</u>	<u>\$ 2,215</u>	<u>\$ 23,638</u>	<u>\$ 24,723</u>	<u>\$ -</u>	<u>\$ 62,857</u>

**City of Washington, Georgia**  
**Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**December 31, 2010**

	<u>SPLOST Fund</u>	<u>Total Capital Project Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 181,452	\$ 181,452
Receivable from other governments	24,878	24,878
Total assets	<u>206,330</u>	<u>206,330</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Fund balances:		
Reserved for:		
Capital Projects	<u>206,330</u>	<u>206,330</u>
Total fund balances	<u>206,330</u>	<u>206,330</u>
Total liabilities and fund balances	<u>\$ 206,330</u>	<u>\$ 206,330</u>

**City of Washington, Georgia**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended December 31, 2010**

	<b>SPLOST Fund</b>	<b>Total Capital Projects Funds</b>
<b>REVENUES</b>		
Intergovernmental	\$ 434,679	\$434,679
Investment earnings	31	31
Total revenues	<u>434,710</u>	<u>434,710</u>
<b>EXPENDITURES</b>		
Public Works	-	-
Total Expenditures	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>434,710</u>	<u>434,710</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers out	<u>(260,993)</u>	<u>(260,993)</u>
Total other financing sources and uses	<u>(260,993)</u>	<u>(260,993)</u>
Net change in fund balances	<u>173,717</u>	<u>173,717</u>
Fund balances - beginning	<u>32,613</u>	<u>32,613</u>
Fund balances - ending	<u><u>\$ 206,330</u></u>	<u><u>\$ 206,330</u></u>

**City of Washington, Georgia**  
**Combining Balance Sheet**  
**Nonmajor Permanent Funds**  
**December 31, 2010**

	<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	\$ -	\$ -	\$ 35,989	\$ 35,989
Investments	194,318	6,913	498	201,729
Restricted assets	-	9,990	9,990	19,980
Total assets	<u>194,318</u>	<u>16,903</u>	<u>46,477</u>	<u>257,698</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved for:				
Other purposes	-	9,990	9,990	19,980
Unreserved	194,318	6,913	36,487	237,718
Total fund balances	<u>194,318</u>	<u>16,903</u>	<u>46,477</u>	<u>257,698</u>
Total liabilities and fund balances	<u>\$ 194,318</u>	<u>\$ 16,903</u>	<u>\$ 46,477</u>	<u>\$ 257,698</u>

**City of Washington, Georgia**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Permanent Funds**  
**For the Year Ended December 31, 2010**

	<u>Cemetery Fund</u>	<u>Historical Properties Commission</u>	<u>Callaway Charitable Trust</u>	<u>Total Permanent Funds</u>
<b>REVENUES</b>				
Investment earnings	\$ 4,308	\$ 331	\$ 410	\$ 5,049
Total revenues	<u>4,308</u>	<u>331</u>	<u>410</u>	<u>5,049</u>
<b>EXPENDITURES</b>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	4,308	331	410	5,049
<b>OTHER FINANCING (USES)</b>				
Transfers out	<u>(10,000)</u>	<u>-</u>	<u>(20)</u>	<u>(10,020)</u>
Total other financing uses	<u>(10,000)</u>	<u>-</u>	<u>(20)</u>	<u>(10,020)</u>
Net change in fund balances	(5,692)	331	390	(4,971)
Fund balances - beginning	200,010	16,572	46,087	262,669
Fund balances - ending	<u>\$ 194,318</u>	<u>\$ 16,903</u>	<u>\$ 46,477</u>	<u>\$ 257,698</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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Contributions	\$ 7,690	\$ 7,690	\$ 14,764	\$ 7,074
Other	7,064	7,064	2,481	(4,583)
Total Revenues	<u>14,754</u>	<u>14,754</u>	<u>17,245</u>	<u>2,491</u>
<b>EXPENDITURES</b>				
Public Safety	14,754	14,754	14,065	689
Total Expenditures	<u>14,754</u>	<u>14,754</u>	<u>14,065</u>	<u>689</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	3,180	<u>\$ 3,180</u>
Fund Balance - beginning			<u>9,101</u>	
Fund Balance - ending			<u>\$ 12,281</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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Investment income	\$ 100	\$ 100	\$ 47	\$ (53)
Total Revenues	<u>100</u>	<u>100</u>	<u>47</u>	<u>(53)</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>	47	<u>\$ (53)</u>
Fund Balance - beginning			<u>2,168</u>	
Fund Balance - ending			<u>\$ 2,215</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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 160,133	\$ 160,133	\$ 143,762	\$ (16,371)
Charges for Services	70,000	70,000	62,347	(7,653)
Total Revenues	<u>230,133</u>	<u>230,133</u>	<u>206,109</u>	<u>(24,024)</u>
<b>EXPENDITURES</b>				
Public Safety	390,265	390,265	349,556	40,709
Total Expenditures	<u>390,265</u>	<u>390,265</u>	<u>349,556</u>	<u>40,709</u>
<b>Deficiency of Revenues under Expenditures</b>	(160,132)	(160,132)	(143,447)	33,718
<b>Other financing sources:</b>				
Transfers from other funds	160,132	160,132	149,184	(10,948)
<b>Total other financing sources</b>	<u>160,132</u>	<u>160,132</u>	<u>149,184</u>	<u>(10,948)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	5,737	<u>\$ 22,770</u>
Fund Balance - beginning			<u>17,901</u>	
Fund Balance - ending			<u>\$ 23,638</u>	

**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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Contributions	\$ 5,120	\$ 5,120	\$ 5,120	\$ -
Total Revenues	<u>5,120</u>	<u>5,120</u>	<u>5,120</u>	<u>-</u>
<b>EXPENDITURES</b>				
Culture & Recreation	5,120	5,820	5,811	9
Total Expenditures	<u>5,120</u>	<u>5,820</u>	<u>5,811</u>	<u>9</u>
<b>Deficiency of Revenues under Expenditures</b>	-	(700)	(691)	(9)
<b>Other financing sources:</b>				
Transfers from other funds	-	700	-	(700)
<b>Total other financing sources</b>	<u>-</u>	<u>700</u>	<u>-</u>	<u>(700)</u>
Net change in fund balances			(691)	
Fund Balance - beginning			<u>25,414</u>	
Fund Balance - ending			<u>\$ 24,723</u>	

Exhibit 13

**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, 2010**

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

**City of Washington, Georgia**  
**SPLOST Capital Projects Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**From Inception and For the Year Ended December 31, 2010**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to date</u>	<u>Project Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 1,661,694	434,679	\$ 2,096,373	\$ 2,025,526
Investment income	-	31	31	-
Total Revenues	<u>1,661,694</u>	<u>434,710</u>	<u>2,096,404</u>	<u>2,025,526</u>
<b>EXPENDITURES</b>				
Public Works	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues over Expenditures</b>	1,661,694	434,710	2,096,404	2,025,526
<b>Other financing (uses):</b>				
Transfers to other funds	<u>(1,629,081)</u>	<u>(260,993)</u>	<u>(1,890,074)</u>	<u>(2,025,526)</u>
<b>Total other financing (uses)</b>	<u>(1,629,081)</u>	<u>(260,993)</u>	<u>(1,890,074)</u>	<u>(2,025,526)</u>
Net change in fund balances	<u>\$ 32,613</u>	173,717	<u>\$ 206,330</u>	<u>\$ -</u>
Fund Balance - beginning		<u>32,613</u>		
Fund Balance - ending		<u>\$ 206,330</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, 2010**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to date</u>	<u>Project Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 121,678	\$ 706,667	\$ 828,345	\$ 800,000
Charges for services	868	868	1,736	-
Other	-	2,301	2,301	-
Total Revenues	<u>122,546</u>	<u>709,836</u>	<u>832,382</u>	<u>800,000</u>
<b>EXPENDITURES</b>				
Housing and development	<u>785,718</u>	<u>912,710</u>	<u>1,698,428</u>	<u>1,098,500</u>
Total Expenditures	<u>785,718</u>	<u>912,710</u>	<u>1,698,428</u>	<u>1,098,500</u>
<b>Deficiency of Revenues (under)</b>				
<b>Expenditures</b>	(663,172)	(202,874)	(866,046)	(298,500)
<b>Other financing sources:</b>				
Transfers from other funds	<u>652,758</u>	<u>272,362</u>	<u>925,120</u>	<u>298,500</u>
<b>Total other financing sources</b>	<u>652,758</u>	<u>272,362</u>	<u>925,120</u>	<u>298,500</u>
Net change in fund balance	<u>\$ (10,414)</u>	69,488	<u>\$ 59,074</u>	<u>\$ -</u>
Fund Balance - beginning		<u>(10,414)</u>		
Fund Balance - ending		<u>\$ 261,948</u>		

**City of Washington, Georgia**  
**Cemetery Perpetual Care**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2010**

	<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	\$ 4,308	\$ 2,308
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>4,308</u>	<u>2,308</u>
<b>EXPENDITURES</b>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues over Expenditures</b>	2,000	2,000	4,308	2,308
<b>Other financing sources/(uses):</b>				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balance			(5,692)	
Fund Balance - beginning			<u>200,010</u>	
Fund Balance - ending			<u>\$ 194,318</u>	

Exhibit 17

**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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Investment income	\$ 800	\$ 800	\$ 331	\$ (469)
Total Revenues	<u>800</u>	<u>800</u>	<u>331</u>	<u>(469)</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 800</u>	<u>\$ 800</u>	331	<u>\$ (469)</u>
Fund Balance - January 1			<u>16,572</u>	
Fund Balance - December 31			<u>\$ 16,903</u>	

**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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Investment income	\$ 450	\$ 450	\$ 410	\$ (40)
Total Revenues	<u>450</u>	<u>450</u>	<u>410</u>	<u>(40)</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>(20)</u>	<u>(20)</u>
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>(20)</u>	<u>(20)</u>
Net change in fund balances	<u>\$ 450</u>	<u>\$ 450</u>	390	<u>\$ (60)</u>
Fund Balance - January 1			<u>46,087</u>	
Fund Balance - December 31			<u>\$ 46,477</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 Schedule of Net Assets**  
**Nonmajor Proprietary Funds**  
**December 31, 2010**

	<u>Solid Waste Fund</u>	<u>Internet Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Accounts Receivable, net	\$ 61,882	\$ 9,372	\$ 71,254
Due from other funds	55,794	10,900	66,694
Prepaid Expenses	3,252	-	3,252
Total current assets	<u>120,928</u>	<u>20,272</u>	<u>141,200</u>
Non-current assets:			
Investment in Joint Venture	-	223,909	223,909
Capital Assets:			
Buildings, net	50,000	-	50,000
Equipment and Vehicles, net	109,231	172,611	281,842
Total capital assets	<u>159,231</u>	<u>172,611</u>	<u>331,842</u>
Total noncurrent assets	<u>159,231</u>	<u>396,520</u>	<u>555,751</u>
Total assets	<u><u>280,159</u></u>	<u><u>416,792</u></u>	<u><u>696,951</u></u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	11,686	1,385	13,071
Salaries payable	1,597	-	1,597
Total current liabilities	<u>13,283</u>	<u>1,385</u>	<u>14,668</u>
Non-current liabilities:			
Compensated absences	10,380	-	10,380
Total non-current liabilities	<u>10,380</u>	<u>-</u>	<u>10,380</u>
Total liabilities	<u>23,663</u>	<u>1,385</u>	<u>25,048</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	159,231	172,611	331,842
Unrestricted	97,265	242,796	340,061
Total net assets	<u><u>\$ 256,496</u></u>	<u><u>\$ 415,407</u></u>	<u><u>\$ 671,903</u></u>

**City of Washington, Georgia**  
**Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets**  
**Nonmajor Proprietary Funds**  
**For the Year Ended December 31, 2010**

	<u>Solid Waste</u> <u>Fund</u>	<u>Internet Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Charges for services	\$ 496,207	\$ 77,538	\$ 573,745
Miscellaneous	-	830	830
Total operating revenues	<u>496,207</u>	<u>78,368</u>	<u>574,575</u>
<b>OPERATING EXPENSES</b>			
Personal services	276,693	-	276,693
Contractual services	188,170	75,440	263,610
Supplies	49,446	391	49,837
Depreciation	26,343	54,273	80,616
Other	1,219	-	1,219
Total Operating Expenses	<u>541,871</u>	<u>130,104</u>	<u>671,975</u>
Operating (loss)	<u>(45,664)</u>	<u>(51,736)</u>	<u>(97,400)</u>
<b>NON-OPERATING REVENUES</b>			
Share of income from joint venture	-	86,336	86,336
Total non-operating revenue	<u>-</u>	<u>86,336</u>	<u>86,336</u>
Income (loss) before transfers	<u>(45,664)</u>	<u>34,600</u>	<u>(11,064)</u>
Transfers in	<u>42,730</u>	<u>-</u>	<u>42,730</u>
Change in net assets	(2,934)	34,600	31,666
Net assets - beginning, as previously reported	259,430	235,552	494,982
Prior period adjustment	-	145,255	145,255
Net assets - beginning, as restated	<u>259,430</u>	<u>380,807</u>	<u>640,237</u>
Net assets - ending	<u>\$ 256,496</u>	<u>\$ 415,407</u>	<u>\$ 671,903</u>

**CITY OF WASHINGTON, GEORGIA**  
**Combining Schedule of Cash Flows**  
**Nonmajor Proprietary Funds**  
**For the Fiscal Year Ended December 31, 2010**

	<u>Solid Waste Fund</u>	<u>Internet Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 489,227	\$ 77,664	\$ 566,891
Payments to suppliers	(229,182)	(74,446)	(303,628)
Payments to employees	(273,216)	-	(273,216)
Net cash used by operating activities	<u>(13,171)</u>	<u>3,218</u>	<u>(9,953)</u>
<b>Cash flows from noncapital financing activities:</b>			
Due from other funds	(13,607)	(10,900)	(24,507)
Transfers in	42,730	-	42,730
Net cash provided by noncapital financing activities	<u>29,123</u>	<u>(10,900)</u>	<u>18,223</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(15,952)	-	(15,952)
Net cash used by capital and related financing activities	<u>(15,952)</u>	<u>-</u>	<u>(15,952)</u>
<b>Cash flows from investing activities</b>			
Interest and dividends	-	7,682	7,682
Net cash provided by investing activities	<u>-</u>	<u>7,682</u>	<u>7,682</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	(45,664)	(51,736)	(97,400)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation and amortization expense	26,343	54,273	80,616
Change in assets and liabilities:			
Receivables	(5,761)	(704)	(6,465)
Prepaid items	(3,252)	-	(3,252)
Accounts payable	11,686	1,385	13,071
Accrued expenses	3,477	-	3,477
Net cash used by operating activities	<u>\$ (13,171)</u>	<u>\$ 3,218</u>	<u>\$ (9,953)</u>

# **Supplemental Schedules**

**City of Washington, Georgia**  
**General Fund**  
**Schedule of Revenues - Budget and Actual**  
**For the Year Ended December 31, 2010**

	<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	\$ 894,674	\$ 837,974	\$ 705,302	\$ (132,672)
Local option sales tax	310,000	397,763	398,223	460
Miscellaneous taxes	465,670	479,780	478,350	(1,430)
Total	<u>1,670,344</u>	<u>1,715,517</u>	<u>1,581,875</u>	<u>(133,642)</u>
<b>Licenses &amp; permits:</b>				
Business licenses	83,300	73,800	73,351	(449)
Total	<u>83,300</u>	<u>73,800</u>	<u>73,351</u>	<u>(449)</u>
<b>Intergovernmental revenues:</b>				
State Grants	15,851	15,851	34,258	18,407
Federal Grants	165,686	166,286	80,895	(85,391)
Total	<u>181,537</u>	<u>182,137</u>	<u>115,153</u>	<u>(66,984)</u>
<b>Charges for services:</b>				
Public Safety	101,980	106,980	100,635	(6,345)
Other	64,545	64,545	47,277	(17,268)
Total	<u>166,525</u>	<u>171,525</u>	<u>147,912</u>	<u>(23,613)</u>
<b>Fines &amp; forfeitures:</b>				
	<u>160,000</u>	<u>199,300</u>	<u>198,969</u>	<u>(331)</u>
<b>Interest income:</b>				
Investments	6,080	6,080	4,741	(1,339)
<b>Contributions and donations:</b>				
Contributions	3,324	279	1,589	1,310
<b>Miscellaneous:</b>				
Rents	62,764	61,264	69,809	8,545
Other	6,250	22,050	8,160	(13,890)
Total	<u>69,014</u>	<u>83,314</u>	<u>77,969</u>	<u>(5,345)</u>
<b>Total Revenues</b>	<u>\$ 2,340,124</u>	<u>\$ 2,431,952</u>	<u>\$ 2,201,559</u>	<u>\$ (230,393)</u>

**City of Washington, Georgia**  
**General Fund**  
**Schedule of Operating Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2010**

	<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	\$ 100,945	\$ 109,145	\$ 110,727	\$ (1,582)
Purchased/contracted services	86,230	94,880	90,434	4,446
Supplies	16,300	16,950	13,037	3,913
Capital outlay	-	-	-	-
Other costs	-	-	(82)	82
<b>Total Executive Administration</b>	<u>203,475</u>	<u>220,975</u>	<u>214,116</u>	<u>6,859</u>
<b>General Government Buildings</b>				
Personal services	229,805	234,905	246,576	(11,671)
Purchased/contracted services	20,160	67,110	58,177	8,933
Supplies	19,500	19,500	16,090	3,410
<b>Total General Government Buildings</b>	<u>269,465</u>	<u>321,515</u>	<u>320,843</u>	<u>672</u>
<b>Total General Government</b>	<u>472,940</u>	<u>542,490</u>	<u>534,959</u>	<u>7,531</u>
<b>JUDICIAL</b>				
<b>Municipal Court</b>				
Personal services	2,695	2,695	1,971	724
Purchased/contracted services	-	593	593	-
Supplies	-	370	367	3
<b>Total Municipal court</b>	<u>2,695</u>	<u>3,658</u>	<u>2,931</u>	<u>727</u>
<b>Total Judicial</b>	<u>2,695</u>	<u>3,658</u>	<u>2,931</u>	<u>727</u>
<b>PUBLIC SAFETY</b>				
<b>Police</b>				
Personal services	774,310	808,410	792,049	16,361
Purchased/contracted services	117,850	117,850	135,735	(17,885)
Supplies	60,800	70,100	74,711	(4,611)
Other costs	15,000	23,100	20,588	2,512
<b>Total Police</b>	<u>1,057,960</u>	<u>1,109,460</u>	<u>1,109,401</u>	<u>59</u>
<b>Fire</b>				
Personal services	528,320	555,170	594,291	(39,121)
Purchased/contracted services	79,800	83,800	61,661	22,139
Supplies	61,500	61,500	43,234	18,266
<b>Total Fire</b>	<u>669,620</u>	<u>700,470</u>	<u>699,186</u>	<u>1,284</u>
<b>Animal Control</b>				
Purchased/contracted services	25,000	25,000	30,320	(5,320)
Other costs	61,000	61,000	51,023	9,977
<b>Total Animal Control</b>	<u>\$ 86,000</u>	<u>\$ 86,000</u>	<u>\$ 81,343</u>	<u>\$ 4,657</u>

**City of Washington, Georgia**  
**General Fund**  
**Schedule of Operating Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Emergency Management</b>				
Personal services	\$ 40,710	\$ 40,710	\$ 40,631	\$ 79
Purchased/contracted services	2,100	2,100	580	1,520
Supplies	2,000	2,000	644	1,356
Other costs	300	300	300	-
<b>Total Emergency Management</b>	<u>45,110</u>	<u>45,110</u>	<u>42,155</u>	<u>2,955</u>
<b>Total Public Safety</b>	<u>1,858,690</u>	<u>1,941,040</u>	<u>1,932,085</u>	<u>8,955</u>
<b>PUBLIC WORKS</b>				
<b>Highways &amp; Streets</b>				
Personal services	372,850	372,850	398,106	(25,256)
Purchased/contracted services	136,400	136,400	147,033	(10,633)
Supplies	101,200	101,200	132,938	(31,738)
Capital outlay	145,000	145,000	35,000	110,000
<b>Total Highways and Streets</b>	<u>755,450</u>	<u>755,450</u>	<u>713,077</u>	<u>42,373</u>
<b>Street Lighting</b>				
Supplies	112,000	119,900	119,865	35
<b>Total Street Lighting</b>	<u>112,000</u>	<u>119,900</u>	<u>119,865</u>	<u>35</u>
<b>Cemetery</b>				
Personal services	10,820	10,820	11,442	(622)
Purchased/contracted services	1,275	1,275	209	1,066
Supplies	11,900	11,900	220	11,680
<b>Total Cemetery</b>	<u>28,995</u>	<u>28,995</u>	<u>11,871</u>	<u>17,124</u>
<b>Total Public Works</b>	<u>896,445</u>	<u>904,345</u>	<u>844,813</u>	<u>59,532</u>
<b>HEALTH &amp; WELFARE</b>				
<b>Community Services</b>				
Other costs	96,350	98,450	98,377	73
<b>Total Community Services</b>	<u>96,350</u>	<u>98,450</u>	<u>98,377</u>	<u>73</u>
<b>Community Center</b>				
Purchased/contracted services	16,000	25,335	25,319	16
Supplies	15,300	16,375	16,190	185
Capital outlay	-	-	-	-
<b>Total Community Center</b>	<u>31,300</u>	<u>41,710</u>	<u>41,531</u>	<u>179</u>
<b>Total Health &amp; Welfare</b>	<u>\$ 127,650</u>	<u>\$ 140,160</u>	<u>\$ 139,908</u>	<u>\$ 252</u>

**City of Washington, Georgia**  
**General Fund**  
**Schedule of Operating Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2010**

	<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	\$ 110,610	\$ 116,635	\$ 122,188	\$ (5,553)
Purchased/contracted services	55,375	84,890	81,872	3,018
Supplies	31,050	33,550	27,944	5,606
Other costs	113,300	113,300	112,675	625
<b>Total Parks</b>	<u>315,335</u>	<u>353,375</u>	<u>349,679</u>	<u>3,696</u>
<b>Libraries</b>				
Other costs	56,422	59,537	59,534	3
<b>Total Libraries</b>	<u>56,422</u>	<u>59,537</u>	<u>59,534</u>	<u>3</u>
<b>Total Culture &amp; Recreation</b>	<u>371,757</u>	<u>412,912</u>	<u>409,213</u>	<u>3,699</u>
<b>HOUSING &amp; DEVELOPMENT</b>				
<b>Planning &amp; Zoning</b>				
Personal services	54,390	61,865	62,525	(660)
Purchased/contracted services	30,825	44,355	44,332	23
Supplies	3,250	3,250	2,488	762
<b>Total Planning &amp; Zoning</b>	<u>88,465</u>	<u>109,470</u>	<u>109,345</u>	<u>125</u>
<b>Urban Redevelopment</b>				
Supplies	-	11,335	-	11,335
<b>Total Urban Redevelopment</b>	<u>-</u>	<u>11,335</u>	<u>-</u>	<u>11,335</u>
<b>Economic Development &amp; Assistance</b>				
Personal services	46,750	46,750	47,944	(1,194)
Purchased/contracted services	127,680	130,755	70,651	60,104
Supplies	4,500	4,500	3,784	716
Other costs	45,000	131,100	112,373	18,727
Capital outlay	-	-	1,076	(1,076)
<b>Total Economic Development &amp; Assistance</b>	<u>223,930</u>	<u>313,105</u>	<u>235,828</u>	<u>77,277</u>
<b>Downtown Development</b>				
Personal services	99,110	99,110	81,142	17,968
Purchased/contracted services	34,500	34,580	25,959	8,621
Supplies	6,500	6,500	6,723	(223)
<b>Total Downtown Development</b>	<u>140,110</u>	<u>140,190</u>	<u>113,824</u>	<u>26,366</u>
<b>Total Housing &amp; Development</b>	<u>452,505</u>	<u>574,100</u>	<u>458,997</u>	<u>115,103</u>
<b>DEBT SERVICE</b>				
Principal	118,879	650,309	650,240	69
Interest	59,242	71,512	71,577	(65)
<b>Total Debt Service</b>	<u>178,121</u>	<u>721,821</u>	<u>721,817</u>	<u>4</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$4,360,803</u></u>	<u><u>\$5,240,526</u></u>	<u><u>\$5,044,723</u></u>	<u><u>\$ 195,803</u></u>

# **Required Reports**

# Treadwell, Tamplin & Co.

Certified Public Accountants

A Limited Liability Partnership

157 West Jefferson Street  
Madison, Georgia 30650  
Ph: (706) 342-1040

2470 Daniell's Bridge Rd, Ste 151103  
Athens, Georgia 30606  
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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, 2010, which collectively comprise the City of Washington's basic financial statements and have issued our report thereon dated June 23, 2011. 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 questioned costs to be material weaknesses. **2010-1, 2010-2**

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 questioned costs to be significant deficiencies. **2006-1, 2008-5, 2010-3**

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 questioned costs. 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, the State of Georgia, and federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Dreadwell, Sampson & Co.*

*Madison, Georgia  
June 23, 2011*

# Treadwell, Tamplin & Co.

Certified Public Accountants

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

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

### Compliance

We have audited the City of Washington, Georgia's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. City of Washington, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Washington, Georgia's management. Our responsibility is to express an opinion on City of Washington, Georgia's compliance based on our audit.

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

In our opinion, City of Washington, Georgia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

### Internal Control Over Compliance

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

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

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

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

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

*J. Readwell, Sangler & Co.*

*Madison, Georgia*  
June 23, 2011

**City of Washington, Georgia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2010**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor Number</b>	<b>Program or Award Amount</b>	<b>Receipt Recognized</b>	<b>Expenditures</b>
<b>US Dept. of Housing and Urban Development</b>					
<i>Georgia Department of Community Affairs</i>					
Community Development Block Grant - Multi-activity Project	14.228	08b-x-157-2-5080	800,000	668,356	668,356
<b>US Environmental Protection Agency</b>					
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-95406608-0	200,000	31,993	31,993
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96485907-0	200,000	22,624	22,624
			<u>400,000</u>	<u>54,617</u>	<u>54,617</u>
<b>US Dept. of Justice -</b>					
Bulletproof Vest Partnership Program	16.607	2009-BUBX09046641	3,500	3,500	3,500
ARRA FY 2009 Recovery Act Justice Assistance Program	16.804	2009-SB-B9-3225	14,886	14,886	14,886
			<u>18,386</u>	<u>18,386</u>	<u>18,386</u>
<b>US Department of Homeland Security</b>					
<i>Georgia Emergency Management Agency</i>					
Emergency Management Performance Grant	97.042	OEM09-159	11,351	11,351	11,351
<b>US Department of Energy</b>					
<i>Georgia Environmental Facilities Authority</i>					
ARRA Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0000806	254,855	38,311	38,311
<b>Total Federal Assistance</b>			<u>\$ 1,484,592</u>	<u>\$ 791,021</u>	<u>\$ 791,021</u>

**CITY OF WASHINGTON, GEORGIA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2010**

**Note A: BASIS OF PRESENTATION**

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

**City of Washington, Georgia**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2010**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Internal control over financial reporting:

*Unqualified on all opinion units*

Material weakness (es) identified?

X yes            no

Significant deficiency (ies) not considered to be material weakness(es)?

X yes            none reported

Noncompliance material to financial statements noted?

yes            X no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

yes            X no

Significant deficiency (ies) not considered to be material weakness(es)?

yes            X none reported

Type of auditor's report issued on compliance for major programs:

*Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)

yes            X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.228

Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as a low risk auditee?

yes            X no

**CITY OF WASHINGTON, GEORGIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2010**

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

**2006-1 Statement of Condition:** At present, management is not preparing the financial statements, they are being assisted by auditors. The intent of SAS 115 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.

**Criteria:** 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.

**Effect:** 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.

**Cause:** 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.

**Recommendation:** 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.

**Response:** The City of Washington concurs with the recommendation. The City's Finance Coordinator is currently enrolled in training classes and will continue to take training classes on governmental accounting in order to be more proficient in the preparation of the financial statements. This will be an on-going process of education for the accounting staff.

**2008-5 Statement of Condition:** 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.

**Criteria:** For significant inventory purchases, there should be procedures to track items put in service.

**Effect:** The City could incur a loss of assets.

**Cause:** The City does not have controls in place to monitor movement of inventory.

**Recommendation:** 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.

**Response:** The City of Washington concurs with this recommendation. The City will begin a new system for monitoring inventory effective for FYE 2011. Department heads have been told to utilize excel spreadsheets to keep a better control over their inventory purchases and use of inventory throughout the year in order to catch discrepancies in inventory early.

**CITY OF WASHINGTON, GEORGIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2010**

<b>2010-1</b>	<b>Statement of Condition:</b>	The entire amount of the property billing was recorded as revenue in the General Fund.
	<b>Criteria:</b>	In accordance with generally accepted accounting principles, property tax revenue should be recognized in the period in which they become both measurable and available to finance expenditures of the fiscal period. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days.
	<b>Effect:</b>	A material audit adjustment was required to increase deferred revenue and decrease property tax revenue.
	<b>Cause:</b>	The City adjusted the allowance for uncollectible property tax appropriately but did not adjust deferred revenue in the accounting records for the property tax collections not occurring within 60 days of year end.
	<b>Recommendation:</b>	We recommend that the City recognize revenue in the governmental funds under the modified accrual basis of accounting.
	<b>Response:</b>	The City of Washington concurs with this recommendation. The City has corrected this finding on their books. The City is aware of how to handle Property Tax Revenue recognition for all future years.
<b>2010-2</b>	<b>Statement of Condition:</b>	The City is a participant in a joint venture - Georgia Public Web. The City has an equity interest in the joint venture.
	<b>Criteria:</b>	In accordance with GASB Statement No. 14, if a joint venture is represented by an equity interest, the participating government should include the ownership of the joint venture's net resources as an asset.
	<b>Effect:</b>	A prior period adjustment in the amount of \$145,255 was recorded which increased the assets and retained earnings of the internet fund. Also, an adjustment was recorded in the amount of \$86,336 to record the city's share of the 2010 profit from Georgia Public Web. This adjustment increased the Investment in Joint Venture (asset account) and increased the funds revenues for fiscal year 2010.
	<b>Cause:</b>	The City was reporting the transactions with Georgia Public Web but not reporting the City's ownership share of GPW's net assets.
	<b>Recommendation:</b>	We recommend that the City report investments in joint ventures in accordance with GASB Statement No. 14.
	<b>Response:</b>	The City of Washington concurs with this recommendation. The City has recorded this asset on their books in order to be in compliance with GASB Statement No. 14.

**CITY OF WASHINGTON, GEORGIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2010**

**2010-3**    **Statement of Condition:**    During the audit, we noted that the City does not always follow its policies regarding utility services cutoff.

**Criteria:**                                    A key control of the timely collection of accounts receivable is the consistent application of cutoff procedures.

**Effect:**                                    The gross receivable balance in the Enterprise funds is increasing as a percentage of revenues leading to an increase in bad debt expense. Because the City remits the sales and use tax when it is billed rather than when it is collected, any delay in collecting electric bills results in an increase in the time that the City has advanced sales tax payments to the State of Georgia. Additionally, the cut off control not operating effectively could increase the difficulty of detecting other instances of noncompliance with the City's policies.

**Cause:**                                    The City is not consistent with monthly cutoff procedures for utility services.

**Recommendation:**                We recommend that the City follow the billing and collection policies for utility services. We also recommend that the City institute additional procedures to ensure the timely collection of accounts receivables such as consider increasing the amount of the deposit required to turn on services or contracting with a collection agency for the collection of delinquent accounts.

**Response:**                                The City of Washington concurs with this recommendation. The City of Washington plans to adhere to the policies and procedures they currently have in place. The City also plans to follow up with the Collection Agency it has contracted with to insure that all past due accounts are actively being sought for collections. In addition to this, the City will clear off all uncollectible debt on its books as deemed appropriate by law and statutes of limitation on collections.

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

None reported

**City of Washington, Georgia  
Summary Schedule of Prior Audit Findings  
December 31, 2010**

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



# City of Washington

Post Office Box 9  
Washington, Georgia 30673  
706-678-3277  
Fax: 706-678-3752

Willie E. Burns, Mayor  
Michael P. Eskew, Administrator  
Debbie L. Danner, Clerk  
Barry A. Fleming, Attorney

**Council Members**  
Ames M. Barnett  
Nathaniel Cullars, Sr.  
Pamela L.G. Eaton  
Edward B. Pope, Jr.  
Kimberly J. Rainey  
Marion Tutt, Jr.

Edward Blaha, Director  
Department of Audits and Accounts  
254 Washington Street, S.W., Suite 322  
Atlanta, Georgia 30334-8400

June 22, 2011

Re: City of Washington, Georgia  
Fiscal year ended 12/31/10  
Corrective Action Plan

City of Washington contact person: Michael P. Eskew, Administrator

## Summary of Audit Report Review

### Items cited in Audit Report

#### 2006-1

At present, management are 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.

It is recommended 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.

### Corrective Action Plan

The City of Washington **concurs** with the recommendation.

The City's Finance Coordinator is currently enrolled in training classes and will continue to take training classes on governmental accounting in order to be more proficient in the preparation of the financial statements. This will be an on-going process of education for the accounting staff.

**2008-5**

During the audit it was 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. There is no system in place which tracks items placed in service or those items used for capital asset additions.

It is recommended that the City improve procedures that track significant inventory purchases and subsequent use of inventory items for significant repairs.

**Corrective Action Plan**

The City of Washington **concurs** with this recommendation.

The City will begin a new system for monitoring inventory effective for FYE 2011. Department heads have been told to utilize excel spreadsheets to keep a better control over their inventory purchases and use of inventory throughout the year in order to catch discrepancies in inventory early.

**2010-1**

During the audit it was found that the entire amount of the property billing was recorded as revenue in the general fund and not adjusted for unpaid taxes over 60 days.

It is recommended that the City recognize revenue in governmental funds under the modified accrual basis of accounting.

**Corrective Action Plan**

The City of Washington **concurs** with this recommendation.

The City has corrected this finding on their books. The City is aware of how to handle Property Tax Revenue recognition for all future years.

**2010-2**

During the audit it was found that the City is a participant in a joint venture-Georgia Public Web. The City has a equity interest in the joint venture.

It is recommended that the City include the ownership of the joint venture's net resources as an asset.

The City of Washington **concurs** with this recommendation.

The City has recorded this asset on their books in order to be in compliance with GASB Statement No. 14.

2010-3

During the audit, it was noted that the City does not always follow its policies regarding utility services Cutoff.

It is recommended that the City follow the billing and collection policies for utility services. It is also Recommended that the City institute additional procedures to ensure the timely collection of accounts receivables such as consider increasing the amount of the deposit required to turn on services or contracting with a collection agency for the collection of delinquent accounts.

The City of Washington **concurs** with this recommendation.

The City of Washington plans to adhere to the policies and procedures they currently have in place. The City also plans to follow up with the Collection s Agency it has contracted with to insure that all past due accounts are actively being sought for collections. In addition to this, the City will clear off all uncollectible debt on its books as deemed appropriate by law and statutes of limitation on collections.

Signed: W E Burns

Title: Mayor

Signed: [Signature]

Title: City Administrator

**CITY OF WASHINGTON, GEORGIA**  
**Schedule of Projects Constructed**  
**With Special Sales Tax Proceeds**  
**For the Fiscal Year Ended December 31, 2010**

	Original Estimated Cost	Expenditures			Estimated Percentages of Completion
		Prior Years	Current Year	Total	
Water & Sewer improvements	2,025,526	1,720,849	260,993	1,981,842	97.84%