

**CITY OF WASHINGTON  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2011**

*This page left blank intentionally.*

# **CITY OF WASHINGTON**

## **NORTH CAROLINA**

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2011**

**PREPARED BY THE FINANCE DEPARTMENT**

*This page left blank intentionally.*

**CITY OF WASHINGTON, NORTH CAROLINA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2011**

**TABLE OF CONTENTS**

		<u>Page(s)</u>
	<b>INTRODUCTORY SECTION:</b>	
	Letter of Transmittal	i-v
	List of Principal Officials	vi
	Organizational Chart	vii
	Certificate of Achievement for Excellence in Financial Reporting	viii
	<b>FINANCIAL SECTION:</b>	
	Independent Auditors' Report	1-2
	Management's Discussion and Analysis	3-15
	<b>Basic Financial Statements:</b>	
	<b>Government-Wide Financial Statements:</b>	
<u>Exhibit</u> A	Statement of Net Assets	16
B	Statement of Activities	17-18
	<b>Fund Financial Statements:</b>	
C	Balance Sheet - Governmental Funds	19
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	21
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	22
G	Statement of Net Assets - Proprietary Funds	23-24
H	Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	25-26
I	Statement of Cash Flows - Proprietary Funds	27-28
	Notes to the Basic Financial Statements	29-66

**CITY OF WASHINGTON, NORTH CAROLINA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2011**

**TABLE OF CONTENTS**

<u>Schedule</u>		<u>Page(s)</u>
	<b>Required Supplemental Financial Data:</b>	
A-1	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information	67
A-2	Other Post-Employment Benefits - Required Supplementary Information	68
	<b>Combining and Individual Fund Statements and Schedules:</b>	
	<b>Major Governmental Funds:</b>	
1	Comparative Balance Sheets - General Fund	69
2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Consolidated	70
3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	71-80
4	Economic Development Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	81
	<b>Nonmajor Governmental Funds:</b>	
5	Combining Balance Sheet	82
6	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	83
	<b>Nonmajor Special Revenue Funds:</b>	
7	Combining Balance Sheet	84
8	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	85
9	CDBG Program Income Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	86
10	Emergency 911 Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	87
11	Capacity Grant Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	88
12	Gang/Drug Investigator - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	89
13	CDBG Affordable Housing - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	90

**CITY OF WASHINGTON, NORTH CAROLINA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2011**

**TABLE OF CONTENTS**

<u>Schedule</u>		<u>Page(s)</u>
	<b>Nonmajor Capital Project Funds:</b>	
14	Combining Balance Sheet	91-92
15	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	93-94
16	CDBG Keyesville Road Subdivision - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	95
17	New Police Station - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	96
18	Fire Station Roof Replacement - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	97
19	Festival Park Construction - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	98
20	Public Safety Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	99
21	Façade Program Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	100
22	Pacific Seacraft - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	101
23	Impressions Building - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	102
24	ARRA Lighting Grant Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	103
25	Main Street Energy Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	104
	<b>Nonmajor Permanent Funds:</b>	
26	Combining Balance Sheet	105
27	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	106
28	Library Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	107
29	Cemetery Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	108

**CITY OF WASHINGTON, NORTH CAROLINA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2011**

**TABLE OF CONTENTS**

<u>Schedule</u>		<u>Page(s)</u>
	<b>Major Enterprise Funds:</b>	
30	Water Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	109-111
31	Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	112-114
32	Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	115-118
33	Stormwater Utility Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	119-120
34	Pennsylvania Avenue Sewer Extension Capital Project - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	121
35	Water Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	122
36	Sewer Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	123
37	Recovery Zone Bond - Stormwater Projects - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	124
	<b>Nonmajor Enterprise Funds:</b>	
38	Combining Statement of Net Assets	125
39	Combining Statement of Revenues, Expenditures and Changes in Net Assets	126
40	Combining Statement of Cash Flows	127
41	Warren Field Airport Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	128
42	Solid Waste Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	129-130
43	Cemetery Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	131
	<b>Internal Service Funds:</b>	
44	Workers' Compensation Reserve - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	132
	<b>Additional Financial Data:</b>	
45	Schedule of Ad Valorem Taxes Receivable	133
46	Analysis of Current Tax Levy - City-Wide Levy	134

**CITY OF WASHINGTON, NORTH CAROLINA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2011**

**TABLE OF CONTENTS**

<u>Table</u>		<u>Page(s)</u>
	<b>Statistical Section (Unaudited):</b>	
1	Net Assets By Component, Last Nine Fiscal Years	135
2	Change in Net Assets, Last Nine Fiscal Years	136-138
3	Governmental Activities Tax Revenue By Source, Last Ten Fiscal Years	139
4	Fund Balances, Governmental Funds, Last Ten Fiscal Years	140
5	Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	141
6	Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years	142
7	Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	143
8	Principal Property Taxpayers, Current Year and Nine Years Ago	144
9	Property Tax Levies and Collections, Last Ten Fiscal Years	145
10	Ratios of Outstanding Debt By Type, Last Ten Fiscal Years	146
11	Ratios of Net General Bonded Debt Outstanding, Last Ten Fiscal Years	147
12	Direct and Overlapping Governmental Activities Debt	148
13	Legal Debt Margin Information, Last Ten Fiscal Years	149
14	Demographic and Economic Statistics	150
15	Principal Employers, Current Year and Nine Years Ago	151
16	Full-Time Equivalent City Government Employees By Function, Last Ten Fiscal Years	152
17	Operating Indicators By Function	153
18	Capital Asset Statistics By Function, Last Ten Fiscal Years	154
	<b>Compliance Section:</b>	
	Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	155-156
	Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Federal Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and The State Single Audit Implementation Act	157-158
	Schedule of Findings and Questioned Costs	159-160
	Summary Schedule of Prior Year Audit Findings	161
	Schedule of Expenditures of Federal and State Awards	162-163

*This page left blank intentionally.*

## **Introductory Section**

*This page left blank intentionally.*



November 29, 2011

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Washington:

State Law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Martin Starnes & Associates, CPAs, P.A., have issued an unqualified (“clean”) opinion on the City of Washington’s financial statements for the year ended June 30, 2011. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it.

## **Profile of the Government**

The City of Washington, incorporated in 1782, is located in the eastern part of North Carolina on the northern banks of the Pamlico River. It has been the county seat of Beaufort County since 1785. It has a land area of 7.663 square miles and a population of 9,754. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City has operated under the Council-Manager form of government since May 7, 1952. The City Council is comprised of five (5) council members, elected at large, non-partisan, for a two-year term and a Mayor without voting powers elected for a two-year term. Council members hold policy making and legislative authority. They are responsible, among other things, for passing ordinances, adopting the annual budget, appointing Board members, Commission members, City Manager, City Clerk and City Attorney. The City Manager is the Chief Executive Officer and is responsible, among other things, for implementing and enforcing policies and ordinances of the City of Washington, for managing daily operations of the government, for appointing all employees including department directors, and for budget development.

The City of Washington provides a full range of services for its citizens. These services include: planning and zoning, the construction and maintenance of streets, curbs, gutters and sidewalks, parks and recreational activities, library services, police, and fire protection. In addition to these general government activities, the City also provides and maintains airport operations, cemeteries, water, sewer, stormwater, solid waste and recycling, and electrical utilities for its citizens and the surrounding areas of Beaufort, Martin, and Pitt counties. These utilities are included in the reporting entity. This report includes all of the City's activities in delivering and administering these services.

The City Council is required to adopt an annual budget by no later than the close of the prior fiscal year. This annual budget serves as the foundation for the City of Washington's financial planning and control. The annual budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may request of the Finance Director or City Manager transfer of resources within a department (intradepartmental transfers). Transfers between departments (interdepartmental transfers) may be approved by the City Manager; however, he must report the approved transfers to the City Council at their next regular meeting.

## **Local Economy**

The City of Washington continues to serve as the economic, service, and retail center for Beaufort County. The economy is based on medical services, small-scale diverse manufacturing, retail sales, agriculture, service, and eco-tourism. The County has an employed labor force of approximately 22,000, leaving around 2,400 unemployed in the county. The unemployment rate for Beaufort County, which the City of Washington is a part of, is currently 11.2%, which is an increase of .4% from a rate of 10.8%, a year ago. This is slightly higher than the State of North Carolina's average unemployment rate of 10.5% and is considerably higher than the national average of 9.0%. During the past fiscal year, Washington's local economy continued to feel the effects of a slow economy, similar to other cities and towns in the country. This is evidenced by a slight decrease of revenues in areas of sales tax, occupancy tax, and building permits. Revenues were conservatively budgeted for fiscal year 2011-2012; however, management will be keeping a close eye on actual receipts to ensure that budget shortfalls do not occur.

The Beaufort County Economic Development Commission's mission is to expand the economic activity, broaden the tax base, and increase job opportunities for the citizens of Beaufort County. P & G Manufacturing is set to expand its plant in the Beaufort County Industrial Park with construction scheduled to begin within the next few months. The 50,000 sq. ft. facility will be located on Cherry Run Road and should allow the City to acquire a substantial number of grants for improvements to the Washington utility system. P & G Manufacturing is expected to create 32 new jobs in our town.

The Washington Tourism Development Authority continues to attract visitors by vigorously marketing and promoting the City. As part of its efforts, they are continuing the process for the development of a community brand with several community partners, including the City of Washington. To combat the continued negative impact of the Highway 17 bypass, the WTDA launched a new billboard campaign that mimics the signage of NC-DOT. The billboard campaign was awarded a platinum marketing initiative award by the Destination Marketing Association of North Carolina.

During the past year, a contract sales consultant was utilized to promote the Civic Center as a meeting and event venue. This effort was utilized for six months in conjunction with a marketing push to local businesses in Washington and Greenville. The marketing work of Eye Integrated and the sales consultant were implemented to increase bookings, as well as plan for future years of management.

### **Long-Term Financial Planning**

The City has postponed plans to begin construction on a \$3 million dollar police facility that would replace the out dated and undersized police station located in the 100 year flood zone. A \$1,000,000 transfer was made in FY 09-10 from the Public Safety Capital Reserve Fund to a Police Station Capital Project Fund to partially fund the project. A site had been selected at the corner of North Market Street and Airport Road with most of the engineering work for the project complete when the project was placed on hold by the governing board. The City continues to pursue grant opportunities and other revenues for the construction of the police station.

During fiscal year 2011-2012 the City anticipates borrowing \$862,000 through installment note financing for the purchase of police vehicles, an EMS truck, a bucket truck, and other operating equipment for the Electric Department.

The City has been approved for a \$600,000 low interest loan through the North Carolina State Revolving Loan Program for the upgrade of its 50 year old Main & Respass sewer pump station. Currently, the City is awaiting approval of the plans by the State with the hopes of going out for bids in January, 2012. We anticipate awarding the construction contract in February 2012 and beginning work on the system improvements in March 2012.

The City was awarded a \$5,042,000 allocation of Recovery Zone Economic Development Bonds by the North Carolina Tax Reform Allocation committee in April 2010. The primary project was for storm water drainage improvements to reduce the frequency and duration of roadway and personal property flooding during significant rain events in the Jacks Creek, Cherry Run, and Runyon Creek drainage basins. The improvements proposed in the Jack's Creek basin serve the area south of the Kingswood sub-division, east of Hackney Avenue, north of Second Street, and west of Hudnell Street. The improvements proposed in the Cherry Run basin serve the area west of the old Kmart property to Whispering Pines Road. The improvements proposed in the Runyon Creek basin serve the Smallwood sub-division area. These projects were included in the five year Capital Improvement Plan and made possible due to the issue of RZEDB's in December of 2010. The drainage project is the second major capital improvement for which the Storm Water fund was established in 2002/2003. Major progress has been made toward completing these improvements over the past fiscal year. The project is anticipated to be finished in April 2012.

### **Major Initiatives**

The City is continuing an aggressive load management switch installation program to reduce residential energy costs. An estimated 1,000 switches will be installed during next fiscal year saving residential customers \$43,500 per year on their electric bills and all retail customers \$100,000 in net wholesale purchases.

Construction of a new bridge along Brown Street continues. The project is 80% funded by the State of North Carolina through the NCDOT Municipal Bridge Program with the remaining 20% being paid with City Powell Bill funds. The estimated \$857,000 project is expected to be completed in March 2012.

The City began improvements to its 400,000 square feet manufacturing facility which it leases to Impressions Marketing Group, a retail display manufacturer. The City secured \$770,000 through installment financing in July 2011 to paint the exterior of the building, replace the roof, and install a fire suppression, sprinkler system, along with other smaller projects. The debt will be paid back with increased rent revenues received by the current tenant over the next five years. An energy efficient lighting system as well as a direct gas fired heat system is also being installed with \$260,000 in ARRA funds. The majority of these projects are anticipated to be complete in December 2011, with the smaller projects to be completed shortly thereafter.

Downtown waterfront improvements and upgrades continue to be a major City initiative. The City was awarded a \$295,125 Parks and Recreation Trust Fund Grant (PARTF) for the three phase construction of a waterfront festival park. Improvements include the construction of two new shelters, restrooms, and a tot playground area. The City was required to provide a 50% grant match for the project. Local citizen and organizational donations in the amount of \$33,700 have been received, reducing the City's actual cash outlay for the project to \$261,425. The festival park is set for completion in late spring 2012.

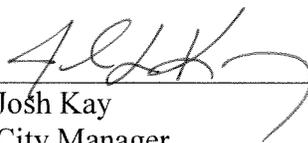
Phase I of a new pedestrian greenway/walkway is currently being constructed between Bonner and Brown Streets on the south side of Jack's Creek river basin. The greenway/walkway is an eight foot wide, hard surface asphalt trail that will act as a connector within the City park system. The first phase will connect the Bobby Andrews Recreational Center and the 7th Street Park and Playground to the Veterans Park and the Off Leash Dog Park. Phase I of this project is possible due to a \$74,206 federal grant from the Recreational Trails Grant Program. The City match for this project is a cash match of \$18,570 and in-kind contribution of \$6,190. Future, Phase II plans call for the greenway connector to continue from the Off Leash Dog Park to Bughouse Park and Playground then to Havens Gardens, the walkway under the Highway 32 Bridge, and the city boat ramps.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Washington for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the fifth tenth consecutive year (fiscal years ended 1996-2010) that the City has received this prestigious national award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We would also like to thank our independent auditors, Martin Starnes & Associates, CPAs, P.A., for their extensive assistance provided. Credit must also be given to the Mayor and the City Council for their support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully Submitted,

  
\_\_\_\_\_  
Josh Kay  
City Manager

  
\_\_\_\_\_  
Matthew J. Rauschenbach  
Chief Financial Officer

**CITY OF WASHINGTON, NORTH CAROLINA  
PRINCIPAL OFFICERS  
JUNE 30, 2011**

---

**ELECTED OFFICIALS**

---

Title	Name	Total Length Of Service	Term Expires
Mayor	N. Archie Jennings	6 years	December, 2011
Mayor Pro-Tem	Bobby E. Roberson	2 years	December, 2011
Councilperson	Edward Moultrie, Jr.	2 years	December, 2011
Councilperson	William H. Pitt	2 years	December, 2011
Councilperson	Douglas G. Mercer	4 years	December, 2011
Councilperson	Gilbert P. Davis, Jr.	4 years	December, 2011

The Mayor and Council serve 2 year terms.

**APPOINTED OFFICIALS**

---

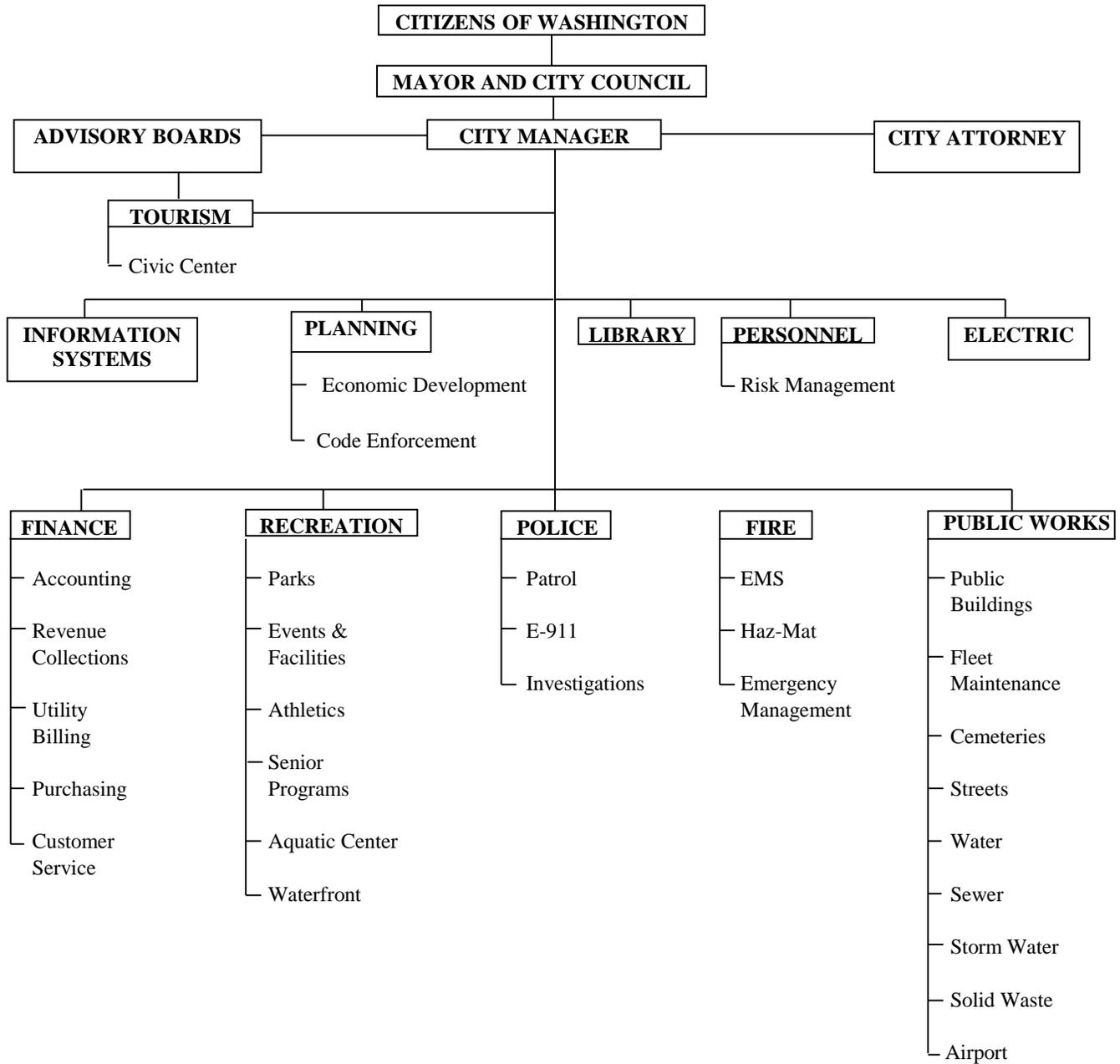
Title	Name	Total Length Of Service	Length of Employment with the City of Washington
City Attorney	Franz Holscher	5 years	5 years
City Clerk	Cynthia Bennett	3 years	12 years
City Manager	Josh Kay	3 months	3 months

**DEPARTMENT HEADS**

---

Title	Name	Total Length Of Service	Length of Employment with the City of Washington
Planning Director	John D. Rodman	2 years	10 years
Electric Director	Keith A. Hardt	14 years	15 years
Chief Financial Officer	Matthew J. Raschenbach	2 years	2 years
Fire Chief	Robert C. Rose	2 years	22 years
Library Director	Gloria J. Moore	4 years	21 years
Human Resources Director	Susan C. Hodges	8 years	8 years
Police Chief	Glen M. Reed	4 years	4 years
Public Works Director	R. Allen Lewis, III	8 years	8 years
Recreation & Parks Director	Phillip W. Mobley	34 years	36 years
Tourism Director	Lynn W. Lewis	8 years	8 years

**CITY OF WASHINGTON**  
**ORGANIZATIONAL CHART**  
 2010-2011



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Washington  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## **Financial Section**

*This page left blank intentionally.*

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

## INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and  
Members of the City Council  
City of Washington, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Washington, North Carolina as of and for the year ended June 30, 2011 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Washington Tourism Development Authority. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Washington Tourism Development Authority, is based solely on the report of the other auditors.

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 basic financial statements are free of material misstatement. The financial statements of the Washington TDA Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Washington, North Carolina as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison 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 November 29, 2011 on our consideration of the City of Washington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 prepared 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 Law Enforcement Officer's Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the City of Washington, North Carolina as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other supplemental schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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 basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
November 29, 2011

## Management's Discussion and Analysis

As management of the City of Washington, we offer readers of the City of Washington's financial statements this narrative overview and analysis of the financial activities of the City of Washington for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

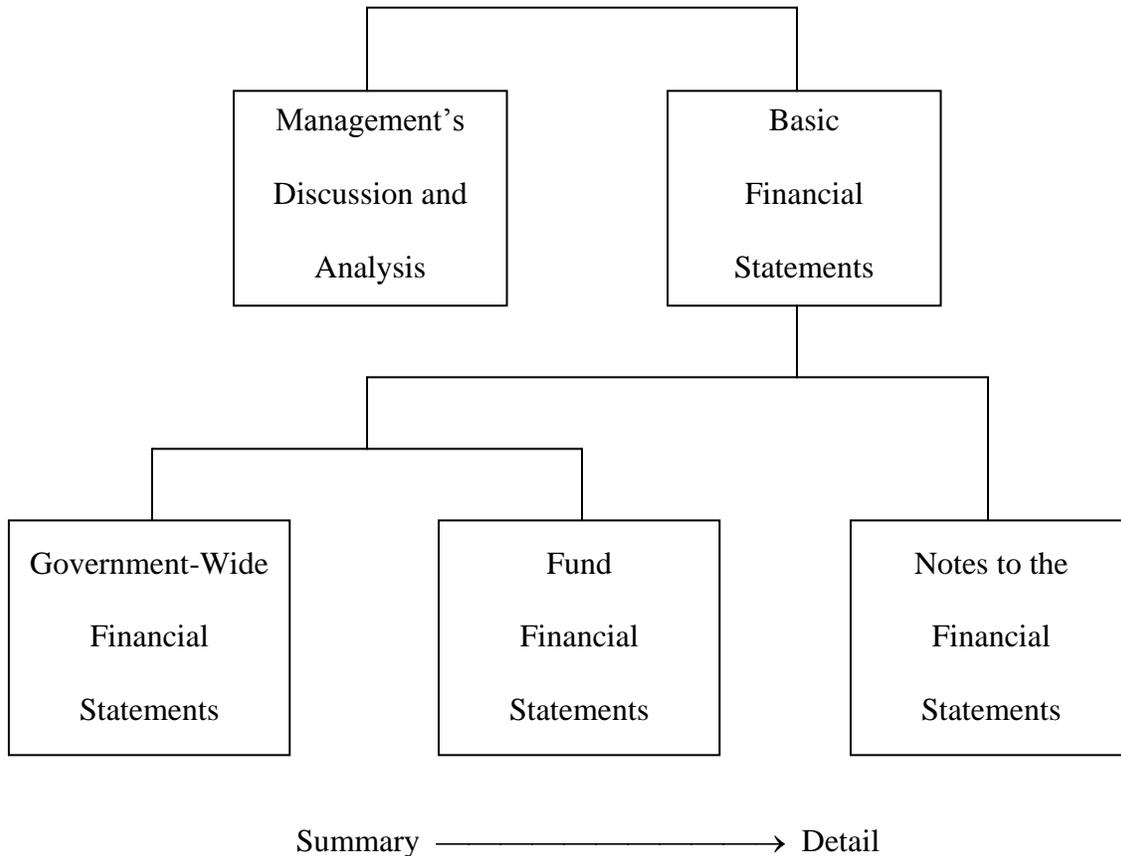
- The assets of the City of Washington exceeded its liabilities at the close of the most recent fiscal year by \$99,820,247 (*net assets*). Of this amount, \$19,401,837 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,825,275. This is an increase of 1.86%.
- As of the close of the current fiscal year, the City of Washington's governmental funds reported combined ending fund balances of \$9,568,569, a decrease of \$466,159 in comparison with the prior year. Approximately 34.12% of this total amount, or \$3,264,604, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,378,942 or 45.09% of total General Fund expenditures for the fiscal year.
- The City of Washington's total debt increased by \$4,452,197 or 36.58% during the current fiscal year. The key factor in this increase was the issuance of Recovery Zone Economic Development Bonds for major storm water improvements.
- The City currently has an "A1" rating from Moody's Investor Services and AA- with a stable outlook rating by Standard & Poors' Corporation. The North Carolina Municipal Council rates the City at 79 points.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Washington's basic financial statements. The City's basic financial statements comprise 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. This report also contains other supplementary information, in addition to the basic financial statements, that will enhance the reader's understanding the financial condition of the City of Washington.

## Required Components of Annual Financial Report

**Figure 1**



**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's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental fund 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 individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Washington’s finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the City’s financial status as a whole. The statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units.

The *Statement of Net Assets* presents information on all of the City of Washington’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 of Washington is improving or deteriorating.

The *Statement of Activities* presents information showing how the government’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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Washington that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Washington include general government, public safety, transportation, economic and physical development, environmental protection, cultural and recreational, special revenues, and capital projects. The business-type activities of the City of Washington include water, sewer, electric, storm water utilities, solid waste, and airport operations.

The government-wide financial statements include not only the City of Washington itself (known as the *primary government*), but also a legally separate entity, the Washington Tourism Development Authority, for which the City is financially accountable. The Washington Tourism Development Authority is considered a component unit of the City because the City exercises control over the Board by appointing its members and because the Board is required to expend the local occupancy taxes promoting travel and tourism for the City. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16-18 of this report.

**Fund Financial Statements.** The fund financial statements provide a more detail look at the City’s most significant activities. 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 of Washington, like other state and local governments in North Carolina, uses fund accounting to ensure and demonstrate compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the City’s budget ordinance. All of the funds of the City of Washington can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Washington maintains eighteen individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, and the other governmental funds. Data from the other seventeen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Washington adopts an annual appropriated budget for its general fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balance in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the difference in the reported activities is shown at the end of the budgetary statement.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

**Proprietary Funds.** The City of Washington maintains seven different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Washington uses enterprise funds to account for its water utilities, sewer utilities, storm water utilities, electric utilities, airport operations, solid waste utilities, and cemetery operations.

Proprietary funds statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and electric utilities, which are considered to be major funds of the City of Washington. The airport operations, solid waste utility, and storm water utility are considered to be non-major proprietary funds.

The basic proprietary fund financial statements can be found on pages 23-28 this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-66 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Washington’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 67-68 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor proprietary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 69-131 of this report.

## Government-Wide Financial Analysis

**Figure 2**

### City of Washington’s Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 12,023,215	\$ 12,984,667	\$ 22,974,847	\$ 15,929,075	\$ 34,998,062	\$ 28,913,742
Capital assets, net	20,849,923	21,365,683	65,361,418	64,588,354	86,211,341	85,954,037
Total assets	<u>32,873,138</u>	<u>34,350,350</u>	<u>88,336,265</u>	<u>80,517,429</u>	<u>121,209,403</u>	<u>114,867,779</u>
Long-term liabilities, outstanding	4,825,578	4,809,432	11,798,097	7,362,046	16,623,675	12,171,478
Other liabilities	778,083	556,022	3,987,398	4,145,487	4,765,481	4,701,509
Total liabilities	<u>5,603,661</u>	<u>5,365,454</u>	<u>15,785,495</u>	<u>11,507,533</u>	<u>21,389,156</u>	<u>16,872,987</u>
Net assets:						
Invested in capital assets, net of related debt	18,103,256	19,346,037	59,355,152	57,884,865	77,458,408	77,230,902
Restricted	2,960,002	802,414	-	-	2,960,002	802,414
Unrestricted	6,206,219	8,836,625	13,195,618	11,125,031	19,401,837	19,961,656
Total net assets	<u>\$ 27,269,477</u>	<u>\$ 28,985,076</u>	<u>\$ 72,550,770</u>	<u>\$ 69,009,896</u>	<u>\$ 99,820,247</u>	<u>\$ 97,994,972</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Washington exceeded liabilities by \$99,820,247 as of June 30, 2011. This is an increase in the City's net assets of \$1,825,275 for the fiscal year. By far the largest portion of the City of Washington's net assets (77.60%) reflects its investment in capital assets (e.g., land, buildings, systems, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Washington'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 resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Washington's net assets (2.97%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$19,401,837 may be used to meet the government's ongoing obligations to citizens and creditors.

The governments net capital assets increased by \$227,506 during the fiscal year. This increase of .29% is attributable to continued capital investments in the City utility systems.

**Figure 3****City of Washington's Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for service	\$ 1,078,314	\$ 1,045,803	47,749,178	45,453,087	48,827,492	\$ 46,498,890
Operating grants and contributions	667,656	546,195	-	16,000	667,656	562,195
Capital grants and contributions	597,313	1,048,611	761,590	899,817	1,358,903	1,948,428
General revenues:						
Property taxes	4,168,418	4,017,112	-	-	4,168,418	4,017,112
Other taxes	2,454,156	2,062,546	-	-	2,454,156	2,062,546
Unrestricted intergovernmental	1,189,611	1,690,181	-	-	1,189,611	1,690,181
Other	<u>507,736</u>	<u>497,665</u>	<u>80,873</u>	<u>15,609</u>	<u>588,609</u>	<u>513,274</u>
Total revenues	<u>10,663,204</u>	<u>10,908,113</u>	<u>48,591,641</u>	<u>46,384,513</u>	<u>59,254,845</u>	<u>57,292,626</u>
Expenses:						
General government	2,057,263	2,289,052	-	-	2,057,263	2,289,052
Public safety	6,342,206	5,819,057	-	-	6,342,206	5,819,057
Transportation	1,056,475	858,877	-	-	1,056,475	858,877
Environmental protection	642,630	6,307	-	-	642,630	6,307
Cultural and recreation	2,697,305	2,160,070	-	-	2,697,305	2,160,070
Economic and physical development	169,738	560,332	-	-	169,738	560,332
Interest	125,094	146,573	-	-	125,094	146,573
Water	-	-	2,747,337	2,862,429	2,747,337	2,862,429
Sewer	-	-	2,785,391	2,679,730	2,785,391	2,679,730
Electric	-	-	36,376,695	35,174,520	36,376,695	35,174,520
Storm water	-	-	401,365	567,190	401,365	567,190
Airport	-	-	394,575	364,180	394,575	364,180
Solid waste	-	-	1,363,882	1,156,281	1,363,882	1,156,281
Cemetery	-	-	269,614	264,870	-	264,870
Total expenses	<u>13,090,711</u>	<u>11,840,268</u>	<u>44,338,859</u>	<u>43,069,200</u>	<u>57,159,956</u>	<u>54,909,468</u>
Increase in net assets before transfers	<u>(2,427,507)</u>	<u>(932,155)</u>	<u>4,252,782</u>	<u>3,315,313</u>	<u>1,825,275</u>	<u>2,383,158</u>
Transfers	<u>903,525</u>	<u>905,123</u>	<u>(903,525)</u>	<u>(905,123)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>(1,523,982)</u>	<u>(27,032)</u>	<u>3,349,257</u>	<u>2,410,190</u>	<u>1,825,275</u>	<u>2,383,158</u>
Net assets:						
Beginning of year, July 1	28,985,076	29,012,108	69,009,896	66,599,706	97,994,972	95,611,814
Restatement - Change in accounting principal	<u>(191,617)</u>	<u>-</u>	<u>191,617</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year, June 30	<u>\$ 27,269,477</u>	<u>\$ 28,985,076</u>	<u>\$ 72,550,770</u>	<u>\$ 69,009,896</u>	<u>\$ 99,820,247</u>	<u>\$ 97,994,972</u>

**Governmental Activities.** Governmental activities decreased the City's net assets by \$1,523,982 after transfers. This decrease in net assets was due to appropriated fund balance in the general fund as well as expenditures in governmental capital project funds in fiscal year 10/11 while certain revenues were recognized in prior years. General Fund balance in the amount of \$1,327,357 was expected to be used; however, \$439,789 was required. Certain expenditures were not realized in the current fiscal year and, therefore, were re-appropriated in fiscal 11/12 to be paid for with either grant funds or fund balance.

**Business-Type Activities.** Business-type activities increased the City of Washington's net assets by \$3,349,257, accounting for all of the growth in the government's net assets. Revenues exceeded expenses by \$4,252,782 before transfers out. The net transfers out of the business-type activities were \$(903,525) for the year. Of the \$3,349,257 change in Proprietary Fund net assets, the Electric Fund recognized an increase of \$2,293,475 due to electric sales revenue coming in \$2.11 million dollars over budget in combination with total electric expenses being well under budget.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Washington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Washington'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 of Washington's financing requirements. In particular, *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.

As of the end of the fiscal year, the City of Washington's governmental funds reported combined ending fund balances of \$9,568,569, a decrease of \$466,159 in comparison with the prior year. Approximately 55.90% of this total amount (\$5,349,281) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either classified as restricted (by State statute or granting agencies), non-spendable such as the Cemetery and Library Non-Expendable Trust Fund balances and inventory, committed for items such as the construction of infrastructure and a police station, or assigned (city funds assigned for downtown façade improvements).

The General Fund is the chief operating fund of the City of Washington. Its fund balance decreased by \$549,344 during the current fiscal year. At the end of the current fiscal year, the General Fund's fund balance available was \$5,800,992, while total fund balance declined to \$7,967,639. The City currently has an available fund balance of 48.63% of General Fund expenditures, while total fund balance represents 66.79% of that same amount.

**Proprietary Funds.** The City of Washington's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail.

The City was able to forego rate increases for all of its utility customers during fiscal year 10-11. During fiscal year 11-12 budget deliberations, Council voted to decrease electric rates for all in City residential customers by 5% effective for bills mailed after July 1, 2011.

Salary and benefits for five Storm Water Fund employees were removed from the Storm Water Enterprise Fund to the General Fund at July 1, 2010 to allow all operating revenues of the Storm Water Fund to be used for drainage system capital improvements. In addition, \$5,000,000 in Recovery Zone Economic Development Bonds were issued in December 2010, which allow for major drainage improvements throughout different areas of the City, thus, reducing the frequency and duration of roadway and personal property flooding during significant rain events.

## **General Fund Budgetary Highlights**

Differences between the original budgeted revenues and the final amended budgeted revenues for the General Fund amounted to an \$806,755 increase and are summarized as follows:

- \$806,755 increase of restricted intergovernmental revenues
- \$441 increase in interest earnings

The difference between the original budgeted expenditures and the final amended appropriations for the General Fund was \$1,768,887 and is summarized as:

- \$227,444 in increases allocated to general government activity
- \$150,835 in decreases allocated to public safety
- \$916,738 in increases allocated to transportation
- \$630,339 in increases allocated to cultural and recreational
- \$145,201 in decreases allocated to debt service

Transfers from other funds and the appropriation of fund balance rebalanced the budget.

During the year, actual revenues came in 4.86% or \$538,140 lower than budgetary estimates in the General Fund. This was due to certain grant project revenues being budgeted at 100% in the General Fund when in actuality the projects are multi-year, resulting in the actual reimbursements being realized over several fiscal years. For example, \$480,000 was budgeted in NCDOT revenue for reimbursements for the Brown Street Bridge but only \$150,967 in actual revenue was recorded for fiscal year 10/11. The Recreation Trail Grant, State Energy Grant, and Other Grants total \$380,446 in budget estimates, but actual revenue for these grant funded projects for this year is \$88,344. A second large variance between budget and actual revenue is noted in Powell Bill Funds within the Restricted Intergovernmental revenues. This is a result of the State garnishing the City's Powell Bill allocation in fiscal year 10-11 for the repayment of 1/15 of the outstanding principal the State has determined that the City is responsible for due to NCDOT moving water and sewer lines as part of the Highway 17 expansion project. The City is contesting this financial responsibility. The aforementioned grant differences account for \$721,233 of the \$538,140 in budget deficits. Surpluses in other revenue areas such as ad valorem taxes and sales tax reduced the budgetary shortages in the grants by \$123,394.

Expenditures were 10.83% or \$1,449,174 less than budgetary appropriations, thus reducing the level of existing fund balance that needed to be drawn (\$439,789) when compared to what was budgeted to be used (\$1,327,357).

## Capital Asset and Debt Administration

**Capital Assets.** The City of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounted to \$86,211,341 (net of accumulated depreciation). This investment in capital assets includes land, buildings, distribution systems, substations, infrastructure, improvements, office furniture and machines, machinery and equipment, vehicles, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$257,304, or .3% overall. This is represented by a 2.41% decrease for governmental activities and a 1.2% increase for business-type activities.

Major capital asset events during the current fiscal year included the following:

- Runway clearing continues to be an ongoing project at Warren Field Airport. This project is funded by NC Division of Aviation Vision 100 funds. The total expenses for this project were \$263,463 at the end of FY 10/11.
- T3/T4 electrical main substation upgrades were completed during the year. The total cost for this project was \$1,350,263.
- Highway 92 electrical circuit upgrades were completed during the year. The total cost for this project was \$241,025.
- Several upgrades are ongoing at the Electrical Department. They are the Wharton Station substation upgrades, generator installations, Terra Ceia line rebuild, and B2 main breaker replacements. The total cost during the year for these projects were \$482,971.
- Pennsylvania Avenue sewer line construction was completed with a total project cost at \$506,922.
- Storm Water drainage improvements began this fiscal year throughout the City. The areas receiving improvements are the Airport Canal, Minuteman Lane to Whispering Pines Road, Jack's Creek, and Park Drive to 8<sup>th</sup> Street, and Smallwood. The total cost for FY 10/11 is \$1,078,742. Recovery Zone Economic Development Bonds were issued to finance the project.
- Improvements to the Impressions building began in the latter part of fiscal year 10/11. The total cost during the year was \$1,455. This project is funded by the City and grant funds through the American Recovery and Reinvestment Act.
- Water and Sewer improvements to the Keysville Road Subdivision began this fiscal year, with a total cost of \$54,360. This project is paid for with CDBG grant funds as well as a City match.
- Improvements to Brown Street Bridge started this FY 10/11 and are expected to be completed in 2012. The funding is provided by the NCDOT municipal bridge program and City funds. The total cost during the year was \$150,678.

**Figure 4**  
**City of Washington's Capital Assets**  
**(net of accumulated depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 5,085,738	\$ 4,926,202	\$ 1,649,782	\$ 1,469,713	\$ 6,735,520	\$ 6,395,915
Buildings	8,331,643	8,668,542	4,990,682	5,218,365	13,322,325	13,886,907
Infrastructure	5,349,918	5,626,576	-	-	5,349,918	5,626,576
Plants, substations, lines and runways	-	-	51,513,224	50,459,326	51,513,224	50,459,326
General and mobile equipment	1,475,731	1,771,273	5,009,456	5,345,989	6,485,187	7,117,262
Furniture and office equipment	242,789	316,328	81,145	73,612	323,934	389,940
Construction in progress	364,104	56,762	2,117,129	2,021,349	2,481,233	2,078,111
Capital assets, net	<u>\$ 20,849,923</u>	<u>\$ 21,365,683</u>	<u>\$ 65,361,418</u>	<u>\$ 64,588,354</u>	<u>\$ 86,211,341</u>	<u>\$ 85,954,037</u>

Additional information on the City's capital assets can be found in note 6 on pages 42-46 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City of Washington had total debt outstanding of \$13,985,141. Of this amount, \$1,550,000 comprises water, sewer, and electric utility general obligation bonded debt backed by the full faith and credit of the government. The balance consists of installment notes in the amount of \$3,003,114, a loan from the North Carolina Department of Environment and Natural Resources under the Clean Water State Revolving Loan Fund in the amount of \$1,845,274, and a 30 year loan from the United States Department of Agriculture (USDA) with an outstanding balance of \$2,714,753.

**Figure 5**  
**City of Washington's Outstanding Debt**  
**General Obligation and Installment Notes**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ -	\$ -	\$ 1,550,000	\$ 2,075,000	\$ 1,550,000	\$ 2,075,000
Installment notes	199,911	494,245	2,803,203	2,654,851	3,003,114	3,149,096
USDA Loan	2,714,753	2,769,736	-	-	2,714,753	2,769,736
Recovery Zone EDB	38,673	-	4,833,327	-	4,872,000	-
Revolving Loan Fund	-	-	1,845,274	1,977,079	1,845,274	1,977,079
Total	<u>\$ 2,953,337</u>	<u>\$ 3,263,981</u>	<u>\$ 11,031,804</u>	<u>\$ 6,706,930</u>	<u>\$ 13,985,141</u>	<u>\$ 9,970,911</u>

The City's total debt increased by \$4,014,230, or 40.26%, during the current fiscal year. During the current fiscal year, the government issued one 59-month installment note to a financial institution in the amount of \$1,234,550 at a rate of 2.22%. Of these proceeds, \$206,550 was used in the General Fund to purchase police cars, install a new phone system in City Hall, and purchase needed IT equipment. The remaining \$1,028,000 was used by the Enterprise Funds for the purchase of a rear load garbage truck, small vehicles, electric meters, and distribution system upgrades.

The City also borrowed \$5,040,000 during the fiscal year by issuing Recovery Zone Economic Development Bonds. The proceeds are being used to finance major storm water drainage improvements and replace the roof on Fire Station #1. These bonds were issued at a net interest rate of 2.695% after deducting the 45% interest rebate the City will receive each year from the US Department of Treasury.

The City intends to borrow \$862,000 of 59-month installment purchases during fiscal year 2011-2012 for the purchase of police vehicles, an EMS unit, a bucket truck for the Electric Fund, and other electric system upgrades.

The City has been approved for a \$600,000 low interest loan through the North Carolina State Revolving Loan Program for the upgrade of its 50 year old Main & Respass sewer pump station. Currently, the City is awaiting approval of the plans by the State with the hopes of going out for bids in January, 2012 and beginning construction in March 2012.

The City currently has an "A1" rating from Moody's Investor Services and AA- with a stable outlook rating by Standard & Poors' Corporation. The North Carolina Municipal Council rates the City at 79 points.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8% of its total assessed valuation. The current debt limitation for the City of Washington is \$66,852,848, which is significantly in excess of the City of Washington's outstanding general obligation debt. The City's legal debt margin is \$55,936,820.

Additional information on the City of Washington's long-term debt can be found in note 12 on pages 55-62 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

Due to current economic factors, many General Fund revenues such as sales tax, privilege license and occupancy tax, Powell Bill, and building permits, are expected to remain relatively flat for FY 11/12. The original General Fund budget for FY 11/12 totals \$14,284,101, an increase of 2.28% when compared to fiscal year 10/11. This slight increase in expenditures is mainly due to the redirection of salaries and benefits for five Storm Water Fund employees to the General Fund. No cost of living raises were included in the 11/12 budget, however, merit and job maturity were funded as well as a one-time \$250 bonus for qualifying full time employees. General Fund contingency in the amount of \$81,819 is available for any emergency items that arise during the year.

The following factors were also considered when preparing the City of Washington's budget for the 11/12 fiscal year:

- The unemployment rate for Beaufort County, of which the City of Washington is a part, is currently 11.2%, a .4% increase from a rate of 10.8% in 2010. This compares unfavorably to the State's average unemployment rate of 10.5% and the national average rate of 9.0%.
- The per capita income for the City of Washington is \$31,066, or 12.83% below North Carolina's per capita income average.
- 19.5% of Beaufort County residents live at or below the poverty level.
- Ad valorem tax collections are expected to remain around 94%.
- Retail sales are expected to remain flat in fiscal year 11-12 when compared to 10-11.
- The transfer of the dividend payment to the General Fund from the Electric Fund is likely to continue to decrease.

The property tax remained at a rate of \$0.50 per \$100 valuation for fiscal year 11-12 with \$0.02 of this rate continuing to be allocated toward public safety debt.

The water, sewer, stormwater, and solid waste utility rates remained the same for FY 11-12. The electric utility rates were decreased by 5% on July 1, 2011 for all in City residential electric customers.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Washington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P.O. Box 1988, Washington, North Carolina 27889.

*This page left blank intentionally.*

## **Basic Financial Statements**

*This page left blank intentionally.*

## CITY OF WASHINGTON, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Tourism Development Authority</u>
<b>Assets:</b>				
Cash and investments	\$ 9,068,681	\$ 9,680,289	\$ 18,748,970	\$ 166,514
Taxes receivable, net	482,651	-	482,651	-
Accounts receivable, net	1,793,380	6,305,677	8,099,057	28,007
Notes receivable	188,627	208,422	397,049	-
Inventories	97,932	1,097,324	1,195,256	-
Prepaid assets	-	14,134	14,134	-
Internal balances	101,998	(101,998)	-	-
Restricted cash and investments	289,946	5,770,999	6,060,945	-
Security deposits	-	-	-	1,025
Capital assets:				
Non-depreciable	5,449,842	3,766,911	9,216,753	-
Depreciable, net	<u>15,400,081</u>	<u>61,594,507</u>	<u>76,994,588</u>	<u>-</u>
Total assets	<u>32,873,138</u>	<u>88,336,265</u>	<u>121,209,403</u>	<u>195,546</u>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	709,822	3,241,937	3,951,759	35,772
Unearned revenues	67,786	-	67,786	-
Customer deposits	475	745,461	745,936	-
Long-term liabilities:				
Due within one year	144,192	2,165,415	2,309,607	-
Due in more than one year	<u>4,681,386</u>	<u>9,632,682</u>	<u>14,314,068</u>	<u>-</u>
Total liabilities	<u>5,603,661</u>	<u>15,785,495</u>	<u>21,389,156</u>	<u>35,772</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	18,103,256	59,355,152	77,458,408	-
Restricted for:				
Stabilization for State statute	2,240,451	-	2,240,451	29,032
Perpetual maintenance	452,575	-	452,575	-
General government	40,531	-	40,531	-
Streets	82,801	-	82,801	-
Public safety	134,395	-	134,395	-
Cultural and recreation	1,039	-	1,039	-
Economic and physical development	8,210	-	8,210	-
Unrestricted	<u>6,206,219</u>	<u>13,195,618</u>	<u>19,401,837</u>	<u>130,742</u>
Total net assets	<u>\$ 27,269,477</u>	<u>\$ 72,550,770</u>	<u>\$ 99,820,247</u>	<u>\$ 159,774</u>

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

**CITY OF WASHINGTON, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 2,057,263	\$ 741,083	\$ 10,722	\$ 1,998
Public safety	6,342,206	8,000	429,860	237,712
Transportation	1,056,475	4,629	-	326,458
Environmental protection	642,630	-	23,311	-
Cultural and recreation	2,697,305	290,902	35,611	31,145
Economic and physical development	169,738	33,700	168,152	-
Interest on long-term debt	125,094	-	-	-
Total governmental activities	<u>13,090,711</u>	<u>1,078,314</u>	<u>667,656</u>	<u>597,313</u>
<b>Business-Type Activities:</b>				
Water	2,747,337	3,146,469	-	3,789
Sewer	2,785,391	3,108,392	-	71,924
Electric	36,376,695	39,301,119	-	414,496
Stormwater Utility	401,365	511,951	-	-
Warren Field Airport	394,575	224,203	-	171,381
Solid Waste	1,363,882	1,294,121	-	100,000
Cemetery	269,614	162,923	-	-
Total business-type activities	<u>44,338,859</u>	<u>47,749,178</u>	<u>-</u>	<u>761,590</u>
Total primary government	<u>\$ 57,429,570</u>	<u>\$ 48,827,492</u>	<u>\$ 667,656</u>	<u>\$ 1,358,903</u>
<b>Component Unit:</b>				
Tourism Development Authority	\$ 402,258	\$ 87,534	\$ 50,000	\$ -
Total component unit	<u>\$ 402,258</u>	<u>\$ 87,534</u>	<u>\$ 50,000</u>	<u>\$ -</u>

**General Revenues:**

Taxes:

Ad valorem taxes  
Local option sales tax  
Utility franchise tax  
Local occupancy tax  
Other taxes and licenses  
Interest earnings  
Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

**Net Assets:**

Beginning of year - July 1  
Restatement - Change in accounting principal  
Beginning of year, July 1, as restated  
  
End of year - June 30

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

**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			<b>Tourism Development Authority</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
\$ (1,303,460)	\$ -	\$ (1,303,460)	\$ -
(5,666,634)	-	(5,666,634)	-
(725,388)	-	(725,388)	-
(619,319)	-	(619,319)	-
(2,339,647)	-	(2,339,647)	-
32,114	-	32,114	-
(125,094)	-	(125,094)	-
<u>(10,747,428)</u>	<u>-</u>	<u>(10,747,428)</u>	<u>-</u>
-	402,921	402,921	-
-	394,925	394,925	-
-	3,338,920	3,338,920	-
-	110,586	110,586	-
-	1,009	1,009	-
-	30,239	30,239	-
-	(106,691)	(106,691)	-
-	<u>4,171,909</u>	<u>4,171,909</u>	<u>-</u>
<u>(10,747,428)</u>	<u>4,171,909</u>	<u>(6,575,519)</u>	<u>-</u>
-	-	-	(264,724)
-	-	-	(264,724)
4,168,418	-	4,168,418	-
2,198,033	-	2,198,033	-
1,206,174	-	1,206,174	-
239,560	-	239,560	232,373
455,391	-	455,391	-
52,345	80,873	133,218	988
<u>8,319,921</u>	<u>80,873</u>	<u>8,400,794</u>	<u>233,361</u>
<u>903,525</u>	<u>(903,525)</u>	<u>-</u>	<u>-</u>
<u>9,223,446</u>	<u>(822,652)</u>	<u>8,400,794</u>	<u>233,361</u>
(1,523,982)	3,349,257	1,825,275	(31,363)
28,985,076	69,009,896	97,994,972	191,137
(191,617)	191,617	-	-
<u>28,793,459</u>	<u>69,201,513</u>	<u>97,994,972</u>	<u>191,137</u>
<u>\$ 27,269,477</u>	<u>\$ 72,550,770</u>	<u>\$ 99,820,247</u>	<u>\$ 159,774</u>

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

**CITY OF WASHINGTON, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and investments	\$ 6,713,519	\$ 1,546,374	\$ 8,259,893
Taxes receivable, net	482,651	-	482,651
Accounts receivable, net	1,574,201	219,179	1,793,380
Notes receivable, net	-	188,627	188,627
Due from other funds	135,548	-	135,548
Inventories	97,932	-	97,932
Restricted cash and investments	289,946	-	289,946
Total assets	<u>\$ 9,293,797</u>	<u>\$ 1,954,180</u>	<u>\$ 11,247,977</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 448,462	\$ 118,774	\$ 567,236
Due to other funds	-	33,550	33,550
Deferred revenues	877,221	200,926	1,078,147
Customer deposits	475	-	475
Total liabilities	<u>1,326,158</u>	<u>353,250</u>	<u>1,679,408</u>
<b>Fund Balances:</b>			
Non-spendable, not in spendable form:			
Inventories	97,932	-	97,932
Perpetual maintenance - library care	-	95,375	95,375
Perpetual maintenance - cemetery care	-	357,200	357,200
Restricted:			
Stabilization by State statute	2,068,715	171,736	2,240,451
Restricted, all other	422,029	51,617	473,646
Committed	21	937,559	937,580
Assigned	-	17,104	17,104
Unassigned	5,378,942	(29,661)	5,349,281
Total fund balances	<u>7,967,639</u>	<u>1,600,930</u>	<u>9,568,569</u>
Total liabilities and fund balances	<u>\$ 9,293,797</u>	<u>\$ 1,954,180</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	20,849,923
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds.	1,010,361
Assets and liabilities of the internal service fund used by management to account for workers' compensation claims are included in governmental activities in the Statement of Net Assets.	666,202
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,825,578)</u>
Net assets of governmental activities, per Exhibit A	<u>\$ 27,269,477</u>

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

## CITY OF WASHINGTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 4,165,483	\$ -	\$ 4,165,483
Other taxes and licenses	2,454,156	-	2,454,156
Unrestricted intergovernmental	1,645,002	-	1,645,002
Restricted intergovernmental	833,899	431,070	1,264,969
Permits and fees	62,564	-	62,564
Sales and services	1,278,048	-	1,278,048
Investment earnings	41,792	7,030	48,822
Miscellaneous	56,806	49,700	106,506
Total revenues	<u>10,537,750</u>	<u>487,800</u>	<u>11,025,550</u>
<b>Expenditures:</b>			
Current:			
General government	1,761,830	1,998	1,763,828
Public safety	5,743,135	232,639	5,975,774
Transportation	1,219,102	-	1,219,102
Environmental protection	368,634	1,148	369,782
Cultural and recreation	2,154,839	324,028	2,478,867
Economic and physical development	-	171,193	171,193
Debt service:			
Principal retirement	557,194	-	557,194
Interest and fees	125,094	-	125,094
Total expenditures	<u>11,929,828</u>	<u>731,006</u>	<u>12,660,834</u>
<b>Revenues over (under) expenditures</b>	<u>(1,392,078)</u>	<u>(243,206)</u>	<u>(1,635,284)</u>
<b>Other Financing Sources (Uses):</b>			
Long-term debt issued	206,550	40,000	246,550
Transfers from other funds	1,223,184	461,391	1,684,575
Transfers to other funds	(587,000)	(175,000)	(762,000)
Total other financing sources (uses)	<u>842,734</u>	<u>326,391</u>	<u>1,169,125</u>
<b>Net change in fund balances</b>	(549,344)	83,185	(466,159)
<b>Fund Balance:</b>			
Beginning of year - July 1	<u>8,516,983</u>	<u>1,517,745</u>	<u>10,034,728</u>
End of year - June 30	<u>\$ 7,967,639</u>	<u>\$ 1,600,930</u>	<u>\$ 9,568,569</u>

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

## CITY OF WASHINGTON, NORTH CAROLINA

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Total net change in fund balances - governmental funds (Exhibit D)	\$ (466,159)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase to capital assets.	558,388
Transfers of capital assets from governmental to business type activities are not reflected as transfers in the governmental fund financials as they are not outflows of current financial resources.	(19,050)
Depreciation is recognized as an expense in the Statement of Activities. However, it is not reported in the governmental funds.	(1,072,780)
In the Statement of Activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	(22,247)
Donated capital assets are not reported as an increase in financial resources in the fund statements.	39,929
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment represents the amount of change related to revenues to the "availability" criteria.	(494,390)
The issuance of long-term debt provides current financial resources to the governmental funds, while increases long-term debt in Statement of Net Assets.	(246,550)
Principal repayments are expenditures in the fund financial statements. However, it reduces long-term debt in the Statement of Net Assets.	557,194
Internal Service Fund	(31,527)
Expenses related to the increase in vacation and sick pay and the increase in the net pension obligation in the Statement of Activities that do not pay for current financial obligations are not reported as expenditures in the governmental funds. This adjustment is the amount of net change in these balances in the current year.	<u>(326,790)</u>
Changes in net assets of governmental activities	<u>\$ (1,523,982)</u>

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

## CITY OF WASHINGTON, NORTH CAROLINA

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,105,577	\$ 4,105,577	\$ 4,165,483	\$ 59,906
Other taxes and licenses	2,405,600	2,405,600	2,454,156	48,556
Unrestricted intergovernmental	1,639,745	1,639,745	1,645,002	5,257
Restricted intergovernmental	729,086	1,535,400	833,899	(701,501)
Permits and fees	71,500	71,500	62,564	(8,936)
Sales and services	1,221,682	1,221,682	1,278,048	56,366
Investment earnings	45,000	45,441	41,347	(4,094)
Miscellaneous	50,500	50,500	56,806	6,306
Total revenues	<u>10,268,690</u>	<u>11,075,445</u>	<u>10,537,305</u>	<u>(538,140)</u>
<b>Expenditures:</b>				
General government	1,813,285	2,040,729	1,761,830	278,899
Public safety	6,053,957	5,903,122	5,743,135	159,987
Transportation	814,164	1,730,902	1,219,102	511,800
Environmental protection	370,388	370,388	368,634	1,754
Cultural and recreation	2,020,815	2,651,154	2,154,839	496,315
Debt service:				
Principal retirement	402,335	550,885	557,194	(6,309)
Interest and fees	<u>135,171</u>	<u>131,822</u>	<u>125,094</u>	<u>6,728</u>
Total expenditures	<u>11,610,115</u>	<u>13,379,002</u>	<u>11,929,828</u>	<u>1,449,174</u>
<b>Revenues over (under) expenditures</b>	<u>(1,341,425)</u>	<u>(2,303,557)</u>	<u>(1,392,523)</u>	<u>911,034</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	1,338,150	1,338,150	1,333,184	(4,966)
Transfers to other funds	(263,775)	(587,000)	(587,000)	-
Long-term debt issued	267,050	225,050	206,550	(18,500)
Appropriated fund balance	-	1,327,357	-	(1,327,357)
Total other financing sources (uses)	<u>1,341,425</u>	<u>2,303,557</u>	<u>952,734</u>	<u>(1,350,823)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(439,789)</u>	<u>\$ (439,789)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>8,407,407</u>	
End of year - June 30			<u>\$ 7,967,618</u>	

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

**CITY OF WASHINGTON, NORTH CAROLINA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011**

	<b>Major Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Stormwater Utility Fund</b>
<b>Assets:</b>				
Current assets:				
Cash and investments	\$ 1,470,185	\$ 1,965,264	\$ 4,930,562	\$ 572,118
Accounts receivable, net	450,170	421,133	5,143,357	62,980
Notes receivable	-	208,422	-	-
Inventories	107,178	58,754	908,338	-
Prepaid assets	-	2,543	7,221	963
Restricted cash and investments	46,247	-	1,587,214	3,997,538
Total current assets	<u>2,073,780</u>	<u>2,656,116</u>	<u>12,576,692</u>	<u>4,633,599</u>
Non-current assets:				
Non-depreciable capital assets	121,327	661,350	200,043	1,254,080
Capital assets, net of accumulated depreciation	<u>14,921,013</u>	<u>18,428,822</u>	<u>23,222,368</u>	<u>3,828,810</u>
Total capital assets, net	<u>15,042,340</u>	<u>19,090,172</u>	<u>23,422,411</u>	<u>5,082,890</u>
Total assets	<u>17,116,120</u>	<u>21,746,288</u>	<u>35,999,103</u>	<u>9,716,489</u>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued liabilities	53,044	60,497	2,890,645	191,637
Due to other funds	-	-	-	41,966
Customer deposits	46,247	-	699,214	-
Current portion of installment notes	-	38,385	763,943	19,086
Current portion of general obligation bonds	242,817	282,422	24,761	-
Current portion of revolving loan	-	131,805	-	-
Current portion of Recovery Zone Economic Development Bonds	-	-	-	333,346
Current portion of compensated absences	<u>60,099</u>	<u>70,047</u>	<u>103,138</u>	<u>-</u>
Total current liabilities	<u>402,207</u>	<u>583,156</u>	<u>4,481,701</u>	<u>586,035</u>
Non-current liabilities:				
Non-current portion of installment notes	-	47,167	1,679,706	17,854
Non-current portion of general obligation bonds	324,770	642,114	33,116	-
Non-current portion of revolving loan	-	1,713,469	-	-
Non-current portion of Recovery Zone Economic Development Bonds	-	-	-	4,499,981
Non-current portion of compensated absences	56,451	65,794	96,877	-
Non-current portion of OPEB liability	<u>49,368</u>	<u>49,368</u>	<u>103,517</u>	<u>-</u>
Total non-current liabilities	<u>430,589</u>	<u>2,517,912</u>	<u>1,913,216</u>	<u>4,517,835</u>
Total liabilities	<u>832,796</u>	<u>3,101,068</u>	<u>6,394,917</u>	<u>5,103,870</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	14,474,753	16,234,810	21,808,885	4,210,161
Unrestricted	<u>1,808,571</u>	<u>2,410,410</u>	<u>7,795,301</u>	<u>402,458</u>
Total net assets	<u>\$ 16,283,324</u>	<u>\$ 18,645,220</u>	<u>\$ 29,604,186</u>	<u>\$ 4,612,619</u>

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

**Exhibit G**

<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Governmental Activities Internal Service Fund</b>
\$ 742,160	\$ 9,680,289	\$ 808,788
228,037	6,305,677	-
-	208,422	-
23,054	1,097,324	-
3,407	14,134	-
140,000	5,770,999	-
<u>1,136,658</u>	<u>23,076,845</u>	<u>808,788</u>
1,530,111	3,766,911	-
1,193,494	61,594,507	-
<u>2,723,605</u>	<u>65,361,418</u>	<u>-</u>
3,860,263	88,438,263	808,788
46,114	3,241,937	142,586
60,032	101,998	-
-	745,461	-
65,765	887,179	-
-	550,000	-
-	131,805	-
-	333,346	-
29,801	263,085	-
<u>201,712</u>	<u>6,254,811</u>	<u>142,586</u>
171,297	1,916,024	-
-	1,000,000	-
-	1,713,469	-
-	4,499,981	-
27,993	247,115	-
53,840	256,093	-
<u>253,130</u>	<u>9,632,682</u>	<u>-</u>
454,842	15,887,493	142,586
2,626,543	59,355,152	-
778,878	13,195,618	666,202
<u>\$ 3,405,421</u>	<u>\$ 72,550,770</u>	<u>\$ 666,202</u>

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

**CITY OF WASHINGTON, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Major Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Stormwater Utility Fund</b>
<b>Operating Revenues:</b>				
Charges for sales and services	\$ 3,010,735	\$ 3,022,677	\$ 38,668,439	\$ 505,061
Late penalty charges	22,170	45,033	293,928	3,514
Impact fees	23,477	8,189	-	-
Other	56,303	3,862	189,856	3,376
Total operating revenues	<u>3,112,685</u>	<u>3,079,761</u>	<u>39,152,223</u>	<u>511,951</u>
<b>Operating Expenses:</b>				
Administration	506,515	503,482	2,786,109	147,125
Wastewater treatment and collection	-	1,543,795	-	-
Water treatment and distribution	1,519,613	-	-	-
Electrical operations	-	-	2,492,043	-
Electric power purchases	-	-	29,529,635	-
Warren Field Airport operations	-	-	-	-
Depreciation	697,972	626,582	1,474,243	130,253
Insurance claims	-	-	-	-
Total operating expenses	<u>2,724,100</u>	<u>2,673,859</u>	<u>36,282,030</u>	<u>277,378</u>
<b>Operating income (loss)</b>	<u>388,585</u>	<u>405,902</u>	<u>2,870,193</u>	<u>234,573</u>
<b>Non-Operating Revenues (Expenses):</b>				
Rents	33,322	-	-	-
Recovery of doubtful accounts	227	-	-	-
Investment earnings	3,956	9,460	2,705	62,857
Sale of surplus and scrap	235	-	62,444	-
Loss on disposal of capital asset	-	-	(20,982)	-
Assessments	-	12,672	-	-
Fines and meters	-	-	11,708	-
Solid waste disposal tax	-	-	-	-
Interest expense	(35,767)	(111,532)	(73,683)	(123,987)
Miscellaneous	12,530	15,959	74,744	-
Total non-operating revenues (expenses)	<u>14,503</u>	<u>(73,441)</u>	<u>56,936</u>	<u>(61,130)</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>403,088</u>	<u>332,461</u>	<u>2,927,129</u>	<u>173,443</u>
<b>Capital Contributions and Transfers:</b>				
Capital contributions	3,789	71,924	414,496	19,050
Transfers in	-	-	-	-
Transfers out	-	(70,000)	(1,048,150)	-
Total contributions and transfers	<u>3,789</u>	<u>1,924</u>	<u>(633,654)</u>	<u>19,050</u>
<b>Change in net assets</b>	<u>406,877</u>	<u>334,385</u>	<u>2,293,475</u>	<u>192,493</u>
<b>Net Assets:</b>				
Beginning of year - July 1	15,805,313	18,190,352	27,310,711	4,420,126
Restatement - Change in accounting principal	71,134	120,483	-	-
Beginning of year - July 1, as restated	<u>15,876,447</u>	<u>18,310,835</u>	<u>27,310,711</u>	<u>4,420,126</u>
End of year - June 30	<u>\$ 16,283,324</u>	<u>\$ 18,645,220</u>	<u>\$ 29,604,186</u>	<u>\$ 4,612,619</u>

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

**Exhibit H**

<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 1,669,962	\$ 46,876,874	\$ 285,177
-	364,645	-
-	31,666	-
4,483	257,880	-
<u>1,674,445</u>	<u>47,531,065</u>	<u>285,177</u>
1,555,211	5,498,442	-
-	1,543,795	-
-	1,519,613	-
-	2,492,043	-
-	29,529,635	-
267,376	267,376	-
201,461	3,130,511	-
-	-	320,228
<u>2,024,048</u>	<u>43,981,415</u>	<u>320,228</u>
<u>(349,603)</u>	<u>3,549,650</u>	<u>(35,051)</u>
-	33,322	-
-	227	-
1,895	80,873	3,523
-	62,679	-
-	(20,982)	-
-	12,672	-
-	11,708	-
6,802	6,802	-
(4,023)	(348,992)	-
-	103,233	-
<u>4,674</u>	<u>(58,458)</u>	<u>3,523</u>
<u>(344,929)</u>	<u>3,491,192</u>	<u>(31,528)</u>
271,381	780,640	-
195,575	195,575	-
-	(1,118,150)	-
<u>466,956</u>	<u>(141,935)</u>	<u>-</u>
122,027	3,349,257	(31,528)
3,283,394	69,009,896	697,730
-	191,617	-
<u>3,283,394</u>	<u>69,201,513</u>	<u>697,730</u>
<u>\$ 3,405,421</u>	<u>\$ 72,550,770</u>	<u>\$ 666,202</u>

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

**CITY OF WASHINGTON, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Major Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Stormwater Utility Fund</b>
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers	\$ 3,148,283	\$ 3,076,169	\$ 38,394,551	\$ 505,726
Cash paid to employees for services	(726,291)	(648,192)	(1,587,012)	(49,067)
Cash paid to suppliers	(1,272,329)	(1,365,036)	(33,545,777)	36,650
Net cash provided (used) by operating activities	<u>1,149,663</u>	<u>1,062,941</u>	<u>3,261,762</u>	<u>493,309</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>				
Repayments to/from other funds	(95,079)	-	633,882	41,966
Other non-operating revenues	46,314	28,629	148,897	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(70,000)	(1,048,150)	-
Net cash provided (used) by non-capital financing activities	<u>(48,765)</u>	<u>(41,371)</u>	<u>(265,371)</u>	<u>41,966</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Interest paid on notes, bonds, and loans	(35,767)	(111,532)	(73,683)	(123,987)
Acquisition of capital assets	(139,335)	(386,147)	(1,940,139)	(1,235,030)
Capital contributions	-	61,283	414,496	-
Principal collected on note receivable	-	17,656	-	-
Proceeds from issuance of debt	-	-	888,000	5,000,000
Principal payments on long-term debt	(265,120)	(473,774)	(708,310)	(193,250)
Net cash provided (used) by capital and related financing activities	<u>(440,222)</u>	<u>(892,514)</u>	<u>(1,419,636)</u>	<u>3,447,733</u>
<b>Cash Flows From Investing Activities:</b>				
Investment earnings	3,956	9,460	2,705	62,857
Net cash provided (used) by investing activities	<u>3,956</u>	<u>9,460</u>	<u>2,705</u>	<u>62,857</u>
<b>Net increase (decrease) in cash and cash equivalents/investments</b>	<b>664,632</b>	<b>138,516</b>	<b>1,579,460</b>	<b>4,045,865</b>
<b>Cash and Cash Equivalents/Investments:</b>				
Beginning of year - July 1	<u>851,800</u>	<u>1,826,748</u>	<u>4,938,316</u>	<u>523,791</u>
End of year - June 30	<u>\$ 1,516,432</u>	<u>\$ 1,965,264</u>	<u>\$ 6,517,776</u>	<u>\$ 4,569,656</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 388,585	\$ 405,902	\$ 2,870,193	\$ 234,573
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	697,972	626,582	1,474,243	130,253
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	28,703	(3,592)	(713,913)	(6,225)
(Increase) decrease in inventories	3,008	(982)	(114,141)	-
(Increase) decrease in prepaid assets	-	(2,543)	(7,221)	(963)
Increase (decrease) in accounts payable and accrued liabilities	(8,718)	(16,516)	(265,039)	181,690
Increase (decrease) in customer deposits	6,895	-	(43,759)	-
Increase (decrease) in compensated absences payable	17,291	45,786	14,346	(29,863)
Increase (decrease) in OPEB liability	15,927	8,304	47,053	(16,156)
Net cash provided (used) by operating activities	<u>\$ 1,149,663</u>	<u>\$ 1,062,941</u>	<u>\$ 3,261,762</u>	<u>\$ 493,309</u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Transfer-in of assets	\$ -	\$ -	\$ -	\$ 19,050
Donated assets	3,789	10,641	-	-
Total non-cash investing, capital, and financing activities	<u>\$ 3,789</u>	<u>\$ 10,641</u>	<u>\$ -</u>	<u>\$ 19,050</u>

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

**Exhibit I**

<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 1,645,967	\$ 46,770,696	285,177
(779,608)	(3,790,170)	(236,697)
(1,040,717)	(37,187,209)	-
<u>(174,358)</u>	<u>5,793,317</u>	<u>48,480</u>
27,591	608,360	-
-	223,840	-
195,575	195,575	-
-	(1,118,150)	-
<u>223,166</u>	<u>(90,375)</u>	<u>-</u>
(4,023)	(348,992)	-
(190,425)	(3,891,076)	-
278,183	753,962	-
-	17,656	-
140,000	6,028,000	-
(62,672)	(1,703,126)	-
<u>161,063</u>	<u>856,424</u>	<u>-</u>
1,895	80,873	3,523
<u>1,895</u>	<u>80,873</u>	<u>3,523</u>
211,766	6,640,239	52,003
<u>670,394</u>	<u>8,811,049</u>	<u>756,785</u>
<u>\$ 882,160</u>	<u>\$ 15,451,288</u>	<u>\$ 808,788</u>
\$ (349,603)	\$ 3,549,650	\$ (35,051)
201,461	3,130,511	-
(28,478)	(723,505)	-
9,822	(102,293)	-
(3,407)	(14,134)	-
(12,642)	(121,225)	83,531
-	(36,864)	-
(13,039)	34,521	-
21,528	76,656	-
<u>\$ (174,358)</u>	<u>\$ 5,793,317</u>	<u>\$ 48,480</u>
\$ -	\$ 19,050	\$ -
-	14,430	-
<u>\$ -</u>	<u>\$ 33,480</u>	<u>\$ -</u>

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

*This page left blank intentionally.*

## **Notes to Basic Financial Statements**

*This page left blank intentionally.*

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 1. Summary of Significant Accounting Policies

The accounting policies of the City of Washington (the City) and its discretely presented component unit conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

#### A. Reporting Entity

The City is a municipal corporation that operates under the mayor-council-manager form of government. Services include economic and physical development, public safety (police and fire), transportation, public works, cultural/recreation, environmental protection, electric, water, sewer, stormwater, airport, general, and administrative services.

As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

#### **City of Washington Tourism Development Authority**

The City of Washington Tourism Development Authority (TDA) is governed by members appointed by the City Council of the City. The City is financially accountable for the TDA, as the TDA derives its revenues through a special room tax authorized and collected by the City. The TDA has a June 30 year-end. Complete financial statements for the TDA may be obtained at Post Office Box 1765, Washington, North Carolina 27889.

#### B. Basis of Presentation

*Government-Wide Statements.* The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall government. 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. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 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, such as charges for services, 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

**General Fund.** The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, transportation, environmental protection, cultural and recreation, and general governmental services. The City has legally adopted an Economic Development Fund. Under GASB 54 guidance the Economic Development Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Economic Development Capital Reserve Fund has been included in the supplemental information.

The City reports the following nonmajor governmental funds:

**Special Revenue Funds.** The special revenue funds account for specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes. The City maintains five special revenue funds: the CDBG Program Income Fund, the Emergency 911 Fund, the Capacity Grant Fund, the Gang/Drug Investigator Fund, and the CDBG Affordable Housing Fund.

**Capital Project Funds.** The City maintains ten capital project funds: the CDBG Keyesville Road Subdivision Fund, the New Police Station Capital Project Fund, the Fire Station Roof Replacement Fund, the Festival Park Construction Fund, the Public Safety Capital Reserve Fund, the Facade Program Fund, the Pacific Seacraft Fund, the Impressions Building Fund, the ARRA Lighting Grant Fund, and the Main Street Energy Grant Fund.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

**Permanent Funds.** The permanent funds account for the assets held by the City in a Trustee capacity. The interest earned on the investments is used to support the perpetual care and upkeep for the City's two permanent funds: the Library Trust Fund and the Cemetery Trust Fund.

The City reports the following major enterprise funds:

**Water Fund.** This fund accounts for the operations of the City's water system.

**Sewer Fund.** This fund accounts for the operations of the City's waste water system.

**Electric Fund.** This fund accounts for the operations of the City's electric system.

**Stormwater Utility Fund.** This fund accounts for the operations of the City's stormwater system.

For financial reporting purposes, the Water Capital Reserve Fund has been consolidated with the Water Fund. The Pennsylvania Avenue Sewer Extension Project and the Sewer Capital Reserve Fund have been consolidated with the Sewer Fund. The Recovery Zone Bond Stormwater Projects Fund has been consolidated with the Stormwater Utility Fund.

The City reports the following nonmajor enterprise funds:

The City has three nonmajor enterprise funds: the Warren Field Airport Fund, the Solid Waste Fund, and the Cemetery Fund.

**Internal Service Fund.** The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. The Workers' Compensation Reserve Fund is used to finance and account for the City's Workers' Compensation Insurance Program.

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

*Government-Wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange 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.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. 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.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Beaufort County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City. For those motor vehicles registered, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011.

Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year end apply to the 2011-2012 fiscal year and are not shown as receivables at June 30, 2011.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the government are recognized as revenue. Intergovernmental revenues, sales and services, and fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Licenses, fines, permits, and other revenue are not susceptible to accrual because they are generally not measurable until received in cash.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and 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.

### **C. Budgetary Data**

Budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and Economic Development Capital Reserve Fund, certain special revenue, capital project funds, permanent funds, and enterprise funds. Special revenue funds that have legally adopted annual budgets are the CDBG Program Income Fund and Emergency 911 Fund. Capital project funds that have legally adopted annual budgets are the Facade Program Fund and the Public Safety Capital Reserve Fund. The Water Capital Reserve Fund and the Sewer Capital Reserve Fund have legally adopted annual budgets, which are combined with the enterprise funds in the accompanying financial statements. All appropriations lapse at the fiscal year-end. Project ordinances are adopted for certain special revenue funds and capital projects funds. Special revenue funds that have legally adopted project budgets are the Capacity Grant Fund, Gang/Drug Investigator Fund, and CDBG Affordable Housing Fund. Capital project funds that have legally adopted project ordinances are the CDBG Keyesville Road Subdivision Fund, the New Police Station Capital Project Fund, the Fire Station Roof Replacement Fund, the Festival Park Construction Fund, the Pacific Seacraft Fund, the Impressions Building Fund, the ARRA Lighting Grant Fund, and the Main Street Energy Grant Fund. The Pennsylvania Avenue Sewer Extension Enterprise Capital Project Fund legally adopts a project budget. The Pennsylvania Avenue Sewer Extension Enterprise Capital Project is combined with the Sewer Fund in the accompanying financial statements. The City's Workers' Compensation Reserve Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for the General Fund, special revenue funds, permanent funds, and proprietary funds, and at the object level for the enterprise capital project funds. The City Manager and Finance Director is authorized by budget ordinance to transfer appropriations between departments within a fund; however, any revisions that alter the total expenditures of any fund or that change functional appropriations must be approved by the governing board at its next regular meeting. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### **D. Assets, Liabilities, and Fund Equity**

#### **Deposits**

All deposits of the City and the TDA are made in board-designated official depositories and are secured or required by G. S. 159-31. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

#### **Investments**

State law [G. S. 159-30 (c)] authorizes the City and the TDA to invest in obligations of the United States or obligations fully guaranteed as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"), an SEC-registered (2a-7) money market mutual fund.

The City's and TDA's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The TDA considers demand deposits and investments purchased with an original maturity of three months or less, which are, not limited as to use, to be cash and cash equivalents.

#### **Restricted Assets**

Restricted assets presented in the accompanying financial statements represent the amounts from installment purchase proceeds that are held in escrow for expenditure in the acquisition and construction of noncurrent assets. For the purposes of reporting cash flows, the City's restricted assets are considered to be cash and/or cash equivalents. Powell Bill funds are also classified as restricted cash because it can be expended only for purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Ad Valorem Taxes Receivable

In accordance with State law [G. S. 105-347 and G. S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2010.

### Allowance for Uncollectible Accounts

Allowances for doubtful accounts are maintained on all types of receivables which historically experience uncollectible accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

### Inventories

All fund-type inventories are valued at cost, which approximates market, using the moving average cost method. The costs of these inventories are expensed when consumed rather than when purchased.

### 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. The City's capital assets are recorded at original cost or at estimated historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole. Donated assets are listed at the fair market value at the time of donation.

General infrastructure assets consist of roads, curbs and gutters, streets and sidewalks, bridges, drainage systems, and lighting systems and are reported at estimated historical cost using deflated replacement costs. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

The City's capital assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The major classifications of depreciable assets are as follows:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	45 years
Other improvements	45 years
General equipment	5 to 10 years
Office machines	5 to 19 years
Furniture	5 to 19 years
Infrastructure	45 years
Plant and distribution systems	45 to 67 years
Substations, lines and equipment	45 years
Vehicles	10 years

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### **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 straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums 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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The vacation policies of the City provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Any unused sick leave accumulated at the time of retirement is used in the determination of length of service for retirement benefit purposes. Upon termination of employment for other than retirement, an employee hired prior to July 1, 1994 is paid for 25% of unused sick leave. For employees hired on or after July 1, 1994, there is no payment for unused sick leave.

The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

### **Net Assets/Fund Balances**

Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

**Fund Balances** – In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The governmental fund types classify fund balances as follows:

### **Non-Spendable Fund Balance**

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in tact.

*Inventories* – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

*Perpetual Maintenance* – cemetery and library resources that are required to be retained in perpetuity for maintenance of the cemetery and library.

### **Restricted Fund Balance**

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Stabilization by State Statute* – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

*Restricted for General Government* – portion of fund balance that is restricted by revenue source for general government administration.

*Restricted for Public Safety* – portion of fund balance restricted by revenue source for public safety related activities such as police, fire, and E-911.

*Restricted for Streets - Powell Bill* – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

*Restricted for Economic and Physical Development* – portion of fund balance restricted by revenue source for economic development purposes.

*Restricted for Cultural and Recreational* – portion of fund balance restricted by revenue source for use for parks, libraries, arts, and other related activities.

Restricted fund balance at June 30, 2011 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
<b>Restricted, all other:</b>		
General government	\$ 247,201	\$ -
Public safety	90,988	43,407
Streets	82,801	-
Economic and physical development	-	8,210
Cultural and recreational	1,039	-
<b>Total</b>	<u>\$ 422,029</u>	<u>\$ 51,617</u>

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Washington's governing body (highest level of decision making authority, City Council). Any changes or removal of specific purpose restrictions requires majority action by the governing body.

*Committed for Economic Development* – portion of fund balance that has been budgeted by the City Council for economic development purposes.

*Committed for General Government* – portion of fund balance that has been budgeted by the City Council for future construction of the Keyesville Road Subdivision.

*Committed for Public Safety* – portion of fund balance that has been budgeted by the City Council for future construction of the new police station.

*Committed for Public Safety Capital Outlays* – represents the portion of fund balance committed by the governing body for future public safety capital related purposes.

Committed fund balance at June 30, 2011 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Economic development	\$ 21	\$ -
General government	-	60,121
Public safety	-	876,224
Public safety capital outlays	-	1,214
Total	<u>\$ 21</u>	<u>\$ 937,559</u>

### Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the City of Washington intends to use for specific purposes. The City's governing body approves the appropriation; however the budget ordinance authorizes the Manager and Finance Officer to transfer appropriations between departments within a fund; however, any revisions that alter the total expenditures of any fund or that change functional appropriations must be approved by the governing board at its next regular meeting.

*Assigned for Economic and Physical Development* – portion of fund balance budgeted by City Council for economic development incentives relating to the Facade Program Fund.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund.

The City of Washington has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, State funds, local non-City funds, and City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City or when required by grant or other contractual agreements.

The City has adopted a fund balance policy for the General Fund. It states that the City will maintain an additional \$2,000,000 above the recommended two month operating reserve provided by the Local Government Commission for similar sized public bodies. However, the excess funds are not restricted for a specific purpose and are available for general appropriation.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

Total fund balance - General Fund		\$ 7,967,639
Less:		
Inventories		97,932
Stabilization by State statute		<u>2,068,715</u>
Total available fund balance		<u>\$ 5,800,992</u>

Outstanding encumbrances represent amounts needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances at June 30, 2011 are detailed as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Encumbrances	<u>\$ 685,750</u>	<u>\$ -</u>

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance –Budget and Actual – General Fund to the Statement of Revenues, Expenditures, and Changes in Fund Balance –Governmental Funds:

A legally budgeted Economic Development Capital Reserve Fund is consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds (Exhibit D). Fund balance for the General Fund is reconciled as follows:

Fund Balance, ending - General Fund (Exhibit F)	\$	7,967,618
<b>Economic Development Capital Reserve Fund:</b>		
Investment earnings		445
Transfers in		75,000
Transfers out		(185,000)
Fund balance, beginning		109,576
Fund Balance, ending - General Fund (Exhibit D)	\$	<u>7,967,639</u>

### 3. Deposits and Investments

#### Deposits

All of the City's and the TDA's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the City's and the TDA's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the TDA, these deposits are considered to be held by the agent in the entities' name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City and the TDA or with the escrow agent. Because of the inability to measure the exact amount of collateral under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City and the TDA have no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

At June 30, 2011, the City's deposits had a carrying amount of \$24,484,988 and a bank balance of \$24,675,356. Of the bank balance, \$983,890 was covered by federal depository insurance and \$23,691,466 was covered by collateral held under the Pooling Method. The City also had \$995 in petty cash on hand at June 30, 2011.

### Investments

At June 30, 2011, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Cash Portfolio	\$ 323,932	N/A	AAAm

*Interest Rate Risk.* The City has no formal investment policy regarding interest rate risk.

*Credit Risk.* The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the revisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the North Carolina Capital Management Trust's Cash Portfolio carried a credit rating of AAAm by Standard and Poor's.

#### 4. Accounts Receivable - Allowance for Doubtful Accounts

The receivables shown in the Statement of Net Assets at June 30, 2011, are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2011</u>
<b>Governmental Activities:</b>	
<b>General Fund:</b>	
Taxes receivable	\$ 39,368
EMS charges receivable	2,898,746
Miscellaneous	124,330
Total governmental activities	<u>\$ 3,062,444</u>
<b>Business-Type Activities:</b>	
<b>Enterprise Funds:</b>	
Water Fund - accounts receivable	\$ 48,353
Sewer Fund - accounts receivable	69,972
Sewer Fund - assessments receivable	25,679
Electric Fund - accounts receivable	760,915
Stormwater Utility Fund - accounts receivable	8,721
Solid Waste Fund - accounts receivable	23,602
Total business-type activities	<u>\$ 937,242</u>

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 5. Notes Receivable

The City issued a note receivable on July 12, 1999 in the amount of \$188,000 in the CDBG Program Income Fund, of which the total principal is due on August 1, 2019. Interest is calculated at 1% and is due monthly. The amount outstanding at June 30, 2011 is \$188,627.

The City issued a note receivable on December 12, 1994 in the amount of \$400,000 in the Sewer Fund. Interest is calculated at 5.6%. Principal and interest is due annually through January 2020. The amount outstanding at June 30, 2011 is \$208,422.

### 6. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2011 was as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2011</u>
<b>Governmental Activities:</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 4,926,202	\$ 178,586	\$ -	\$ (19,050)	\$ 5,085,738
Construction in progress	56,762	307,342	-	-	364,104
Total capital assets not being depreciated	<u>4,982,964</u>	<u>485,928</u>	<u>-</u>	<u>(19,050)</u>	<u>5,449,842</u>
<b>Capital Assets Being Depreciated:</b>					
Buildings	14,463,256	39,975	-	-	14,503,231
Streets	9,057,373	-	-	-	9,057,373
General equipment	1,412,846	10,010	-	-	1,422,856
Office machines	1,140,740	9,426	-	-	1,150,166
Furniture	101,405	-	-	-	101,405
Vehicles	3,356,102	52,978	(103,672)	-	3,305,408
Total capital assets being depreciated	<u>29,531,722</u>	<u>112,389</u>	<u>(103,672)</u>	<u>-</u>	<u>29,540,439</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	5,794,714	376,874	-	-	6,171,588
Streets	3,430,797	276,658	-	-	3,707,455
General equipment	1,003,206	90,713	-	-	1,093,919
Office machines	829,919	80,990	-	-	910,909
Furniture	95,898	1,975	-	-	97,873
Vehicles	1,994,469	245,570	(81,425)	-	2,158,614
Total accumulated depreciation	<u>13,149,003</u>	<u>\$ 1,072,780</u>	<u>\$ (81,425)</u>	<u>\$ -</u>	<u>14,140,358</u>
Total capital assets being depreciated, net	<u>16,382,719</u>				<u>15,400,081</u>
Governmental activities capital assets, net	<u>\$ 21,365,683</u>				<u>\$ 20,849,923</u>

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Depreciation was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General government	\$	172,768
Public safety		320,711
Transportation		272,848
Environmental protection		551
Cultural and recreational		<u>305,902</u>
Total	\$	<u><u>1,072,780</u></u>

Capital asset activity for the business-type activities for the year ended June 30, 2011 was as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2011</u>
<b>Water Fund:</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 117,538	\$ -	\$ -	\$ -	\$ 117,538
Construction in progress	<u>-</u>	<u>3,789</u>	<u>-</u>	<u>-</u>	<u>3,789</u>
Total capital assets not being depreciated	<u>117,538</u>	<u>3,789</u>	<u>-</u>	<u>-</u>	<u>121,327</u>
<b>Capital Assets Being Depreciated:</b>					
Plant, substations, lines, and distribution system	15,360,528	101,663	-	-	15,462,191
Buildings	7,157,297	-	-	-	7,157,297
Furniture and office equipment	761,132	17,325	-	-	778,457
General and mobile equipment	<u>4,502,702</u>	<u>20,347</u>	<u>-</u>	<u>-</u>	<u>4,523,049</u>
Total capital assets being depreciated	<u>27,781,659</u>	<u>139,335</u>	<u>-</u>	<u>-</u>	<u>27,920,994</u>
<b>Less Accumulated Depreciation:</b>					
Plant, substations, lines, and distribution system	6,668,649	329,450	-	-	6,998,099
Buildings	2,568,226	196,549	-	-	2,764,775
Furniture and office equipment	721,305	15,320	-	-	736,625
General and mobile equipment	<u>2,343,829</u>	<u>156,653</u>	<u>-</u>	<u>-</u>	<u>2,500,482</u>
Total accumulated depreciation	<u>12,302,009</u>	<u>\$ 697,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>12,999,981</u>
Total capital assets being depreciated, net	<u>15,479,650</u>				<u>14,921,013</u>
Water Fund capital assets, net	<u>\$ 15,597,188</u>				<u>\$ 15,042,340</u>

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2011</u>
<b>Sewer Fund:</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 25,481	\$ -	\$ -	\$ -	\$ 25,481
Construction in progress	410,995	224,874	-	-	635,869
Total capital assets not being depreciated	436,476	224,874	-	-	661,350
<b>Capital Assets Being Depreciated:</b>					
Plant, substations, lines, and distribution system	34,376,146	146,383	-	-	34,522,529
Buildings	2,693,808	-	-	-	2,693,808
Furniture and office equipment	76,877	-	-	-	76,877
General and mobile equipment	1,061,284	25,532	-	-	1,086,816
Total capital assets being depreciated	38,208,115	171,915	-	-	38,380,030
<b>Less Accumulated Depreciation:</b>					
Plant, substations, lines, and distribution system	16,304,462	530,879	-	-	16,835,341
Buildings	2,344,200	17,791	-	-	2,361,991
Furniture and office equipment	70,896	1,889	-	-	72,785
General and mobile equipment	605,068	76,023	-	-	681,091
Total accumulated depreciation	19,324,626	\$ 626,582	\$ -	\$ -	19,951,208
Total capital assets being depreciated, net	18,883,489				18,428,822
Sewer Fund capital assets, net	\$ 19,319,965				\$ 19,090,172

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2011</u>
<b>Electric Fund:</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 64,777	\$ -	\$ -	\$ -	\$ 64,777
Construction in progress	<u>1,474,696</u>	<u>251,858</u>	<u>-</u>	<u>(1,591,288)</u>	<u>135,266</u>
Total capital assets not being depreciated	<u>1,539,473</u>	<u>251,858</u>	<u>-</u>	<u>(1,591,288)</u>	<u>200,043</u>
<b>Capital Assets Being Depreciated:</b>					
Plant, substations, lines, and distribution system	45,541,993	1,433,528	-	1,591,288	48,566,809
Buildings	612,204	-	-	-	612,204
Furniture and office equipment	616,599	13,972	-	-	630,571
General and mobile equipment	<u>7,324,420</u>	<u>240,781</u>	<u>(124,959)</u>	<u>-</u>	<u>7,440,242</u>
Total capital assets being depreciated	<u>54,095,216</u>	<u>1,688,281</u>	<u>(124,959)</u>	<u>1,591,288</u>	<u>57,249,826</u>
<b>Less Accumulated Depreciation:</b>					
Plant, substations, lines, and distribution system	26,302,941	1,120,892	-	-	27,423,833
Buildings	354,109	13,343	-	-	367,452
Furniture and office equipment	588,795	6,555	-	-	595,350
General and mobile equipment	<u>5,411,347</u>	<u>333,453</u>	<u>(103,977)</u>	<u>-</u>	<u>5,640,823</u>
Total accumulated depreciation	<u>32,657,192</u>	<u>\$ 1,474,243</u>	<u>\$ (103,977)</u>	<u>\$ -</u>	<u>34,027,458</u>
Total capital assets being depreciated, net	<u>21,438,024</u>				<u>23,222,368</u>
Electric Fund capital assets, net	<u>\$ 22,977,497</u>				<u>\$ 23,422,411</u>

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2011</u>
<b>Stormwater Fund:</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ -	\$ 156,288	\$ -	\$ 19,050	\$ 175,338
Construction in progress	<u>-</u>	<u>1,078,742</u>	<u>-</u>	<u>-</u>	<u>1,078,742</u>
Total capital assets not being depreciated	<u>-</u>	<u>1,235,030</u>	<u>-</u>	<u>19,050</u>	<u>1,254,080</u>
<b>Capital Assets Being Depreciated:</b>					
Plant, substations, lines, distribution system, and runways	5,398,047	-	-	-	5,398,047
General and mobile equipment	<u>247,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,038</u>
Total capital assets being depreciated	<u>5,645,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,645,085</u>
<b>Less Accumulated Depreciation:</b>					
Plant, substations, lines, distribution system, and runways	1,508,399	121,315	-	-	1,629,714
General and mobile equipment	<u>177,623</u>	<u>8,938</u>	<u>-</u>	<u>-</u>	<u>186,561</u>
Total accumulated depreciation	<u>1,686,022</u>	<u>\$ 130,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,816,275</u>
Total capital assets being depreciated, net	<u>3,959,063</u>				<u>3,828,810</u>
Stormwater Fund capital assets, net	<u>\$ 3,959,063</u>				<u>\$ 5,082,890</u>

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2011</u>
<b>Nonmajor Enterprise Funds:</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 1,261,917	\$ -	\$ -	\$ 4,731	\$ 1,266,648
Construction in progress	<u>135,658</u>	<u>137,845</u>	<u>-</u>	<u>(10,040)</u>	<u>263,463</u>
Total capital assets not being depreciated	<u>1,397,575</u>	<u>137,845</u>	<u>-</u>	<u>(5,309)</u>	<u>1,530,111</u>
<b>Capital Assets Being Depreciated:</b>					
Plant, substations, lines, distribution system, and runways	3,604,501	-	-	-	3,604,501
Buildings	481,445	-	-	-	481,445
General and mobile equipment	<u>2,111,722</u>	<u>52,580</u>	<u>-</u>	<u>5,309</u>	<u>2,169,611</u>
Total capital assets being depreciated	<u>6,197,668</u>	<u>52,580</u>	<u>-</u>	<u>5,309</u>	<u>6,255,557</u>
<b>Less Accumulated Depreciation:</b>					
Plant, substations, lines, distribution system, and runways	3,037,441	116,427	-	-	3,153,868
Buildings	459,854	-	-	-	459,854
General and mobile equipment	<u>1,363,307</u>	<u>85,034</u>	<u>-</u>	<u>-</u>	<u>1,448,341</u>
Total accumulated depreciation	<u>4,860,602</u>	<u>\$ 201,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,062,063</u>
Total capital assets being depreciated, net	<u>1,337,066</u>				<u>1,193,494</u>
Nonmajor enterprise funds capital assets, net	<u>\$ 2,734,641</u>				<u>\$ 2,723,605</u>

Depreciation for the nonmajor enterprise funds was charged as follows:

Warren Field Airport Fund	\$ 127,199
Solid Waste Fund	71,634
Cemetery Fund	<u>2,628</u>
Total depreciation expense	<u>\$ 201,461</u>

### 7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2011 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts and vouchers	\$ 405,120	\$ 3,083,926	\$ 3,489,046
Accrued payroll and related liabilities	304,702	143,496	448,198
Accrued interest payable	<u>-</u>	<u>14,515</u>	<u>14,515</u>
Total accounts payable and accrued liabilities	<u>\$ 709,822</u>	<u>\$ 3,241,937</u>	<u>\$ 3,951,759</u>

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 8. Pension Plan Obligations

#### Local Government Employees' Retirement System

*Plan Description.* The City contributes to the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute 6% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.45% and 6.41%, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$634,445, \$485,014, and, \$468,222, respectively. The contributions made by the City equaled the required contributions for each year.

#### Law Enforcement Officers Special Separation Allowance

*Plan Description.* The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A stand-alone financial report is not issued for this plan. All full-time law enforcement officers of the City are covered by the Separation Allowance.

At December 31, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>37</u>
Total	<u><u>38</u></u>

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

*Basis of Accounting.* The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Contributions.* The City is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the fiscal year ended June 30, 2011 was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases of 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-employment benefit increases. The actuarial value of the assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was 21 years.

*Annual Pension Cost and Net Pension Obligation.* The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$	81,510
Interest on net pension obligation		20,821
Adjustment to annual required contribution		(22,294)
Annual pension cost		80,037
Contributions made		9,541
Increase in net pension obligation		70,496
Net pension obligation:		
Beginning of year - July 1		416,419
End of year - June 30	\$	486,915

### Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 55,443	18.64%	\$ 363,641
2010	62,319	15.31%	416,419
2011	80,037	11.92%	486,915

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

*Funded Status and Funding Progress.* As of December 31, 2010 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$608,552. The covered payroll (annual payroll of active employees covered by the plan) was \$1,622,954, and the ratio of the UAAL to the covered payroll was 37.50 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### **Supplemental Retirement Income Plans for Law Enforcement Officers and Others**

*Plan Description.* The City contributes to Supplemental Retirement Income Plans (“Plans”), defined contribution pension plans administered by the Department of State Treasurer and a Board of Trustees. The Plans provide retirement benefits to law enforcement officers (Law Enforcement Plan) and others employed by the City. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Law Enforcement Plan is included in the Comprehensive Annual Financial Report (“CAFR”) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for Law Enforcement Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G. S. Chapter 143 requires the City to contribute each month an amount equal to 5% of covered payroll for law enforcement officers. Also, the law enforcement officers may make voluntary contributions to their plan. Contributions for the year ended June 30, 2011 were \$101,568, which consisted of \$80,476 from the City and \$21,092 from the law enforcement officers. In addition, the City has elected to contribute \$50 bi-weekly in flex funds for other employees. Other employees may also make voluntary contributions to their plan. Contributions to this plan for other employees for the year ended June 30, 2011 were \$343,678, which consisted of \$159,906 from the City and \$183,772 from the employees.

### **Other Employment Benefits**

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees’ Retirement System (the “Death Benefit Plan”), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of these employees who die in active service after one year of contributing membership in the Death Benefit Plan, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the Death Benefit Plan at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee’s 12 highest months’ salary in a row during the 24 months prior to the employee’s death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2011, the City made contributions to the State for death benefits of \$10,473.

The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.10% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

### **Other Post-Employment Benefits**

According to a City resolution, the City provides post-employment health care benefits to retirees with thirty years of credible service as recognized by the North Carolina Local Governmental Employees' Retirement System, a single-employer defined benefit plan, and have at least ten years of creditable service with the City. The City pays the full cost of coverage for these benefits until such employees become covered by Medicare. Medical insurance will be continued for a maximum of two years for an employee who retires on disability through the system but does not qualify for or pursue Social Security benefits. Also, retirees can purchase coverage for their dependents at the City's group rates. Currently, 17 retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2011, the City made payments for post-employment health benefit premiums of \$83,254. The City obtains healthcare coverage through Blue Cross Blue Shield directly. The City Council may amend the benefit provisions. A separate report is not issued for the plan.

Membership of the Plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

	<b>General Employees</b>	<b>Law Enforcement Officers</b>
Retirees and dependents receiving benefits	17	N/A
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	194	35
Total	211	35

*Funding Policy.* The City's members pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The current ARC rate is 3.64% of annual covered payroll. For the current year, the City contributed \$83,254, or .90% of annual covered payroll. The City purchases insurance from a private carrier for healthcare coverage. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 3.64% and 3.64% of covered payroll, respectively. Employee paid premiums in the amount of \$205,017 for their share and dependent coverage. The City's obligation to contribute to the Plan is established and may be amended by the City Council. A separate report was not issued for the plan.

*Summary of Significant Accounting Policies.* Post-employment expenditures are made from the General Fund and enterprise funds, which are maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Annual OPEB Cost and Net Obligation.* The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$	338,037
Interest on net OPEB obligation		19,801
Adjustments to annual required contribution		<u>(17,083)</u>
Annual OPEB cost (expense)		340,755
Contributions made		<u>83,254</u>
Increase (decrease) in net OPEB obligation		257,501
Net OPEB obligation:		
Beginning of year - July 1		<u>495,020</u>
End of year - June 30	\$	<u><u>752,521</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

<b>Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2009	\$ 325,819	22.6%	\$ 252,254
2010	325,819	25.5%	495,020
2011	340,755	24.4%	752,521

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

*Fund Status and Funding Progress.* As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,377,142. The covered payroll (annual payroll of active employees covered by the plan) was \$9,286,875, and the ratio of the UAAL to the covered payroll was 36.4 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 5.00 to 10.50 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, was 30 years.

As of June 30, 2011, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the City Council.

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**9. Deferred/Unearned Revenues**

The balance in deferred revenues in the governmental fund financial statements and unearned revenues in the government-wide financial statements (governmental activities and business-type activities) at year-end is composed of the following elements:

	<b>Deferred Revenues</b>	<b>Unearned Revenues</b>
Taxes receivable (General Fund)	\$ 482,651	\$ -
EMS charges receivable (General Fund)	112,033	-
Paving assessments receivable and others (General Fund)	214,751	-
Notes receivable (other governmental funds)	200,926	-
Prepaid items (General Fund)	67,786	67,786
Total	\$ 1,078,147	\$ 67,786

**10. Commitments**

**Construction**

The City had outstanding commitments at June 30, 2011 of approximately \$371,717 for bridge construction, \$173,275 for an electric bucket truck, \$44,663 for airport improvements, \$80,000 for a liquid chemical feed, \$113,530 for a sanitation truck, and \$3,414,288 for stormwater improvements. A portion of these improvements are being financed with installment notes, federal airport grants, as well as Recovery Zone Economic Development Bonds.

**Purchases**

The City participates in the North Carolina Eastern Municipal Power Agency (Agency). Under the contracts executed by the City with the Agency, the Agency became the “all requirements” power supplier to the City. The City is obligated to pay for this power at rates set by the Agency and to set rates at a level such that sufficient electrical revenue is generated to meet obligations to the Agency. The Agency furnishes power to the City by purchasing an undivided interest in some of Progress Energy’s generating capacity and by contracting with Progress Energy to furnish all of the Agency’s requirements. Under the terms of the agreement with the Agency, the City is obligated to pay a proportionate share of the Agency’s obligation to Progress Energy for the purpose of generating capacity whether or not the generator produces power. This is commonly referred to as a “take or pay” contract in the electric industry.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 11. Risk Management

The City participates in a self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the City obtains general liability and auto liability coverage of \$2 million per occurrence and property coverage on a scheduled basis. The pool is through commercial companies for single occurrence claims against general liability and auto liability in excess of \$1,000,000. Property liability claims are reinsured for claims in excess of \$500,000. Settlements have not exceeded coverage's for each of the past three years. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City's Workers' Compensation Reserve Internal Service Fund was established in 2010 to account for a limited risk, self-insurance program to provide workers' compensation benefits to City employees. Premiums are paid in to the Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. The interfund premiums are based upon the claims experience of the insured funds. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. An excess coverage insurance policy provides for individual claims in excess of \$600,000. A total of \$320,228 in claims was incurred for benefits during fiscal year 2011.

#### Claims Liability

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Unpaid claims, beginning of year	\$ 59,055	\$ -
Incurred claims (including claims incurred, but not reported as of fiscal year-end)	320,228	127,364
Payments and reduction in claims estimates	<u>(236,697)</u>	<u>(68,309)</u>
Unpaid claims, end of year	<u>\$ 142,586</u>	<u>\$ 59,055</u>

The City carries additional commercial coverage for flood, marina operator's legal liability, and airport owner/operators general liability.

In accordance with G.S. 159-29, City employees that have access to \$100 or more of City funds at any given time are performance bonded through a commercial surety bond. The Director of Finance is bonded individually for \$175,000. The remaining employees that have access to funds are bonded under a blanket bond for \$75,000.

The City follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or estimable in amount. Management estimates that potential liabilities resulting from litigation would not have a material adverse effect on the financial position of the City at June 30, 2011.

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**12. Long-Term Obligations**

**Revolving Loan Payable**

On November 17, 2003, the City was approved for a maximum loan amount of \$2,986,000 from the U. S. Environmental Protection Agency passed through the North Carolina Department of Environment and Natural Resources under the Clean Water State Revolving Fund. The loan proceeds are being used for the construction of the City of Washington Waste Water Treatment Plant - Phase II. The loan is being reported as long-term debt in the Sewer Fund and is repayable at 2.42% for 20 years beginning six months after the completion of the project. The City began repayment of the loan in the fiscal year ending June 30, 2006. The loan repayment schedule based on a loan amount of \$2,636,105 calls for equal principal repayments of \$131,805 annually for 20 years. The total amount outstanding at June 30, 2011 was \$1,845,274.

The annual debt service requirements of the revolving loan payable are as follows:

<b>Year Ending June 30</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 131,805	\$ 44,656	\$ 176,461
2013	131,805	41,466	173,271
2014	131,805	38,276	170,081
2015	131,805	35,087	166,892
2016	131,805	31,897	163,702
2017-2021	659,027	111,641	770,668
2022-2025	527,222	31,897	559,119
Total	<u>\$ 1,845,274</u>	<u>\$ 334,920</u>	<u>\$ 2,180,194</u>

**USDA Revolving Loan Payable**

On May 12, 2008, the City executed loan agreements with United States Department of Agriculture (USDA) in the amounts of \$1,530,000 and \$1,337,000 for a total of \$2,867,000 for the purpose of constructing a fire station. The stated interest rate was 4.125% and 4.50%, respectively. The loan is being reported as long-term debt in the governmental activities and is serviced by the General Fund. The 2011 total annual payment was 54,983. The notes mature May 2038. The balance in the two notes combined as of June 30, 2011 was \$2,714,753.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The annual debt service requirements of the USDA loan payable are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 55,169	\$ 116,740	\$ 171,909
2013	57,538	114,370	171,908
2014	60,010	111,899	171,909
2015	62,588	109,321	171,909
2016	65,276	106,632	171,908
2017-2021	370,943	488,599	859,542
2022-2026	457,812	401,729	859,541
2027-2031	565,071	294,470	859,541
2032-2036	697,515	162,026	859,541
2037-2038	322,831	20,986	343,817
Total	<u>\$ 2,714,753</u>	<u>\$ 1,926,772</u>	<u>\$ 4,641,525</u>

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Installment Notes Payable

Detail of installment notes payable for all fund types are as follows:

**Serviced by Governmental Activities:**

\$206,550 issued on April 8, 2011 for equipment, due in annual installments of \$44,384, including interest at 2.22% through March 2016 \$ 199,911

**Serviced by the Sewer Fund:**

\$58,961 issued on April 15, 2007 for equipment, due in annual installments of \$13,125, including interest of 3.67% through March 2012 9,695

\$157,500 issued on February 11, 2009 for equipment, due in annual installments of \$30,518, including interest of 2.91% through January 2014 75,857

**Total serviced by the Sewer Fund** 85,552

**Serviced by the Electric Fund:**

\$426,049 issued on April 15, 2007 for equipment, due in annual installments of \$94,839, including interest of 3.67% through March 2012 70,053

\$1,179,160 issued on May 15, 2008 for equipment, due in annual installments of \$256,996, including interest of 2.80% through April 2013 154,688

\$2,154,500 issued on July 21, 2009 for equipment, due in annual installments of \$478,668, including interest of 3.59% through June 2014 1,359,451

\$888,000 issued on April 08, 2011 for equipment, due in annual installments of \$190,813, including interest of 2.22% through March 2016 859,457

**Total serviced by the Electric Fund** 2,443,649

**Serviced by the Stormwater Fund:**

\$50,026 issued on April 15, 2007 for equipment, due in annual installments of \$11,136, including interest of 3.67% through March 2012 8,226

\$58,900 issued on February 11, 2009 for equipment, due in annual installments of \$11,552, including interest of 2.91% through January 2014 28,714

**Total serviced by the Stormwater Fund** 36,940

**Serviced by the Solid Waste Fund:**

\$210,000 issued on February 11, 2009 for equipment, due in annual installments of \$40,859, including interest of 2.91% through January 2014 101,562

\$140,000 issued on April 08, 2011 for equipment, due in annual installments of \$30,084, including interest of 2.22% through March 2016 135,500

**Total serviced by the Solid Waste Fund** 237,062

Total business-type activities \$ 2,803,203

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

The annual debt service requirements of these installment notes are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 40,354	\$ 4,029	\$ 44,383
2013	41,259	3,124	44,383
2014	42,185	2,199	44,384
2015	43,131	1,253	44,384
2016	32,982	306	33,288
<b>Total</b>	<b>\$ 199,911</b>	<b>\$ 10,911</b>	<b>\$ 210,822</b>

**Enterprise Funds:**

<b>Year Ending June 30</b>	<b>Sewer</b>			<b>Electric</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 38,385	\$ 1,976	\$ 40,361	\$ 763,943	\$ 63,324	\$ 827,267
2013	29,537	981	30,518	701,635	40,060	741,695
2014	17,630	171	17,801	650,729	18,632	669,361
2015	-	-	-	185,428	5,386	190,814
2016	-	-	-	141,914	1,315	143,229
<b>Total</b>	<b>\$ 85,552</b>	<b>\$ 3,128</b>	<b>\$ 88,680</b>	<b>\$ 2,443,649</b>	<b>\$ 128,717</b>	<b>\$ 2,572,366</b>

<b>Year Ending June 30</b>	<b>Stormwater</b>			<b>Solid Waste</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 19,086	\$ 818	\$ 19,904	\$ 65,765	\$ 5,177	\$ 70,942
2013	11,181	371	11,552	67,511	3,430	70,941
2014	6,673	65	6,738	52,197	1,720	53,917
2015	-	-	-	29,234	849	30,083
2016	-	-	-	22,355	207	22,562
<b>Total</b>	<b>\$ 36,940</b>	<b>\$ 1,254</b>	<b>\$ 38,194</b>	<b>\$ 237,062</b>	<b>\$ 11,383</b>	<b>\$ 248,445</b>

**General Obligation Bonds**

The City issues general obligation bonds to finance the construction of facilities utilized in the operation of the water, sewer, and electric systems, and are reported as long-term debt in the water, sewer, and electric funds. All general obligation bonds are collateralized by the faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

Bonds payable at June 30, 2011 are comprised of the following individual issues:

	<u>Serviced by</u>			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	
\$12,045,000 Refunding Series 2002, bonds due on and June 1 in varying semi-annual installments, through June 1, 2014; interest ranging 4.0% - 4.7%	\$ 567,587	\$ 309,536	\$ 57,877	\$ 935,000
\$2,065,000 Sanitary Sewer, Series 1997 bonds due on December 1 and June 1 in varying semi-annual installments, through June 1, 2015; interest ranging 5.0% - 5.2%	<u>-</u>	<u>615,000</u>	<u>-</u>	<u>615,000</u>
	<u>\$ 567,587</u>	<u>\$ 924,536</u>	<u>\$ 57,877</u>	<u>\$ 1,550,000</u>

Annual debt service requirements to maturity for the City's general obligations bonds are as follows:

<u>Year Ending June 30</u>	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 550,000	\$ 73,810	\$ 623,810
2013	570,000	48,160	618,160
2014	290,000	21,610	311,610
2015	<u>140,000</u>	<u>7,280</u>	<u>147,280</u>
Total	<u>\$ 1,550,000</u>	<u>\$ 150,860</u>	<u>\$ 1,700,860</u>

**Recovery Zone Economic Development Bonds**

On December 10, 2010, the City issued \$5,040,000 Recovery Zone Economic Development Bonds. The proceeds are being used for Stormwater drainage improvements and a roof replacement at Fire Station #1. The loan is being reported as long-term debt in the Stormwater Fund and the governmental activities and is repayable at 2.695%. The bonds are due in semi-annual equal principal repayments of \$336,000 annually for 15 years.

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

Recovery Zone Economic Development Bonds payable and future maturities at June 30, 2011 are comprised of the following:

<b>Year Ending</b>	<b>Governmental Activities</b>			
	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$	2,654	\$ 1,853	\$ 4,507
2013		2,654	1,723	4,377
2014		2,654	1,593	4,247
2015		2,654	1,463	4,117
2016		2,654	1,333	3,987
2017-2021		13,272	4,715	17,987
2022-2026		12,131	1,465	13,596
Total	\$	<u>38,673</u>	\$ <u>14,145</u>	\$ <u>52,818</u>

<b>Year Ending</b>	<b>Stormwater Fund</b>			
	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$	333,346	\$ 232,759	\$ 566,105
2013		333,346	216,425	549,771
2014		333,346	200,091	533,437
2015		333,346	183,757	517,103
2016		333,346	167,423	500,769
2017-2021		1,666,726	592,103	2,258,829
2022-2026		1,499,871	183,757	1,683,628
Total	\$	<u>4,833,327</u>	\$ <u>1,776,315</u>	\$ <u>6,609,642</u>

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Long-Term Obligation Activity**

The following is a summary of changes in the City's long-term debt as of June 30, 2011:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Current Portion of Long-Term Liabilities</u>
<b>Governmental Activities:</b>					
Installment notes payable	\$ 494,245	\$ 206,550	\$ (500,884)	\$ 199,911	\$ 40,354
USDA loan payable	2,769,736	-	(54,983)	2,714,753	55,169
Recovery Zone Economic					
Development Bonds	-	40,000	(1,327)	38,673	2,654
Compensated absences	813,449	535,464	(460,015)	888,898	46,015
Pension obligation	416,419	80,037	(9,541)	486,915	-
OPEB accrued liability	315,583	180,845	-	496,428	-
Total governmental activities	<u>\$ 4,809,432</u>	<u>\$ 1,042,896</u>	<u>\$ (1,026,750)</u>	<u>\$ 4,825,578</u>	<u>\$ 144,192</u>
<b>Business-Type Activities:</b>					
General obligations bonds	\$ 2,075,000	\$ -	\$ (525,000)	\$ 1,550,000	\$ 550,000
Installment notes payable	2,654,851	1,028,000	(879,648)	2,803,203	887,179
Revolving loan payable	1,977,079	-	(131,805)	1,845,274	131,805
Recovery Zone Economic					
Development Bonds	-	5,000,000	(166,673)	4,833,327	333,346
Compensated absences	475,679	297,605	(263,084)	510,200	263,085
OPEB accrued liability	179,437	76,656	-	256,093	-
Total business-type activities	<u>\$ 7,362,046</u>	<u>\$ 6,402,261</u>	<u>\$ (1,966,210)</u>	<u>\$ 11,798,097</u>	<u>\$ 2,165,415</u>

Compensated absences, net pension obligation, and OPEB have been liquidated in the General Fund. Compensated absences are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.

At June 30, 2011, the City has a legal debt margin of approximately \$55,936,820.

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Capital Assets, Net of Related Debt**

Capital assets, net of related debt at June 30, 2011, are computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 20,849,923	\$ 65,361,418
Less: capital debt		
Gross debt	2,953,337	11,031,804
Less: Unspent debt proceeds	<u>(206,670)</u>	<u>(5,025,538)</u>
Net capital debt	<u>2,746,667</u>	<u>6,006,266</u>
 Capital assets, net of related debt	 <u>\$ 18,103,256</u>	 <u>\$ 59,355,152</u>

**13. Interfund Balances and Activity**

**Due To/From Other Funds –**

The composition of interfund balances as of June 30, 2011 are as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u> <u>General Fund</u>	<u>Purpose</u>
Nonmajor governmental funds	\$ 33,550	Advances of grant expenditures
Stormwater Utilities Enterprise Fund	41,966	Advance of funds until escrow draw is received
Nonmajor enterprise funds	<u>60,032</u>	Advance of funds until July 1, 2011
Total	<u>\$ 135,548</u>	

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Transfers To/From Other Funds

The composition of interfund transfers for the year ending June 30, 2011 are as follows:

<u>Fund</u>	<u>To</u>	<u>From</u>	<u>Purpose</u>
<b>General Fund:</b>			
Electric Fund	\$ -	\$ 973,150	Dividend from Electric Fund
Electric Fund	-	75,000	Transfer in Economic Development Capital Reserve which is consolidated in General Fund - Support for Turnage Theatre improvements
Public Safety Capital Reserve	120,000	175,000	Support public safety debt service
Airport Fund	95,633	-	Annual subsidy payment
Cemetery Fund	99,942	-	Subsidy payment to balance the fund
Façade Program	10,000	-	City sponsorship for Façade Program
Festival Park	261,425	-	City's contribution to the project
Fire Station Roof Replacement	-	34	Residual Equity Transfer from Capital Project Fund
<b>Total General Fund</b>	<u>587,000</u>	<u>1,223,184</u>	
<b>Sewer Fund:</b>			
Keyesville Road Subdivision	<u>70,000</u>	-	City's contribution to the project
<b>Electric Fund:</b>			
General Fund	75,000	-	Transfer in Economic Development Capital Reserve which is consolidated in General Fund - Support for Turnage Theatre improvements
General Fund	<u>973,150</u>	-	Dividend to taxpayers
<b>Total Electric Fund</b>	<u>1,048,150</u>	<u>-</u>	
<b>Nonmajor Enterprise Funds:</b>			
<b>Airport Fund:</b>			
General Fund	-	95,633	Annual subsidy payment
<b>Cemetery Fund:</b>			
General Fund	<u>-</u>	<u>99,942</u>	Subsidy payment to balance the fund
<b>Total Nonmajor Enterprise Funds</b>	<u>\$ -</u>	<u>\$ 195,575</u>	

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Fund</u>	<u>To</u>	<u>From</u>	<u>Purpose</u>
<b>Nonmajor Governmental Funds:</b>			
<b>Keyesville Road Subdivision</b>			
Sewer Fund	\$ -	\$ 70,000	City's contribution to project
<b>Fire Station Roof Replacement</b>			
General Fund	-	(34)	Residual equity transfer to General Fund
<b>Festival Park Construction Fund</b>			
General Fund	-	261,425	City contribution to the project
<b>Public Safety Capital Reserve Fund</b>			
General Fund	175,000	120,000	Support for debt payments
<b>Façade Program Fund</b>			
General Fund	-	10,000	City contribution to the project
<b>Total Nonmajor Governmental Funds</b>	<u>\$ 175,000</u>	<u>\$ 461,391</u>	

**14. Jointly Governed Organizations**

**Mid-East Commission**

The City, in conjunction with five counties and twenty-eight other municipalities, established the Mid-East Commission (“Commission”). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission’s governing board. The City paid membership fees of \$2,583 to the Commission during the fiscal year ended June 30, 2011.

**North Carolina Eastern Municipal Power Agency**

The City, in conjunction with thirty-two other local governments, is a member of the North Carolina Eastern Municipal Power Agency (“Agency”). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one Commissioner to the Agency’s governing board. The thirty-two members, which receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligations, entitlement, or residual interest. The City’s purchases of power for the fiscal year ended June 30, 2011 was \$29,377,062.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 15. Joint Ventures

The City and the members of the City's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the Board of Trustees.

The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2011. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Fireman's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

### 16. Related Organization

The Board of the City of Washington Housing Authority is appointed by the City of Washington. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.

### 17. Significant Contingencies

#### Federal and State-Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

The Department of Transportation, as part of a Highway 17 expansion project, has moved water and sewer lines in the City of Washington at a cost of \$1,687,430 and determined that the City is responsible for the cost of these relocations. The City is contesting this responsibility. As a result, the State reduced the City's Powell Bill grant allocation for fiscal year 2012 by \$112,495 which represents one fifth tenth of the utility relocation cost. No additional liability has been booked for this relocation cost.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### **18. Restatement - Change in Accounting Principal**

In 2011, the Governmental Accounting Standards Board issued GASB No. 54, which clarified the definitions of governmental fund types. As a result, the Water Capital Reserve Fund and the Sewer Capital Reserve Fund do not meet the clarified definition of a Special Revenue Fund. These legally adopted funds have been reclassified for reporting purposes as enterprise capital project funds and are consolidated in the Water Fund and Sewer Fund. Due to the change in accounting principal, net assets in the Water Fund and Sewer Fund have been restated by \$71,134 and \$120,483, respectively, which represents the balances at June 30, 2010. Governmental and business-type activities have therefore been restated by \$191,617.

## **Required Supplemental Financial Data**

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officer's Special Separation Allowance
- Notes to the Required Schedules
- Schedule of Funding Progress for Other Postemployment Benefits (OPEB)
- Schedule of Employer Contributions for the Other Postemployment Benefits (OPEB)
- Notes to the Required Schedules for the Other Postemployment Benefits (OPEB)

*This page left blank intentionally.*

## CITY OF WASHINGTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
12/31/2005	\$ -	\$ 328,994	\$ 328,994	0.00%	\$ 1,466,924	22.43%
12/31/2006	-	344,434	344,434	0.00%	1,509,413	22.82%
12/31/2007	-	416,526	416,526	0.00%	1,443,578	28.85%
12/31/2008	-	454,487	454,487	0.00%	1,682,967	27.01%
12/31/2009	-	653,483	653,483	0.00%	1,656,991	39.44%
12/31/2010	-	608,552	608,552	0.00%	1,622,954	37.50%

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage of ARC Contributed</b>
2006	\$ 49,426	9.61%
2007	47,081	11.77%
2008	51,824	27.57%
2009	51,824	17.55%
2010	58,862	15.31%
2011	81,510	11.71%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	21 years
Asset valuation method	Market value
<b>Actuarial Assumptions:</b>	
Investment rate of return*	5.00%
Projected salary increases*	4.5% to 12.3%
Cost of living adjustments	None
* Includes inflation at 3.75%	

## CITY OF WASHINGTON, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
12/31/2008	\$ -	\$ 3,409,735	\$ 3,409,735	0.00%	\$ 9,613,000	35.50%
12/31/2010	-	3,377,142	3,377,142	0.00%	9,286,875	36.40%

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage of ARC Contributed</b>
2009	\$ 325,819	22.60%
2010	325,819	25.49%
2011	338,037	24.63%

**Notes to the Required Schedules:**

The information presented above was determined as part of the actuarial valuation at the dates indicated.

Additional information as of the latest valuation follows:

Valuation date	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00% * Includes inflation at 3.00%
Medical cost trend rate	5% - 10.50%
Year of Ultimate trend rate	2018

## **Major Governmental Fund**

### **General Fund**

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. The City has legally adopted an Economic Development Fund. Under GASB 54 guidance the Economic Development Capital Reserve Fund is consolidated in the General Fund.

*This page left blank intentionally.*

## CITY OF WASHINGTON, NORTH CAROLINA

**GENERAL FUND  
COMPARATIVE BALANCE SHEETS-GENERAL FUND  
JUNE 30, 2011  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2010**

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Cash and investments	\$ 6,713,519	\$ 7,908,977
Taxes receivable, net	482,651	479,716
Accounts receivable, net	1,574,201	2,067,577
Due from other funds	135,548	163,047
Inventories	97,932	55,407
Restricted cash and investments	289,946	255,245
Total assets	<u>\$ 9,293,797</u>	<u>\$ 10,929,969</u>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 448,462	\$ 458,187
Due to other funds	-	633,882
Deferred revenues	877,221	1,320,667
Customer deposits	475	250
Total liabilities	<u>1,326,158</u>	<u>2,412,986</u>
<b>Fund Balances:</b>		
Non-spendable, not in spendable form:		
Inventories	97,932	55,407
Restricted:		
Stabilization by State statute	2,068,715	2,185,799
Restricted, all other	422,029	402,669
Committed	21	109,576
Unassigned	5,378,942	5,763,532
Total fund balances	<u>7,967,639</u>	<u>8,516,983</u>
Total liabilities and fund balances	<u>\$ 9,293,797</u>	<u>\$ 10,929,969</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND CONSOLIDATED  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Economic Development Capital Reserve Fund</u>	<u>Eliminations</u>	<u>Total</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,165,483	\$ -	\$ -	\$ 4,165,483
Other taxes and licenses	2,454,156	-	-	2,454,156
Unrestricted intergovernmental	1,645,002	-	-	1,645,002
Restricted intergovernmental	833,899	-	-	833,899
Permits and fees	62,564	-	-	62,564
Sales and services	1,278,048	-	-	1,278,048
Investment earnings	41,347	445	-	41,792
Miscellaneous	56,806	-	-	56,806
Total revenues	<u>10,537,305</u>	<u>445</u>	<u>-</u>	<u>10,537,750</u>
<b>Expenditures:</b>				
General government	1,761,830	-	-	1,761,830
Public safety	5,743,135	-	-	5,743,135
Transportation	1,219,102	-	-	1,219,102
Environmental protection	368,634	-	-	368,634
Cultural and recreation	2,154,839	-	-	2,154,839
Debt service:				
Principal retirement	557,194	-	-	557,194
Interest and fees	125,094	-	-	125,094
Total expenditures	<u>11,929,828</u>	<u>-</u>	<u>-</u>	<u>11,929,828</u>
<b>Revenues over (under) expenditures</b>	<u>(1,392,523)</u>	<u>445</u>	<u>-</u>	<u>(1,392,078)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	1,333,184	75,000	(185,000)	1,223,184
Transfers to other funds	(587,000)	(185,000)	185,000	(587,000)
Long-term debt issued	206,550	-	-	206,550
Total other financing sources (uses)	<u>952,734</u>	<u>(110,000)</u>	<u>-</u>	<u>842,734</u>
<b>Net change in fund balance</b>	(439,789)	(109,555)	-	(549,344)
<b>Fund Balance:</b>				
Beginning of year - July 1	<u>8,407,407</u>	<u>109,576</u>	<u>-</u>	<u>8,516,983</u>
End of year - June 30	<u>\$ 7,967,618</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 7,967,639</u>

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

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 4,065,577	\$ 4,112,050	\$ 46,473	\$ 3,839,047
Penalties and interest	40,000	53,433	13,433	37,558
Total	<u>4,105,577</u>	<u>4,165,483</u>	<u>59,906</u>	<u>3,876,605</u>
<b>Other Taxes and Licenses:</b>				
Local option sales tax	1,900,000	1,963,488	63,488	2,006,883
Local occupancy tax	250,000	239,560	(10,440)	244,628
Automotive licenses	40,000	38,059	(1,941)	39,009
Rental vehicle tax	12,000	16,046	4,046	13,194
Privilege licenses	185,000	175,414	(9,586)	168,029
PEG Channel tax	18,600	21,589	2,989	18,692
Total	<u>2,405,600</u>	<u>2,454,156</u>	<u>48,556</u>	<u>2,490,435</u>
<b>Unrestricted Intergovernmental:</b>				
Payment in lieu of taxes	119,745	119,745	-	132,300
Franchise tax	1,220,000	1,206,174	(13,826)	1,198,455
Utility sales tax	225,000	234,545	9,545	302,761
Beer and wine tax	45,000	44,576	(424)	14,571
Court costs and fines	10,000	6,440	(3,560)	8,203
ABC board distributions	15,000	28,249	13,249	30,535
Public housing payment	5,000	5,273	273	3,356
Total	<u>1,639,745</u>	<u>1,645,002</u>	<u>5,257</u>	<u>1,690,181</u>
<b>Restricted Intergovernmental:</b>				
Local forfeiture	1,500	1,257	(243)	2,674
Powell Bill	275,589	175,491	(100,098)	284,260
Beaufort County - library	7,800	7,800	-	7,800
Beaufort County-recreation	15,780	15,780	-	15,732
Controlled substance tax	4,000	6,655	2,655	4,938
Beaufort County- rescue squad	126,944	126,944	-	124,261
Washington Park - firefighting	27,496	29,950	2,454	27,496
State reimbursement for Medicaid EMS	44,533	59,225	14,692	16,686
CAMA - permits and inspections	-	300	300	-
State aid to public libraries	10,000	10,531	531	10,548
Mid-East Commission - recreation	39,909	37,245	(2,664)	36,282
Beaufort County Schools - crime control	75,676	75,676	-	75,675
Fire Grant	-	-	-	46,796
Federal grant - bulletproof vests	3,250	2,053	(1,197)	-
North Carolina Archives and History Grant	-	-	-	13,900
Byrnnne Jag Grant	12,852	16,644	3,792	36,442
NCDOT bridge reimbursement	480,000	150,967	(329,033)	-
Governor's Crime Commission Grant	29,625	29,037	(588)	47,127

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Recreation Trail Grant	74,206	-	(74,206)	-
State Energy Grant	30,000	23,311	(6,689)	-
Other grants	276,240	65,033	(211,207)	160,048
Total	1,535,400	833,899	(701,501)	910,665
<b>Permits and Fees:</b>				
Fire permit and inspection fees	1,500	1,555	55	1,455
Building permits	70,000	61,009	(8,991)	87,962
Total	71,500	62,564	(8,936)	89,417
<b>Sales and Services:</b>				
Rents	444,792	471,975	27,183	388,590
Fire contracts	2,000	1,887	(113)	1,639
Public works fees	3,000	300	(2,700)	4,000
Administrative charges -gas	11,000	10,773	(227)	9,831
Police escort	-	115	115	38
Recreation fees and assessments	159,000	161,623	2,623	157,331
Sale of materials and property	7,500	3,580	(3,920)	6,050
Municipal citations	3,000	2,765	(235)	4,905
Grass mowing and lot cleaning	-	2,762	2,762	4,436
Rescue squad	450,000	478,832	28,832	342,949
Library fees and fines	17,500	17,024	(476)	18,181
Development filing fees	500	425	(75)	800
Sale of capital assets	15,000	9,184	(5,816)	19,981
Aquatic Center	88,500	97,589	9,089	98,091
Contracted police services	15,000	14,861	(139)	15,282
Paving assessments	4,865	4,329	(536)	5,073
Other	25	24	(1)	36
Total	1,221,682	1,278,048	56,366	1,077,213
<b>Investment Earnings:</b>				
Interest	45,441	41,347	(4,094)	60,968
<b>Miscellaneous:</b>				
Contributions	7,500	14,666	7,166	23,387
Other	43,000	42,140	(860)	47,835
Total	50,500	56,806	6,306	71,222
<b>Total revenues</b>	<b>11,075,445</b>	<b>10,537,305</b>	<b>(538,140)</b>	<b>10,266,706</b>

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>City Council:</b>				
Salaries and employee benefits	31,967	31,967	-	33,033
Professional services	12,667	8,162	4,505	9,226
Other operating expenditures	17,450	12,736	4,714	19,157
Election expenses	-	-	-	6,100
Total	<u>62,084</u>	<u>52,865</u>	<u>9,219</u>	<u>67,516</u>
<b>Mayor's Office:</b>				
Salaries and employee benefits	11,189	11,189	-	12,121
Other operating expenditures	2,350	832	1,518	1,830
Election expenses	-	-	-	972
Total	<u>13,539</u>	<u>12,021</u>	<u>1,518</u>	<u>14,923</u>
<b>City Manager:</b>				
Salaries and employee benefits	342,420	320,673	21,747	263,922
Professional services	2,600	2,553	47	149
Contract services	600	494	106	-
Other operating expenditures	26,332	22,066	4,266	14,840
Total	<u>371,952</u>	<u>345,786</u>	<u>26,166</u>	<u>278,911</u>
<b>Human Resources:</b>				
Salaries and employee benefits	210,176	210,798	(622)	206,382
Professional services	6,400	3,530	2,870	3,455
Other operating expenditures	30,729	29,641	1,088	32,460
Maintenance and repairs	725	690	35	489
Contracted services	25,325	25,303	22	25,000
Total	<u>273,355</u>	<u>269,962</u>	<u>3,393</u>	<u>267,786</u>
<b>Tourism Director:</b>				
Salaries and employee benefits	106,106	103,722	2,384	101,883
Professional services	375	-	375	354
Other operating expenditures	3,600	2,653	947	2,852
Total	<u>110,081</u>	<u>106,375</u>	<u>3,706</u>	<u>105,089</u>
<b>Finance Director:</b>				
Salaries and employee benefits	371,855	370,071	1,784	355,019
Professional services	90,624	87,766	2,858	46,099
Other operating expenditures	33,325	16,747	16,578	14,850
Maintenance and repairs	1,000	710	290	614
Total	<u>496,804</u>	<u>475,294</u>	<u>21,510</u>	<u>416,582</u>

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Purchasing and Supply:</b>				
Salaries and employee benefits	102,424	102,204	220	108,306
Professional services	-	-	-	35
Other operating expenditures	31,004	30,160	844	14,372
Maintenance and repairs	4,025	3,728	297	6,480
Total	137,453	136,092	1,361	129,193
<b>Revenue Collections:</b>				
Salaries and employee benefits	-	-	-	154,926
Professional services	-	-	-	18,263
Other operating expenditures	-	-	-	170,285
Maintenance and repairs	-	-	-	1,495
Total	-	-	-	344,969
<b>Customer Service:</b>				
Salaries and employee benefits	416,806	413,788	3,018	232,564
Professional services	49,544	48,891	653	39,003
Other operating expenditures	214,467	214,241	226	37,135
Maintenance and repairs	7,100	7,037	63	7,356
Capital outlay	4,400	4,070	330	14,237
Total	692,317	688,027	4,290	330,295
<b>Billing Department:</b>				
Salaries and employee benefits	47,713	44,982	2,731	73,433
Professional services	72	72	-	-
Other operating expenditures	82,559	79,193	3,366	81,117
Total	130,344	124,247	6,097	154,550
<b>Information Services:</b>				
Salaries and employee benefits	103,984	103,892	92	136,642
Contract services	87,178	83,766	3,412	78,750
Other operating expenditures	49,132	23,031	26,101	46,531
Maintenance and repairs	12,945	10,516	2,429	25,702
Capital outlay	41,550	21,550	20,000	7,368
Total	294,789	242,755	52,034	294,993
<b>Municipal Building:</b>				
Salaries and employee benefits	41,989	41,283	706	40,574
Contracted services	5,300	3,490	1,810	6,556
Other operating expenditures	71,390	70,837	553	73,276
Maintenance and repairs	51,693	44,940	6,753	28,981
Capital outlay	-	-	-	155,540
Total	170,372	160,550	9,822	304,927

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Legal Services:</b>				
Professional services	270,000	267,278	2,722	255,572
<b>Non-Departmental:</b>				
Other operating expenditures	681,372	649,949	31,423	632,681
Maintenance and repairs	1,000	794	206	794
Capital outlay	291,834	189,201	102,633	135,809
Total	974,206	839,944	134,262	769,284
<b>Economic Development:</b>				
Operating expenditures	184,138	177,684	6,454	128,755
<b>Reimbursement:</b>				
Enterprise funds	(2,030,676)	(2,030,676)	-	(1,986,108)
Tourism Authority	(110,029)	(106,374)	(3,655)	(105,088)
Total	(2,140,705)	(2,137,050)	(3,655)	(2,091,196)
<b>Total general government</b>	<b>2,040,729</b>	<b>1,761,830</b>	<b>278,899</b>	<b>1,772,149</b>
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and employee benefits	2,324,269	2,300,436	23,833	2,373,618
Professional services	3,200	3,220	(20)	3,606
Other operating expenditures	226,243	220,583	5,660	169,555
Maintenance and repairs	159,895	146,435	13,460	140,715
Contracted services	37,644	50,921	(13,277)	41,316
Capital outlay	57,841	49,904	7,937	84,289
Total	2,809,092	2,771,499	37,593	2,813,099
<b>E-911 Communication:</b>				
Salaries and employee benefits	299,774	298,004	1,770	284,563
Other operating expenditures.	31,572	31,212	360	6,342
Maintenance and repairs	14,700	11,717	2,983	12,550
Total	346,046	340,933	5,113	303,455
<b>Fire:</b>				
Salaries and employee benefits	1,366,960	1,349,525	17,435	1,330,042
Professional services	12,065	10,076	1,989	11,971
Contracted services	1,200	1,145	55	840
Other operating expenditures	123,798	119,002	4,796	147,203
Maintenance and repairs	64,852	61,156	3,696	56,610
Contribution to Fireman's Association	3,980	3,278	702	2,043
Contribution to rural fire departments	1,125	-	1,125	-
Total	1,573,980	1,544,182	29,798	1,548,709

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Rescue:</b>				
Salaries and employee benefits	567,295	564,920	2,375	528,420
Professional services	38,719	37,858	861	4,061
Other operating expenditures	48,965	46,228	2,737	42,041
Maintenance and repairs	19,250	18,527	723	18,656
Capital outlay	-	-	-	15,049
Total	674,229	667,533	6,696	608,227
<b>Planning/Zoning:</b>				
Salaries and employee benefits	256,978	245,955	11,023	149,992
Professional services	21,750	7,628	14,122	17,169
Contract services	20,900	-	20,900	22,386
Other operating expenditures	56,864	44,402	12,462	30,700
Maintenance and repairs	-	-	-	189
Capital outlay	4,280	4,052	228	-
Total	360,772	302,037	58,735	220,436
<b>Code Enforcement/Inspections:</b>				
Salaries and employee benefits	155,839	148,416	7,423	167,220
Professional Services	36	36	-	-
Contract services	9,600	9,762	(162)	4,725
Other operating expenditures	22,641	8,078	14,563	5,127
Maintenance and repairs	3,000	2,772	228	2,698
Total	191,116	169,064	22,052	179,770
<b>Reimbursement:</b>				
Enterprise funds	(52,113)	(52,113)	-	(46,926)
<b>Total public safety</b>	<b>5,903,122</b>	<b>5,743,135</b>	<b>159,987</b>	<b>5,626,770</b>
<b>Transportation:</b>				
<b>Street Maintenance:</b>				
Salaries and employee benefits	378,595	377,335	1,260	363,828
Professional services	200	146	54	180
Other operating expenditures	40,859	27,501	13,358	21,890
Maintenance and repairs	49,376	49,634	(258)	37,072
Capital outlay	14,500	14,420	80	-
Total	483,530	469,036	14,494	422,970
<b>Street Construction - Powell Bill:</b>				
Salaries and employee benefits	97,881	94,887	2,994	88,477
Professional services	520	519	1	18,500
Other operating expenditures	50,628	36,737	13,891	44,412
Maintenance and repairs	40,750	33,864	6,886	19,459
Contracted services	278,504	261,633	16,871	48,400
Capital outlay	573,129	150,678	422,451	38,032
Total	1,041,412	578,318	463,094	257,280

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Street Lighting:</b>				
Street lighting services	131,500	126,934	4,566	121,392
Total	131,500	126,934	4,566	121,392
<b>Equipment Services:</b>				
Salaries and employee benefits	97,437	96,553	884	114,463
Professional services	3,500	3,600	(100)	188
Other operating expenditures	40,698	10,855	29,843	16,129
Maintenance and repairs	5,500	6,481	(981)	4,881
Total	147,135	117,489	29,646	135,661
<b>Reimbursement:</b>				
Enterprise funds	(72,675)	(72,675)	-	(79,455)
<b>Total transportation</b>	<b>1,730,902</b>	<b>1,219,102</b>	<b>511,800</b>	<b>857,848</b>
<b>Environmental Protection:</b>				
<b>Public Works Director:</b>				
Salaries and employee benefits	75,621	75,361	260	73,004
Professional services	112	52	60	35
Other operating expenditures	1,936	1,922	14	2,744
Maintenance and repairs	430	55	375	1,999
Total	78,099	77,390	709	77,782
<b>Drainage Improvements:</b>				
Salaries and employee benefits	279,639	279,053	586	-
Other operating expenditures	650	246	404	-
Maintenance and repairs	12,000	11,945	55	-
Total	292,289	291,244	1,045	-
<b>Total environmental protection</b>	<b>370,388</b>	<b>368,634</b>	<b>1,754</b>	<b>77,782</b>
<b>Cultural and Recreational:</b>				
<b>Recreation Centers:</b>				
Salaries and employee benefits	101,695	100,543	1,152	99,599
Professional services	300	260	40	200
Other operating expenditures	27,900	27,491	409	24,634
Maintenance and repairs	11,123	10,931	192	3,515
Programs	30,910	28,768	2,142	18,649
Total	171,928	167,993	3,935	146,597

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Athletics and Programs:</b>				
Salaries and employee benefits	13,632	12,363	1,269	13,605
Contracted services	130	128	2	-
Other operating expenditures	18,475	17,196	1,279	16,227
Maintenance and repairs	1,900	891	1,009	1,395
Total	34,137	30,578	3,559	31,227
<b>Senior Citizens Programs:</b>				
Salaries and employee benefits	119,537	119,340	197	112,799
Professional services	100	-	100	-
Other operating expenditures	34,900	34,339	561	32,385
Programs	32,848	24,239	8,609	23,119
Maintenance and repairs	20,250	18,228	2,022	20,617
Total	207,635	196,146	11,489	188,920
<b>Recreation Administration:</b>				
Salaries and employee benefits	160,548	160,150	398	156,319
Professional services	1,300	1,221	79	9,640
Other operating expenditures	42,711	41,653	1,058	9,182
Maintenance and repairs	2,625	2,031	594	2,141
Capital outlay	-	-	-	1,235
Total	207,184	205,055	2,129	178,517
<b>Library:</b>				
Salaries and employee benefits	252,936	244,903	8,033	239,769
Contract services	22,715	21,090	1,625	14,128
Professional services	800	550	250	323
Other operating expenditures	104,759	97,452	7,307	99,773
Maintenance and repairs	10,300	11,035	(735)	7,018
Capital outlay	31,318	28,744	2,574	(1,687)
Total	422,828	403,774	19,054	359,324
<b>Parks and Grounds Maintenance:</b>				
Salaries and employee benefits	272,891	269,879	3,012	259,891
Professional services	225	225	-	-
Contracted services	7,110	6,720	390	11,025
Other operating expenditures	81,050	79,754	1,296	72,898
Maintenance and repairs	76,521	74,735	1,786	79,943
Capital outlay	120,376	8,509	111,867	32,867
Total	558,173	439,822	118,351	456,624

CITY OF WASHINGTON, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Waterfront Docks:</b>				
Salaries and employee benefits	53,835	49,399	4,436	50,560
Professional services	200	-	200	-
Contracted services	1,500	-	1,500	-
Other operating expenditures	42,365	41,655	710	41,764
Maintenance and repairs	4,225	2,391	1,834	3,782
Capital outlay	382,565	85,221	297,344	20,612
Total	484,690	178,666	306,024	116,718
<b>Contributions to Outside Agencies:</b>				
Arts Council	24,600	24,600	-	28,100
Zion Shelter	10,500	10,500	-	10,500
Boys and Girls Club	22,088	22,088	-	23,250
Washington Historic Foundation/Christmas Parade	2,330	2,329	1	2,325
The Blind Center	2,800	2,800	-	2,800
Human Relations Council	800	524	276	1,265
Turnage Theater	100,000	100,000	-	100,000
Purpose of God	1,800	1,800	-	1,800
Right Flight	4,250	4,250	-	-
Wildlife Arts Festival	8,575	8,573	2	8,743
Vietnam Moving Wall	-	-	-	11,757
Eagle Wings	1,900	1,900	-	2,000
Total	179,643	179,364	279	192,540
<b>Civic Center:</b>				
Salaries and employee benefits	70,820	69,618	1,202	72,170
Other operating expenditures	15,719	15,006	713	5,787
Maintenance and repairs	110	106	4	7,787
Contracted services	50,000	50,000	-	73,115
Professional services	250	249	1	190
Total	136,899	134,979	1,920	159,049
<b>Aquatic Center:</b>				
Salaries and employee benefits	187,914	178,370	9,544	177,596
Professional services	500	275	225	389
Other operating expenditures	106,214	88,351	17,863	114,858
Maintenance and repairs	29,302	24,832	4,470	13,506
Printing and publishing	2,125	1,948	177	3,017
Total	326,055	293,776	32,279	309,366
<b>Reimbursement:</b>				
Civic Center	(77,218)	(75,000)	(2,218)	(78,370)
Library Trust Fund	(800)	(314)	(486)	(800)
Total	(78,018)	(75,314)	(2,704)	(79,170)
<b>Total cultural and recreation</b>	<b>2,651,154</b>	<b>2,154,839</b>	<b>496,315</b>	<b>2,059,712</b>

**CITY OF WASHINGTON, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>		<u>Variance Over/Under</u>	<u>2010</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Debt Service:</b>				
Principal retirement	550,885	557,194	(6,309)	398,618
Interest and fees	131,822	125,094	6,728	146,573
Total debt service	<u>682,707</u>	<u>682,288</u>	<u>419</u>	<u>545,191</u>
<b>Total expenditures</b>	<u>13,379,002</u>	<u>11,929,828</u>	<u>1,449,174</u>	<u>10,939,452</u>
<b>Revenues over (under) expenditures</b>	<u>(2,303,557)</u>	<u>(1,392,523)</u>	<u>911,034</u>	<u>(672,746)</u>
<b>Other Financing Sources (Uses):</b>				
<b>Transfer From:</b>				
From Economic Development Capital Reserve Fund	185,000	185,000	-	100,000
From Electric Fund	973,150	973,150	-	1,173,150
From Public Safety Capital Reserve Fund	180,000	175,000	(5,000)	200,000
From CDBG 6th & 7th Street Revitalization Fund	-	-	-	45,000
From CPF	-	34	34	-
<b>Transfer To:</b>				
To Public Safety Capital Reserve Fund	(120,000)	(120,000)	-	(118,334)
To Airport Fund	(95,633)	(95,633)	-	(100,000)
To Workers' Compensation Fund	-	-	-	(600,000)
To Façade Program Fund	(10,000)	(10,000)	-	(15,000)
To Cemetery Fund	(99,942)	(99,942)	-	(19,341)
To Police Station CPF	-	-	-	(1,000,000)
To CPF	(261,425)	(261,425)	-	-
Long-term debt issued	225,050	206,550	(18,500)	-
Appropriated fund balance	<u>1,327,357</u>	<u>-</u>	<u>(1,327,357)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,303,557</u>	<u>952,734</u>	<u>(1,350,823)</u>	<u>(334,525)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(439,789)</u>	<u>\$ (439,789)</u>	<u>(1,007,271)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>8,407,407</u>		<u>9,414,678</u>
End of year - June 30		<u>\$ 7,967,618</u>		<u>\$ 8,407,407</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**ECONOMIC DEVELOPMENT CAPITAL RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 445	\$ 445	\$ 637
Total revenues	-	445	445	637
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	110,000	-	(110,000)	-
Transfers to General Fund	(185,000)	(185,000)	-	(100,000)
Transfers from Electric Fund	75,000	75,000	-	100,000
Total other financing sources (uses)	-	(110,000)	(110,000)	-
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(109,555)</u>	<u>\$ (109,555)</u>	637
<b>Fund Balance:</b>				
Beginning of year - July 1		109,576		108,939
End of year - June 30		<u>\$ 21</u>		<u>\$ 109,576</u>

*This page left blank intentionally.*

## **Nonmajor Governmental Funds**

*This page left blank intentionally.*

## CITY OF WASHINGTON, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2011**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 51,617	\$ 1,042,182	\$ 452,575	\$ 1,546,374
Accounts receivable, net	47,243	171,736	200	219,179
Notes receivable, net	188,627	-	-	188,627
Total assets	<u>\$ 287,487</u>	<u>\$ 1,213,918</u>	<u>\$ 452,775</u>	<u>\$ 1,954,180</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 3,049	\$ 115,725	\$ -	\$ 118,774
Due to other funds	32,095	1,455	-	33,550
Deferred revenues	200,726	-	200	200,926
Total liabilities	<u>235,870</u>	<u>117,180</u>	<u>200</u>	<u>353,250</u>
<b>Fund Balances:</b>				
Non-spendable, not in spendable form:				
Perpetual maintenance - library care	-	-	95,375	95,375
Perpetual maintenance - cemetery care	-	-	357,200	357,200
Restricted:				
Stabilization by State statute	-	171,736	-	171,736
Restricted, all other	51,617	-	-	51,617
Committed	-	937,559	-	937,559
Assigned	-	17,104	-	17,104
Unassigned	-	(29,661)	-	(29,661)
Total fund balances	<u>51,617</u>	<u>1,096,738</u>	<u>452,575</u>	<u>1,600,930</u>
Total liabilities and fund balances	<u>\$ 287,487</u>	<u>\$ 1,213,918</u>	<u>\$ 452,775</u>	<u>\$ 1,954,180</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 267,215	\$ 163,855	\$ -	\$ 431,070
Perpetual Care fees	-	-	16,000	16,000
Investment earnings	115	5,453	1,462	7,030
Miscellaneous revenue	-	33,700	-	33,700
Total revenues	<u>267,330</u>	<u>203,008</u>	<u>17,462</u>	<u>487,800</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	79,081	153,558	-	232,639
Environmental protection	-	-	1,148	1,148
Cultural and recreation	-	323,714	314	324,028
Economic and physical development	166,275	4,918	-	171,193
General government	-	1,998	-	1,998
Total expenditures	<u>245,356</u>	<u>484,188</u>	<u>1,462</u>	<u>731,006</u>
<b>Revenues over (under) expenditures</b>	<u>21,974</u>	<u>(281,180)</u>	<u>16,000</u>	<u>(243,206)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	461,391	-	461,391
Transfers out	-	(175,000)	-	(175,000)
Long-term debt issued	-	40,000	-	40,000
Total other financing sources (uses)	<u>-</u>	<u>326,391</u>	<u>-</u>	<u>326,391</u>
<b>Net change in fund balances</b>	21,974	45,211	16,000	83,185
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>29,643</u>	<u>1,051,527</u>	<u>436,575</u>	<u>1,517,745</u>
End of year - June 30	<u>\$ 51,617</u>	<u>\$ 1,096,738</u>	<u>\$ 452,575</u>	<u>\$ 1,600,930</u>

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

- CDBG Program Income Fund
- Emergency 911 Fund
- Capacity Grant Fund
- Gang/Drug Investigator Fund
- CDBG Affordable Housing Fund

*This page left blank intentionally.*

## CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2011

	<b>CDBG Program Income</b>	<b>Emergency 911</b>	<b>Gang/Drug Investigator Fund</b>	<b>CDBG Affordable Housing</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 8,210	\$ 43,407	\$ -	\$ -	\$ 51,617
Accounts receivable, net	12,099	-	8,721	26,423	47,243
Notes receivable, net	188,627	-	-	-	188,627
Total assets	<u>\$ 208,936</u>	<u>\$ 43,407</u>	<u>\$ 8,721</u>	<u>\$ 26,423</u>	<u>\$ 287,487</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 3,049	\$ 3,049
Due to other funds	-	-	8,721	23,374	32,095
Deferred revenue	200,726	-	-	-	200,726
Total liabilities	<u>200,726</u>	<u>-</u>	<u>8,721</u>	<u>26,423</u>	<u>235,870</u>
<b>Fund Balances:</b>					
Restricted:					
Restricted, all other	8,210	43,407	-	-	51,617
Total fund balances (deficit)	<u>8,210</u>	<u>43,407</u>	<u>-</u>	<u>-</u>	<u>51,617</u>
Total liabilities and fund balances	<u>\$ 208,936</u>	<u>\$ 43,407</u>	<u>\$ 8,721</u>	<u>\$ 26,423</u>	<u>\$ 287,487</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<b>CDBG Program Income</b>	<b>Emergency 911</b>	<b>Capacity Grant Fund</b>	<b>Gang/Drug Investigator Fund</b>	<b>CDBG Affordable Housing</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>Revenues:</b>						
Restricted intergovernmental	\$ 1,877	\$ 43,385	\$ 7,457	\$ 55,678	\$ 158,818	\$ 267,215
Investment earnings	-	115	-	-	-	115
Total revenues	<u>1,877</u>	<u>43,500</u>	<u>7,457</u>	<u>55,678</u>	<u>158,818</u>	<u>267,330</u>
<b>Expenditures:</b>						
Public safety	-	23,403	-	55,678	-	79,081
Economic and physical development	-	-	7,457	-	158,818	166,275
Total expenditures	<u>-</u>	<u>23,403</u>	<u>7,457</u>	<u>55,678</u>	<u>158,818</u>	<u>245,356</u>
<b>Net change in fund balances</b>	1,877	20,097	-	-	-	21,974
<b>Fund Balance:</b>						
Beginning of year - July 1	<u>6,333</u>	<u>23,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,643</u>
End of year - June 30	<u>\$ 8,210</u>	<u>\$ 43,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,617</u>

## CITY OF WASHINGTON, NORTH CAROLINA

## SPECIAL REVENUE FUND - CDBG PROGRAM INCOME FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2011

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Economic development loan repayments	\$ -	\$ 1,877	\$ 1,877	\$ 2,574
Total revenues	-	1,877	1,877	2,574
<b>Expenditures:</b>				
<b>Economic Development:</b>				
Other expenses	-	-	-	1,001
Total expenditures	-	-	-	1,001
<b>Net change in fund balance</b>	<u>\$ -</u>	1,877	<u>\$ 1,877</u>	1,573
<b>Fund Balance:</b>				
Beginning of year - July 1		6,333		4,760
End of year - June 30		<u>\$ 8,210</u>		<u>\$ 6,333</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**SPECIAL REVENUE FUND - EMERGENCY 911 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Emergency 911 surcharge	\$ 43,385	\$ 43,385	\$ -	\$ 74,374
Investment earnings	-	115	115	-
Total revenues	<u>43,385</u>	<u>43,500</u>	<u>115</u>	<u>74,374</u>
<b>Expenditures:</b>				
<b>Public Safety:</b>				
Contract services	43,385	23,403	19,982	35,328
Equipment purchases	-	-	-	88,502
Total expenditures	<u>43,385</u>	<u>23,403</u>	<u>19,982</u>	<u>123,830</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>20,097</u>	<u>\$ 20,097</u>	<u>(49,456)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>23,310</u>		<u>72,766</u>
End of year - June 30		<u>\$ 43,407</u>		<u>\$ 23,310</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**SPECIAL REVENUE FUND - CAPACITY GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project</u>	<u>Actual</u>			
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>	<u>Variance</u>
		<u>Years</u>	<u>Year</u>	<u>to Date</u>	<u>Over/Under</u>
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Community Development Grant	\$ 75,000	\$ 67,543	\$ 7,457	\$ 75,000	\$ -
Total revenues	<u>75,000</u>	<u>67,543</u>	<u>7,457</u>	<u>75,000</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Administration	7,500	3,500	4,000	7,500	-
Planning	<u>67,500</u>	<u>64,043</u>	<u>3,457</u>	<u>67,500</u>	<u>-</u>
Total expenditures	<u>75,000</u>	<u>67,543</u>	<u>7,457</u>	<u>75,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ -</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**SPECIAL REVENUE FUND - GANG/DRUG INVESTIGATOR  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Grant funds	\$ 191,308	\$ 75,666	\$ 55,678	\$ 131,344	\$ (59,964)
Total revenues	<u>191,308</u>	<u>75,666</u>	<u>55,678</u>	<u>131,344</u>	<u>(59,964)</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Salaries and employee benefits	122,208	26,331	46,037	72,368	49,840
Materials	21,565	2,395	9,141	11,536	10,029
Capital outlay	<u>47,535</u>	<u>46,940</u>	<u>500</u>	<u>47,440</u>	<u>95</u>
Total expenditures	<u>191,308</u>	<u>75,666</u>	<u>55,678</u>	<u>131,344</u>	<u>59,964</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**SPECIAL REVENUE FUND -CDBG AFFORDABLE HOUSING  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Years</u>		
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Grant funds	\$ 227,700	\$ 83	\$ 158,818	\$ 158,901	\$ (68,799)
Total revenues	<u>227,700</u>	<u>83</u>	<u>158,818</u>	<u>158,901</u>	<u>(68,799)</u>
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Administration and planning	80,700	83	28,676	28,759	51,941
Acquisition	<u>147,000</u>	<u>-</u>	<u>130,142</u>	<u>130,142</u>	<u>16,858</u>
Total expenditures	<u>227,700</u>	<u>83</u>	<u>158,818</u>	<u>158,901</u>	<u>68,799</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

*This page left blank intentionally.*

## **Nonmajor Governmental Funds**

### **Capital Project Funds**

Capital Project Funds account for funds to be used for the acquisition or construction of major capital facilities.

- CDBG Keyesville Road Subdivision Fund
- New Police Station Fund
- Fire Station Roof Replacement Fund
- Festival Park Construction Fund
- Public Safety Capital Reserve Fund
- Facade Program Fund
- Pacific Seacraft Fund
- Impressions Building Fund
- ARRA Lighting Grant Fund
- Main Street Energy Grant Fund

**CITY OF WASHINGTON, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2011**

	<b>CDBG</b>		
	<b>Keyesville Road</b>	<b>New Police</b>	<b>Festival Park</b>
	<b>Subdivision Fund</b>	<b>Station Fund</b>	<b>Construction Fund</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 60,121	\$ 912,541	\$ 51,202
Accounts receivable, net	9,879	-	161,857
Total assets	<u>\$ 70,000</u>	<u>\$ 912,541</u>	<u>\$ 213,059</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 36,317	\$ 79,408
Due to General Fund	-	-	-
Total liabilities	<u>-</u>	<u>36,317</u>	<u>79,408</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by State statute	9,879	-	161,857
Committed	60,121	876,224	-
Assigned	-	-	-
Unassigned	-	-	(28,206)
Total fund balances	<u>70,000</u>	<u>876,224</u>	<u>133,651</u>
Total liabilities and fund balances	<u>\$ 70,000</u>	<u>\$ 912,541</u>	<u>\$ 213,059</u>

**Schedule 14**

<u>Public Safety Capital Reserve Fund</u>	<u>Façade Program Fund</u>	<u>Impressions Building Fund</u>	<u>Nonmajor Capital Project Funds</u>
\$ 1,214	\$ 17,104	\$ -	\$ 1,042,182
<u>-</u>	<u>-</u>	<u>-</u>	<u>171,736</u>
<u>\$ 1,214</u>	<u>\$ 17,104</u>	<u>\$ -</u>	<u>\$ 1,213,918</u>
\$ -	\$ -	\$ -	\$ 115,725
<u>-</u>	<u>-</u>	<u>1,455</u>	<u>1,455</u>
<u>-</u>	<u>-</u>	<u>1,455</u>	<u>117,180</u>
-	-	-	171,736
1,214	-	-	937,559
-	17,104	-	17,104
<u>-</u>	<u>-</u>	<u>(1,455)</u>	<u>(29,661)</u>
<u>1,214</u>	<u>17,104</u>	<u>(1,455)</u>	<u>1,096,738</u>
<u>\$ 1,214</u>	<u>\$ 17,104</u>	<u>\$ -</u>	<u>\$ 1,213,918</u>

**CITY OF WASHINGTON, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>CDBG Keyesville Road Subdivision Fund</b>	<b>New Police Station Fund</b>	<b>Fire Station Roof Replacement Fund</b>
<b>Revenues:</b>			
Grant funds	\$ 1,998	\$ -	\$ -
Donations	-	-	-
Investment earnings	-	4,639	9
Total revenues	<u>1,998</u>	<u>4,639</u>	<u>9</u>
<b>Expenditures:</b>			
Public safety	-	113,583	39,975
General government	1,998	-	-
Cultural and recreational	-	-	-
Economic and physical development	-	-	-
Total expenditures	<u>1,998</u>	<u>113,583</u>	<u>39,975</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>(108,944)</u>	<u>(39,966)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	70,000	-	(34)
Transfers out	-	-	-
Long-term debt issued	-	-	40,000
Total other financing sources (uses)	<u>70,000</u>	<u>-</u>	<u>39,966</u>
<b>Net change in fund balances</b>	70,000	(108,944)	-
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>-</u>	<u>985,168</u>	<u>-</u>
End of year - June 30	<u>\$ 70,000</u>	<u>\$ 876,224</u>	<u>\$ -</u>

Schedule 15

<u>Festival Park Construction</u>	<u>Public Safety Capital Reserve Fund</u>	<u>Façade Program Fund</u>	<u>Pacific Seacraft Fund</u>	<u>Impressions Building Fund</u>	<u>Nonmajor Capital Project Funds</u>
\$ 161,857	\$ -	\$ -	\$ -	\$ -	\$ 163,855
33,700	-	-	-	-	33,700
383	361	61	-	-	5,453
<u>195,940</u>	<u>361</u>	<u>61</u>	<u>-</u>	<u>-</u>	<u>203,008</u>
-	-	-	-	-	153,558
-	-	-	-	-	1,998
323,714	-	-	-	-	323,714
-	-	3,463	-	1,455	4,918
<u>323,714</u>	<u>-</u>	<u>3,463</u>	<u>-</u>	<u>1,455</u>	<u>484,188</u>
<u>(127,774)</u>	<u>361</u>	<u>(3,402)</u>	<u>-</u>	<u>(1,455)</u>	<u>(281,180)</u>
261,425	120,000	10,000	-	-	461,391
-	(175,000)	-	-	-	(175,000)
-	-	-	-	-	40,000
<u>261,425</u>	<u>(55,000)</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>326,391</u>
133,651	(54,639)	6,598	-	(1,455)	45,211
-	55,853	10,506	-	-	1,051,527
<u>\$ 133,651</u>	<u>\$ 1,214</u>	<u>\$ 17,104</u>	<u>\$ -</u>	<u>\$ (1,455)</u>	<u>\$ 1,096,738</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - CDBG KEYESVILLE ROAD SUBDIVISION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Federal grant funds	\$ 250,000	\$ 122,337	\$ 1,998	\$ 124,335	\$ (125,665)
Total revenues	<u>250,000</u>	<u>122,337</u>	<u>1,998</u>	<u>124,335</u>	<u>(125,665)</u>
<b>Expenditures:</b>					
<b>General Government:</b>					
Grant administration	20,000	18,946	-	18,946	1,054
Acquisitions	69,976	69,976	-	69,976	-
Street improvements	115,087	30,456	-	30,456	84,631
Water improvements	44,936	-	-	-	44,936
Sewer improvements	70,001	2,959	1,998	4,957	65,044
Total expenditures	<u>320,000</u>	<u>122,337</u>	<u>1,998</u>	<u>124,335</u>	<u>195,665</u>
<b>Revenues over (under) expenditures</b>	<u>(70,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from Sewer Fund	70,000	-	70,000	70,000	-
Total other financing sources (uses)	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>70,000</u>	<u>\$ 70,000</u>	<u>\$ 70,000</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ 70,000</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - NEW POLICE STATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 1,629	\$ 4,639	\$ 6,268	\$ 6,268
Total revenues	-	1,629	4,639	6,268	6,268
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Legal fees	20,000	4,857	10,032	14,889	5,111
Engineering fees	325,000	10,854	84,805	95,659	229,341
Contingency	445,000	-	-	-	445,000
Land acquisition	210,000	750	18,746	19,496	190,504
Total expenditures	1,000,000	16,461	113,583	130,044	869,956
<b>Revenues over (under) expenditures</b>	<u>(1,000,000)</u>	<u>(14,832)</u>	<u>(108,944)</u>	<u>(123,776)</u>	<u>876,224</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	1,000,000	1,000,000	-	1,000,000	-
Total other financing sources (uses)	1,000,000	1,000,000	-	1,000,000	-
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 985,168</u>	<u>(108,944)</u>	<u>\$ 876,224</u>	<u>\$ 876,224</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			985,168		
End of year - June 30			<u>\$ 876,224</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - FIRE STATION ROOF REPLACEMENT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues:</b>					
Investment earnings	\$ -	\$ -	\$ 9	\$ 9	\$ 9
Total revenues	-	-	9	9	9
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Capital outlay	42,000	-	39,975	39,975	2,025
Total expenditures	42,000	-	39,975	39,975	2,025
<b>Revenues over (under) expenditures</b>	<u>(42,000)</u>	<u>-</u>	<u>(39,966)</u>	<u>(39,966)</u>	<u>2,034</u>
<b>Other Financing Sources (Uses):</b>					
Transfer to other funds	-	-	(34)	(34)	(34)
Long-term debt issued	42,000	-	40,000	40,000	(2,000)
Total other financing sources (uses)	42,000	-	39,966	39,966	(2,034)
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			-		
End of year - June 30			<u>\$ -</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - FESTIVAL PARK CONSTRUCTION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>		<u>Variance Over/Under</u>
			<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Federal grant funds	\$ 295,125	\$ -	\$ 161,857	\$ 161,857	\$ (133,268)
Donations	-	-	33,700	33,700	33,700
Investment earnings	-	-	383	383	383
Total revenues	<u>295,125</u>	<u>-</u>	<u>195,940</u>	<u>195,940</u>	<u>(99,185)</u>
<b>Expenditures:</b>					
<b>Culture and Recreation:</b>					
Planning and design	75,000	-	53,401	53,401	21,599
Construction	489,000	-	270,313	270,313	218,687
Contingency	<u>26,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,250</u>
Total expenditures	<u>590,250</u>	<u>-</u>	<u>323,714</u>	<u>323,714</u>	<u>266,536</u>
<b>Revenues over (under) expenditures</b>	<u>(295,125)</u>	<u>-</u>	<u>(127,774)</u>	<u>(127,774)</u>	<u>167,351</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	<u>295,125</u>	<u>-</u>	<u>261,425</u>	<u>261,425</u>	<u>(33,700)</u>
Total other financing sources (uses)	<u>295,125</u>	<u>-</u>	<u>261,425</u>	<u>261,425</u>	<u>(33,700)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>133,651</u>	<u>\$ 133,651</u>	<u>\$ 133,651</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ 133,651</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - PUBLIC SAFETY CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Restricted Intergovernmental:</b>				
Investment earnings	\$ 1,000	\$ 361	\$ (639)	\$ 656
Total revenues	<u>1,000</u>	<u>361</u>	<u>(639)</u>	<u>656</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from General Fund	120,000	120,000	-	118,334
Transfers to General Fund	(180,000)	(175,000)	5,000	(200,000)
Appropriated fund balance	<u>59,000</u>	<u>-</u>	<u>(59,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,000)</u>	<u>(55,000)</u>	<u>(54,000)</u>	<u>(81,666)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(54,639)</u>	<u>\$ (54,639)</u>	<u>(81,010)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>55,853</u>		<u>136,863</u>
End of year - June 30		<u>\$ 1,214</u>		<u>\$ 55,853</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - FACADE PROGRAM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 61	\$ 61	\$ 106
Total revenues	-	61	61	106
<b>Expenditures:</b>				
<b>Economic Development:</b>				
Facade grants	14,889	3,463	11,426	12,098
Total expenditures	14,889	3,463	11,426	12,098
<b>Revenues over (under) expenditures</b>	(14,889)	(3,402)	11,487	(11,992)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	4,889	-	(4,889)	-
Transfer from General Fund	10,000	10,000	-	15,000
Total other financing sources (uses)	14,889	10,000	(4,889)	15,000
<b>Net change in fund balance</b>	\$ -	6,598	\$ 6,598	3,008
<b>Fund Balance:</b>				
Beginning of year - July 1		10,506		7,498
End of year - June 30		\$ 17,104		\$ 10,506

## CITY OF WASHINGTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - PACIFIC SEACRAFT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Rural Center Grant	\$ 200,000	\$ 119,094	\$ -	\$ 119,094	\$ (80,906)
Total revenues	<u>200,000</u>	<u>119,094</u>	<u>-</u>	<u>119,094</u>	<u>(80,906)</u>
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Warehouse renovations	200,000	119,094	-	119,094	80,906
Total expenditures	<u>200,000</u>	<u>119,094</u>	<u>-</u>	<u>119,094</u>	<u>80,906</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ -</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - IMPRESSIONS BUILDING  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Construction	\$ 666,291	\$ -	\$ 55	\$ 55	\$ 666,236
Professional services	36,646	-	1,400	1,400	35,246
Contingency	<u>66,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,629</u>
Total expenditures	<u>769,566</u>	<u>-</u>	<u>1,455</u>	<u>1,455</u>	<u>768,111</u>
<b>Revenues over (under) expenditures</b>	<u>(769,566)</u>	<u>-</u>	<u>(1,455)</u>	<u>(1,455)</u>	<u>(768,111)</u>
<b>Other Financing Sources (Uses):</b>					
Long-term debt issued	<u>769,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(769,566)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,455)</u>	<u>\$ (1,455)</u>	<u>\$ (1,455)</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ (1,455)</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - ARRA LIGHTING GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues:</b>					
Federal grant funds	\$ 259,979	\$ -	\$ -	\$ -	\$ (259,979)
Impressions contribution	<u>23,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,000)</u>
Total revenues	<u>282,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(282,979)</u>
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Contract services	<u>282,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,979</u>
Total expenditures	<u>282,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,979</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ -</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - MAIN STREET ENERGY GRANT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues:</b>					
Federal grant funds	\$ 71,584	\$ -	\$ -	\$ -	\$ (71,584)
Total revenues	<u>71,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,584)</u>
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Contract services	71,584	-	-	-	71,584
Total expenditures	<u>71,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,584</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ -</u>		

*This page left blank intentionally.*

## **Nonmajor Governmental Funds**

### **Permanent Funds**

Permanent Funds are used to account for the fiduciary relationship in which the trust corpus may not be expended but must be kept intact.

- Library Trust Fund - This fund is used to account for the corpus of the George H. and Laura E. Brown Trust which was transferred to the City for the benefit of the Brown Library. Interest earned on the corpus is paid to the General Fund to help defray a portion of the costs associated with the upkeep of the library.
- Cemetery Trust Fund - This fund is used to account for payments which have been received for the continued upkeep of certain lots within the City's two cemeteries. Interest earned on the corpus is paid to the General Fund to help defray a portion of the costs associated with the upkeep of the cemeteries.

*This page left blank intentionally.*

## CITY OF WASHINGTON, NORTH CAROLINA

**NONMAJOR PERMANENT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2011**

	<u>Library Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Permanent Funds</u>
<b>Assets:</b>			
Cash and investments	\$ 95,375	\$ 357,200	\$ 452,575
Accounts receivable, net	-	200	200
Total assets	<u>\$ 95,375</u>	<u>\$ 357,400</u>	<u>\$ 452,775</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Deferred revenue	\$ -	\$ 200	\$ 200
Total liabilities	<u>-</u>	<u>200</u>	<u>200</u>
<b>Fund Balances:</b>			
Non-spendable, not in spendable form:			
Perpetual maintenance - library care	95,375	-	95,375
Perpetual maintenance - cemetery care	-	357,200	357,200
Total fund balances	<u>95,375</u>	<u>357,200</u>	<u>452,575</u>
Total liabilities and fund balances	<u>\$ 95,375</u>	<u>\$ 357,400</u>	<u>\$ 452,775</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**NONMAJOR PERMANENT FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Library Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Permanent Funds</u>
<b>Revenues:</b>			
Perpetual Care fees	\$ -	\$ 16,000	\$ 16,000
Interest earnings	314	1,148	1,462
Total revenues	<u>314</u>	<u>17,148</u>	<u>17,462</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Environmental protection	-	1,148	1,148
Cultural and recreation	314	-	314
Total expenditures	<u>314</u>	<u>1,148</u>	<u>1,462</u>
<b>Net change in fund balances</b>	-	16,000	16,000
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>95,375</u>	<u>341,200</u>	<u>436,575</u>
End of year - June 30	<u>\$ 95,375</u>	<u>\$ 357,200</u>	<u>\$ 452,575</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**NONMAJOR PERMANENT FUND - LIBRARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Interest earnings	\$ 800	\$ 314	\$ (486)	\$ 800
Total revenues	<u>800</u>	<u>314</u>	<u>(486)</u>	<u>800</u>
<b>Expenditures:</b>				
Administration	800	314	486	800
Total expenditures	<u>800</u>	<u>314</u>	<u>486</u>	<u>800</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>95,375</u>		<u>95,375</u>
End of year - June 30		<u>\$ 95,375</u>		<u>\$ 95,375</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**NONMAJOR PERMANENT FUND - CEMETERY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Perpetual Care fees	\$ -	\$ 16,000	\$ 16,000	\$ 21,600
Interest earnings	1,800	1,148	(652)	2,683
Total revenues	<u>1,800</u>	<u>17,148</u>	<u>15,348</u>	<u>24,283</u>
<b>Expenditures:</b>				
Administration	<u>1,800</u>	<u>1,148</u>	<u>652</u>	<u>2,683</u>
Total expenditures	<u>1,800</u>	<u>1,148</u>	<u>652</u>	<u>2,683</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>16,000</u>	<u>\$ 16,000</u>	<u>21,600</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>341,200</u>		<u>319,600</u>
End of year - June 30		<u>\$ 357,200</u>		<u>\$ 341,200</u>

## **Major Enterprise Funds**

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

- Water Fund - This fund is used to account for the City's water utility operations.
- Sewer Fund - This fund is used to account for the City's sewer utility operations.
- Electric Fund - This fund is used to account for the City's electric utility operations.
- Stormwater Utility Fund - This fund is used to account for the City's stormwater operations.
- Pennsylvania Avenue Sewer Extension Capital Project Fund - This fund is used to account for the construction of the Pennsylvania Avenue sewer extension.
- Water Capital Reserve Fund - This fund is used to account for the accumulation of funds for future water fund capital outlays.
- Sewer Capital Reserve Fund - This fund is used to account for the accumulation of funds for future sewer fund capital outlays.
- Recovery Zone Bond Stormwater Projects Fund - This fund is used to account for the accumulation of funds for storm water drainage improvements in the Jacks Creek, Cherry Run, and Runyon Creek drainage basins.

*This page left blank intentionally.*

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Water sales	\$ 2,840,000	\$ 3,013,313	\$ 173,313	\$ 2,926,974
<b>Other Operating Revenues:</b>				
Connection and reconnection fees	35,000	31,192	(3,808)	36,348
Water taps	14,500	11,451	(3,049)	23,255
Fire hydrants	13,660	13,660	-	10,500
Sales of services and materials	-	-	-	1,323
Total operating revenues	<u>2,903,160</u>	<u>3,069,616</u>	<u>166,456</u>	<u>2,998,400</u>
<b>Non-Operating Revenues:</b>				
Rents	34,777	33,322	(1,455)	30,223
Recovery of doubtful accounts	500	227	(273)	774
Late penalty charges	12,600	22,170	9,570	16,883
Interest earnings	2,500	3,556	1,056	194
Capital investment fees	-	-	-	964
Sale of surplus and scrap	-	235	235	2,510
Miscellaneous	5,000	12,530	7,530	(2,300)
Total non-operating revenues	<u>55,377</u>	<u>72,040</u>	<u>16,663</u>	<u>49,248</u>
<b>Total revenues</b>	<u>2,958,537</u>	<u>3,141,656</u>	<u>183,119</u>	<u>3,047,648</u>
<b>Operating Expenditures:</b>				
<b>Water Administration:</b>				
<b>Public Works Director:</b>				
Salaries and employee benefits	80,121	79,623	498	78,005
Supplies	750	679	71	302
Employee development	250	101	149	-
Telephone	575	499	76	528
Total Public Works Director	<u>81,696</u>	<u>80,902</u>	<u>794</u>	<u>78,835</u>
<b>Miscellaneous - Non-Departmental:</b>				
Workers' compensation	3,427	2,243	1,184	22,055
Unemployment wages	6,375	6,372	3	-
Insurance and bonds	40,643	38,362	2,281	81,661
Printing and publishing	4,100	2,758	1,342	3,246
Utility service fee - General Fund	257,679	257,679	-	274,290
Utility service fee - Electric Fund	82,208	82,208	-	82,208
Repair and maintenance	500	397	103	397
Inventory reimbursement	1,000	-	1,000	1,092
Contingency	147,500	-	147,500	-
Other expenses	2,376	2,376	-	-
Total miscellaneous - non-departmental	<u>545,808</u>	<u>392,395</u>	<u>153,413</u>	<u>464,949</u>
<b>Total water administration</b>	<u>627,504</u>	<u>473,297</u>	<u>154,207</u>	<u>543,784</u>

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Water Treatment and Distribution:</b>				
<b>Water Meter Services:</b>				
Salaries and employee benefits	130,448	127,919	2,529	123,495
Telephone	750	637	113	782
Employee development	1,112	1,112	-	391
Repair and maintenance	105,550	103,923	1,627	103,662
Supplies	500	429	71	592
Materials	2,500	619	1,881	2,855
OSHA safety mandates	500	349	151	14
Professional services	500	64	436	747
Total water meter services	241,860	235,052	6,808	232,538
<b>Water Treatment Plant:</b>				
Salaries and employee benefits	465,901	439,655	26,246	459,019
OSHA safety mandates	1,000	985	15	1,146
Employee development	2,500	1,713	787	1,938
Telephone	3,300	3,095	205	2,864
Printing and publishing	2,500	2,224	276	2,115
Water and electric services	240,000	239,416	584	234,436
Repair and maintenance	291,660	145,646	146,014	57,629
Supplies	4,950	4,328	622	4,977
Chemicals and lab supplies	330,500	242,476	88,024	268,761
Dues and subscriptions	6,275	4,705	1,570	4,455
Professional services	6,000	5,072	928	851
Contract services	11,981	8,049	3,932	4,896
Employee advertisement	100	64	36	41
Total water treatment plant	1,366,667	1,097,428	269,239	1,043,128
<b>Water Distribution Maintenance:</b>				
Salaries and employee benefits	113,129	112,312	817	104,300
Contract services	39,370	39,366	4	86,077
Water and electric services	7,000	6,998	2	5,692
Employee advertising	100	-	100	-
Repair and maintenance	12,500	11,144	1,356	6,342
Supplies	2,765	2,711	54	540
Materials	15,000	14,220	780	19,791
Insurance	-	-	-	40
Total water distribution maintenance	189,864	186,751	3,113	222,782
<b>Total water treatment and distribution</b>	<b>1,798,391</b>	<b>1,519,231</b>	<b>279,160</b>	<b>1,498,448</b>
Capital outlay	202,360	139,335	63,025	109,192

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Debt Service:</b>				
<b>General Obligation Bonds:</b>				
Principal retirement	227,645	227,641	4	600,973
Interest	35,925	35,085	840	60,752
<b>Installment Notes:</b>				
Principal retirement	39,691	37,479	2,212	53,541
Interest	731	682	49	2,574
Total debt service	<u>303,992</u>	<u>300,887</u>	<u>3,105</u>	<u>717,840</u>
<b>Total operating expenditures</b>	<u>2,932,247</u>	<u>2,432,750</u>	<u>499,497</u>	<u>2,869,264</u>
<b>Revenues over (under) expenditures</b>	<u>26,290</u>	<u>708,906</u>	<u>682,616</u>	<u>178,384</u>
<b>Other Financing Sources (Uses):</b>				
<b>Transfers from:</b>				
Water Capital Reserve Fund	2,700	2,700	-	-
<b>Transfers to:</b>				
Capital Project Fund	-	-	-	(17,211)
Water Capital Reserve Fund	(28,990)	(28,990)	-	-
Total other financing sources (uses)	<u>(26,290)</u>	<u>(26,290)</u>	<u>-</u>	<u>(17,211)</u>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>682,616</u>	<u>\$ 682,616</u>	<u>161,173</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 682,616		\$ 161,173
Capital outlay		139,335		109,192
Principal retirement		265,120		654,514
Increase in accrued vacation and sick pay		(17,291)		(12,961)
Change in OPEB liability		(15,927)		(16,497)
Depreciation		(697,972)		(728,375)
Bad debt provision		(2,578)		(11,971)
Inventory adjustment		(382)		6,339
Loss on disposal of capital assets		-		(3,077)
Capital contributions		3,789		19,325
Transfer to Water Capital Project		-		17,211
Transfer to Water Capital Reserve		28,990		-
Transfer from Water Capital Reserve		(2,700)		-
Capital contributions, grant revenue from:				
Water Capital Reserve Fund		23,877		-
Cherry Road Water Extension project		-		164,933
Change in net assets		<u>\$ 406,877</u>		<u>\$ 359,806</u>

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Sewer sales	\$ 2,900,000	\$ 3,025,805	\$ 125,805	\$ 2,937,486
<b>Other Operating Revenues:</b>				
Sewer taps	7,500	3,862	(3,638)	6,939
Total operating revenues	2,907,500	3,029,667	122,167	2,944,425
<b>Non-Operating Revenues:</b>				
Rural Center Grant	-	-	-	40,000
Recovery of doubtful accounts	500	831	331	1,417
Late penalty charges	18,000	45,033	27,033	22,533
Interest earnings	7,500	8,864	1,364	8,214
Sewer assessments	11,675	12,672	997	9,090
Miscellaneous	-	15,959	15,959	1,250
Total non-operating revenues	37,675	83,359	45,684	82,504
<b>Total revenues</b>	<b>2,945,175</b>	<b>3,113,026</b>	<b>167,851</b>	<b>3,026,929</b>
<b>Operating Expenditures:</b>				
<b>Sewer Administration:</b>				
<b>Public Works Director:</b>				
Salaries and employee benefits	80,122	79,623	499	78,005
Supplies	250	214	36	294
Employee development	75	-	75	-
Telephone	525	473	52	564
Total Public Works Director	80,972	80,310	662	78,863
<b>Miscellaneous - Non-Departmental:</b>				
Workers' compensation	6,811	6,649	162	16,331
Printing and publishing	3,500	2,755	745	3,246
Insurance and bonds	47,606	45,453	2,153	67,273
Utility service fee - General Fund	261,982	261,982	-	283,376
Repair and maintenance	500	397	103	397
Inventory reimbursement	100	-	100	-
Other expenses	3,399	2,376	1,023	-
Utility service fee - Electric Fund	49,675	49,675	-	49,675
Total miscellaneous - non-departmental	373,573	369,287	4,286	420,298
<b>Total sewer administration</b>	<b>454,545</b>	<b>449,597</b>	<b>4,948</b>	<b>499,161</b>
<b>Waste Collection and Treatment:</b>				
<b>Wastewater Treatment:</b>				
Salaries and employee benefits	460,102	434,670	25,432	421,597
Employee advertising	100	-	100	-
Employee development	2,500	2,111	389	3,027
Telephone	600	292	308	416
Printing and publishing	1,000	991	9	185
Water and electric service	298,400	298,394	6	295,837

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Repair and maintenance	113,301	101,606	11,695	53,051
Supplies	95,582	66,719	28,863	68,500
Dues	5,400	4,870	530	4,800
Professional services	5,000	1,533	3,467	27,745
Contract services	99,955	98,370	1,585	98,758
Licenses and permits	7,100	6,960	140	6,910
OSHA safety mandates	1,700	1,669	31	1,636
Total wastewater treatment	1,090,740	1,018,185	72,555	982,462
<b>Wastewater Collection Maintenance:</b>				
Salaries and employee benefits	130,518	130,264	254	123,259
OSHA safety mandates	500	500	-	231
Employee development	750	598	152	238
Telephone	3,000	2,426	574	2,689
Printing and publishing	200	63	137	-
Repair and maintenance	15,650	15,890	(240)	12,700
Supplies	3,100	2,200	900	1,490
Materials	11,000	8,569	2,431	12,321
Contract services	142,250	86,483	55,767	34,669
Insurance	-	-	-	612
Other expenses	3,650	3,228	422	-
Professional services	150	-	150	203
Total wastewater collection maintenance	310,768	250,221	60,547	188,412
<b>Sewer Pumping Station:</b>				
Salaries and employee benefits	58,234	57,725	509	54,693
Water and electrical service	144,326	144,276	50	111,486
Repair and maintenance	53,175	52,801	374	61,645
Supplies	2,000	1,956	44	1,905
Chemicals	8,975	7,989	986	-
Professional services	11,544	10,642	902	306
Total sewer pumping station	278,254	275,389	2,865	230,035
<b>Total waste collection and treatment</b>	<b>1,679,762</b>	<b>1,543,795</b>	<b>135,967</b>	<b>1,400,909</b>
<b>Debt Service:</b>				
<b>General Obligation Bonds:</b>				
Principal retirement	274,146	274,146	-	452,743
Interest	58,747	58,289	458	78,138
<b>Installment Notes:</b>				
Principal retirement	68,057	67,823	234	91,939
Interest	5,751	3,312	2,439	6,225
<b>State Loan:</b>				
Principal retirement	131,806	131,805	1	131,805
Interest	47,846	49,931	(2,085)	48,420
Total debt service	586,353	585,306	1,047	809,270

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Capital outlay	438,830	290,220	148,610	171,032
Total operating expenditures	3,159,490	2,868,918	290,572	2,880,372
Revenues over (under) expenditures	(214,315)	244,108	458,423	146,557
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	284,315	-	(284,315)	-
<b>Transfers from:</b>				
Sewer Capital Reserve Fund	-	-	-	80,000
<b>Transfer to:</b>				
Sewer Capital Project Fund	(70,000)	(70,000)	-	(40,000)
Total other financing sources (uses)	214,315	(70,000)	(284,315)	40,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 174,108	\$ 174,108	\$ 186,557
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 174,108		\$ 186,557
Capital outlay		290,220		171,032
Principal retirement		473,774		676,487
Increase in accrued vacation and sick pay		(45,786)		16,652
Change in OPEB liability		(8,304)		(20,869)
Depreciation		(626,582)		(633,363)
Bad debt (provision) recovery		(3,959)		(13,042)
Inventory adjustment		205		5
Loss on disposal of capital assets		-		(9,302)
Capital contributions, grant revenue from:				
Pennsylvania Avenue Sewer Extension Project		61,283		405,639
Sewer Capital Reserve Fund		8,785		-
Transfer from Sewer Capital Project Fund		-		40,000
Capital contributions		10,641		139,135
Change in net assets		\$ 334,385		\$ 958,931

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Operating Revenues:</b>				
Electric sales	\$ 36,537,107	\$ 38,666,148	\$ 2,129,041	\$ 36,685,361
<b>Other Operating Revenues:</b>				
Underground services	40,000	26,245	(13,755)	44,899
Reconnection fees	75,000	84,109	9,109	90,123
Facility connection fees	5,000	5,207	207	4,991
Pole attachment fees - cable TV	28,500	26,897	(1,603)	30,093
Connection fees	45,000	41,448	(3,552)	48,421
New construction fee	8,000	5,950	(2,050)	8,450
Total operating revenues	<u>36,738,607</u>	<u>38,856,004</u>	<u>2,117,397</u>	<u>36,912,338</u>
<b>Non-Operating Revenues:</b>				
Recovery of doubtful accounts	3,000	2,291	(709)	6,437
Late penalty charges	200,000	293,928	93,928	236,509
Interest earnings	10,000	2,705	(7,295)	1,919
Sale of surplus and scrap	12,000	62,444	50,444	33,144
Fines and meters	10,000	11,708	1,708	11,225
DOT reimbursement	808,544	414,496	(394,048)	297,587
Miscellaneous	33,220	74,744	41,524	65,118
Total non-operating revenues	<u>1,076,764</u>	<u>862,316</u>	<u>(214,448)</u>	<u>651,939</u>
<b>Total revenues</b>	<u>37,815,371</u>	<u>39,718,320</u>	<u>1,902,949</u>	<u>37,564,277</u>
<b>Operating Expenditures:</b>				
<b>Administration:</b>				
<b>Office of Electric Director:</b>				
Salaries and employee benefits	292,532	292,106	426	248,754
Employee development	9,725	7,655	2,070	2,375
Professional services	794,494	503,898	290,596	319,610
Telephone	4,000	3,028	972	3,292
Printing and publishing	100	19	81	7
Maintenance	3,200	1,847	1,353	4,340
Supplies	2,800	1,786	1,014	1,623
Dues and subscriptions	1,000	887	113	919
Other expenses	565	564	1	-
Total Office of Electric Director	<u>1,108,416</u>	<u>811,790</u>	<u>296,626</u>	<u>580,920</u>

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Miscellaneous - Non-Departmental:</b>				
Printing and publishing	8,500	5,468	3,032	5,888
Dues and subscriptions	300	270	30	270
Insurance and bonds	144,264	144,016	248	136,683
Workers' compensation	51,211	49,491	1,720	36,694
Inventory reimbursement	5,000	-	5,000	791
Rents	18,000	18,000	-	18,000
Maintenance	1,000	794	206	794
Utility service fee - General Fund	1,321,816	1,321,816	-	1,287,046
Utility Assistance Contribution	10,000	10,000	-	-
Other expenses	128,414	125,393	3,021	132,300
Total miscellaneous - non-departmental	1,688,505	1,675,248	13,257	1,618,466
<b>Total administration</b>	<b>2,796,921</b>	<b>2,487,038</b>	<b>309,883</b>	<b>2,199,386</b>
<b>Electric Operations:</b>				
<b>Utility Communications:</b>				
Salaries and employee benefits	256,100	237,689	18,411	225,072
Employee advertising	200	193	7	-
Employee development	625	620	5	78
Professional services	227	261	(34)	277
Telephone	12,000	11,120	880	10,193
Water and electric services	3,000	1,579	1,421	2,918
Rents	17,320	17,320	-	17,320
Maintenance	2,000	848	1,152	6,090
Supplies	2,130	1,148	982	1,169
Total load management	293,602	270,778	22,824	263,117
<b>Meter Services:</b>				
Salaries and employee benefits	298,545	276,649	21,896	270,670
Employee advertising	200	-	200	-
Employee development	1,750	1,239	511	1,726
Telephone	3,000	2,256	744	2,752
Water and electric service	9,000	8,892	108	7,409
Maintenance	55,914	52,361	3,553	62,871
Supplies	2,550	2,529	21	2,358
Materials	8,300	8,083	217	7,493
Professional services	70	70	-	1,346
Other expenses	400	324	76	334
Contract services	10,000	-	10,000	-
Reimbursement from other funds	(131,883)	(131,883)	-	(131,883)
Total meter services	257,846	220,520	37,326	225,076

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Power Line Maintenance:</b>				
Salaries and employee benefits	654,732	651,673	3,059	727,105
Employee advertising	200	83	117	-
Employee development	14,000	11,460	2,540	11,229
Telephone	4,000	3,463	537	2,705
Water and electric service	13,000	11,855	1,145	11,731
Printing and publishing	100	-	100	37
Maintenance	162,500	152,916	9,584	128,071
Supplies	38,960	37,238	1,722	31,319
Materials	89,350	69,443	19,907	179,923
Contract services	206,115	203,249	2,866	197,567
Professional services	10,000	601	9,399	4,904
Insurance	7,375	5,131	2,244	13,624
Other expenses	700	648	52	4,541
Total power line maintenance	<u>1,201,032</u>	<u>1,147,760</u>	<u>53,272</u>	<u>1,312,756</u>
<b>Substation Maintenance:</b>				
Salaries and employee benefits	193,061	190,294	2,767	197,867
Employee advertisement	200	69	131	-
Employee development	1,500	1,272	228	2,278
Professional services	11,600	-	11,600	8,468
Telephone	2,000	1,701	299	1,744
Water and electric service	27,850	24,866	2,984	27,826
Maintenance	276,442	260,198	16,244	140,375
Supplies	2,000	1,894	106	1,544
Contract services	12,280	9,558	2,722	5,280
Gasoline purchases	262,542	230,621	31,921	191,956
Other expenses	7,300	1,812	5,488	72,476
Total substation maintenance	<u>796,775</u>	<u>722,285</u>	<u>74,490</u>	<u>649,814</u>
<b>Load Management:</b>				
Salaries and employee benefits	96,715	11,431	85,284	-
Heat pump rebates	23,000	16,925	6,075	-
Maintenance	412	288	124	-
Materials	100,800	100,800	-	-
Marketing and promotions	20,000	13,382	6,618	-
Contract services	100,485	68,222	32,263	-
Total load management	<u>341,412</u>	<u>211,048</u>	<u>130,364</u>	<u>-</u>
<b>Total electric operations</b>	<u>2,890,667</u>	<u>2,572,391</u>	<u>318,276</u>	<u>2,450,763</u>
<b>Electric power purchases</b>	<u>29,824,299</u>	<u>29,529,635</u>	<u>294,664</u>	<u>29,091,386</u>
<b>Capital outlay</b>	<u>2,609,320</u>	<u>1,966,694</u>	<u>642,626</u>	<u>2,847,187</u>

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Debt Service:</b>				
<b>General Obligation Bonds:</b>				
Principal retirement	23,215	23,213	2	61,285
Interest	3,665	3,577	88	6,195
<b>Installment Notes:</b>				
Principal retirement	737,513	685,097	52,416	1,763,778
Interest	89,000	70,106	18,894	107,497
Total debt service	853,393	781,993	71,400	1,938,755
<b>Total operating expenditures</b>	<b>38,974,600</b>	<b>37,337,751</b>	<b>1,636,849</b>	<b>38,527,477</b>
<b>Revenues over (under) expenditures</b>	<b>(1,159,229)</b>	<b>2,380,569</b>	<b>3,539,798</b>	<b>(963,200)</b>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	891,000	888,000	(3,000)	2,154,500
Fund balance appropriated	1,316,379	-	(1,316,379)	-
<b>Transfers to:</b>				
General Fund	(973,150)	(973,150)	-	(1,173,150)
Economic Development Capital Reserve Fund	(75,000)	(75,000)	-	(100,000)
Total other financing sources (uses)	1,159,229	(160,150)	(1,319,379)	882,819
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 2,220,419</b>	<b>\$ 2,220,419</b>	<b>\$ (80,381)</b>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 2,220,419		\$ (80,381)
Capital outlay		1,940,139		2,847,187
Principal retirement		708,310		1,825,063
Installment note proceeds		(888,000)		(2,154,500)
Change in accrued vacation and sick pay		(14,346)		(10,980)
Change in OPEB liability		(47,053)		(30,984)
Depreciation		(1,474,243)		(1,459,926)
Bad debt provision		(237,672)		4,751
Inventory adjustment		106,903		(35,136)
Transfer out		-		(1,469)
Loss on disposal of capital assets		(20,982)		(86,074)
Change in net assets		\$ 2,293,475		\$ 817,551

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - STORMWATER UTILITY FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
<b>Charges for Sales and Services:</b>				
Public works fees	\$ 486,000	\$ 504,463	\$ 18,463	\$ 509,812
Miscellaneous	-	353	353	5,175
Late penalty charges	2,000	3,514	1,514	3,292
Permit fees	5,000	3,023	(1,977)	3,000
Total operating revenues	493,000	511,353	18,353	521,279
<b>Non-Operating Revenues:</b>				
Interest earnings	56,625	57,826	1,201	3,178
Total non-operating revenues	56,625	57,826	1,201	3,178
<b>Total revenues</b>	<b>549,625</b>	<b>569,179</b>	<b>19,554</b>	<b>524,457</b>
<b>Operating Expenditures:</b>				
Salaries and employee benefits	3,048	3,048	-	269,270
Professional services	3,923	2,760	1,163	3,475
Employee development	-	-	-	250
Water and electric service	28,500	28,436	64	25,451
Maintenance and repairs	105,800	43,531	62,269	17,145
Supplies	2,200	1,933	267	1,239
Contracted services	7,400	6,772	628	6,862
Materials	9,100	7,137	1,963	5,581
Insurance	2,443	2,443	-	2,856
Contingency	30	-	30	-
Utility service fee - General Fund	94,708	94,708	-	81,941
Workers' compensation	-	-	-	10,310
Miscellaneous	2,376	2,376	-	191
Total operating expenditures	259,528	193,144	66,384	424,571
<b>Debt Service:</b>				
Principal	193,312	193,250	62	24,308
Interest	124,013	123,987	26	2,450
Total debt service	317,325	317,237	88	26,758
<b>Capital outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,500</b>
<b>Total expenditures</b>	<b>576,853</b>	<b>510,381</b>	<b>66,472</b>	<b>452,829</b>
<b>Revenues over (under) expenditures</b>	<b>(27,228)</b>	<b>58,798</b>	<b>86,026</b>	<b>71,628</b>

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - STORMWATER UTILITY FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Other Financing Sources (Uses):</b>				
Transfer to Stormwater Capital Reserve Fund	(112,654)	-	112,654	-
Appropriated fund balance	139,882	-	(139,882)	-
Total other financing sources (uses)	27,228	-	(27,228)	-
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 58,798</b>	<b>\$ 58,798</b>	<b>\$ 71,628</b>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 58,798		\$ 71,628
Depreciation		(130,253)		(128,230)
Capital outlay		-		1,500
Capital contributions		19,050		-
Principal retirement		193,250		24,308
Investment earnings from capital project fund		5,031		-
Decrease in accrued vacation and sick pay		29,863		(3,861)
Change in OPEB liability		16,156		(8,078)
Bad debt expense (recoveries)		598		(3,349)
Change in net assets		<u>\$ 192,493</u>		<u>\$ (46,082)</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**ENTERPRISE FUND - PENNSYLVANIA AVENUE SEWER EXTENSION**  
**SEWER CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Federal grant funds	\$ 500,000	\$ 405,639	\$ 61,283	\$ 466,922	\$ (33,078)
Total revenues	<u>500,000</u>	<u>405,639</u>	<u>61,283</u>	<u>466,922</u>	<u>(33,078)</u>
<b>Expenditures:</b>					
Economic and physical development					
Engineering	187,000	136,111	44,465	180,576	6,424
Construction	349,377	274,884	51,462	326,346	23,031
Contingency	<u>3,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,623</u>
Total expenditures	<u>540,000</u>	<u>410,995</u>	<u>95,927</u>	<u>506,922</u>	<u>33,078</u>
<b>Revenues over (under) expenditures</b>	<u>(40,000)</u>	<u>(5,356)</u>	<u>(34,644)</u>	<u>(40,000)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from Sewer Fund	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 34,644</u>	<u>\$ (34,644)</u>	<u>\$ -</u>	<u>\$ -</u>

This fund is consolidated into the Sewer Fund.

## CITY OF WASHINGTON, NORTH CAROLINA

**ENTERPRISE FUND - WATER CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2011  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Water impact fees	\$ -	\$ 23,477	\$ 23,477	\$ 10,191
Investment earnings	-	400	400	347
Total revenues	-	23,877	23,877	10,538
<b>Other Financing Sources (Uses):</b>				
Transfer to Water Fund	(2,700)	(2,700)	-	-
Transfer from Water Fund	-	28,990	28,990	-
Appropriated fund balance	2,700	-	(2,700)	-
Total other financing sources (uses)	-	26,290	26,290	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	50,167	\$ 50,167	10,538
<b>Fund Balance:</b>				
Beginning of year - July 1		71,134		60,596
End of year - June 30		\$ 121,301		\$ 71,134

This fund is consolidated into the Water Fund.

## CITY OF WASHINGTON, NORTH CAROLINA

**ENTERPRISE FUND - SEWER CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Sewer impact fees	\$ -	\$ 8,189	\$ 8,189	\$ 13,345
Sewer assessments	-	-	-	100,000
Investment earnings	-	596	596	526
Total revenues	-	8,785	8,785	113,871
<b>Other Financing Sources (Uses):</b>				
Transfer to Sewer Fund	-	-	-	(80,000)
Total other financing sources (uses)	-	-	-	(80,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	8,785	\$ 8,785	33,871
<b>Fund Balance:</b>				
Beginning of year - July 1		120,483		86,612
End of year - June 30		\$ 129,268		\$ 120,483

This fund is consolidated into the Sewer Fund.

## CITY OF WASHINGTON, NORTH CAROLINA

**ENTERPRISE FUND - RECOVERY ZONE BOND  
 STORMWATER PROJECTS  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Years</u>	<u>Total to Date</u>	
<b>Expenditures:</b>					
Investment earnings	\$ -	\$ -	\$ 5,031	\$ 5,031	\$ 5,031
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Professional services	42,827	-	41,171	41,171	1,656
Engineering	508,005	-	422,865	422,865	85,140
Construction	4,059,564	-	614,706	614,706	3,444,858
Easement acquisition	156,288	-	156,288	156,288	-
Contingency	233,316	-	-	-	233,316
Total expenditures	<u>5,000,000</u>	<u>-</u>	<u>1,235,030</u>	<u>1,235,030</u>	<u>3,764,970</u>
<b>Revenues over (under) expenditures</b>	<u>(5,000,000)</u>	<u>-</u>	<u>(1,229,999)</u>	<u>(1,229,999)</u>	<u>3,770,001</u>
<b>Other Financing Sources (Uses):</b>					
Long-term debt issued	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>
Total other financing sources (uses)	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>3,770,001</u>	<u>\$ 3,770,001</u>	<u>\$ 3,770,001</u>
<b>Fund Balance:</b>					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 3,770,001</u>		

This fund is consolidated into the Stormwater Fund

## **Nonmajor Enterprise Funds**

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

- Warren Field Airport Fund - This fund is used to account for the operations of the City's airfield operations.
- Solid Waste Fund - This fund is used to account for the operations of the City's solid waste operations.
- Cemetery Fund - This fund is used to account for the operations of the City's cemetery operations.

*This page left blank intentionally.*

## CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u>Warren Field Airport</u>	<u>Solid Waste Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and investments	\$ 359,931	\$ 322,056	\$ 60,173	\$ 742,160
Accounts receivable, net	71,670	147,941	8,426	228,037
Inventory	23,054	-	-	23,054
Prepaid assets	-	3,407	-	3,407
Restricted cash and investments	-	140,000	-	140,000
Total current assets	<u>454,655</u>	<u>613,404</u>	<u>68,599</u>	<u>1,136,658</u>
<b>Capital Assets:</b>				
Non-depreciable capital assets	1,530,111	-	-	1,530,111
Other capital assets, net of accumulated depreciation	782,754	404,301	6,439	1,193,494
Total capital assets	<u>2,312,865</u>	<u>404,301</u>	<u>6,439</u>	<u>2,723,605</u>
Total assets	<u>\$ 2,767,520</u>	<u>\$ 1,017,705</u>	<u>\$ 75,038</u>	<u>\$ 3,860,263</u>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 4,764	\$ 31,301	\$ 10,049	\$ 46,114
Due to other funds	-	-	60,032	60,032
Current portion of installment notes	-	65,765	-	65,765
Current portion of compensated absences	-	20,062	9,739	29,801
Total current liabilities	<u>4,764</u>	<u>117,128</u>	<u>79,820</u>	<u>201,712</u>
<b>Non-Current Liabilities:</b>				
Non-current portion of installment notes	-	171,297	-	171,297
Non-current portion of compensated absences	-	18,845	9,148	27,993
Non-current portion of OPEB liability	-	40,734	13,106	53,840
Total non-current liabilities	<u>-</u>	<u>230,876</u>	<u>22,254</u>	<u>253,130</u>
Total liabilities	<u>4,764</u>	<u>348,004</u>	<u>102,074</u>	<u>454,842</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	2,312,865	307,239	6,439	2,626,543
Unrestricted	449,891	362,462	(33,475)	778,878
Total net assets	<u>2,762,756</u>	<u>669,701</u>	<u>(27,036)</u>	<u>3,405,421</u>
Total liabilities and net assets	<u>\$ 2,767,520</u>	<u>\$ 1,017,705</u>	<u>\$ 75,038</u>	<u>\$ 3,860,263</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Warren Field Airport</u>	<u>Solid Waste Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Operating Revenues:</b>				
Charges for sales and services	\$ 223,263	\$ 1,283,776	\$ 162,923	\$ 1,669,962
Miscellaneous	940	3,543	-	4,483
Total operating revenues	<u>224,203</u>	<u>1,287,319</u>	<u>162,923</u>	<u>1,674,445</u>
<b>Operating Expenditures:</b>				
Administration	-	1,288,225	266,986	1,555,211
Warren Field Airport operations	267,376	-	-	267,376
Depreciation	127,199	71,634	2,628	201,461
Total operating expenditures	<u>394,575</u>	<u>1,359,859</u>	<u>269,614</u>	<u>2,024,048</u>
<b>Operating income (loss)</b>	<u>(170,372)</u>	<u>(72,540)</u>	<u>(106,691)</u>	<u>(349,603)</u>
<b>Non-Operating Revenues (Expenditures):</b>				
Investment earnings	983	912	-	1,895
Solid waste disposal tax	-	6,802	-	6,802
Interest expense	-	(4,023)	-	(4,023)
Total non-operating revenues (expenditures)	<u>983</u>	<u>3,691</u>	<u>-</u>	<u>4,674</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>(169,389)</u>	<u>(68,849)</u>	<u>(106,691)</u>	<u>(344,929)</u>
<b>Capital Contributions and Transfers:</b>				
Capital contributions	171,381	100,000	-	271,381
Transfers in	95,633	-	99,942	195,575
Total capital contributions and transfers	<u>267,014</u>	<u>100,000</u>	<u>99,942</u>	<u>466,956</u>
Change in net assets	97,625	31,151	(6,749)	122,027
<b>Net Assets:</b>				
Beginning of year - July 1	<u>2,665,131</u>	<u>638,550</u>	<u>(20,287)</u>	<u>3,283,394</u>
End of year - June 30	<u>\$ 2,762,756</u>	<u>\$ 669,701</u>	<u>\$ (27,036)</u>	<u>\$ 3,405,421</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Warren Field Airport</b>	<b>Solid Waste Fund</b>	<b>Cemetery Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 193,696	\$ 1,287,665	\$ 164,606	\$ 1,645,967
Cash paid to employees	(45,302)	(527,874)	(206,432)	(779,608)
Cash paid to suppliers	(225,156)	(773,690)	(41,871)	(1,040,717)
Net cash provided (used) by operating activities	<u>(76,762)</u>	<u>(13,899)</u>	<u>(83,697)</u>	<u>(174,358)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Payments to/from other funds	-	(15,687)	43,278	27,591
Transfers from other funds	95,633	-	99,942	195,575
Net cash provided (used) by non-capital financing activities	<u>95,633</u>	<u>(15,687)</u>	<u>143,220</u>	<u>223,166</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Interest expense	-	(4,023)	-	(4,023)
Acquisition of capital assets	(190,425)	-	-	(190,425)
Long-term debt issued	-	140,000	-	140,000
Principal payments on long-term debt	-	(62,672)	-	(62,672)
Capital contributions	171,381	106,802	-	278,183
Net cash provided (used) by capital and related financing activities	<u>(19,044)</u>	<u>180,107</u>	<u>-</u>	<u>161,063</u>
<b>Cash Flows from Investing Activities:</b>				
Investment earnings	983	912	-	1,895
Net cash provided (used) by investing activities	<u>983</u>	<u>912</u>	<u>-</u>	<u>1,895</u>
Net increase (decrease) in cash and cash equivalents/investments	810	151,433	59,523	211,766
<b>Cash and Cash Equivalents/Investments:</b>				
Beginning of year - July 1	<u>359,121</u>	<u>310,623</u>	<u>650</u>	<u>670,394</u>
End of year - June 30	<u>\$ 359,931</u>	<u>\$ 462,056</u>	<u>\$ 60,173</u>	<u>\$ 882,160</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (170,372)	\$ (72,540)	\$ (106,691)	\$ (349,603)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation	127,199	71,634	2,628	201,461
<b>Change in Assets and Liabilities:</b>				
(Increase) decrease in accounts receivable	(30,507)	346	1,683	(28,478)
(Increase) decrease in inventory	9,822	-	-	9,822
(Increase) decrease in prepaid assets	-	(3,407)	-	(3,407)
Increase (decrease) in accounts payable and accrued liabilities	(12,904)	(2,991)	3,253	(12,642)
Increase (decrease) in compensated absences payable	-	(15,363)	2,324	(13,039)
Increase (decrease) in OPEB liability	-	8,422	13,106	21,528
Net cash provided (used) by operating activities	<u>\$ (76,762)</u>	<u>\$ (13,899)</u>	<u>\$ (83,697)</u>	<u>\$ (174,358)</u>

## CITY OF WASHINGTON, NORTH CAROLINA

## ENTERPRISE FUND - WARREN FIELD AIRPORT FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2011

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
<b>Charges for Sales and Services:</b>				
Fuel sales	\$ 111,000	\$ 162,225	\$ 51,225	\$ 109,690
Rentals	63,300	61,038	(2,262)	61,031
Miscellaneous revenue	-	940	940	(1,392)
Total operating revenues	174,300	224,203	49,903	169,329
<b>Non-Operating Revenues:</b>				
Interest earnings	1,500	983	(517)	1,441
Grant funds	336,149	171,381	(164,768)	289,245
Total non-operating revenues	337,649	172,364	(165,285)	290,686
<b>Total revenues</b>	<b>511,949</b>	<b>396,567</b>	<b>(115,382)</b>	<b>460,015</b>
<b>Operating Expenditures:</b>				
Professional services	3,500	3,142	358	1,500
Utilities	23,175	20,903	2,272	20,805
Fuel purchases	97,733	97,540	193	97,596
Maintenance and repairs	20,388	16,810	3,578	21,358
Supplies	27	33	(6)	106
Contracted services	83,815	85,308	(1,493)	72,101
Equipment rental	750	(2,260)	3,010	(635)
Miscellaneous	2,451	2,307	144	71
Insurance	15,727	15,727	-	13,698
Grant expense	183,075	-	183,075	305,159
Utility service fee - General Fund	27,866	27,866	-	9,996
Total	458,507	267,376	191,131	541,755
<b>Capital outlay</b>	<b>190,424</b>	<b>190,425</b>	<b>(1)</b>	<b>-</b>
<b>Total expenditures</b>	<b>648,931</b>	<b>457,801</b>	<b>191,130</b>	<b>541,755</b>
<b>Revenues over (under) expenditures</b>	<b>(136,982)</b>	<b>(61,234)</b>	<b>75,748</b>	<b>(81,740)</b>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	41,349	-	(41,349)	-
Transfers from General Fund	95,633	95,633	-	100,000
Total other financing sources (uses)	136,982	95,633	(41,349)	100,000
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>34,399</b>	<b>\$ 34,399</b>	<b>18,260</b>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 34,399		\$ 18,260
Capital outlay		190,425		305,159
Depreciation		(127,199)		(127,584)
Change in net assets		\$ 97,625		\$ 195,835

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - SOLID WASTE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
<b>Charges for Sales and Services:</b>				
Garbage collection fees	\$ 1,267,500	\$ 1,286,340	\$ 18,840	\$ 1,282,990
Miscellaneous revenues	-	3,543	3,543	501
Total operating revenues	1,267,500	1,289,883	22,383	1,283,491
<b>Non-Operating Revenues:</b>				
Interest earnings	400	912	512	749
ABC Recycling Grant	95,960	100,000	4,040	16,000
Disposal tax	5,600	6,802	1,202	3,788
Total non-operating revenues	101,960	107,714	5,754	20,537
<b>Total revenues</b>	<b>1,369,460</b>	<b>1,397,597</b>	<b>28,137</b>	<b>1,304,028</b>
<b>Operating Expenditures:</b>				
Salaries and employee benefits	552,442	520,933	31,509	499,057
Utilities	525	412	113	430
County tipping fees	237,230	224,415	12,815	238,350
Employee development	200	-	200	-
Maintenance and repairs	131,747	137,822	(6,075)	115,277
Supplies	2,000	1,776	224	1,850
Materials	210,873	210,457	416	38,237
Miscellaneous	7,111	4,295	2,816	3,661
Insurance	15,934	16,214	(280)	8,355
Contingency	44,722	-	44,722	-
Workers' compensation	5,281	4,923	358	4,754
Utility service fee - General Fund	173,919	173,919	-	175,840
Total operating expenditures	1,381,984	1,295,166	86,818	1,085,811
<b>Debt Service:</b>				
Principal	72,411	62,672	9,739	51,695
Interest	11,025	4,023	7,002	5,526
Total debt service	83,436	66,695	16,741	57,221
<b>Capital outlay</b>	<b>140,000</b>	<b>-</b>	<b>140,000</b>	<b>325,797</b>
<b>Total expenditures</b>	<b>1,605,420</b>	<b>1,361,861</b>	<b>243,559</b>	<b>1,468,829</b>

CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - SOLID WASTE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues over (under) expenditures</b>	<u>(235,960)</u>	<u>35,736</u>	<u>271,696</u>	<u>(164,801)</u>
<b>Other Financing Sources (Uses):</b>				
Fund balance appropriated	95,960	-	(95,960)	-
Long-term debt issued	<u>140,000</u>	<u>140,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>235,960</u>	<u>140,000</u>	<u>(95,960)</u>	<u>-</u>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ 175,736</u>	<u>\$ 175,736</u>	<u>\$ (164,801)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 175,736		\$ (164,801)
Depreciation		(71,634)		(57,858)
Capital outlay		-		325,797
Installment note proceeds		(140,000)		-
Principal retirement		62,672		51,695
Decrease in accrued vacation and sick pay		15,363		9,070
Change in OPEB liability		(8,422)		(16,156)
Bad debt expense (recoveries)		<u>(2,564)</u>		<u>(3,311)</u>
Change in net assets		<u>\$ 31,151</u>		<u>\$ 144,436</u>

## CITY OF WASHINGTON, NORTH CAROLINA

ENTERPRISE FUND - CEMETERY FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2011  
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Operating Revenues:</b>				
<b>Charges for Sales and Services:</b>				
Sale of cemetery plots	\$ 90,000	\$ 65,550	\$ (24,450)	\$ 94,250
Cemetery grave openings	108,000	96,225	(11,775)	113,200
Administrative charges	1,800	1,148	(652)	2,683
Total operating revenues	<u>199,800</u>	<u>162,923</u>	<u>(36,877)</u>	<u>210,133</u>
<b>Non-operating Revenues:</b>				
Interest earnings	-	-	-	(86)
Miscellaneous	-	-	-	3,500
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,414</u>
<b>Total revenues</b>	<u>199,800</u>	<u>162,923</u>	<u>(36,877)</u>	<u>213,547</u>
<b>Operating Expenditures:</b>				
Salaries and employee benefits	222,277	221,862	415	216,279
Other operating expenditures	15,319	13,891	1,428	18,155
Maintenance and repairs	13,269	12,597	672	11,245
Utility service fee- General Fund	17,494	17,494	-	-
Reimbursement from other funds	(22,500)	(14,288)	(8,212)	-
Total operating expenditures	<u>245,859</u>	<u>251,556</u>	<u>(5,697)</u>	<u>245,679</u>
<b>Total expenditures</b>	<u>245,859</u>	<u>251,556</u>	<u>(5,697)</u>	<u>245,679</u>
<b>Revenues over (under) expenditures</b>	<u>(46,059)</u>	<u>(88,633)</u>	<u>(42,574)</u>	<u>(32,132)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from General Fund	42,967	99,942	56,975	19,341
Fund balance appropriated	3,092	-	(3,092)	-
Total other financing sources (uses)	<u>46,059</u>	<u>99,942</u>	<u>53,883</u>	<u>19,341</u>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ 11,309</u>	<u>\$ 11,309</u>	<u>\$ (12,791)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 11,309		\$ (12,791)
Depreciation		(2,628)		(2,628)
Capital contributions		-		11,695
Increase in accrued vacation and sick pay		(2,324)		(16,563)
Change in OPEB liability		(13,106)		-
Change in net assets		<u>\$ (6,749)</u>		<u>\$ (20,287)</u>

*This page left blank intentionally.*

## **Internal Service Funds**

Internal Service Funds are used to account for the financing of goods or services provided by one department for agencies of the City on a cost reimbursement basis.

Workers Compensation Reserve – This fund is used to finance and account for the City's workers' compensation insurance program.

*This page left blank intentionally.*

## CITY OF WASHINGTON, NORTH CAROLINA

**INTERNAL SERVICE FUND  
 WORKERS' COMPENSATION RESERVE  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Operating Revenues:</b>			
Contributions from employer	\$ 285,177	\$ 285,177	\$ -
<b>Operating Expenditures:</b>			
Workers' compensation claims	350,177	320,228	29,949
Operating income (loss)	(65,000)	(35,051)	(29,949)
<b>Non-Operating Revenues:</b>			
Investment earnings	-	3,523	3,521
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	65,000	-	(65,000)
Total other financing sources (uses)	65,000	-	(65,000)
Change in net assets	<u>\$ -</u>	(31,528)	<u>\$ (31,530)</u>
<b>Net Assets:</b>			
Beginning of year - July 1		<u>697,730</u>	
End of year - June 30		<u>\$ 666,202</u>	

*This page left blank intentionally.*

## **Additional Financial Data**

This section contains additional information on property taxes, interfund transfers, and cash and investments.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

*This page left blank intentionally.*

## CITY OF WASHINGTON, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2011**

<u>Year</u>	<u>Uncollected Balance July 1, 2010</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$ -	\$ 4,178,303	\$ 3,938,237	\$ 240,066
2009-2010	241,207	-	163,754	77,453
2008-2009	67,454	-	29,904	37,550
2007-2008	46,703	-	13,172	33,531
2006-2007	31,306	-	4,853	26,453
2005-2006	16,846	-	1,436	15,410
2004-2005	17,569	-	1,917	15,652
2003-2004	19,898	-	1,645	18,253
2002-2003	19,215	-	896	18,319
2001-2002	22,436	-	379	22,057
2000-2001	20,262	-	20,262	-
	<u>\$ 502,896</u>	<u>\$ 4,178,303</u>	<u>\$ 4,176,455</u>	<u>\$ 504,744</u>
Plus uncollected prior year ad valorem taxes receivable on annually registered vehicles				17,275
Less allowance for uncollectible ad valorem taxes receivable: General Fund				<u>(39,368)</u>
<b>Ad Valorem Taxes Receivable, Net:</b> General Fund				<u>\$ 482,651</u>
<b>Reconciliation With Revenues:</b> Ad valorem taxes - General Fund				\$ 4,165,483
Refunds				1,036
Write-offs and releases				63,369
Penalties and interest collected				<u>(53,433)</u>
Total collections and credits				<u>\$ 4,176,455</u>

## CITY OF WASHINGTON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2011

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy</b>	\$ 842,834,000	\$ 0.50	\$ 4,214,170	\$ 3,863,384	\$ 350,786
<b>Abatements</b>	(7,173,400)		(35,867)	(28,551)	(7,316)
Total property valuation	<u>\$ 835,660,600</u>				
<b>Net Levy</b>			4,178,303	3,834,833	343,470
Uncollected taxes at June 30, 2011			<u>240,066</u>	<u>178,621</u>	<u>61,445</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 3,938,237</u>	<u>\$ 3,656,212</u>	<u>\$ 282,025</u>
<b>Current Levy Collection Percentage</b>			<u>94.25%</u>	<u>95.34%</u>	<u>82.11%</u>

## **Statistical Section**

## **Statistical Section (Unaudited)**

This part of the City of Washington’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the finance statements, note disclosures, and required supplementary information says about the government’s overall financial health.

<b><u>Contents</u></b>	<b><u>Pages</u></b>
Financial Trends These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	135
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the Electric charges.	142
Debt Capacity These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	146
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	150
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	152

## CITY OF WASHINGTON, NORTH CAROLINA

NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS  
(ACCURAL BASIS OF ACCOUNTING)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$ 20,871,379	\$ 19,151,624	\$ 21,323,344	\$ 19,438,078	\$ 16,880,415	\$ 18,610,980	\$ 18,447,771	\$ 19,346,037	\$ 18,103,256
Restricted	404,975	404,975	404,975	825,368	610,356	718,443	749,958	802,414	2,960,002
Unrestricted	8,159,703	9,996,597	10,178,546	9,491,617	10,347,583	9,159,353	9,814,379	8,836,625	6,206,219
Total governmental activities net assets	\$ 29,436,057	\$ 29,553,196	\$ 31,906,865	\$ 29,755,063	\$ 27,838,354	\$ 28,488,776	\$ 29,012,108	\$ 28,985,076	\$ 27,269,477
Business-type activities									
Invested in capital assets, net of related debt	\$ 45,248,238	\$ 48,946,177	\$ 50,595,005	\$ 49,133,366	\$ 51,148,821	\$ 52,099,287	\$ 56,442,379	\$ 57,884,865	\$ 59,355,152
Restricted	1,204,227	97,863	-	-	-	-	-	-	-
Unrestricted	6,166,352	6,397,904	5,958,074	9,321,109	10,382,263	11,541,166	10,157,327	11,125,031	13,195,618
Total business-type activities	\$ 52,618,817	\$ 55,441,944	\$ 56,553,079	\$ 58,454,475	\$ 61,531,084	\$ 63,640,453	\$ 66,599,706	\$ 69,009,896	\$ 72,550,770
Primary government									
Invested in capital assets, net of related debt	\$ 66,119,617	\$ 68,097,801	\$ 71,918,349	\$ 68,571,444	\$ 68,029,236	\$ 70,710,267	\$ 74,890,150	\$ 77,230,902	\$ 77,458,408
Restricted	1,609,202	502,838	404,975	825,368	610,356	718,443	749,958	802,414	2,960,002
Unrestricted	14,326,055	16,394,501	16,136,620	18,812,726	20,729,846	20,700,519	19,971,706	19,961,656	19,401,837
Total primary government net assets	\$ 82,054,874	\$ 84,995,140	\$ 88,459,944	\$ 88,209,538	\$ 89,369,438	\$ 92,129,229	\$ 95,611,814	\$ 97,994,972	\$ 99,820,247

Note: Accrual-basis financial information for the city government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

CITY OF WASHINGTON, NORTH CAROLINA

CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
<b>Expenses</b>										
Governmental activities:										
General government	\$ 1,061,696	\$ 1,265,750	\$ 1,349,016	\$ 1,290,291	\$ 2,918,312	\$ 1,469,055	\$ 1,213,174	\$ 2,289,052	\$ 2,057,263	
Public safety	3,971,668	4,455,370	4,770,269	5,061,605	6,064,482	5,483,122	6,288,971	5,819,057	6,342,206	
Transportation	860,034	422,934	1,039,811	959,050	1,313,731	1,079,272	733,196	868,877	1,056,475	
Environmental protection	1,463,517	1,150,356	1,065,567	1,213,528	436,896	354,391	614,650	6,307	642,630	
Cultural and recreation	1,552,087	1,995,018	2,558,723	2,510,074	2,714,800	2,672,910	2,605,246	2,160,070	2,697,305	
Economic and physical development	1,979,730	1,063,657	111,452	27,104	111,698	184,507	564,134	560,332	169,738	
Interest on long term debt	49,502	37,868	30,311	18,999	55,238	40,845	152,570	146,573	125,094	
Total governmental activities	10,938,234	10,390,953	10,925,149	11,080,651	13,615,157	11,284,102	12,171,941	11,840,268	13,090,711	
Business-type activities:										
Water	2,395,173	2,327,638	2,396,749	2,392,197	2,371,762	2,520,231	2,731,579	2,862,429	2,747,337	
Sewer	2,718,251	2,687,333	2,864,348	3,028,814	3,118,933	3,164,874	2,741,838	2,679,730	2,785,391	
Electric	25,554,952	26,058,626	26,167,791	29,253,711	30,759,233	31,061,372	34,295,374	35,174,520	36,376,695	
Beaufort county water districts	205,327	188,791	129,542	-	-	-	-	-	-	
Civic center	131,965	132,813	-	-	-	-	-	-	-	
Aquatic center	259,951	278,237	-	-	-	-	-	-	-	
Stormwater utility	300,212	418,595	483,456	499,073	473,209	556,346	530,868	567,190	401,365	
Warren Field Airport	-	-	384,981	487,413	403,057	567,006	409,650	364,180	394,575	
Solid waste	-	-	-	-	1,051,889	1,038,700	1,160,196	1,156,281	1,363,882	
Cemetery	-	-	-	-	-	-	-	264,870	269,614	
Total business-type activities	31,565,831	32,092,033	32,426,867	35,661,208	38,178,083	38,908,529	41,869,505	43,069,200	44,338,859	
Total primary government expenses	\$ 42,504,065	\$ 42,482,986	\$ 43,352,016	\$ 46,741,859	\$ 51,793,240	\$ 50,192,631	\$ 54,041,446	\$ 54,909,468	\$ 57,429,570	
<b>Program Revenues</b>										
Governmental activities										
Charges for services:										
General government	\$ 23,284	\$ 7,087	\$ 27,221	\$ 291,739	\$ 1,321,938	\$ 784,812	\$ 1,652,554	\$ 619,682	\$ 741,083	
Public safety	271,087	189,122	511,639	485,195	521,370	225,680	550,576	-	8,000	
Transportation	7,075	-	-	-	5,175	-	-	9,073	4,629	
Environmental protection	945,068	881,879	972,982	1,026,179	222,829	339,035	266,156	-	-	
Cultural and recreation	476,240	231,714	420,064	409,543	318,342	305,729	276,322	293,512	290,902	
Economic and physical development	6,187	-	-	3,112	2,475	-	9,792	123,536	33,700	
Operating grants and contributions:										
General government	-	210,562	130,385	-	-	33,372	169,511	-	10,722	
Public safety	418,827	369,519	530,498	480,487	417,740	254,801	364,340	448,897	429,860	
Transportation	-	289,187	319,483	322,203	315,718	354,222	314,031	-	-	
Environmental protection	172,600	-	-	-	-	-	-	-	-	
Cultural and recreation	54,981	86,667	138,627	188,745	117,934	51,220	53,437	50,680	23,311	
Economic and physical development	2,199,021	2,143,567	52,268	23,646	150,151	173,251	537,270	46,618	168,152	
Interest on long-term debt	-	-	-	-	-	-	-	-	-	

CITY OF WASHINGTON, NORTH CAROLINA

CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Capital grants and contributions:									
General Government	-	3,000	3,000	-	-	97,047	14,656	21,794	1,998
Public safety	-	-	-	-	-	161,500	3,400	209,086	237,712
Transportation	317,349	-	-	-	-	-	-	284,260	326,458
Cultural and recreation	-	-	-	-	-	41,627	36,066	49,782	31,145
Economic and physical development	65,420	-	-	-	10,674	6,481	-	483,689	-
Total governmental activities program revenues	<u>4,957,139</u>	<u>4,412,304</u>	<u>3,106,167</u>	<u>3,230,849</u>	<u>3,404,346</u>	<u>2,828,777</u>	<u>4,248,111</u>	<u>2,640,609</u>	<u>2,343,283</u>
Business-type activities:									
Charge for services:									
Water	2,132,087	2,052,018	2,335,346	2,817,532	2,652,239	2,933,696	2,961,388	3,037,783	3,146,469
Sewer	1,962,369	2,052,906	2,453,393	2,620,626	2,692,365	2,882,542	2,942,450	2,965,673	3,108,392
Electric	25,010,628	25,951,417	25,888,139	29,079,443	31,988,163	33,506,943	36,442,629	37,264,771	39,301,119
Beaufort county water districts	205,327	188,791	129,542	-	-	-	-	-	-
Civic center	56,448	58,799	-	-	-	-	-	-	-
Aquatic center	108,852	115,314	-	-	-	-	-	-	-
Stormwater utility	390,526	362,028	360,128	371,531	397,102	428,826	499,950	517,930	511,951
Warren Field Airport	-	-	121,435	225,075	267,196	378,488	222,062	169,329	224,203
Solid Waste	-	-	-	-	1,144,562	1,130,400	1,266,234	1,283,968	1,294,121
Cemetery	-	-	-	-	-	-	-	213,633	162,923
Operating grants and contributions:									
Water	-	108,467	102,329	-	-	-	-	-	-
Sewer	-	394,500	670,527	-	-	-	-	-	-
Electric	-	363,043	403,848	-	-	-	-	-	-
Stormwater utility	-	3,735	15,950	-	53,563	2,569	(13,002)	-	-
Warren Field Airport	-	-	63,018	-	529,243	-	-	-	-
Solid Waste	-	-	-	-	-	6,750	-	16,000	-
Capital grants and contributions:									
Water	150,100	32,831	34,770	100,430	14,128	11,100	569,523	164,933	3,789
Sewer	4,466,936	546,472	1,400,584	419,070	3,028	-	4,834	445,639	71,924
Electric	-	-	-	-	-	-	61,472	-	414,496
Stormwater utility	1,870,442	751,104	-	-	-	-	-	-	100,000
Solid Waste	-	-	-	2,990	32,388	241,739	23,927	289,245	171,381
Warren Field Airport	-	-	-	-	39,773,977	41,523,053	44,981,467	46,368,904	48,510,768
Total business-type activities program revenues	<u>36,363,715</u>	<u>32,981,425</u>	<u>33,979,009</u>	<u>35,636,697</u>	<u>39,773,977</u>	<u>41,523,053</u>	<u>44,981,467</u>	<u>46,368,904</u>	<u>48,510,768</u>
Total primary government program revenues	<u>\$ 41,310,854</u>	<u>\$ 37,393,729</u>	<u>\$ 37,085,176</u>	<u>\$ 38,867,546</u>	<u>\$ 43,178,323</u>	<u>\$ 44,351,830</u>	<u>\$ 49,229,578</u>	<u>\$ 49,009,513</u>	<u>\$ 50,854,051</u>
<b>Net (Expense)/Revenue</b>									
Governmental activities	\$ (5,981,095)	\$ (5,978,649)	\$ (7,818,982)	\$ (7,849,802)	\$ (10,210,811)	\$ (8,455,325)	\$ (7,923,830)	\$ (9,199,659)	\$ (10,747,428)
Business-type activities	4,787,884	889,392	1,552,142	(24,511)	1,595,894	2,614,524	3,111,962	3,299,704	4,171,909
Total primary government net (expense)/revenue	<u>\$ (1,193,211)</u>	<u>\$ (5,089,257)</u>	<u>\$ (6,266,840)</u>	<u>\$ (7,874,313)</u>	<u>\$ (8,614,917)</u>	<u>\$ (5,840,801)</u>	<u>\$ (4,811,868)</u>	<u>\$ (5,899,955)</u>	<u>\$ (6,575,519)</u>

CITY OF WASHINGTON, NORTH CAROLINA

CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Property taxes	\$ 2,997,541	\$ 3,166,933	\$ 3,263,263	\$ 3,286,529	\$ 3,673,434	\$ 3,739,953	\$ 3,862,728	\$ 4,017,112	\$ 4,168,418
Other Taxes	1,932,013	2,298,791	2,456,145	2,532,471	2,656,435	2,706,538	1,968,844	2,062,546	2,454,156
Unrestricted intergovernmental	1,162,609	1,120,458	1,165,392	1,223,642	1,398,957	1,440,275	1,601,893	1,690,181	1,645,002
Investment earnings	101,916	55,115	200,117	341,602	431,607	271,994	132,038	69,776	52,345
Miscellaneous	96,398	291,493	279,235	12,922	345,191	142,776	616,018	427,889	-
Gain (loss) on disposal of capital assets	-	118,002	(45,537)	(428,384)	-	-	-	-	-
Capital contributions to/from other activities	-	(1,128,864)	-	-	(211,522)	804,211	265,641	905,123	903,525
Transfers	(134,794)	(128,144)	2,854,036	(1,270,782)	(211,522)	804,211	265,641	905,123	903,525
Total governmental activities:	<u>6,155,683</u>	<u>5,793,784</u>	<u>10,172,651</u>	<u>5,698,000</u>	<u>8,294,102</u>	<u>9,105,747</u>	<u>8,447,162</u>	<u>9,172,627</u>	<u>9,223,446</u>
Business-type activities:									
Investment earnings	69,422	33,511	89,942	284,057	404,033	299,054	112,932	15,609	80,873
Miscellaneous	541,199	419,423	434,027	663,679	865,160	-	-	-	-
Gain (loss) on disposal of capital assets	227	-	(5,849)	(292,611)	-	-	-	-	-
Capital contributions to/from other activities	-	-	-	-	-	-	-	-	-
Special item-Net asset transfer from Warren	-	1,128,864	-	-	-	-	-	-	-
Airport Commission to City of Washington	-	-	1,894,909	-	-	-	-	-	-
Transfers	134,794	128,144	(2,854,036)	1,270,782	211,522	(804,211)	(265,641)	(905,123)	(903,525)
Total business-type activities	<u>745,642</u>	<u>1,709,942</u>	<u>(441,007)</u>	<u>1,925,907</u>	<u>1,480,715</u>	<u>(505,157)</u>	<u>(152,709)</u>	<u>(889,514)</u>	<u>(822,652)</u>
Total primary government	<u>\$ 6,901,325</u>	<u>\$ 7,503,726</u>	<u>\$ 9,731,644</u>	<u>\$ 7,623,907</u>	<u>\$ 9,774,817</u>	<u>\$ 8,600,590</u>	<u>\$ 8,294,453</u>	<u>\$ 8,283,113</u>	<u>\$ 8,400,794</u>
<b>Change in Net Assets</b>									
Governmental activities	\$ 174,588	\$ (184,865)	\$ 2,353,669	\$ (2,151,802)	\$ (1,916,709)	\$ 650,422	\$ 523,332	\$ (27,032)	\$ (1,523,982)
Business-type activities	5,533,526	2,599,334	1,111,135	1,901,396	3,076,609	2,109,367	2,959,253	2,410,190	3,349,257
Total primary government	<u>\$ 5,708,114</u>	<u>\$ 2,414,469</u>	<u>\$ 3,464,804</u>	<u>\$ (250,406)</u>	<u>\$ 1,159,900</u>	<u>\$ 2,759,789</u>	<u>\$ 3,482,585</u>	<u>\$ 2,383,158</u>	<u>\$ 1,825,275</u>

Note: Accrual-basis financial information for the city government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

Table 3

**CITY OF WASHINGTON, NORTH CAROLINA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Year	Property Taxes	Sales Taxes	Occupancy Taxes	Auto Licenses	Rental Vehicle Tax	Business Licenses	Franchise Taxes	Total
2002	\$ 2,570,408	\$ 1,427,651	\$ 123,546	\$ 36,503	\$ 11,176	\$ 88,341	\$ 487,418	\$ 4,745,043
2003	3,003,149	1,555,468	170,452	33,032	14,430	88,002	903,473	5,768,006
2004	3,163,077	1,802,359	200,955	36,496	17,803	88,143	878,906	6,187,739
2005	3,270,569	1,950,844	205,856	39,322	17,433	89,603	887,277	6,460,904
2006	3,321,373	2,054,864	235,869	38,693	14,278	98,859	977,559	6,741,495
2007	3,642,779	2,221,354	237,192	38,208	14,237	98,859	1,044,114	7,296,743
2008	3,735,845	2,278,957	256,838	41,228	12,602	104,527	1,061,945	7,491,942
2009	3,836,368	2,096,285	255,280	39,914	12,636	164,867	1,186,166	7,591,516
2010	3,876,605	2,006,883	244,628	39,009	13,194	168,029	1,198,455	7,546,803
2011	4,165,483	1,963,488	239,560	38,059	16,046	175,414	1,206,174	7,804,224

CITY OF WASHINGTON, NORTH CAROLINA

FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved:										
Unreserved	\$ 2,117,593	\$ 1,022,424	\$ 2,020,929	\$ 3,708,101	\$ 3,658,180	\$ 3,428,601	\$ 3,581,076	\$ 3,878,248	\$ 2,643,875	\$ -
Non Spendable	1,970,316	3,252,727	3,657,762	2,227,199	3,221,790	4,508,319	4,987,976	5,536,430	5,763,532	-
Restricted	-	-	-	-	-	-	-	-	-	97,932
Committed	-	-	-	-	-	-	-	-	-	2,490,744
Assigned	-	-	-	-	-	-	-	-	-	21
Unassigned	-	-	-	-	-	-	-	-	-	-
Total General Fund	\$ 4,087,909	\$ 4,275,151	\$ 5,678,691	\$ 5,935,300	\$ 6,879,970	\$ 7,936,920	\$ 8,569,052	\$ 9,414,678	\$ 8,407,407	\$ 7,967,639
All Other Governmental Funds										
Reserved:										
Special Revenue Funds	\$ -	\$ 1,535,486	\$ 1,506,140	\$ 620,404	\$ 78,771	\$ 60,744	\$ 23	\$ 14,216	\$ 12,916	\$ -
Permanent Funds	404,975	404,975	404,975	404,975	404,975	404,975	404,975	414,975	436,575	-
Total reserved	404,975	1,940,461	1,911,115	1,025,379	483,746	465,719	404,998	429,191	449,491	-
Unreserved:										
Special revenue funds	20,962	799,367	353,405	68,024	621,357	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated reported in nonmajor:										
Special revenue funds	3,463,893	842,407	808,180	1,865,251	(93,404)	2,055,490	346,671	546,318	384,279	-
Capital project funds	-	-	-	-	-	-	510,786	-	985,168	-
Non spendable:										
Permanent Funds	-	-	-	-	-	-	-	-	-	452,575
Restricted:										
Special revenue funds	-	-	-	-	-	-	-	-	-	51,617
Capital project funds	-	-	-	-	-	-	-	-	-	171,736
Committed:										
Capital project funds	-	-	-	-	-	-	-	-	-	937,559
Assigned:										
Capital project funds	-	-	-	-	-	-	-	-	-	17,104
Unassigned:										
Capital project funds	-	-	-	-	-	-	-	-	-	(29,661)
Total all other governmental funds	\$ 3,889,830	\$ 3,582,235	\$ 3,072,700	\$ 2,958,654	\$ 1,011,699	\$ 2,521,209	\$ 1,262,455	\$ 975,509	\$ 1,818,938	\$ 1,600,930

**CITY OF WASHINGTON, NORTH CAROLINA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Ad valorem taxes	\$ 2,570,408	\$ 3,003,149	\$ 3,163,077	\$ 3,270,569	\$ 3,321,373	\$ 3,642,779	\$ 3,735,845	\$ 3,836,368	\$ 3,876,605	\$ 4,165,483
Other taxes and licenses	1,749,365	1,932,013	2,223,376	2,384,169	2,532,471	2,656,435	2,706,538	2,584,862	2,490,435	2,454,156
Unrestricted intergovernmental	871,021	1,162,609	1,130,365	1,183,205	1,223,642	1,398,957	1,515,146	1,601,893	1,690,181	1,645,002
Restricted intergovernmental	7,543,074	2,975,815	2,452,172	1,197,427	1,016,678	1,248,494	1,248,494	1,661,217	1,594,806	1,264,969
Permits and fees	106,610	81,347	103,554	120,325	122,498	180,315	137,313	72,236	89,417	62,564
Sales and services	1,630,864	1,636,407	2,150,109	1,927,487	2,093,270	2,267,709	1,592,793	1,356,063	1,200,749	1,278,048
Interest earnings	197,262	101,916	55,115	200,118	341,602	431,607	339,899	132,038	68,352	48,822
Miscellaneous	362,786	351,398	71,865	93,218	117,841	215,326	142,776	616,018	92,822	106,506
Total revenues	15,031,390	11,244,654	11,349,633	10,376,518	10,769,375	11,749,451	11,418,804	11,860,895	11,103,367	11,025,550
<b>Expenditures</b>										
General government	1,173,557	1,062,200	1,196,258	1,488,026	1,137,149	1,445,247	1,361,084	1,219,469	1,793,943	1,763,828
Public safety	3,738,314	3,971,668	4,314,880	4,630,446	5,721,597	5,972,481	7,206,670	6,195,435	5,842,727	5,975,774
Transportation	776,734	860,034	919,589	758,908	774,731	1,205,673	1,034,610	869,269	857,848	1,219,102
Environmental protection	6,009,281	1,385,802	1,120,348	1,351,709	1,196,351	319,950	358,302	338,247	80,465	369,782
Economic and physical development	2,985,511	1,979,730	1,489,460	110,829	27,104	111,698	184,507	564,134	560,332	171,193
Cultural and recreational	1,535,901	1,552,087	1,696,250	2,268,670	2,348,546	2,502,544	2,778,018	2,553,779	2,060,512	2,478,867
Debt Service:										
Principal	402,613	369,190	386,517	418,470	365,144	324,654	342,848	411,612	398,618	557,194
Interest	66,689	49,502	37,868	30,311	18,999	51,829	40,845	152,570	146,573	125,094
Total expenditures	16,688,600	11,230,213	11,161,170	11,057,369	11,589,621	11,934,076	13,306,884	12,304,515	11,741,018	12,660,834
Excess of revenues over (under) expenditures	(1,657,210)	14,441	188,463	(680,851)	(820,246)	(184,625)	(1,888,080)	(443,820)	(637,651)	(1,635,284)
<b>Other Financing Sources (Uses)</b>										
Transfers in	1,005,188	1,132,915	1,632,148	1,899,536	1,540,032	2,784,753	1,409,002	1,657,730	2,751,484	1,684,575
Transfers out	(1,778,649)	(1,267,709)	(1,760,292)	(1,076,107)	(2,810,814)	1,641,137	(604,791)	(982,730)	(2,277,675)	(762,000)
Proceeds from installment note	-	-	531,682	-	1,088,744	(1,674,805)	-	317,500	-	246,550
Long-term debt issued/repaid	-	-	-	-	-	-	467,247	-	-	-
Total other financing sources (uses)	(773,461)	(134,794)	403,538	823,429	(182,038)	2,751,085	1,271,458	992,500	473,809	1,169,125
Net change in fund balances	\$ (2,430,671)	\$ (120,353)	\$ 592,001	\$ 142,578	\$ (1,002,284)	\$ 2,566,460	\$ (616,622)	\$ 548,680	\$ (163,842)	\$ (466,159)
Debt service as a percentage of non-capital expenditures	4.83%	4.01%	4.17%	4.40%	3.73%	3.51%	3.66%	4.89%	4.84%	5.63%

## CITY OF WASHINGTON, NORTH CAROLINA

ASSESSSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS

Fiscal Year	Real Property	Personal Property	Public Service Companies (1)	Total Taxable Assessed Value	Tax Rate (2)	Tax Levy
2002	\$ 309,918,422	\$ 136,331,971	\$ 8,465,284	\$ 454,715,677	0.57	\$ 2,589,502
2003 (3)	414,485,414	126,682,047	9,409,640	550,577,101	0.55	3,031,632
2004	421,807,889	143,550,917	9,211,237	574,570,043	0.55	3,158,338
2005	426,934,585	140,457,866	9,728,070	577,120,521	0.55	3,174,865
2006	431,857,335	146,872,699	10,384,101	589,114,135	0.55	3,240,290
2007	447,572,383	148,784,638	8,828,131	605,185,152	0.60	3,621,647
2008	459,982,104	150,432,739	9,557,567	619,972,410	0.60	3,719,834
2009	475,005,214	142,726,700	10,462,586	628,194,500	0.60	3,769,167
2010	490,983,383	151,311,141	9,770,794	652,065,318	0.60	3,912,392
2011	671,068,810	152,090,950	12,500,840	835,660,600	0.50	4,178,303

Source: Annual County Report of Valuation and Property Tax Levies

## Notes:

- (1) Public service companies valuations are provided to the City by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (2) Per \$100 of value.
- (3) Property in Beaufort County is reassessed every eight years. The last reassessment was on January 1, 2010 and was the basis for fiscal 2011 taxes.

**Table 7**

**CITY OF WASHINGTON**

**PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Beaufort County</u>	<u>City of Washington</u>	<u>Public Safety Capital Reserve</u>	<u>Total Tax</u>
2002	\$.67	\$.57	-	\$1.24
2003	.60	.53	.02	1.15
2004	.60	.53	.02	1.15
2005	.60	.53	.02	1.15
2006	.60	.58	.02	1.20
2007	.60	.58	.02	1.20
2008	.60	.58	.02	1.20
2009	.60	.58	.02	1.20
2010	.60	.58	.02	1.20
2011	.50	.48	.02	1.00

Note: (1) Real property was revalued on January 1, 2010

Table 8

**CITY OF WASHINGTON  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR & 10 YEARS AGO**

		Fiscal Year 2011				Fiscal Year 2001			
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxpayer	Type of Business	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Stanadyne Automotive Corporation	Gasket Manufacturer	\$ 17,176,687	1	2.06%	National Spinning	Manufacturer	\$ 20,870,067	1	4.82%
Flanders Filters Inc	Industrial Filter Manufacturer	14,127,807	2	1.69%	Stanadyne Automotive	Gasket Manufacturer	14,094,424	2	3.25%
Wal-Mart Real Estate Business	Real Estate & Retail	10,702,768	3	1.28%	Developers Diversified	Real Estate	9,201,178	3	2.12%
Pearl Brittain, Inc.	Real Estate	9,123,782	4	1.09%	Pearl Brittain, Inc.	Real Estate	8,620,552	4	1.99%
Lowe's Home Centers, Inc	Retail	8,193,700	5	0.98%	Flander's Filters, Inc.	Industrial Filter Manufacturer	7,509,141	5	1.73%
Carolina Telephone and Telegraph	Utility	7,267,165	6	0.87%	Carolina Telephone and Telegraph	Utility	5,462,238	6	1.26%
Gregory Poole Leasing, LLC	Heavy Equipment	6,971,570	7	0.83%	Cox NC Publications, Inc.	Marketing	4,044,592	7	0.93%
PAS USA, INC.	Appliance Part Manufacturer	6,140,811	8	0.73%	Rawls and Associates	Real Estate	3,335,670	8	0.77%
Moss Landing One, LLC	Real Estate	5,219,196	9	0.62%	Hackney & Sons, Inc.	Manufacturer	3,203,911	9	0.74%
Rawls and Associates	Real Estate		10	0.00%	Neil Realty Co.	Real Estate	2,912,104	10	0.67%
<b>Totals</b>		<b>\$ 84,923,486</b>		<b>10.16%</b>	<b>Totals</b>		<b>\$ 79,253,877</b>		<b>18.30%</b>
Valuation		\$ 835,660,600			Valuation		\$ 433,112,962		

Source: Beaufort County Tax Department

Table 9

CITY OF WASHINGTON, NORTH CAROLINA  
 PROPERTY TAX LEVIES AND COLLECTIONS  
 LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date			
	(Original Levy)	\$			Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy		
2002	2,599,070	\$	(9,568)	2,589,502	\$	2,418,845	93.41%	122,821	\$	2,541,666	98.15%
2003	3,077,791		(46,159)	3,031,632		2,816,315	92.90%	147,724		2,964,039	97.77%
2004	3,149,850		8,488	3,158,338		2,956,399	93.61%	156,698		3,113,097	98.57%
2005	3,170,509		4,356	3,174,865		3,003,444	94.60%	230,137		3,233,581	101.85%
2006	3,251,374		(11,084)	3,240,290		3,086,833	95.26%	181,811		3,268,644	100.88%
2007	3,603,408		18,239	3,621,647		3,428,541	94.67%	147,196		3,575,737	98.73%
2008	3,729,878		(10,044)	3,719,834		3,518,139	94.58%	175,127		3,693,266	99.29%
2009	3,779,421		(10,254)	3,769,167		3,561,944	94.50%			3,729,160	98.94%
2010	3,944,270		(31,878)	3,912,392		3,671,185	93.83%	199,208		3,870,393	98.93%
2011	4,214,170		(35,867)	4,178,303		3,938,237	94.25%	238,218		4,176,455	99.96%

Source: Beaufort County Tax Department

Table 10

CITY OF WASHINGTON, NORTH CAROLINA  
 RATIOS OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income (1)	Percentage Per
	Installment Loans	USDA Loan	Recovery Zone Economic Dev. Bonds	General Obligation Bonds	State Revolving Loan	Installment Loans	Recovery Zone Economic Dev. Bonds	Recovery Zone Economic Dev. Bonds			
2002	\$ 1,267,231	\$ -	\$ -	\$ 14,285,000	\$ -	\$ 795,227	\$ -	\$ -	\$ 16,347,458	1.55%	69897%
2003	898,041	-	-	12,730,000	-	1,036,184	-	-	14,664,225	1.32%	59572%
2004	1,098,161	-	-	11,090,000	-	706,082	-	-	12,894,243	1.09%	49256%
2005	649,920	-	-	9,450,000	-	2,635,360	-	-	12,735,280	1.01%	45796%
2006	1,348,336	-	-	7,835,000	-	2,763,432	-	-	11,946,768	0.98%	41139%
2007	3,632,311	-	-	6,200,000	-	2,704,709	-	-	12,537,020	0.88%	40264%
2008	889,711	2,867,000	-	4,625,000	2,240,690	3,252,353	-	-	13,874,754	0.93%	43017%
2009	844,235	2,818,368	-	3,190,000	2,108,884	2,485,613	-	-	11,447,100	0.76%	35952%
2010	494,245	2,769,736	-	2,075,000	1,977,079	2,654,851	-	-	9,970,911	N/A	30775%
2011	199,911	2,714,753	38,673	1,550,000	1,845,274	2,803,203	4,833,327	-	13,985,141	N/A	42976%

N/A - Information not yet available  
 Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
 (1) See Table 14 for personal income and population data.

## CITY OF WASHINGTON, NORTH CAROLINA

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Restricted to Repaying Principal</b>	<b>Total</b>	<b>Percentage of Actual Taxable Value of Property(2)</b>	<b>Percentage of Personal Income</b>	<b>Percentage Per Capita(1)</b>
2002	\$ 14,285,000	\$ -	\$ 14,285,000	3.14%	1.36%	61078.33%
2003	12,730,000	-	12,730,000	2.31%	0.11%	51714.33%
2004	11,090,000	-	11,090,000	1.93%	0.94%	42363.82%
2005	9,450,000	-	9,450,000	1.64%	0.75%	33981.80%
2006	7,835,000	-	7,835,000	1.33%	0.59%	26980.03%
2007	6,200,000	-	6,200,000	1.02%	0.43%	19912.00%
2008	4,625,000	-	4,625,000	0.75%	0.31%	14339.31%
2009	3,190,000	-	3,190,000	0.51%	0.21%	10018.84%
2010	2,075,000	-	2,075,000	0.32%	N/A	6404.52%
2011	1,550,000	-	1,550,000	0.19%	N/A	4763.08%

N/A-Information not yet available.

Details regarding the City's outstanding debt can be found in the notes to the Financial Statements.

(1) See Table 14 for personal income and population data.

(2) See schedule 6 for property value data.

Table 12

CITY OF WASHINGTON, NORTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding*</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Washington	\$ -	100.00%	\$ -
Beaufort County	26,750,000	22.00%	5,885,000
Total direct and overlapping debt	\$ <u>26,750,000</u>		\$ <u>5,885,000</u>

\*General obligation bond debt for governmental funds only.

**CITY OF WASHINGTON, NORTH CAROLINA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed Value of Property	\$ 454,715,677	\$ 550,577,101	\$ 574,570,043	\$ 577,120,521	\$ 589,114,135	\$ 605,185,152	\$ 619,972,410	\$ 628,194,500	\$ 652,065,318	\$ 835,660,600
Debt Limit, 8% of Assessed Value (Statutory Limitation)	36,377,254	44,046,168	45,965,603	46,169,642	47,129,131	48,414,812	49,597,793	50,255,560	52,165,225	66,852,848
Amount of Debt Applicable to Limit										
Gross debt	14,285,000	12,730,000	11,090,000	9,450,000	10,339,300	8,572,495	9,732,690	11,447,098	9,970,911	13,985,141
Less: Debt outstanding for water purposes	7,311,845	6,595,533	5,842,799	4,907,951	3,988,279	3,071,643	2,191,429	1,396,201	795,229	567,587
Debt outstanding for electric purposes	745,610	672,565	595,807	500,478	406,697	313,225	223,467	142,375	81,090	2,501,526
Total net debt applicable to limit	6,227,545	5,461,902	4,651,394	4,041,571	5,944,324	5,187,627	7,317,794	9,908,522	9,094,592	10,916,028
Legal Debt Margin	\$ 30,149,709	\$ 38,584,266	\$ 41,314,209	\$ 42,128,071	\$ 41,184,807	\$ 43,227,185	\$ 42,279,999	\$ 40,347,038	\$ 43,070,633	\$ 55,936,820
Total net debt applicable to the limit as a percentage of debt limit	17.12%	12.40%	10.12%	8.75%	12.61%	10.71%	14.75%	19.72%	17.43%	16.33%

Note: NC Statute **GS159-55** limits the city's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: money held for payment of principal; debt incurred for water, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the city's net debt outstanding applicable to the limit, and represents the city's legal borrowing authority.

## CITY OF WASHINGTON

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Total Personal Income (2) in Millions</b>	<b>Per Capita Personal Income (2)</b>	<b>Public School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>	<b>Number of Building Permits Issued (5)</b>
2002	9,615	\$ 1,053	\$ 23,388	7,444	9.40%	202
2003	9,674	1,109	24,616	7,264	10.60%	187
2004	9,730	1,182	26,178	7,324	8.00%	159
2005	9,767	1,264	27,809	7,419	6.90%	169
2006	9,840	1,333	29,040	7,208	5.70%	251
2007	9,836	1,428	31,137	6,976	6.30%	218
2008	10,055	1,495	32,254	7,270	7.60%	184
2009	10,214	1,510	31,840	7,294	11.60%	125
2010	10,176	N/A	32,399	7,133	10.80%	185
2011	9,754	N/A	32,542	7,021	11.20%	155

N/A-Information not yet available.

## Notes:

- (1) N.C. State Data Center and/or U.S. Census. Estimates are as of beginning of fiscal year.
- (2) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year
- (3) Beaufort County Board of Education
- (4) N. C. Employment Security Commission, Annual Average for prior calendar year.
- (5) Total number of building permits issued by City of Washington Inspections Department.

CITY OF WASHINGTON, NORTH CAROLINA

PRINCIPAL EMPLOYERS

Current Year and One Year Ago \*

Employer	2011			2010		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (1)	Rank	Percentage of Total County Employment (2)
Beaufort Co. Schools	1031	1	4.69%	1057	1	4.80%
State of North Carolina	732	2	3.33%	732	2	3.33%
Flanders Filters	630	3	2.86%	654	3	2.97%
Beaufort County Hospital	483	4	2.20%	563	4	2.56%
Mega Force Staffing Group Inc	462	5	2.10%	509	5	2.31%
Stanadyne Corporation	438	6	1.99%	431	6	1.96%
Beaufort County	293	7	1.33%	296	7	1.35%
City of Washington	243	8	1.10%	248	8	1.13%
Wal-Mart	228	9	1.04%	242	9	1.10%
Hackney Division of SVC	164	10	0.75%	157	10	0.71%
<b>Total</b>	<b>4,704</b>			<b>4,889</b>		

\* Information prior to 2006 is not available  
 (1) Human Resource Departments of companies - includes full time and part time  
 (2) Employment Security Commission of North Carolina

## CITY OF WASHINGTON, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary government:										
General government	24	25	25	26	24	24	30	31	27	27
Public safety	73	73	78	81	88	87	86	88	92	92
Transportation	15	15	15	15	15	14	14	14	14	13
Environmental protection	20	20	21	21	21	9	9	9	4	4
Cultural and recreation	16	16	16	19	20	19	14	15	15	16
Business-type activities:										
Water	14	14	14	15	15	15	15	15	14.5	14.5
Sewer	13	13	14	14	14	14	14	14	14.5	14.5
Electric	43	43	44	44	42	42	36	36	36	36
Stormwater utility	5	5	5	6	6	6	6	5	5	5
Solid waste	-	-	-	-	-	11	12	12	12	13
Beaufort county water districts	2	2	-	-	-	-	-	-	-	-
Civic center	1	1	1	-	-	-	1	1	1	1
Aquatic center	2	2	2	-	-	-	2	2	2	2
Cemetery	-	-	-	-	-	-	-	-	5	5
Total	<u>228</u>	<u>229</u>	<u>235</u>	<u>241</u>	<u>245</u>	<u>241</u>	<u>239</u>	<u>242</u>	<u>242</u>	<u>243</u>

Source: City Finance Department

Note: This schedule represents number of persons budgeted as of June 30 of each year.  
Full time personnel work 2,080 hours per year (less vacation and sick leave).

## CITY OF WASHINGTON, NORTH CAROLINA

OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Physical arrests	925	1,582	1,308	1,435		1,109	1,360	1,408	1,111	989
Parking violations	N/A	N/A	153	482	501	102	102	163	400	52
Traffic violations	1,241	1,349	2,510	3,972	2,469	3,049	1,140	1,877	2,237	1,151
Fire										
Fire calls	925	235	437	446	397	404	457	715	619	698
EMS calls	1,241	1,509	1,640	1,676	2,248	1,858	1,931	2,050	2,168	2,170
Fire inspections	752	817	920	1,158	775	891	843	766	663	702
Streets										
Street resurfacing (miles)	-	1.11	0.14	1.54	-	3.84	1.23	-	-	2.18
New Construction (miles)	0.28	-	0.09	2.21	0.28	0.29	-	0.14	0.2	-
Solid Waste										
Refuse collected (tons/day)	26.23	25.56	25.65	25.24	25.91	25.33	24.26	22.58	21.7	21.2
Recyclables collected (tons/day)	0.58	0.57	0.55	0.61	0.41	0.68	0.84	0.87	1.28	1.62
Library										
Number of patrons	84,815	87,086	89,322	77,790	79,484	88,260	93,054	86,689	80,789	73,721
Number of Volumes	49,564	55,197	74,360	56,944	60,248	61,540	58,998	63,782	67,113	79,603
Water Utilities										
Number of customers										
Inside city	4,626	4,616	4,671	4,608	4,605	4,784	4,816	4,868	4,873	4,886
Outside city	146	192	180	187	414	216	225	222	228	232
Average daily consumption (millions of gallons)	2.684	2.75	2.65	2.51	2.33	2.025	2.26	2.757	2.241	2.312
Wastewater Utilities										
Number of customers										
Inside city	4,460	4,448	4,498	4,429	4,529	4,608	4,677	4,713	4,725	4,724
Outside city	36	81	68	68	222	100	116	121	120	121
Average daily treatment (millions of gallons)	1.371	1.588	1.88	1.93	1.87	1.769	1.517	1.639	1.859	1.727
Electric Utilities										
Number of customers	12,593	12,690	12,806	12,924	13,180	13,262	13,338	13,374	13,406	13,436
KWH Purchased	270,989,610	288,335,310	294,579,201	288,707,552	303,638,831	303,371,870	307,997,247	302,984,387	303,776,252	309,544,904
KWH Sold	255,175,168	270,126,997	277,584,062	276,797,551	285,692,860	284,923,965	286,998,316	283,188,507	281,258,069	297,422,463
Unaccounted KWH	15,814,442	18,208,313	16,995,139	11,910,001	17,945,971	18,447,905	20,998,931	19,795,880	22,518,183	12,122,441

Sources: Various city departments

Note: Indicators are not available for the general government function.

Table 18

**CITY OF WASHINGTON, NORTH CAROLINA  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	14	13	12	15	13	15	14	14	14
Fire										
Stations	1	1	1	1	1	1	2	2	2	2
Streets										
Total miles	52.75	52.75	52.75	54.96	55.24	55.44	55.54	55.44	58.5	58.5
Paved miles	49.28	49.37	49.37	51.58	51.86	52.06	52.06	52.2	57.06	57.36
Unpaved miles	3.47	3.38	3.38	3.38	3.38	3.38	3.38	3.24	1.44	1.44
Recreation										
Neighborhood Centers	2	2	1	1	1	1	1	1	1	2
Civic Centers	1	1	1	1	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Outdoor Courts										
Tennis	8	8	6	2	2	2	2	2	2	2
Basketball	9	9	7	5	5	7	7	7	7	7
Shuffleboard	2	2	-	-	-	-	-	-	-	-
Horseshoes	2	2	2	2	2	2	2	2	2	2
Bocce	-	-	-	-	-	1	1	1	1	1
Skate Park	-	-	-	-	-	-	1	1	1	1
Boat ramps	4	4	4	4	4	4	4	4	4	4
Boat Slips										
Rental	24	24	36	36	36	36	36	36	36	36
Free	12	12	12	12	12	12	12	12	12	12
Piers										
Fishing	1	1	1	1	1	1	1	1	1	1
Boats	9	9	4	4	4	4	4	4	4	4
Parks										
Total Acreage	212	212	352	352	352	352	352	352	550	550
Open Space	124	124	124	124	124	124	124	124	162	162
Wilderness	-	-	140	140	140	140	300	300	300	300
Parks	88	88	88	88	88	88	88	88	88	88
Sports Fields										
Soccer	8	8	8	8	8	8	8	8	8	8
Football	1	1	1	1	1	1	-	-	-	-
Baseball	5	5	5	5	5	5	6	6	6	6
Softball	3	3	3	3	3	3	3	3	3	3
Water Utilities										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Fire hydrants	594	600	618	631	644	664	667	672	684	687
Maximum daily capacity (millions of gallons)	3.524	4.825	3.68	4.374	5.45	5.45	5.45	5.45	5.45	5.45
Miles of water mains	75	75.45	77.78	79.99	81	81	81	81	82.19	82.19
Wastewater Utilities										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Lift stations	27	27	29	29	29	30	30	30	31	31
Maximum daily treatment capacity (millions of gallons)	2.316	3.4	3.5	3.198	3.65	3.65	3.65	3.65	3.65	3.65
Miles of gavity mains	65.9	66.4	71	73	74	74	74	74	74.3	74.3
Miles of force mains	22.4	22.4	26	27	27	27	27	27	28.27	28.27
Electric Utilities										
Miles of distribution lines	400	400	400	400	400	400	400	400	400	400
Miles of transmission lines	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2
Substations	8	8	8	8	8	8	8	8	8	8
Storm Water Utility										
Miles of storm mains	32	32	32	32	32	32	32	32	32	32

Sources: Various city departments

Note: No capital asset indicators are available for the general government function.

## **Compliance Section**

- Independent Auditors' 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*
- Report On Compliance with Requirements That Could Have a Direct and Material Effect On Each Major Federal Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 And The State Single Audit Implementation Act

*This page left blank intentionally.*

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

## **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 Honorable Mayor and Members of the City Council  
City of Washington, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Washington, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2011. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Washington Tourism Development Authority as described in our report on the City of Washington's financial statements. The financial statements of the Washington Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Washington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P. A.  
November 29, 2011

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report On Compliance With Requirements That Could Have a Direct And Material Effect On Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act**

To the Honorable Mayor and Members of the City Council  
City of Washington, North Carolina

We have audited the compliance of the City of Washington with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The City of Washington's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Washington's management. Our responsibility is to express an opinion on the City of Washington'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; OMB Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Washington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Washington's compliance with those requirements.

In our opinion, the City of Washington complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## Internal Control Over Compliance

Management of the City of Washington is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Washington'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 the City of Washington'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, non-compliance 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 non-compliance 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.

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P. A.  
November 29, 2011

**CITY OF WASHINGTON, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Auditors' Results**

***Financial Statements:***

Type of auditors' report issued Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? No

• Significant deficiency identified that are not considered to be material weaknesses? No

Non-compliance material to financial statements noted? No

**Federal Awards:**

Internal control over major federal programs:

• Material weakness(es) identified? No

• Significant deficiency identified that are not considered to be material weaknesses? No

Type of auditors' report issued on compliance for major Federal programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A -133 No

Identification of major federal programs:

<u>CFDA #</u>	<u>Program Name</u>
14.228	CDBG-State-Administered CDBG Cluster
20.106	Department of Transportation Airport Improvements Grant

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee? No

**CITY OF WASHINGTON, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**2. Findings Related to the Audit of the Basic Financial Statements**

None

**3. Findings and Questioned Costs Related to the Audit of Federal Awards**

None

**CITY OF WASHINGTON, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

None

## CITY OF WASHINGTON, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-Through or Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>Federal Awards</b>					
<i>U.S. Department of Interior</i>					
Passed through NC Dept. of Environment and Natural Resources					
Boating Infrastructure Grant	15.662	668	\$ 69,712	\$ -	\$ 15,509
<i>Total U.S. Department of Interior</i>			<u>69,712</u>	<u>-</u>	<u>15,509</u>
<i>U.S. Dept. of Justice</i>					
Bureau of Justice Assistance					
Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-0394	12,852	-	-
Rural Law Enforcement Assistance Grant-ARRA	16.810	2009-SD-B9-0168	55,678	-	-
Bullet Proof Vest/Body Armour Safety Initiative	16.607		2,053	-	2,053
Office for Victims of Crime					
Project Next Step	16.575	007-1-08-001-BH-417	29,037	-	9,679
<i>Total U.S. Department of Justice</i>			<u>99,620</u>	<u>-</u>	<u>11,732</u>
<i>U.S. Department of Transportation</i>					
Passed through the North Carolina Department of Transportation					
Division of Aviation:					
Airport Improvements	20.106	36237.38.7.1	101,914	-	11,324
Airport Improvements	20.106	36237.38.8.1	69,467	-	7,719
<i>Total U.S. Department of Transportation</i>			<u>171,381</u>	<u>-</u>	<u>19,043</u>
<i>U.S. Department of Housing and Urban Development</i>					
Passed through the North Carolina Department of Commerce					
CDBG -State -Administered CDBG Cluster:					
CDBG Housing Dev. Keyesville Road Subdivision	14.228	05-C-1490	1,998	-	-
CDBG Infrastructure Grant Pennsylvania Ave.	14.228	03-D-1734	55,928	-	40,000
CDBG Capacity Grant	14.228	08-C-1812	7,457	-	-
CDBG Affordable Housing	14.228	09-C-2050	158,818	-	-
<i>Total CDBG-State-Administered CDBG Cluster</i>			<u>224,201</u>	<u>-</u>	<u>40,000</u>
<i>U.S. Dept. of Homeland Security</i>					
Passed through the Office of State and Local Government					
Coordination & Preparedness					
SAFER Grant	97.044	EMW-2007-FF-01057	59,211	-	-
<i>Total U.S. Dept. of Homeland Security</i>			<u>59,211</u>	<u>-</u>	<u>-</u>
<i>U.S. Department of Energy</i>					
Passed through the North Carolina Department of Energy					
Student Internship & Fellowship Program	81.041	4390014627	18,311	-	18,103
<i>Total for U.S. Department of Energy</i>			<u>18,311</u>	<u>-</u>	<u>18,103</u>
Total Federal Awards			<u>642,436</u>	<u>-</u>	<u>104,387</u>
<b>State Awards</b>					
<i>N.C. Department of Cultural Resources</i>					
Cornerstone Grant			-	400	-
State Aid to Libraries			-	10,531	-
National Registry/Beaufort County Survey			-	5,500	3,000
<i>Total N.C. Department of Cultural Resources</i>			<u>-</u>	<u>16,431</u>	<u>3,000</u>

## CITY OF WASHINGTON, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-Through or Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<i>N.C. Department of Transportation</i>					
Powell Bill			-	175,491	-
<i>Total N.C. Department of Transportation</i>			-	175,491	-
<i>N.C. Department of Environment and Natural Resources</i>					
Passed through the NC Parks and Recreation Trust Fund					
Festival Park		3198		161,857	161,857
Passed through the Division of Pollution Prevention and Environmental Assistance					
Recycling Grant		2978	-	100,000	100,000
<i>Total N.C. Department of Environment and Natural Resources</i>			-	261,857	261,857
<b>Total State Awards</b>			-	453,779	264,857
<b>Total Federal and State Awards</b>			<b>\$ 642,436</b>	<b>\$ 453,779</b>	<b>\$ 369,244</b>

**Note to the Schedule of Expenditures of Federal and State Financial Awards****Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the City of Washington, North Carolina and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the *State Single Audit Implementation Act*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

*This page left blank intentionally.*