

**CITY OF WASHINGTON  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

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# **CITY OF WASHINGTON**

## **NORTH CAROLINA**

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

**PREPARED BY THE FINANCE DEPARTMENT**

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## **Introductory Section**

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October 29, 2012

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, 2012.

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, 2012. 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 11.1%, which is a decrease of .1% from a rate of 11.2%, a year ago. This is higher than the State of North Carolina's average unemployment rate of 9.7% and is considerably higher than the national average of 7.8%. 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 only slightly higher revenues in the areas of property, sales, and occupancy taxes. Revenues for building permits saw a 43% increase due to new businesses and housing developments within the City limits. Revenues were conservatively budgeted for fiscal year 2012-2013; however, management will be keeping a close eye on actual receipts to ensure that budget shortfalls do not occur in next fiscal year.

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. Weir Valves & Controls USA received a grant from the NC Rural Economic Development Center and the City to improve their facility to accommodate the production of new high pressure flow equipment for the oil and gas industry and will increase employment by 82 from the current level of 66. The EDC facilitated a One North Carolina Fund Grant for Spinrite Services Inc. who had acquired Caron International, a subsidiary of National Spinning Co., Inc. The award of this grant was instrumental in Spinrite's decision to continue to manufacture in Washington instead of consolidation with their operations in Canada. 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. P & G Manufacturing is expected to create 32 new jobs in our town.

During FY11-12, the Washington Tourism Development Authority (WTDA) maintained its marketing presence online and in print publications to promote Washington as a tourism destination. During the year, work was completed on the community branding project, with a logo and brand positioning statement approved at its conclusion. Significant operational changes were made during the year with a positive fiscal impact. The WTDA relocated its administrative offices to the Washington Civic Center, which it manages for the City of Washington. The WTDA contracted with the Washington-Beaufort County Chamber of Commerce to provide visitor services. Cost savings included a decrease in rent and staff fees. Round tables and white chairs were purchased to be used as rentals at the Civic Center. This new revenue stream has proven very popular with Civic Center patrons.

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

During fiscal year 2011-2012 the City's planned \$862,000 installment note financing for the purchase of police vehicles, an EMS truck, a bucket truck, and other operating equipment for the Electric Department were funded with operating cash instead of financing.

The City has been approved for a \$600,000 no interest fifteen year loan through the North Carolina State Revolving Loan Program for the upgrade of its 50 year old Main & Respass sewer pump station. The construction contract was awarded and work began with scheduled completion in the fall of 2012.

During fiscal year 2012-2013 the City anticipates borrowing \$1,440,000 through installment note financing for the purchase of information technology systems and networks, a street sweeper, replacement of the Civic Center deck, a bucket truck, other operating equipment of the Electric Department, and other vehicles.

The \$5,000,000 storm water drainage improvement project made significant progress toward completion during this fiscal year. The project was designed 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 initial project will be completed in the fall of 2012 and remaining funds of approximately \$147,000 will be utilized for drainage improvements in the Iron Creek subdivision and other areas of the City.

## **Major Initiatives**

The City is continuing an aggressive load management switch installation program to reduce residential energy costs. 846 switches were installed this fiscal year. 1,434 switches have been installed since October 2010 resulting in residential customers saving \$62,400 per year on their electric bills and all retail customers \$143,400 in net wholesale purchases.

Construction of a new bridge along Brown Street was completed. 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 total project cost was \$851,000.

The City completed the major improvements to its 400,000 square foot 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 and a direct gas fired heat system were installed with \$260,000 in ARRA funds.

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 project was essentially completed in late spring 2012.

Phase I of a new pedestrian greenway/walkway between Bonner and Brown Streets on the south side of Jack's Creek river basin was completed. 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 connects 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 was funded with a \$46,103 federal grant from the Recreational Trails Grant Program and a City match of \$15,337. 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.

Hurricane Irene made landfall in Washington on August 27, 2011 resulting in widespread flooding, severe power outages, downed trees, extensive damage to our electrical system and some facilities, and a tremendous amount of debris. Many residents and business owners suffered significant damages and losses as a result of the storm. City expenditures of

\$1,825,000 were reimbursed 75% from the Federal Emergency Management Agency (FEMA) and 25% from the North Carolina Division of Emergency Management.

### **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, 2011. This was the sixteenth consecutive year (fiscal years ended 1996-2011) 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, 2012**

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**ELECTED OFFICIALS**

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Title	Name	Total Length Of Service	Term Expires
Mayor	N. Archie Jennings	7 years	December, 2013
Mayor Pro-Tem	Bobby E. Roberson	3 years	December, 2013
Councilperson	Edward Moultrie, Jr.	3 years	December, 2013
Councilperson	William H. Pitt	3 years	December, 2013
Councilperson	Douglas G. Mercer	5 years	December, 2013
Councilperson	Richard L. Brooks	8 months	December, 2013

The Mayor and Council serve 2 year terms.

**APPOINTED OFFICIALS**

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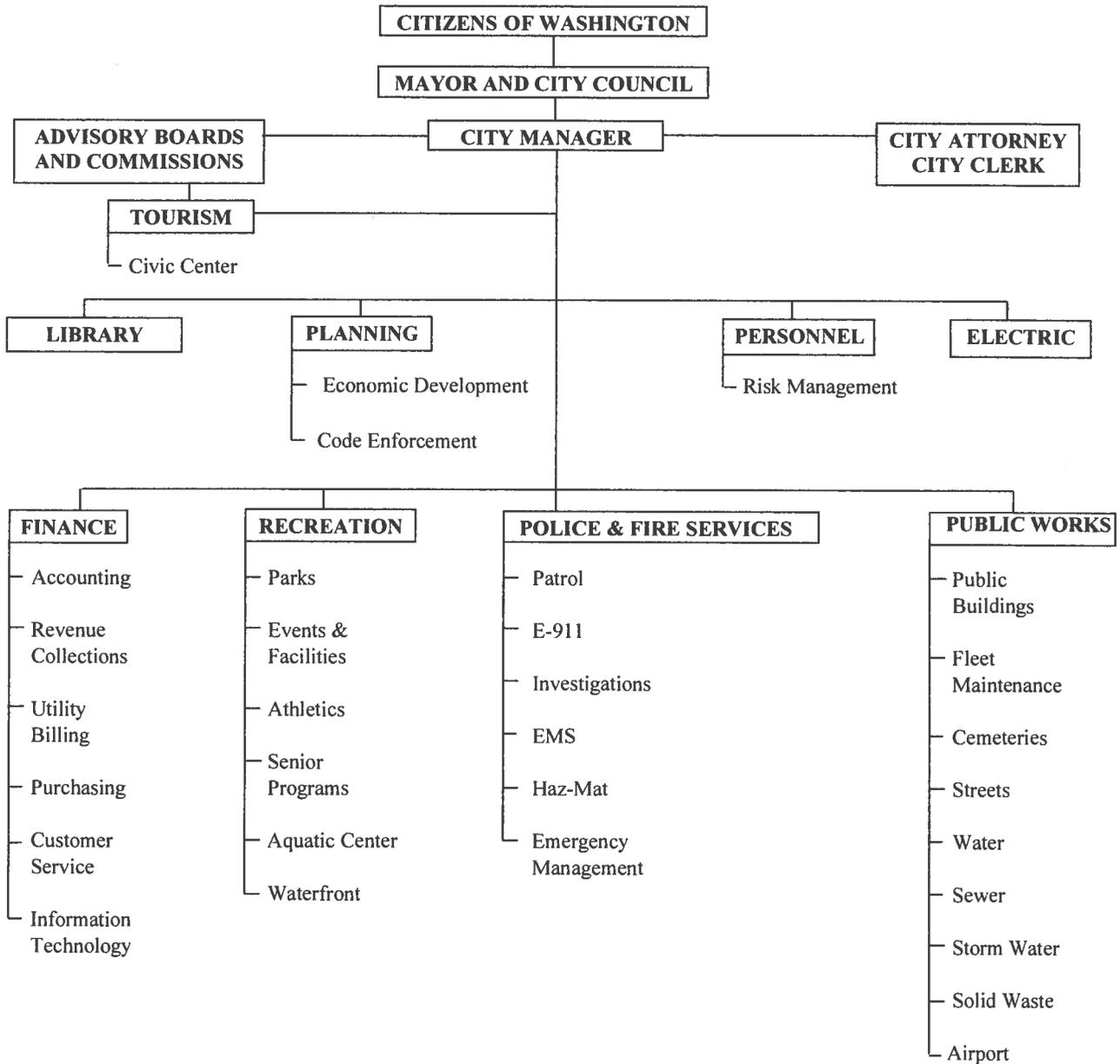
Title	Name	Total Length Of Service	Length of Employment with the City of Washington
City Attorney	Franz Holscher	6 years	6 years
City Clerk	Cynthia Bennett	4 years	13 years
City Manager	Josh Kay	1 year	1 year

**DEPARTMENT HEADS**

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Title	Name	Total Length Of Service	Length of Employment with the City of Washington
Planning Director	John D. Rodman	3 years	11 years
Electric Director	Keith A. Hardt	15 years	16 years
Chief Financial Officer	Matthew J. Raschenbach	3 years	3 years
Fire Chief	Robert C. Rose	3 years	23 years
Library Director	Gloria J. Moore	5 years	22 years
Human Resources Director	Susan C. Hodges	9 years	9 years
Police & Fire Services Director	Stacy L. Drakeford	3 Months	3 Months
Public Works Director	R. Allen Lewis, III	9 years	9 years
Recreation & Parks Director	Phillip W. Mobley	35 years	37 years
Tourism Director	Lynn W. Lewis	9 years	9 years

**CITY OF WASHINGTON  
ORGANIZATIONAL CHART  
2011-2012**



# 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, 2011

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.



*Linda C. Danson*

President

*Jeffrey R. Enow*

Executive Director

## **Financial Section**

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# 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, 2012 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, 2012, 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 October 29, 2012 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit 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, other supplemental 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.  
October 29, 2012

## 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, 2012. 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

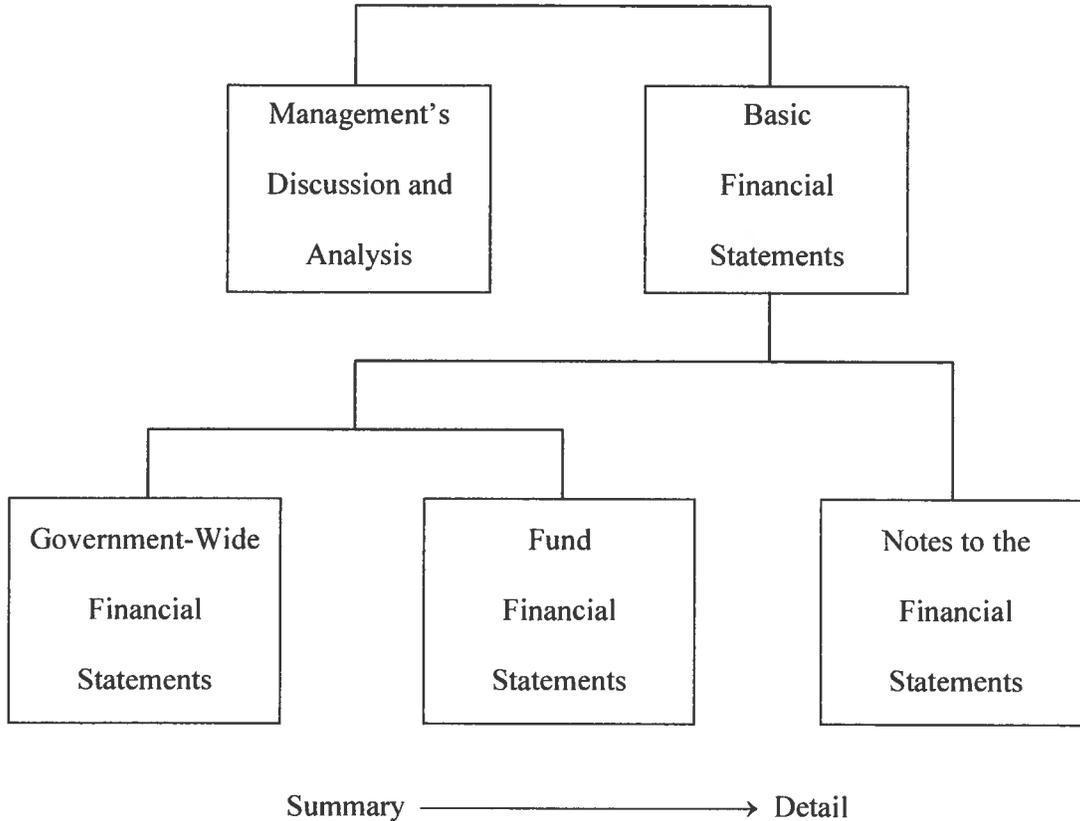
- The assets of the City of Washington exceeded its liabilities at the close of the most recent fiscal year by \$102,651,428 (*net assets*). Of this amount, \$19,794,144 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,831,181, an increase of 2.84%. Of this amount governmental net assets grew by \$1,429,253, while business-type net assets increased by \$1,401,928.
- As of the close of the current fiscal year, the City of Washington's governmental funds reported combined ending fund balances of \$9,998,362, an increase of \$429,793. Approximately 32.71% of this total amount, or \$3,270,320, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,542,226, or 44.99% of total General Fund expenditures for the fiscal year.
- The City of Washington's total debt decreased by \$1,198,478, or 7.21%, during the current fiscal year.
- The City currently has an "A1" rating from Moody's Investor Services and A+ with a stable outlook rating by Standard & Poors' Corporation. The North Carolina Municipal Council rates the City at 80 points.

### Overview of the Financial Statements

This discussion and analysis is 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 of 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, airport operations, and cemetery 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 detailed 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 governmental 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 twenty-two 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 twenty-one 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 has two 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, stormwater, and electric utilities, which are considered to be major funds of the City of Washington. The airport operations, solid waste utility, and cemetery operations are

considered to be nonmajor proprietary funds. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Washington operations. The City uses an Internal Service Fund to account for one activity – its workers' compensation reserve. This operation benefits both governmental and proprietary funds and has been included within the governmental activities in the government-wide statements.

The basic proprietary fund financial statements can be found on pages 23-26 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 27-65 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 66-67 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 68-134 of this report.

## Government-Wide Financial Analysis

### City of Washington's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$12,246,867	\$12,023,215	\$19,617,924	\$22,974,847	\$ 31,864,791	\$34,998,062
Capital assets, net	22,685,193	20,849,923	68,250,116	65,361,418	90,935,309	86,211,341
Total assets	<u>34,932,060</u>	<u>32,873,138</u>	<u>87,868,040</u>	<u>88,336,265</u>	<u>122,800,100</u>	<u>121,209,403</u>
Long-term liabilities, outstanding	4,746,636	4,825,578	7,801,864	11,798,097	12,548,500	16,623,675
Other liabilities	1,486,694	778,083	6,113,478	3,987,398	7,600,172	4,765,481
Total liabilities	<u>6,233,330</u>	<u>5,603,661</u>	<u>13,915,342</u>	<u>15,785,495</u>	<u>20,148,672</u>	<u>21,389,156</u>
Net assets:						
Invested in capital assets, net of related debt	19,310,212	18,103,256	60,476,100	59,355,152	79,786,312	77,458,408
Restricted	3,070,972	2,960,002	-	-	3,070,972	2,960,002
Unrestricted	6,317,546	6,206,219	13,476,598	13,195,618	19,794,144	19,401,837
Total net assets	<u>\$28,698,730</u>	<u>\$27,269,477</u>	<u>\$73,952,698</u>	<u>\$72,550,770</u>	<u>\$102,651,428</u>	<u>\$99,820,247</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 \$102,651,428 as of June 30, 2012. This is an increase in the City's net assets of \$2,831,181 for the fiscal year. By far, the largest portion of the City of Washington's net assets (77.73%) 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 (2.99%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$19,794,144 may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net capital assets increased by \$4,723,968 during the fiscal year. This increase of 5.48% is primarily attributable to capital investments in the City's drainage system, streets, buildings, utility systems, and parks.

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

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for service	\$ 1,713,903	\$ 1,078,314	\$ 43,662,514	\$ 47,749,178	\$ 45,376,417	\$ 48,827,492
Operating grants and contributions	991,534	667,656	-	-	991,534	667,656
Capital grants and contributions	1,453,056	597,313	1,960,460	761,590	3,413,516	1,358,903
<b>General revenues:</b>						
Property taxes	4,090,923	4,168,418	-	-	4,090,923	4,168,418
Other taxes	2,110,339	2,454,156	-	-	2,110,339	2,454,156
Unrestricted intergovernmental	1,529,835	1,189,611	-	-	1,529,835	1,189,611
Other	489,773	507,736	140,065	80,873	629,838	588,609
<b>Total revenues</b>	<b>12,379,363</b>	<b>10,663,204</b>	<b>45,763,039</b>	<b>48,591,641</b>	<b>58,142,402</b>	<b>59,254,845</b>
<b>Expenses:</b>						
General government	2,115,692	2,057,263	-	-	2,115,692	2,057,263
Public safety	6,272,982	6,342,206	-	-	6,272,982	6,342,206
Transportation	852,732	1,056,475	-	-	852,732	1,056,475
Environmental protection	657,371	642,630	-	-	657,371	642,630
Cultural and recreation	2,013,443	2,697,305	-	-	2,013,443	2,697,305
Economic and physical development	74,514	169,738	-	-	74,514	169,738
Interest	156,808	125,094	-	-	156,808	125,094
Water	-	-	2,859,068	2,747,337	2,859,068	2,747,337
Sewer	-	-	2,603,297	2,785,391	2,603,297	2,785,391
Electric	-	-	35,224,262	36,376,695	35,224,262	36,376,695
Storm water	-	-	414,551	401,365	414,551	401,365
Airport	-	-	457,044	394,575	457,044	394,575
Solid waste	-	-	1,332,906	1,363,882	1,332,906	1,363,882
Cemetery	-	-	276,551	269,614	-	269,614
<b>Total expenses</b>	<b>12,143,542</b>	<b>13,090,711</b>	<b>43,167,679</b>	<b>44,338,859</b>	<b>55,034,670</b>	<b>57,429,570</b>
Increase in net assets before transfers	235,821	(2,427,507)	2,595,360	4,252,782	2,831,181	1,825,275
Transfers	1,193,432	903,525	(1,193,432)	(903,525)	-	-
Increase (decrease) in net assets	1,429,253	(1,523,982)	1,401,928	3,349,257	2,831,181	1,825,275
<b>Net assets:</b>						
Beginning of year, July 1	27,269,477	28,985,076	72,550,770	69,009,896	99,820,247	97,994,972
Restatement - change in accounting principal	-	(191,617)	-	191,617	-	-
<b>End of year, June 30</b>	<b>\$ 28,698,730</b>	<b>\$ 27,269,477</b>	<b>\$ 73,952,698</b>	<b>\$ 72,550,770</b>	<b>\$ 102,651,428</b>	<b>\$ 99,820,247</b>

**Governmental Activities.** Governmental activities increased the City's net assets by \$1,429,253 after transfers, thereby, accounting for 50.48% of the total growth in net assets for the City of Washington. Key elements of the increase were expenditures in the General Fund coming in well under budget and realized revenues exceeding what was originally budgeted, as well as the continued investment in capital assets.

**Business-Type Activities.** Business-type activities increased the City of Washington's net assets by \$1,401,928, accounting for about half the growth in the government's net assets. Revenues exceeded expenses by \$2,595,360 before transfers out. The net transfers out of the business-type activities were \$1,193,432 for the year. Of this amount, \$973,150 is the annual dividend payment from the electric utility customers to the taxpayers of the City of Washington.

### **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 \$9,998,362, an increase of \$429,793 in comparison with the prior year. Approximately 55.13% of this total amount, or \$5,512,425, 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 economic development capital grants 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 increased by \$415,392 during the year. At the end of the current fiscal year, the General Fund's fund balance available was \$6,142,129, while total fund balance climbed to \$8,383,031. The City currently has an available fund balance of 49.86% of General Fund expenditures, while total fund balance represents 68.06% 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.

All of the City's proprietary funds saw increases in their net assets at the close of the fiscal year on the full accrual basis of accounting. However, several funds experienced revenues less than expenditures on the budgetary basis of accounting including, the Electric Fund, Stormwater Fund, and Solid Waste Fund. The drawdown of fund balance was anticipated for all of these funds as evidenced by the budgetary appropriation of fund balance. In all three cases, less use of fund balance was necessary than anticipated.

During fiscal year 2011/2012 budget deliberations, Council voted to decrease electric rates for all in City residential customers by 5% effective for bills mailed after July 1, 2011. Electric rates were further reduced an additional 1% for all electric utility customers with the adoption of the FY 2012/2013 budget.

## **General Fund Budgetary Highlights**

During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants, and 3) increases in appropriations that become necessary to maintain services.

Differences between the original budgeted revenues and the final amended budgeted revenues for the General Fund amounted to a \$1,107,092 increase and are summarized as follows:

- \$1,098,674 increase of restricted intergovernmental revenues derived from Hurricane Irene reimbursements, NCDOT bridge reimbursements, and increases for other grants
- \$8,418 increase in miscellaneous revenue

The difference between the original budgeted expenditures and the final amended appropriations for the General Fund was \$1,474,833 and is summarized as:

- \$495,570 in increases allocated to general government activity
- \$6,423 in increases allocated to public safety
- \$834,126 in increases allocated to transportation
- \$10,810 in increases allocated to environmental protection
- \$140,919 in increases allocated to cultural and recreational
- \$13,015 in decreases allocated to debt service

Transfers and the appropriation of fund balance rebalanced the General Fund budget.

During the year, actual revenues came in 2.42%, or \$276,200, higher than budgetary estimates in the General Fund. Expenditures were 6.42%, or \$844,781 less than budgetary appropriations, thus eliminating the need to draw down appropriated fund balance. Several projects had not been completed at the end of the fiscal year. The funding for these projects will need to be appropriated for spending in the FY 2012/2013 budget since the government has committed itself to completing the projects.

## 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, 2012 amounted to \$90,935,309 (net of accumulated depreciation). This investment in capital assets includes land, buildings, distribution systems, drainage 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 \$4,723,968, or 5.48% overall. This is represented by an 8.8% increase for governmental activities and a 4.42% increase for business-type activities.

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

- Airport improvements continued during the year due to funding received through the NC Division of Aviation Vision 100 Grant. An asset in the amount of \$311,224 was recorded for runway clearing. Expenses for the airport layout plan amounted to \$63,244, while drainage improvements at the airfield were \$30,268 for the year.
- Work on the Brown Street Bridge continued and was near completion at fiscal year end. 80% funding is provided by the NCDOT municipal bridge program with the remaining funds being provided by the City. The project cost to date for the new bridge is \$851,150.
- Significant progress was made toward rehabilitation of the City owned Impressions building. The project costs were \$960,393. This project is funded by the American Recovery and Reinvestment Act and the City.
- The Festival Park was essentially complete at year-end. The project was recorded at a total cost of \$565,205. The project was funded 50% with grant funds from the NC Parks and Recreation Trust Fund.
- Stormwater drainage improvements continued this fiscal year throughout the City. The areas receiving improvements are the Airport Canal, Minuteman Lane to Whispering Pines Road, Jack's Creek, Park Drive to 8<sup>th</sup> Street, and Smallwood. The total cost of improvements to date for this project is \$4,099,325. Recovery Zone Economic Development Bonds were issued in 2010 to finance the project.
- Water, sewer, and street improvements in Keysville Road Subdivision are now complete. The project was paid for with CDBG Grant funds as well as a City match. The total project cost was \$250,024.
- Work began on the upgrade to the Main and Respass Pump Station. This project is funded by a 15-year, zero percent interest loan passed through the NC State Revolving Loan Program. Fiscal year expenditures for this project amounted to \$171,223.

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

**Figure 4**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 5,110,564	\$ 5,085,738	\$ 1,649,782	\$ 1,649,782	\$ 6,760,346	\$ 6,735,520
Buildings	7,954,770	8,331,643	4,795,592	4,990,682	12,750,362	13,322,325
Infrastructure	5,433,465	5,349,918	-	-	5,433,465	5,349,918
Plants, substations, lines drainage, and runways	-	-	51,770,118	51,513,224	51,770,118	51,513,224
General and mobile equipment	1,461,340	1,475,731	4,908,732	5,009,456	1,522,888	6,485,187
Furniture and office equipment	173,628	242,789	61,548	81,145	235,176	323,934
Construction in progress	2,551,426	364,104	5,064,344	2,117,129	7,615,770	2,481,233
Capital assets, net	<u>\$ 22,685,193</u>	<u>\$ 20,849,923</u>	<u>\$ 68,250,116</u>	<u>\$ 65,361,418</u>	<u>\$ 90,935,309</u>	<u>\$ 86,211,341</u>

Additional information on the City's capital assets can be found in note 5 on pages 41-45 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City of Washington had total debt outstanding of \$12,606,183. Of this amount, \$1,000,000 comprise 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 \$2,541,372, loans from the North Carolina Department of Environment and Natural Resources under the Clean Water State Revolving Loan Fund in the amount of \$1,872,691, and a 30-year loan from the United States Department of Agriculture (USDA) with an outstanding balance of \$2,656,120 and \$4,536,000 in outstanding Recovery Zone Economic Development Bond debt.

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

**Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ -	\$ -	\$ 1,000,000	\$ 1,550,000	\$ 1,000,000	\$ 1,550,000
Installment notes	796,277	199,911	1,745,095	2,803,203	2,541,372	3,003,114
USDA Loan	2,656,120	2,714,753	-	-	2,656,120	2,714,753
Recovery Zone EDB	36,002	38,673	4,499,998	4,833,327	4,536,000	4,872,000
Revolving Loan Fund	-	-	1,872,691	1,845,274	1,872,691	1,845,274
Total	<u>\$ 3,488,399</u>	<u>\$ 2,953,337</u>	<u>\$ 9,117,784</u>	<u>\$ 11,031,804</u>	<u>\$ 12,606,183</u>	<u>\$ 13,985,141</u>

The City's total debt decreased by \$1,378,958, or 9.86%, during the current fiscal year. The government originally planned to issue a 59-month installment note in the amount of \$862,000 to finance police vehicles, an EMS truck, bucket truck, and other operating equipment, but subsequently decided to use cash for the purchases. A 59-month installment note in the amount of \$769,566 was issued to make major improvements to a 400,000 square foot building that is owned by the City and currently leased to a local manufacturer.

The City also drew down \$159,223 of a \$600,000 no interest, 15-year loan from the North Carolina State Revolving Loan Program for the upgrade of a 50 year old sewer pump station at Main and Respass streets. Work on this project continues and is scheduled to be completed in the next fiscal year.

The City currently has an “A1” rating from Moody’s Investor Services and A+ with a stable outlook rating by Standard & Poor’s Corporation. The North Carolina Municipal Council rates the City at 80 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 \$66,925,376, which is significantly in excess of the City of Washington’s outstanding general obligation debt. The City’s legal debt margin is \$54,677,079.

Additional information on the City of Washington’s long-term debt can be found in note 11 on pages 54-61 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 2012/2013. The original General Fund budget for FY 2012/2013 totals \$14,491,745, a decrease of 8.66% when compared to the final fiscal year 2011/2012 budget. This significant decrease in expenditures is mainly due to reduction in staff that took effect at the beginning of the FY 2012/2013 budget, resulting in salary and benefit savings, as well as the inclusion of FEMA reimbursement for Hurricane Irene expenses in FY 2011/2012. No cost of living raises were included in the 2012/2013 budget; however, merit raises ranging from 1% to 2.5% were funded. General Fund contingency in the amount of \$6,611 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 2012/2013 fiscal year:

- The unemployment rate for Beaufort County, of which the City of Washington is a part, is currently 11.1%, a .1% decrease from a rate of 11.2% in 2011. This compares unfavorably to the State’s average unemployment rate of 9.7% and the national average rate of 7.8%.
- The median household income for the City of Washington is \$26,990, or 40.77% below North Carolina’s household income average of \$45,570.
- 25.3% 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 2012/2013 when compared to 2011/2012.
- The transfer of the dividend payment to the General Fund from the Electric Fund is likely to continue to decrease over the coming year.

The property tax remained at a rate of \$0.50 per \$100 valuation for fiscal year 2012/2013 with \$0.0144 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 2012/2013. The electric utility rates were decreased by 1% on July 1, 2012 for all electric customers. In order to promote water conservation, water rates for consumption greater than 50,000 cubic feet were changed from a declining rate structure to a flat rate structure.

### **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 Chief Financial Officer, P.O. Box 1988, Washington, North Carolina 27889.

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## **Basic Financial Statements**

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## CITY OF WASHINGTON, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tourism Development Authority
<b>Assets:</b>				
Cash and investments	\$ 9,198,274	\$ 10,251,777	\$ 19,450,051	\$ 189,896
Taxes receivable, net	384,070	-	384,070	-
Accounts receivable, net	2,070,061	6,252,701	8,322,762	25,764
Notes receivable	188,000	189,982	377,982	-
Inventories	85,930	1,015,972	1,101,902	-
Prepaid assets	-	-	-	720
Internal balances	113,655	(113,655)	-	-
Restricted cash and investments	206,877	2,021,147	2,228,024	-
Security deposits	-	-	-	75
Capital assets:				
Non-depreciable	7,661,990	6,714,126	14,376,116	-
Depreciable, net	15,023,203	61,535,990	76,559,193	-
Total assets	<u>34,932,060</u>	<u>87,868,040</u>	<u>122,800,100</u>	<u>216,455</u>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	702,177	3,327,221	4,029,398	35,180
Unearned revenues	15,598	-	15,598	-
Customer deposits	1,100	677,379	678,479	-
Long-term liabilities:				
Due within one year	767,819	2,108,878	2,876,697	-
Due in more than one year	4,746,636	7,801,864	12,548,500	-
Total liabilities	<u>6,233,330</u>	<u>13,915,342</u>	<u>20,148,672</u>	<u>35,180</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	19,310,212	60,476,100	79,786,312	-
Restricted for:				
Stabilization for State statute	2,209,406	-	2,209,406	26,559
Perpetual maintenance	472,175	-	472,175	-
General government	67,515	-	67,515	-
Public safety	223,502	-	223,502	-
Cultural and recreation	5,976	-	5,976	-
Economic and physical development	92,398	-	92,398	-
Tourism promotion	-	-	-	154,716
Unrestricted	6,317,546	13,476,598	19,794,144	-
Total net assets	<u>\$ 28,698,730</u>	<u>\$ 73,952,698</u>	<u>\$ 102,651,428</u>	<u>\$ 181,275</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, 2012**

	<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	\$ 2,115,692	\$ 888,616	\$ 10,900	\$ 125,665
Public safety	6,272,982	493,962	913,131	49,931
Transportation	852,732	25,563	-	705,593
Environmental protection	657,371	-	6,689	-
Cultural and recreation	2,013,443	229,454	19,396	258,579
Economic and physical development	74,514	76,308	41,418	313,288
Interest on long-term debt	156,808	-	-	-
<b>Total governmental activities</b>	<b>12,143,542</b>	<b>1,713,903</b>	<b>991,534</b>	<b>1,453,056</b>
<b>Business-Type Activities:</b>				
Water	2,859,068	3,151,154	-	81,284
Sewer	2,603,297	3,092,541	-	129,583
Electric	35,224,262	35,283,158	-	1,496,643
Stormwater Utility	414,551	501,578	-	-
Warren Field Airport	457,044	221,219	-	129,845
Solid Waste	1,332,906	1,241,221	-	115,030
Cemetery	276,551	171,643	-	8,075
<b>Total business-type activities</b>	<b>43,167,679</b>	<b>43,662,514</b>	<b>-</b>	<b>1,960,460</b>
<b>Total primary government</b>	<b>\$ 55,311,221</b>	<b>\$ 45,376,417</b>	<b>\$ 991,534</b>	<b>\$ 3,413,516</b>
<b>Component Unit:</b>				
Tourism Development Authority	\$ 361,444	\$ 85,945	\$ 52,876	\$ -
<b>Total component unit</b>	<b>\$ 361,444</b>	<b>\$ 85,945</b>	<b>\$ 52,876</b>	<b>\$ -</b>

**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

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>	
\$ (1,090,511)	\$ -	\$ (1,090,511)	\$ -
(4,815,958)	-	(4,815,958)	-
(121,576)	-	(121,576)	-
(650,682)	-	(650,682)	-
(1,506,014)	-	(1,506,014)	-
356,500	-	356,500	-
(156,808)	-	(156,808)	-
<u>(7,985,049)</u>	<u>-</u>	<u>(7,985,049)</u>	<u>-</u>
-	373,370	373,370	-
-	618,827	618,827	-
-	1,555,539	1,555,539	-
-	87,027	87,027	-
-	(105,980)	(105,980)	-
-	23,345	23,345	-
-	(96,833)	(96,833)	-
-	<u>2,455,295</u>	<u>2,455,295</u>	<u>-</u>
<u>(7,985,049)</u>	<u>2,455,295</u>	<u>(5,529,754)</u>	<u>-</u>
-	-	-	(222,623)
-	-	-	(222,623)
4,090,923	-	4,090,923	-
2,259,180	-	2,259,180	-
1,130,064	-	1,130,064	-
250,930	-	250,930	243,403
462,395	-	462,395	-
27,378	140,065	167,443	721
<u>8,220,870</u>	<u>140,065</u>	<u>8,360,935</u>	<u>244,124</u>
<u>1,193,432</u>	<u>(1,193,432)</u>	<u>-</u>	<u>-</u>
<u>9,414,302</u>	<u>(1,053,367)</u>	<u>8,360,935</u>	<u>244,124</u>
1,429,253	1,401,928	2,831,181	21,501
<u>27,269,477</u>	<u>72,550,770</u>	<u>99,820,247</u>	<u>159,774</u>
<u>\$ 28,698,730</u>	<u>\$ 73,952,698</u>	<u>\$ 102,651,428</u>	<u>\$ 181,275</u>

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

## CITY OF WASHINGTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and investments	\$ 6,815,761	\$ 1,522,779	\$ 8,338,540
Taxes receivable, net	384,070	-	384,070
Accounts receivable, net	2,003,328	66,733	2,070,061
Notes receivable, net	-	188,000	188,000
Due from other funds	164,258	-	164,258
Inventories	85,930	-	85,930
Restricted cash and investments	114,518	92,359	206,877
Total assets	<u>\$ 9,567,865</u>	<u>\$ 1,869,871</u>	<u>\$ 11,437,736</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 511,849	\$ 3,638	\$ 515,487
Due to other funds	-	50,603	50,603
Deferred revenues	671,885	200,299	872,184
Customer deposits	1,100	-	1,100
Total liabilities	<u>1,184,834</u>	<u>254,540</u>	<u>1,439,374</u>
<b>Fund Balances:</b>			
Non-spendable, not in spendable form:			
Inventories	85,930	-	85,930
Perpetual maintenance - library care	-	95,375	95,375
Perpetual maintenance - cemetery care	-	376,800	376,800
Restricted:			
Stabilization by State statute	2,154,972	54,434	2,209,406
Restricted, all other	410,411	92,398	502,809
Committed	21	1,007,217	1,007,238
Assigned	189,471	18,908	208,379
Unassigned	5,542,226	(29,801)	5,512,425
Total fund balances	<u>8,383,031</u>	<u>1,615,331</u>	<u>9,998,362</u>
Total liabilities and fund balances	<u>\$ 9,567,865</u>	<u>\$ 1,869,871</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.	22,685,193
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds.	856,586
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.	688,454
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>(5,529,865)</u>
Net assets of governmental activities, per Exhibit A	<u>\$ 28,698,730</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, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Ad valorem taxes	\$ 4,189,504	\$ -	\$ 4,189,504
Other taxes and licenses	2,572,734	-	2,572,734
Unrestricted intergovernmental	1,529,835	-	1,529,835
Restricted intergovernmental	1,784,190	660,383	2,444,573
Permits and fees	91,530	-	91,530
Sales and services	1,432,739	-	1,432,739
Investment earnings	19,066	5,603	24,669
Miscellaneous	64,981	95,908	160,889
Total revenues	<u>11,684,579</u>	<u>761,894</u>	<u>12,446,473</u>
<b>Expenditures:</b>			
Current:			
General government	1,727,794	195,665	1,923,459
Public safety	6,034,307	110,013	6,144,320
Transportation	1,600,006	-	1,600,006
Environmental protection	389,702	1,385	391,087
Cultural and recreation	2,189,893	243,285	2,433,178
Economic and physical development	-	1,111,726	1,111,726
Debt service:			
Principal retirement	234,504	-	234,504
Interest and fees	141,398	-	141,398
Total expenditures	<u>12,317,604</u>	<u>1,662,074</u>	<u>13,979,678</u>
<b>Revenues over (under) expenditures</b>	<u>(633,025)</u>	<u>(900,180)</u>	<u>(1,533,205)</u>
<b>Other Financing Sources (Uses):</b>			
Long-term debt issued	-	769,566	769,566
Transfers from other funds	1,507,919	265,015	1,772,934
Transfers to other funds	(459,502)	(120,000)	(579,502)
Total other financing sources (uses)	<u>1,048,417</u>	<u>914,581</u>	<u>1,962,998</u>
<b>Net change in fund balances</b>	415,392	14,401	429,793
<b>Fund Balance:</b>			
Beginning of year - July 1	<u>7,967,639</u>	<u>1,600,930</u>	<u>9,568,569</u>
End of year - June 30	<u>\$ 8,383,031</u>	<u>\$ 1,615,331</u>	<u>\$ 9,998,362</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, 2012**

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)	\$ 429,793
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.	2,885,628
Depreciation is recognized as an expense in the Statement of Activities. However, it is not reported in the governmental funds.	(1,031,957)
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.	(37,958)
Donated capital assets are not reported as an increase in financial resources in the fund statements.	19,557
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.	(153,775)
The issuance of long-term debt provides current financial resources to the governmental funds, while increases long-term debt in Statement of Net Assets.	(769,566)
Principal repayments are expenditures in the fund financial statements. However, it reduces long-term debt in the Statement of Net Assets.	234,504
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources, and, therefore, is not reported as an expenditure in the governmental funds.	(15,410)
Internal Service Fund	22,252
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>(153,815)</u>
Changes in net assets of governmental activities	<u>\$ 1,429,253</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, 2012**

	Budgeted Amounts		Actual	Variance From
	Original	Final		Final Budget Over/Under
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,080,260	\$ 4,080,260	\$ 4,189,504	\$ 109,244
Other taxes and licenses	2,338,370	2,338,370	2,572,734	234,364
Unrestricted intergovernmental	1,742,591	1,742,589	1,529,835	(212,754)
Restricted intergovernmental	581,728	1,680,404	1,784,190	103,786
Permits and fees	61,400	61,400	91,530	30,130
Sales and services	1,405,108	1,405,108	1,432,739	27,631
Investment earnings	50,830	50,830	19,066	(31,764)
Miscellaneous	41,000	49,418	64,981	15,563
Total revenues	<u>10,301,287</u>	<u>11,408,379</u>	<u>11,684,579</u>	<u>276,200</u>
<b>Expenditures:</b>				
General government	1,576,052	2,071,622	1,727,794	343,828
Public safety	6,217,798	6,224,221	6,034,307	189,914
Transportation	925,075	1,759,201	1,600,006	159,195
Environmental protection	382,380	393,190	389,702	3,488
Cultural and recreation	2,170,915	2,311,834	2,189,893	121,941
Debt service:				
Principal retirement	291,881	260,611	234,504	26,107
Interest and fees	123,451	141,706	141,398	308
Total expenditures	<u>11,687,552</u>	<u>13,162,385</u>	<u>12,317,604</u>	<u>844,781</u>
<b>Revenues over (under) expenditures</b>	<u>(1,386,265)</u>	<u>(1,754,006)</u>	<u>(633,025)</u>	<u>1,120,981</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	1,507,919	1,507,919	1,507,919	-
Transfers to other funds	(353,654)	(459,502)	(459,502)	-
Long-term debt issued	232,000	-	-	-
Appropriated fund balance	-	705,589	-	(705,589)
Total other financing sources (uses)	<u>1,386,265</u>	<u>1,754,006</u>	<u>1,048,417</u>	<u>(705,589)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>415,392</u>	<u>\$ 415,392</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>7,967,618</u>	
End of year - June 30			<u>\$ 8,383,010</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, 2012

	Major Enterprise Funds				Nonmajor Enterprise Funds	Total	Governmental
	Water Fund	Sewer Fund	Electric Fund	Stormwater Utility Fund			Internal Service Fund
<b>Assets:</b>							
Current assets:							
Cash and investments	\$ 1,633,741	\$ 2,130,680	\$ 5,185,729	\$ 548,135	\$ 753,492	\$10,251,777	\$ 859,734
Accounts receivable, net	649,034	575,045	4,724,608	94,896	209,118	6,252,701	-
Notes receivable	-	189,982	-	-	-	189,982	-
Inventories	104,159	57,970	790,743	-	63,100	1,015,972	-
Restricted cash and investments	46,271	-	835,575	1,113,271	26,030	2,021,147	-
Total current assets	<u>2,433,205</u>	<u>2,953,677</u>	<u>11,536,655</u>	<u>1,756,302</u>	<u>1,051,740</u>	<u>19,731,579</u>	<u>859,734</u>
Non-current assets:							
Non-depreciable capital assets	117,538	331,227	625,763	4,279,437	1,360,161	6,714,126	-
Capital assets, net of accumulated depreciation	<u>14,503,804</u>	<u>18,713,095</u>	<u>23,209,221</u>	<u>3,698,558</u>	<u>1,411,312</u>	<u>61,535,990</u>	-
Total capital assets, net	<u>14,621,342</u>	<u>19,044,322</u>	<u>23,834,984</u>	<u>7,977,995</u>	<u>2,771,473</u>	<u>68,250,116</u>	-
Total assets	<u>17,054,547</u>	<u>21,997,999</u>	<u>35,371,639</u>	<u>9,734,297</u>	<u>3,823,213</u>	<u>87,981,695</u>	<u>859,734</u>
<b>Liabilities and Net Assets:</b>							
<b>Liabilities:</b>							
Current liabilities:							
Accounts payable and accrued liabilities	44,051	74,067	2,790,521	372,097	46,485	3,327,221	171,280
Due to other funds	-	80,949	-	32,706	-	113,655	-
Customer deposits	46,271	-	631,108	-	-	677,379	-
Current portion of installment notes	-	29,536	707,873	11,181	67,511	816,101	-
Current portion of general obligation bonds	254,959	289,042	25,999	-	-	570,000	-
Current portion of revolving loans	-	142,420	-	-	-	142,420	-
Current portion of Recovery Zone Economic Development Bonds	-	-	-	333,333	-	333,333	-
Current portion of compensated absences	49,972	56,687	106,154	-	34,211	247,024	-
Total current liabilities	<u>395,253</u>	<u>672,701</u>	<u>4,261,655</u>	<u>749,317</u>	<u>148,207</u>	<u>6,227,133</u>	<u>171,280</u>
Non-current liabilities:							
Non-current portion of installment notes	-	17,631	800,903	6,673	103,787	928,994	-
Non-current portion of general obligation bonds	69,810	353,072	7,118	-	-	430,000	-
Non-current portion of revolving loans	-	1,730,271	-	-	-	1,730,271	-
Non-current portion of Recovery Zone Economic Development Bonds	-	-	-	4,166,665	-	4,166,665	-
Non-current portion of compensated absences	38,963	44,199	82,768	-	26,674	192,604	-
Non-current portion of OPEB liability	65,642	65,642	145,109	-	76,937	353,330	-
Total non-current liabilities	<u>174,415</u>	<u>2,210,815</u>	<u>1,035,898</u>	<u>4,173,338</u>	<u>207,398</u>	<u>7,801,864</u>	-
Total liabilities	<u>569,668</u>	<u>2,883,516</u>	<u>5,297,553</u>	<u>4,922,655</u>	<u>355,605</u>	<u>14,028,997</u>	<u>171,280</u>
<b>Net Assets:</b>							
Invested in capital assets, net of related debt	14,296,573	16,482,350	22,497,558	4,573,414	2,626,205	60,476,100	-
Unrestricted	<u>2,188,306</u>	<u>2,632,133</u>	<u>7,576,528</u>	<u>238,228</u>	<u>841,403</u>	<u>13,476,598</u>	<u>688,454</u>
Total net assets	<u>\$16,484,879</u>	<u>\$19,114,483</u>	<u>\$30,074,086</u>	<u>\$ 4,811,642</u>	<u>\$ 3,467,608</u>	<u>\$73,952,698</u>	<u>\$ 688,454</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, 2012

	Major Enterprise Funds				Nonmajor Enterprise Funds	Total	Governmental
	Water Fund	Sewer Fund	Electric Fund	Stormwater Utility Fund			Internal Service Fund
<b>Operating Revenues:</b>							
Charges for sales and services	\$ 2,967,364	\$ 2,977,235	\$34,783,709	\$ 495,278	\$ 1,615,750	\$42,839,336	\$ 208,000
Late penalty charges	19,960	22,105	246,443	3,775	-	292,283	-
Impact fees	40,692	52,036	-	-	-	92,728	-
Other	70,994	8,527	147,585	2,525	11,587	241,218	-
Total operating revenues	<u>3,099,010</u>	<u>3,059,903</u>	<u>35,177,737</u>	<u>501,578</u>	<u>1,627,337</u>	<u>43,465,565</u>	<u>208,000</u>
<b>Operating Expenses:</b>							
Administration	480,964	450,753	1,952,116	41,088	-	2,924,921	-
Wastewater treatment and collection	-	1,397,246	-	-	-	1,397,246	-
Water treatment and distribution	1,612,322	-	-	-	-	1,612,322	-
Electrical operations	-	-	2,695,775	-	-	2,695,775	-
Electric power purchases	-	-	27,908,667	-	-	27,908,667	-
Warren Field Airport operations	-	-	-	-	323,570	323,570	-
Solid Waste operations	-	-	-	-	1,144,227	1,144,227	-
Cemetery operations	-	-	-	-	271,685	271,685	-
Depreciation	723,714	624,926	1,559,160	130,252	202,048	3,240,100	-
Insurance claims	-	-	-	-	-	-	188,457
Total operating expenses	<u>2,817,000</u>	<u>2,472,925</u>	<u>34,115,718</u>	<u>171,340</u>	<u>1,941,530</u>	<u>41,518,513</u>	<u>188,457</u>
<b>Operating income (loss)</b>	<u>282,010</u>	<u>586,978</u>	<u>1,062,019</u>	<u>330,238</u>	<u>(314,193)</u>	<u>1,947,052</u>	<u>19,543</u>
<b>Non-Operating Revenues (Expenses):</b>							
Rents	33,322	-	-	-	-	33,322	-
Recovery of doubtful accounts	540	-	-	-	-	540	-
Investment earnings	5,016	6,781	14,104	111,996	2,168	140,065	2,709
Sale of surplus and scrap	17,335	-	81,007	-	-	98,342	-
Loss on disposal of capital asset	-	(4,758)	-	-	(5,887)	(10,645)	-
Assessments	-	(18,109)	-	-	-	(18,109)	-
Fines and meters	-	-	7,093	-	-	7,093	-
Solid waste disposal tax	-	-	-	-	6,746	6,746	-
Interest expense	(24,751)	(89,287)	(63,048)	(243,211)	(4,948)	(425,245)	-
Hurricane Irene FEMA grant expenses	(17,317)	(36,327)	(1,045,496)	-	(114,136)	(1,213,276)	-
Miscellaneous	947	50,747	17,321	-	-	69,015	-
Total non-operating revenues (expenses)	<u>15,092</u>	<u>(90,953)</u>	<u>(989,019)</u>	<u>(131,215)</u>	<u>(116,057)</u>	<u>(1,312,152)</u>	<u>2,709</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>297,102</u>	<u>496,025</u>	<u>73,000</u>	<u>199,023</u>	<u>(430,250)</u>	<u>634,900</u>	<u>22,252</u>
<b>Capital Contributions and Transfers:</b>							
Capital contributions	81,284	129,583	1,496,643	-	252,950	1,960,460	-
Transfers in	21,188	-	-	-	239,487	260,675	-
Transfers out	(198,019)	(156,345)	(1,099,743)	-	-	(1,454,107)	-
Total contributions and transfers	<u>(95,547)</u>	<u>(26,762)</u>	<u>396,900</u>	<u>-</u>	<u>492,437</u>	<u>767,028</u>	<u>-</u>
<b>Change in net assets</b>	<u>201,555</u>	<u>469,263</u>	<u>469,900</u>	<u>199,023</u>	<u>62,187</u>	<u>1,401,928</u>	<u>22,252</u>
<b>Net Assets:</b>							
Beginning of year - July 1	<u>16,283,324</u>	<u>18,645,220</u>	<u>29,604,186</u>	<u>4,612,619</u>	<u>3,405,421</u>	<u>72,550,770</u>	<u>666,202</u>
End of year - June 30	<u>\$16,484,879</u>	<u>\$19,114,483</u>	<u>\$30,074,086</u>	<u>\$ 4,811,642</u>	<u>\$ 3,467,608</u>	<u>\$73,952,698</u>	<u>\$ 688,454</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, 2012**

	<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	\$ 2,952,314	\$ 2,938,629	\$ 35,633,801	\$ 469,662
Cash paid to employees for services	(791,123)	(730,461)	(1,615,758)	-
Cash paid to suppliers	(1,336,795)	(1,155,649)	(31,931,106)	140,335
Net cash provided (used) by operating activities	<u>824,396</u>	<u>1,052,519</u>	<u>2,086,937</u>	<u>609,997</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>				
Repayments to/from other funds	-	80,949	-	(9,260)
Transfers from other funds	-	-	-	-
Transfers to other funds	(198,019)	(135,157)	(1,099,743)	-
Net cash provided (used) by non-capital financing activities	<u>(198,019)</u>	<u>(54,208)</u>	<u>(1,099,743)</u>	<u>(9,260)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Interest paid on notes, bonds, and loans	(24,751)	(89,287)	(63,048)	(243,211)
Acquisition of capital assets	(223,088)	(546,323)	(1,949,546)	(3,025,357)
Capital contributions	22,844	70,884	1,474,456	-
Principal collected on note receivable	-	18,440	-	-
Proceeds from issuance of debt	-	159,223	-	-
Principal payments on long-term debt	(242,818)	(452,613)	(959,632)	(352,415)
Net cash provided (used) by capital and related financing activities	<u>(467,813)</u>	<u>(839,676)</u>	<u>(1,497,770)</u>	<u>(3,620,983)</u>
<b>Cash Flows From Investing Activities:</b>				
Investment earnings	5,016	6,781	14,104	111,996
Net cash provided (used) by investing activities	<u>5,016</u>	<u>6,781</u>	<u>14,104</u>	<u>111,996</u>
<b>Net increase (decrease) in cash and cash equivalents/investments</b>	<b>163,580</b>	<b>165,416</b>	<b>(496,472)</b>	<b>(2,908,250)</b>
<b>Cash and Cash Equivalents/Investments:</b>				
Beginning of year - July 1	<u>1,516,432</u>	<u>1,965,264</u>	<u>6,517,776</u>	<u>4,569,656</u>
End of year - June 30	<u>\$ 1,680,012</u>	<u>\$ 2,130,680</u>	<u>\$ 6,021,304</u>	<u>\$ 1,661,406</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 282,010	\$ 586,978	\$ 1,062,019	\$ 330,238
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	723,714	624,926	1,559,160	130,252
Non-operating revenues (expenses)	34,827	(3,689)	(940,075)	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(198,864)	(153,912)	418,749	(31,916)
(Increase) decrease in inventories	3,019	784	117,594	-
(Increase) decrease in prepaid assets	-	2,543	7,221	963
Increase (decrease) in accounts payable and accrued liabilities	(8,993)	13,570	(100,124)	180,460
Increase (decrease) in customer deposits	24	-	(68,106)	-
Increase (decrease) in compensated absences payable	(27,615)	(34,955)	(11,093)	-
Increase (decrease) in OPEB liability	16,274	16,274	41,592	-
Net cash provided (used) by operating activities	<u>\$ 824,396</u>	<u>\$ 1,052,519</u>	<u>\$ 2,086,937</u>	<u>\$ 609,997</u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Transfer - out of assets	\$ -	\$ (21,188)	\$ -	\$ -
Transfer - in of assets	21,188	-	-	-
Donated assets	58,440	58,699	22,187	-
Total non-cash investing, capital, and financing activities	<u>\$ 79,628</u>	<u>\$ 37,511</u>	<u>\$ 22,187</u>	<u>\$ -</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>
\$ 1,646,256	\$ 43,640,662	208,000
(766,671)	(3,904,013)	(159,763)
<u>(1,097,026)</u>	<u>(35,380,241)</u>	<u>-</u>
(217,441)	4,356,408	48,237
(60,032)	11,657	-
239,487	239,487	-
<u>-</u>	<u>(1,432,919)</u>	<u>-</u>
179,455	(1,181,775)	-
(4,948)	(425,245)	-
(255,803)	(6,000,117)	-
259,696	1,827,880	-
-	18,440	-
-	159,223	-
<u>(65,765)</u>	<u>(2,073,243)</u>	<u>-</u>
(66,820)	(6,493,062)	-
2,168	140,065	2,709
<u>2,168</u>	<u>140,065</u>	<u>2,709</u>
(102,638)	(3,178,364)	50,946
882,160	15,451,288	808,788
<u>\$ 779,522</u>	<u>\$ 12,272,924</u>	<u>\$ 859,734</u>
\$ (314,193)	\$ 1,947,052	\$ 19,543
202,048	3,240,100	-
(114,136)	(1,023,073)	-
18,919	52,976	-
(40,046)	81,351	-
3,407	14,134	-
373	85,286	28,694
-	(68,082)	-
3,090	(70,573)	-
<u>23,097</u>	<u>97,237</u>	<u>-</u>
<u>\$ (217,441)</u>	<u>\$ 4,356,408</u>	<u>\$ 48,237</u>
\$ -	\$ (21,188)	\$ -
(21,188)	-	-
<u>-</u>	<u>139,326</u>	<u>-</u>
<u>\$ (21,188)</u>	<u>\$ 118,138</u>	<u>\$ -</u>

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

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## **Notes to Basic Financial Statements**

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# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 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, 2012

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 six special revenue funds: the CDBG Program Income Fund, the Emergency 911 Fund, the Gang/Drug Investigator Fund, the CDBG Affordable Housing Fund, the Comprehensive Bicycle Plan Fund, and the Talent Enhancement Grant Fund.

## CITY OF WASHINGTON, NORTH CAROLINA

### NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

**Capital Project Funds.** The City maintains twelve capital project funds: the CDBG Keyesville Road Subdivision Fund, the New Police Station Capital Project Fund, the Festival Park Construction Fund, the Public Safety Capital Reserve Fund, the Facade Program Fund, the Impressions Building Fund, the ARRA Lighting Grant Fund, the Main Street Energy Grant Fund, the Spinrite Economic Development Grant Fund, the Old City Hall Rehabilitation Fund, the Weir Valves Rehabilitation Grant Fund, and the Rescue Vehicle Construction Fund.

**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 Main and Respass Lift Station Project Fund 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

## CITY OF WASHINGTON, NORTH CAROLINA

### NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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.

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 non-operating 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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and offset by deferred revenues.

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, 2012

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 funds, 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 Gang/Drug Investigator Fund, the CDBG Affordable Housing Fund, Comprehensive Bicycle Plan Fund, and the Talent Enhancement Grant 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 Festival Park Construction Fund, the Impressions Building Fund, the ARRA Lighting Grant Fund, the Main Street Energy Grant Fund, the Spinrite Economic Development Grant Fund, the Old City Hall Rehabilitation Fund, the Weir Valves Rehabilitation Grant Fund, and the Rescue Vehicle Construction Fund. The Main and Respass Lift Station and the Recovery Zone Bond Enterprise Capital Project Funds legally adopt a project budget. 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, 2012

### 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. 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, 2012

### 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, 2011.

### 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, 2012

### **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**

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.

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### **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.

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. Included in this amount at June 30, 2012, is \$171,934 restricted for future USDA debt service payments.

*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.

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

Restricted fund balance at June 30, 2012 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
<b>Restricted, all other:</b>		
General government	\$ 180,933	\$ -
Public safety	223,502	-
Economic and physical development	-	92,398
Cultural and recreational	5,976	-
<b>Total</b>	<b>\$ 410,411</b>	<b>\$ 92,398</b>

**Committed Fund Balance**

This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

*Committed for Cultural and Recreational* – portion of fund balance that has been budgeted by the City Council for cultural and recreational purposes.

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

Committed fund balance at June 30, 2012 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Economic development	\$ 21	\$ 110,500
Cultural and recreational	-	5,575
Public safety	-	891,142
<b>Total</b>	<b>\$ 21</b>	<b>\$ 1,007,217</b>

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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.

*Assigned for Streets* – portion of fund balance budgeted by City Council for future street related construction and maintenance expenditures.

Assigned fund balance at June 30, 2012 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>
Economic development	\$ -	\$ 18,908
Streets	189,471	-
<b>Total</b>	<b>\$ 189,471</b>	<b>\$ 18,908</b>

**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.

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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	\$ 8,383,031
Less:	
Inventories	85,930
Stabilization by State statute	<u>2,154,972</u>
Total available fund balance	<u>\$ 6,142,129</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, 2012 are detailed as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Encumbrances	<u>\$ 259,603</u>	<u>\$ -</u>

**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)	\$ 8,383,010
<b>Economic Development Capital Reserve Fund:</b>	
Transfers in	189,779
Transfers out	(189,779)
Fund balance, beginning	<u>21</u>
Fund balance, ending - General Fund (Exhibit D)	<u>\$ 8,383,031</u>

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 2. 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.

At June 30, 2012, the City's deposits had a carrying amount of \$21,104,312 and a bank balance of \$21,276,011. Of the bank balance, \$1,092,359 was covered by federal depository insurance and \$20,183,652 was covered by collateral held under the Pooling Method. The City also had \$960 in petty cash on hand at June 30, 2012.

#### Investments

At June 30, 2012, 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	<u>\$ 572,803</u>	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.

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**3. Accounts Receivable - Allowance for Doubtful Accounts**

The receivables shown in the Statement of Net Assets at June 30, 2012, are net of the following allowances for doubtful accounts:

Fund	June 30, 2012
<b>Governmental Activities:</b>	
<b>General Fund:</b>	
Taxes receivable	\$ 154,343
EMS charges receivable	1,181,675
Miscellaneous	<u>97,681</u>
Total governmental activities	<u>\$ 1,433,699</u>
<b>Business-Type Activities:</b>	
<b>Enterprise Funds:</b>	
Water Fund - accounts receivable	\$ 42,656
Water Fund - miscellaneous receivable	6,136
Sewer Fund - accounts receivable	56,786
Sewer Fund - assessments receivable	10,497
Sewer Fund - miscellaneous receivable	9,784
Electric Fund - accounts receivable	607,161
Electric Fund - miscellaneous receivable	16,463
Stormwater Utility Fund - accounts receivable	8,321
Solid Waste Fund - accounts receivable	<u>24,099</u>
Total business-type activities	<u>\$ 781,903</u>

**4. 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, 2012 is \$188,000.

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, 2012 is \$ 189,982.

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**5 Capital Assets**

Capital asset activity for the governmental activities for the year ended June 30, 2012 was as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 5,085,738	\$ -	\$ -	\$ 24,826	\$ 5,110,564
Construction in progress	364,104	2,489,492	-	(302,170)	2,551,426
Total non-depreciable capital assets	<u>5,449,842</u>	<u>2,489,492</u>	<u>-</u>	<u>(277,344)</u>	<u>7,661,990</u>
<b>Depreciable Capital Assets:</b>					
Buildings	14,503,231	-	-	-	14,503,231
Streets and other improvements	9,057,373	81,524	-	277,344	9,416,241
General equipment	1,422,856	19,423	(48,309)	-	1,393,970
Office machines	1,150,166	-	(13,245)	-	1,136,921
Furniture	101,405	-	-	-	101,405
Vehicles	3,305,408	314,746	(234,541)	16,550	3,402,163
Total depreciable capital assets	<u>29,540,439</u>	<u>415,693</u>	<u>(296,095)</u>	<u>293,894</u>	<u>29,953,931</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	6,171,588	376,873	-	-	6,548,461
Streets	3,707,455	275,321	-	-	3,982,776
General equipment	1,093,919	68,210	(39,705)	-	1,122,424
Office machines	910,909	67,839	(13,245)	-	965,503
Furniture	97,873	1,322	-	-	99,195
Vehicles	2,158,614	242,392	(205,187)	16,550	2,212,369
Total accumulated depreciation	<u>14,140,358</u>	<u>\$ 1,031,957</u>	<u>\$ (258,137)</u>	<u>\$ 16,550</u>	<u>14,930,728</u>
Total depreciable capital assets, net	<u>15,400,081</u>				<u>15,023,203</u>
Governmental activities capital assets, net	<u>\$ 20,849,923</u>				<u>\$ 22,685,193</u>

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

<b>Governmental Activities:</b>	
General government	\$ 182,976
Public safety	307,189
Transportation	266,284
Environmental protection	232
Cultural and recreational	275,276
Total	<u>\$ 1,031,957</u>

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

Capital asset activity for the business-type activities for the year ended June 30, 2012 was as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
<b>Water Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 117,538	\$ -	\$ -	\$ -	\$ 117,538
Construction in progress	<u>3,789</u>	<u>39,133</u>	<u>-</u>	<u>(42,922)</u>	<u>-</u>
Total non-depreciable capital assets	<u>121,327</u>	<u>39,133</u>	<u>-</u>	<u>(42,922)</u>	<u>117,538</u>
<b>Depreciable Capital Assets:</b>					
Plant, substations, lines, and distribution system	15,462,191	118,943	-	42,922	15,624,056
Buildings	7,157,297	-	-	-	7,157,297
Furniture and office equipment	778,457	7,623	(5,419)	-	780,661
General and mobile equipment	<u>4,523,049</u>	<u>115,829</u>	<u>(75,149)</u>	<u>25,887</u>	<u>4,589,616</u>
Total depreciable capital assets	<u>27,920,994</u>	<u>242,395</u>	<u>(80,568)</u>	<u>68,809</u>	<u>28,151,630</u>
<b>Less Accumulated Depreciation:</b>					
Plant, substations, lines, and distribution system	6,998,099	331,162	-	-	7,329,261
Buildings	2,764,775	196,549	-	-	2,961,324
Furniture and office equipment	736,625	14,624	(5,419)	-	745,830
General and mobile equipment	<u>2,500,482</u>	<u>181,379</u>	<u>(75,149)</u>	<u>4,699</u>	<u>2,611,411</u>
Total accumulated depreciation	<u>12,999,981</u>	<u>\$ 723,714</u>	<u>\$ (80,568)</u>	<u>\$ 4,699</u>	<u>13,647,826</u>
Total depreciable capital assets, net	<u>14,921,013</u>				<u>14,503,804</u>
Water Fund capital assets, net	<u>\$ 15,042,340</u>				<u>\$ 14,621,342</u>

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
<b>Sewer Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 25,481	\$ -	\$ -	\$ -	\$ 25,481
Construction in progress	<u>635,869</u>	<u>339,652</u>	<u>-</u>	<u>(669,775)</u>	<u>305,746</u>
Total non-depreciable capital assets	<u>661,350</u>	<u>339,652</u>	<u>-</u>	<u>(669,775)</u>	<u>331,227</u>
<b>Depreciable Capital Assets:</b>					
Plant, substations, lines, and distribution system	34,522,529	180,945	-	669,775	35,373,249
Buildings	2,693,808	31,492	(292,243)	-	2,433,057
Furniture and office equipment	76,877	-	-	-	76,877
General and mobile equipment	<u>1,086,816</u>	<u>52,933</u>	<u>(23,788)</u>	<u>(25,887)</u>	<u>1,090,074</u>
Total depreciable capital assets	<u>38,380,030</u>	<u>265,370</u>	<u>(316,031)</u>	<u>643,888</u>	<u>38,973,257</u>
<b>Less Accumulated Depreciation:</b>					
Plant, substations, lines, and distribution system	16,835,341	534,775	-	-	17,370,116
Buildings	2,361,991	16,931	(292,243)	-	2,086,679
Furniture and office equipment	72,785	1,888	-	-	74,673
General and mobile equipment	<u>681,091</u>	<u>71,332</u>	<u>(19,030)</u>	<u>(4,699)</u>	<u>728,694</u>
Total accumulated depreciation	<u>19,951,208</u>	<u>\$ 624,926</u>	<u>\$ (311,273)</u>	<u>\$ (4,699)</u>	<u>20,260,162</u>
Total depreciable capital assets, net	<u>18,428,822</u>				<u>18,713,095</u>
Sewer Fund capital assets, net	<u>\$ 19,090,172</u>				<u>\$ 19,044,322</u>

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
<b>Electric Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 64,777	\$ -	\$ -	\$ -	\$ 64,777
Construction in progress	<u>135,266</u>	<u>425,720</u>	<u>-</u>	<u>-</u>	<u>560,986</u>
Total non-depreciable capital assets	<u>200,043</u>	<u>425,720</u>	<u>-</u>	<u>-</u>	<u>625,763</u>
<b>Depreciable Capital Assets:</b>					
Plant, substations, lines, and distribution system	48,566,809	1,214,020	-	-	49,780,829
Buildings	612,204	-	-	-	612,204
Furniture and office equipment	630,571	-	-	-	630,571
General and mobile equipment	<u>7,440,242</u>	<u>331,993</u>	<u>(88,627)</u>	<u>-</u>	<u>7,683,608</u>
Total depreciable capital assets	<u>57,249,826</u>	<u>1,546,013</u>	<u>(88,627)</u>	<u>-</u>	<u>58,707,212</u>
<b>Less Accumulated Depreciation:</b>					
Plant, substations, lines, and distribution system	27,423,833	1,175,957	-	-	28,599,790
Buildings	367,452	13,102	-	-	380,554
Furniture and office equipment	595,350	10,708	-	-	606,058
General and mobile equipment	<u>5,640,823</u>	<u>359,393</u>	<u>(88,627)</u>	<u>-</u>	<u>5,911,589</u>
Total accumulated depreciation	<u>34,027,458</u>	<u>\$ 1,559,160</u>	<u>\$ (88,627)</u>	<u>\$ -</u>	<u>35,497,991</u>
Total depreciable capital assets, net	<u>23,222,368</u>				<u>23,209,221</u>
Electric Fund capital assets, net	<u>\$ 23,422,411</u>				<u>\$ 23,834,984</u>

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
<b>Stormwater Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 175,338	\$ -	\$ -	\$ -	\$ 175,338
Construction in progress	<u>1,078,742</u>	<u>3,025,357</u>	<u>-</u>	<u>-</u>	<u>4,104,099</u>
Total depreciable capital assets	<u>1,254,080</u>	<u>3,025,357</u>	<u>-</u>	<u>-</u>	<u>4,279,437</u>
<b>Depreciable Capital Assets:</b>					
Drainage system	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 depreciable capital assets	<u>5,645,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,645,085</u>
<b>Less Accumulated Depreciation:</b>					
Drainage system	1,629,714	121,315	-	-	1,751,029
General and mobile equipment	<u>186,561</u>	<u>8,937</u>	<u>-</u>	<u>-</u>	<u>195,498</u>
Total accumulated depreciation	<u>1,816,275</u>	<u>\$ 130,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,946,527</u>
Total depreciable capital assets, net	<u>3,828,810</u>				<u>3,698,558</u>
Stormwater Fund capital assets, net	<u>\$ 5,082,890</u>				<u>\$ 7,977,995</u>

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
<b>Nonmajor Enterprise Funds:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 1,266,648	\$ -	\$ -	\$ -	\$ 1,266,648
Construction in progress	<u>263,463</u>	<u>141,274</u>	<u>-</u>	<u>(311,224)</u>	<u>93,513</u>
Total non-depreciable capital assets	<u>1,530,111</u>	<u>141,274</u>	<u>-</u>	<u>(311,224)</u>	<u>1,360,161</u>
<b>Depreciable Capital Assets:</b>					
Plant, substations, lines, distribution system, and runways	3,604,501	-	-	311,224	3,915,725
Buildings	481,445	-	(4,475)	-	476,970
General and mobile equipment	<u>2,169,611</u>	<u>114,529</u>	<u>(65,814)</u>	<u>(16,550)</u>	<u>2,201,776</u>
Total depreciable capital assets	<u>6,255,557</u>	<u>114,529</u>	<u>(70,289)</u>	<u>294,674</u>	<u>6,594,471</u>
<b>Less Accumulated Depreciation:</b>					
Plant, substations, lines, distribution system, and runways	3,153,868	117,724	-	-	3,271,592
Buildings	459,854	-	(4,475)	-	455,379
General and mobile equipment	<u>1,448,341</u>	<u>84,324</u>	<u>(59,927)</u>	<u>(16,550)</u>	<u>1,456,188</u>
Total accumulated depreciation	<u>5,062,063</u>	<u>\$ 202,048</u>	<u>\$ (64,402)</u>	<u>\$ (16,550)</u>	<u>5,183,159</u>
Total depreciable capital assets, net	<u>1,193,494</u>				<u>1,411,312</u>
Nonmajor enterprise funds capital assets, net	<u>\$ 2,723,605</u>				<u>\$ 2,771,473</u>

Depreciation for the nonmajor enterprise funds was charged as follows:

Warren Field Airport Fund	\$ 130,699
Solid Waste Fund	70,090
Cemetery Fund	1,259
Total depreciation expense	<u>\$ 202,048</u>

**6. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities at June 30, 2012 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts and vouchers	\$ 330,108	\$ 3,152,012	\$ 3,482,120
Accrued payroll and related liabilities	356,659	154,935	511,594
Accrued interest payable	<u>15,410</u>	<u>20,274</u>	<u>35,684</u>
Total accounts payable and accrued liabilities	<u>\$ 702,177</u>	<u>\$ 3,327,221</u>	<u>\$ 4,029,398</u>

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 7. 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 6.97% and 7.04%, 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, 2012, 2011, and 2010 were \$715,015, \$634,445, and, \$485,014, 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, 2011, 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>38</u>

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Summary of Significant Accounting Policies

*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, 2012 was determined as part of the December 31, 2010 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 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. 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, 2010 was 20 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	\$	75,347	
Interest on net pension obligation		24,346	
Adjustment to annual required contribution		(29,047)	
Annual pension cost		70,646	
Contributions made		9,541	
Increase in net pension obligation		61,105	
Net pension obligation:			
Beginning of year - July 1		486,915	
End of year - June 30	\$	548,020	

### Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 62,319	15.31%	\$ 416,419
2011	80,037	11.92%	486,915
2012	70,646	13.51%	548,020

## CITY OF WASHINGTON, NORTH CAROLINA

### NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

*Funded Status and Funding Progress.* As of December 31, 2011 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 \$656,454. The covered payroll (annual payroll of active employees covered by the plan) was \$1,653,548, and the ratio of the UAAL to the covered payroll was 39.70 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, 2012 were \$108,617, which consisted of \$86,718 from the City and \$21,899 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, 2012 were \$305,761, which consisted of \$121,518 from the City and \$184,243 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, 2012**

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, 2012, the City made contributions to the State for death benefits of \$10,082.

The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.09% 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, 2012, 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	<u>194</u>	<u>35</u>
Total	<u>211</u>	<u>35</u>

*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, 2012

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 \$217,357 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>752,521</u>
End of year - June 30		<u><u>\$ 1,010,022</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2010	\$ 325,819	25.5%	\$ 495,020
2011	340,755	24.4%	752,521
2012	340,755	24.4%	1,010,022

## CITY OF WASHINGTON, NORTH CAROLINA

### NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

*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, 2012, 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, 2012**

**8. 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)	\$ 384,070	\$ -
EMS charges receivable (General Fund)	252,960	-
Paving assessments receivable and others (General Fund)	19,257	-
Notes receivable (other governmental funds)	200,299	-
Prepaid items (General Fund)	15,598	15,598
Total	<b>\$ 872,184</b>	<b>\$ 15,598</b>

**9. Commitments**

**Construction**

The City had outstanding commitments at June 30, 2012 of approximately \$81,103 for bridge construction and street paving, \$36,470 for inflow and infiltration work, \$438,263 for upgrading the Main & Respass pump station, \$183,033 for an electric bucket truck, \$13,587 for airport improvements, \$124,964 for engineering service for a parallel water line, and \$449,203 for stormwater improvements. A portion of these improvements are being financed with Federal and State 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, 2012

### 10. 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 \$188,457 in claims was incurred for benefits during fiscal year 2012.

#### Claims Liability

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Unpaid claims, beginning of year	\$ 142,586	\$ 59,055
Incurred claims (including claims incurred, but not reported as of fiscal year-end)	188,457	320,228
Payments and reduction in claims estimates	<u>(159,763)</u>	<u>(236,697)</u>
Unpaid claims, end of year	<u>\$ 171,280</u>	<u>\$ 142,586</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, 2012.

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**11. 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, 2012 was \$1,713,468.

On April 23, 2012, the City was approved for a maximum loan amount of \$600,000 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 Main and Respress Lift Station. The loan is being reported as long-term debt in the Sewer Fund and is repayable at 0.00% for 15 years beginning May 2013. The loan repayment calls for equal principal repayments of \$40,000 annually for 150 years. The total amount outstanding at June 30, 2012 was \$159,223.

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

<b>Year Ending</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2013	\$ 142,420	\$ 41,466	\$ 183,886
2014	142,420	38,276	180,696
2015	142,420	35,087	177,507
2016	142,420	31,897	174,317
2017	142,420	28,707	171,127
2018-2022	712,102	95,690	807,792
2023-2027	448,489	19,138	467,627
<b>Total</b>	<b>\$ 1,872,691</b>	<b>\$ 290,261</b>	<b>\$ 2,162,952</b>

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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 2012 total annual payment was \$171,934. The notes mature May 2038. The balance in the two notes combined as of June 30, 2012 was \$2,656,120.

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

<b>Year Ending</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2013	\$ 57,720	\$ 114,214	\$ 171,934
2014	60,199	111,735	171,934
2015	62,786	109,149	171,935
2016	65,483	106,451	171,934
2017	68,297	103,637	171,934
2018-2022	388,117	471,553	859,670
2023-2027	479,029	380,641	859,670
2028-2032	591,283	268,387	859,670
2033-2037	729,901	129,769	859,670
2038	153,305	6,578	159,883
<b>Total</b>	<b>\$ 2,656,120</b>	<b>\$ 1,802,114</b>	<b>\$ 4,458,234</b>

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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 \$ 159,557

\$769,556 issued on August 9, 2011 for building improvements, due in annual installments of \$151,771, including interest of 2.91% through June 2016 636,720

**Total serviced by governmental activities** \$ 796,277

**Serviced by Business-Type Activities:**

**Serviced by the Sewer Fund:**

\$157,500 issued on February 11, 2009 for equipment, due in annual installments of \$30,518, including interest of 2.91% through January 2014 \$ 47,167

**Total serviced by the Sewer Fund** 47,167

**Serviced by the Electric Fund:**

\$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 71,296

\$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 751,515

\$888,000 issued on April 08, 2011 for equipment, due in annual installments of \$190,813, including interest of 2.22% through March 2016 685,965

**Total serviced by the Electric Fund** 1,508,776

**Serviced by the Stormwater Fund:**

\$58,900 issued on February 11, 2009 for equipment, due in annual installments of \$11,552, including interest of 2.91% through January 2014 17,854

**Total serviced by the Stormwater Fund** 17,854

**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 63,150

\$140,000 issued on April 08, 2011 for equipment, due in annual installments of \$30,084, including interest of 2.22% through March 2016 108,148

**Total serviced by the Solid Waste Fund** 171,298

Total business-type activities \$ 1,745,095

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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>
2013	\$ 190,276	\$ 19,675	\$ 209,951
2014	195,596	14,356	209,952
2015	201,066	8,885	209,951
2016	195,575	3,281	198,856
2017	13,764	33	13,797
<b>Total</b>	<b>\$ 796,277</b>	<b>\$ 46,230</b>	<b>\$ 842,507</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>
2013	\$ 29,536	\$ 981	\$ 30,517	\$ 707,873	\$ 33,821	\$ 741,694
2014	17,631	171	17,802	473,681	13,161	486,842
2015	-	-	-	185,428	5,385	190,813
2016	-	-	-	141,794	1,316	143,110
<b>Total</b>	<b>\$ 47,167</b>	<b>\$ 1,152</b>	<b>\$ 48,319</b>	<b>\$ 1,508,776</b>	<b>\$ 53,683</b>	<b>\$ 1,562,459</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>
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	-	-	-	22,356	206	22,562
<b>Total</b>	<b>\$ 17,854</b>	<b>\$ 436</b>	<b>\$ 18,290</b>	<b>\$ 171,298</b>	<b>\$ 6,205</b>	<b>\$ 177,503</b>

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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.

Bonds payable at June 30, 2012 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%	\$ 324,769	\$ 177,114	\$ 33,117	\$ 535,000
\$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%	-	465,000	-	465,000
	<u>\$ 324,769</u>	<u>\$ 642,114</u>	<u>\$ 33,117</u>	<u>\$ 1,000,000</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>	
2013	\$ 570,000	\$ 48,160	\$ 618,160
2014	290,000	21,610	311,610
2015	140,000	7,280	147,280
Total	<u>\$ 1,000,000</u>	<u>\$ 77,050</u>	<u>\$ 1,077,050</u>

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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.

Recovery Zone Economic Development Bonds payable and future maturities at June 30, 2012 are comprised of the following:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 2,667	\$ 1,731	\$ 4,398
2014	2,667	1,601	4,268
2015	2,667	1,470	4,137
2016	2,667	1,339	4,006
2017	2,667	1,209	3,876
2018-2022	13,334	4,084	17,418
2023-2026	9,334	915	10,249
<b>Total</b>	<b>\$ 36,002</b>	<b>\$ 12,349</b>	<b>\$ 48,351</b>

<b>Year Ending June 30</b>	<b>Stormwater Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 333,333	\$ 216,417	\$ 549,750
2014	333,333	200,083	533,416
2015	333,333	183,750	517,083
2016	333,333	167,417	500,750
2017	333,333	151,083	484,416
2018-2022	1,666,666	510,416	2,177,082
2023-2026	1,166,666	114,333	1,280,999
<b>Total</b>	<b>\$ 4,499,998</b>	<b>\$ 1,543,499</b>	<b>\$ 6,043,497</b>

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Long-Term Obligation Activity**

The following is a summary of changes in the City's long-term debt as of June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Current</u> <u>Portion of</u> <u>Long-Term</u> <u>Liabilities</u>
<b>Governmental Activities:</b>					
Installment notes payable	\$ 199,911	\$ 769,566	\$ (173,200)	\$ 796,277	\$ 190,276
USDA loan payable	2,714,753	-	(58,633)	2,656,120	57,720
Recovery Zone Economic					
Development Bonds	38,673	-	(2,671)	36,002	2,667
Compensated absences	888,898	449,602	(517,156)	821,344	517,156
Pension obligation	486,915	70,646	(9,541)	548,020	-
OPEB accrued liability	<u>496,428</u>	<u>160,264</u>	<u>-</u>	<u>656,692</u>	<u>-</u>
Total governmental activities	<u>\$ 4,825,578</u>	<u>\$ 1,450,078</u>	<u>\$ (761,201)</u>	<u>\$ 5,514,455</u>	<u>\$ 767,819</u>
<b>Business-Type Activities:</b>					
General obligations bonds	\$ 1,550,000	\$ -	\$ (550,000)	\$ 1,000,000	\$ 570,000
Installment notes payable	2,803,203	-	(1,058,108)	1,745,095	816,101
Revolving loan payable	1,845,274	159,223	(131,806)	1,872,691	142,420
Recovery Zone Economic					
Development Bonds	4,833,327	-	(333,329)	4,499,998	333,333
Compensated absences	510,200	176,452	(247,024)	439,628	247,024
OPEB accrued liability	<u>256,093</u>	<u>97,237</u>	<u>-</u>	<u>353,330</u>	<u>-</u>
Total business-type activities	<u>\$ 11,798,097</u>	<u>\$ 432,912</u>	<u>\$ (2,320,267)</u>	<u>\$ 9,910,742</u>	<u>\$ 2,108,878</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, 2012, the City has a legal debt margin of approximately \$54,677,079.

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Capital Assets, Net of Related Debt**

Capital assets, net of related debt at June 30, 2012 are computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 22,685,193	\$ 68,250,116
Less: capital debt		
Gross debt	3,488,399	9,117,784
Less: Unspent debt proceeds	<u>(113,418)</u>	<u>(1,343,768)</u>
Net capital debt	<u>3,374,981</u>	<u>7,774,016</u>
 Capital assets, net of related debt	 <u>\$ 19,310,212</u>	 <u>\$ 60,476,100</u>

**12. Interfund Balances and Activity**

**Due To/From Other Funds –**

The composition of interfund balances as of June 30, 2012 is as follows:

<u>Payable Fund</u>	<u>Receivable Fund General Fund</u>	<u>Purpose</u>
Nonmajor governmental funds	\$ 50,603	Advances of grant expenditures
Stormwater Utilities Enterprise Fund	32,706	Advance of funds until escrow draw is received
Nonmajor enterprise funds	<u>80,949</u>	Advance of funds until escrow draw is received
Total	<u>\$ 164,258</u>	

# CITY OF WASHINGTON, NORTH CAROLINA

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Transfers To/From Other Funds –

The composition of interfund transfers for the year ending June 30, 2012 is as follows:

Fund	To	From	Purpose
<b>General Fund:</b>			
Electric Fund	\$ -	\$ 973,150	Dividend from Electric Fund
Electric Fund	-	126,593	1/3 share of estimated EDC operational expenses, rebate share of Turnage Theatre, WHDA hotel study, and support of WHDA operations
Water Fund	-	31,593	1/3 share of estimated EDC operational expenses and rebate share of Turnage Theatre utilities
Water Fund	-	143,926	2 years of Highway 17 debt service
Sewer Fund	-	31,593	1/3 share of estimated EDC operational expenses and rebate share of Turnage Theatre utilities
Sewer Fund	-	81,064	2 years of Highway 17 debt service
Public Safety Capital Reserve	120,000	120,000	Support public safety debt service
Airport Fund	124,982	-	Annual subsidy payment
Cemetery Fund	114,505	-	Annual subsidy payment
Façade Program	10,000	-	City sponsorship for Façade Program
Comprehensive Bicycle Plan	7,000	-	City's contribution to the project
Spinrite Economic Development Grant	45,000	-	City's contribution to the project
Rescue Vehicle Construction Grant	17,515	-	City's contribution to the project
Weir Valve Rehabilitation Grant	20,500	-	City's contribution to the project
<b>Total General Fund</b>	<u>459,502</u>	<u>1,507,919</u>	
<b>Water Fund:</b>			
General Fund	31,593	-	1/3 share of estimated EDC operational expenses and rebate share of Turnage Theatre utilities
General Fund	143,926	-	2 years of Highway 17 debt service
Sewer Fund	-	21,188	Donated Assets
Spinrite Economic Development Grant	22,500	-	City's contribution to the project
<b>Total Water Fund</b>	<u>198,019</u>	<u>21,188</u>	
<b>Sewer Fund:</b>			
General Fund	31,593	-	1/3 share of estimated EDC operational expenses and rebate share of Turnage Theatre utilities
General Fund	81,064	-	2 years of Highway 17 debt service
Water Fund	21,188	-	Donated Assets
Spinrite Economic Development Grant	22,500	-	City's contribution to the project
<b>Total Sewer Fund</b>	<u>156,345</u>	<u>-</u>	

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Fund</u>	<u>To</u>	<u>From</u>	<u>Purpose</u>
<b>Electric Fund:</b>			
General Fund	126,593	-	1/3 share of estimated EDC operational expenses, rebate share of Turnage Theatre, WHDA hotel study, and support of WHDA operations
General Fund	<u>973,150</u>	-	Dividend to taxpayers
<b>Total Electric Fund</b>	<u>1,099,743</u>	-	
<b>Nonmajor Enterprise Funds:</b>			
<b>Airport Fund:</b>			
General Fund	-	124,982	Subsidy payment to balance the fund
<b>Cemetery Fund:</b>			
General Fund	-	<u>114,505</u>	Subsidy payment to balance the fund
<b>Total Nonmajor Enterprise Funds</b>	<u>\$ -</u>	<u>\$ 239,487</u>	
<b>Nonmajor Governmental Funds:</b>			
<b>Comprehensive Bicycle Plan Fund</b>			
General Fund	\$ -	\$ 7,000	City's contribution to project
<b>Spinrite Economic Development Fund</b>			
General Fund	-	45,000	City's contribution to project
Water Fund	-	22,500	City's contribution to project
Sewer Fund	-	22,500	City's contribution to project
<b>Weir Valve Rehabilitation Fund</b>			
General Fund	-	20,500	City contribution to the project
<b>Rescue Vehicle Construction FEMA</b>			
General Fund	-	17,515	City contribution to the project
<b>Public Safety Capital Reserve Fund</b>			
General Fund	120,000	120,000	Support for debt payments
<b>Façade Program Fund</b>			
General Fund	-	<u>10,000</u>	City contribution to the project
<b>Total Nonmajor Governmental Funds</b>	<u>\$ 120,000</u>	<u>\$ 265,015</u>	

## CITY OF WASHINGTON, NORTH CAROLINA

### NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

#### 13. 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, 2012.

##### 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, who 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, 2012 was \$27,711,121.

#### 14. 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 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, 2012. 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.

#### 15. 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.

**CITY OF WASHINGTON, NORTH CAROLINA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**16. 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 fifteenth of the utility relocation cost. No additional liability has been booked for this relocation cost.

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## **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)

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## CITY OF WASHINGTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2012**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)			
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%
12/31/2011	-	656,454	656,454	0.00%	1,653,548	39.70%

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
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%
2012	75,347	12.66%

**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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	20 years
Asset valuation method	Market value
<b>Actuarial Assumptions:</b>	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
Cost of living adjustments	None

\* Includes inflation at 3.00%

## CITY OF WASHINGTON, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2012**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) - Projected Unit Credit (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**

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2009	\$ 325,819	22.60%
2010	325,819	25.49%
2011	338,037	24.63%
2012	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%
Medical cost trend rate	5% - 10.50%
Year of Ultimate trend rate	2018

\* Includes inflation at 3.00%

## **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.

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## CITY OF WASHINGTON, NORTH CAROLINA

**GENERAL FUND**  
**COMPARATIVE BALANCE SHEETS - GENERAL FUND**  
**JUNE 30, 2012**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>Assets:</b>		
Cash and investments	\$ 6,815,761	\$ 6,713,519
Taxes receivable, net	384,070	482,651
Accounts receivable, net	2,003,328	1,574,201
Due from other funds	164,258	135,548
Inventories	85,930	97,932
Restricted cash and investments	114,518	289,946
Total assets	<u>\$ 9,567,865</u>	<u>\$ 9,293,797</u>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 511,849	\$ 448,462
Deferred revenues	671,885	877,221
Customer deposits	1,100	475
Total liabilities	<u>1,184,834</u>	<u>1,326,158</u>
<b>Fund Balances:</b>		
Non-spendable, not in spendable form:		
Inventories	85,930	97,932
Restricted:		
Stabilization by State statute	2,154,972	2,068,715
Restricted, all other	410,411	422,029
Committed	21	21
Assigned	189,471	-
Unassigned	5,542,226	5,378,942
Total fund balances	<u>8,383,031</u>	<u>7,967,639</u>
Total liabilities and fund balances	<u>\$ 9,567,865</u>	<u>\$ 9,293,797</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND CONSOLIDATED  
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Economic Development Capital Reserve Fund	Eliminations	Total
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,189,504	\$ -	\$ -	\$ 4,189,504
Other taxes and licenses	2,572,734	-	-	2,572,734
Unrestricted intergovernmental	1,529,835	-	-	1,529,835
Restricted intergovernmental	1,784,190	-	-	1,784,190
Permits and fees	91,530	-	-	91,530
Sales and services	1,432,739	-	-	1,432,739
Investment earnings	19,066	-	-	19,066
Miscellaneous	64,981	-	-	64,981
Total revenues	<u>11,684,579</u>	<u>-</u>	<u>-</u>	<u>11,684,579</u>
<b>Expenditures:</b>				
General government	1,727,794	-	-	1,727,794
Public safety	6,034,307	-	-	6,034,307
Transportation	1,600,006	-	-	1,600,006
Environmental protection	389,702	-	-	389,702
Cultural and recreation	2,189,893	-	-	2,189,893
Debt service:				
Principal retirement	234,504	-	-	234,504
Interest and fees	141,398	-	-	141,398
Total expenditures	<u>12,317,604</u>	<u>-</u>	<u>-</u>	<u>12,317,604</u>
<b>Revenues over (under) expenditures</b>	<u>(633,025)</u>	<u>-</u>	<u>-</u>	<u>(633,025)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	1,507,919	189,779	(189,779)	1,507,919
Transfers to other funds	(459,502)	(189,779)	189,779	(459,502)
Total other financing sources (uses)	<u>1,048,417</u>	<u>-</u>	<u>-</u>	<u>1,048,417</u>
<b>Net change in fund balance</b>	415,392	-	-	415,392
<b>Fund Balance:</b>				
Beginning of year - July 1	<u>7,967,618</u>	<u>21</u>	<u>-</u>	<u>7,967,639</u>
End of year - June 30	<u>\$ 8,383,010</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 8,383,031</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 4,035,260	\$ 4,131,649	\$ 96,389	\$ 4,112,050
Penalties and interest	45,000	57,855	12,855	53,433
Total	4,080,260	4,189,504	109,244	4,165,483
<b>Other Taxes and Licenses:</b>				
Local option sales tax	1,843,970	2,046,708	202,738	1,963,488
Local occupancy tax	245,000	250,930	5,930	239,560
Automotive licenses	37,000	39,039	2,039	38,059
Rental vehicle tax	15,000	20,718	5,718	16,046
Privilege licenses	180,000	182,685	2,685	175,414
PEG Channel tax	17,400	32,654	15,254	21,589
Total	2,338,370	2,572,734	234,364	2,454,156
<b>Unrestricted Intergovernmental:</b>				
Payment in lieu of taxes	121,714	121,714	-	119,745
Franchise tax	1,250,000	1,130,064	(119,936)	1,206,174
Utility sales tax	300,000	212,472	(87,528)	234,545
Beer and wine tax	45,000	42,365	(2,635)	44,576
Court costs and fines	5,600	5,832	232	6,440
ABC board distributions	15,000	8,888	(6,112)	28,249
Public housing payment	5,275	8,500	3,225	5,273
Total	1,742,589	1,529,835	(212,754)	1,645,002
<b>Restricted Intergovernmental:</b>				
Local forfeiture	1,500	2,159	659	1,257
Powell Bill	170,000	175,640	5,640	175,491
Beaufort County - library	7,800	7,800	-	7,800
Beaufort County-recreation	15,780	-	(15,780)	15,780
Controlled substance tax	3,000	12,919	9,919	6,655
Beaufort County- rescue squad	129,483	129,483	-	126,944
Washington Park - firefighting	33,155	33,155	-	29,950
State reimbursement for Medicaid EMS	56,530	233,826	177,296	59,225
CAMA - permits and inspections	-	-	-	300
State aid to public libraries	9,400	10,096	696	10,531
Mid-East Commission - recreation	45,089	41,432	(3,657)	37,245
Beaufort County Schools - crime control	75,676	75,676	-	75,676
Federal grant - bulletproof vests	6,500	3,407	(3,093)	2,053
Byrne Jag Grant	11,252	11,251	(1)	16,644
NCDOT bridge reimbursement	647,072	529,953	(117,119)	150,967
Governor's Crime Commission Grant	-	-	-	29,037
Recreation Trail Grant	74,206	46,013	(28,193)	-
Hurricane Irene FEMA grant	338,368	354,097	15,729	-
State Energy Grant	6,689	6,689	-	23,311
Other grants	48,904	110,594	61,690	65,033
Total	1,680,404	1,784,190	103,786	833,899

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Permits and Fees:</b>				
Fire permit and inspection fees	1,400	3,840	2,440	1,555
Building permits	60,000	87,690	27,690	61,009
Total	61,400	91,530	30,130	62,564
<b>Sales and Services:</b>				
Rents	601,716	601,723	7	471,975
Fire contracts	1,887	1,600	(287)	1,887
Public works fees	3,000	21,540	18,540	300
Administrative charges -gas	8,600	10,990	2,390	10,773
Police escort	-	-	-	115
Recreation fees and assessments	109,525	98,200	(11,325)	161,623
Sale of materials and property	6,500	7,553	1,053	3,580
Municipal citations	5,000	2,682	(2,318)	2,765
Grass mowing and lot cleaning	1,500	2,105	605	2,762
Rescue squad	526,310	515,442	(10,868)	478,832
Library fees and fines	17,000	19,939	2,939	17,024
Development filing fees	800	550	(250)	425
Sale of capital assets	15,000	39,584	24,584	9,184
Aquatic Center	91,450	87,667	(3,783)	97,589
Contracted police services	13,000	19,122	6,122	14,861
Paving assessments	3,800	4,023	223	4,329
Other	20	19	(1)	24
Total	1,405,108	1,432,739	27,631	1,278,048
<b>Investment Earnings:</b>				
Interest	50,830	19,066	(31,764)	41,347
<b>Miscellaneous:</b>				
Contributions	15,418	23,648	8,230	14,666
Other	34,000	41,333	7,333	42,140
Total	49,418	64,981	15,563	56,806
<b>Total revenues</b>	<b>11,408,379</b>	<b>11,684,579</b>	<b>276,200</b>	<b>10,537,305</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>City Council:</b>				
Salaries and employee benefits	32,659	32,653	6	31,967
Professional services	14,870	13,661	1,209	8,162
Other operating expenditures	12,384	9,109	3,275	12,736
Election expenses	7,090	7,086	4	-
Total	67,003	62,509	4,494	52,865

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Mayor's Office:</b>				
Salaries and employee benefits	11,191	11,189	2	11,189
Other operating expenditures	2,167	1,800	367	832
Election expenses	1,100	1,100	-	-
Total	14,458	14,089	369	12,021
<b>City Manager:</b>				
Salaries and employee benefits	265,560	252,858	12,702	320,673
Professional services	1,750	795	955	2,553
Contract services	-	-	-	494
Other operating expenditures	22,093	20,500	1,593	22,066
Total	289,403	274,153	15,250	345,786
<b>Human Resources:</b>				
Salaries and employee benefits	218,108	217,385	723	210,798
Professional services	6,740	6,719	21	3,530
Other operating expenditures	34,176	32,569	1,607	29,641
Maintenance and repairs	824	824	-	690
Contracted services	25,000	25,000	-	25,303
Total	284,848	282,497	2,351	269,962
<b>Tourism Director:</b>				
Salaries and employee benefits	127,238	116,180	11,058	103,722
Professional services	200	(724)	924	-
Other operating expenditures	3,846	3,350	496	2,653
Total	131,284	118,806	12,478	106,375
<b>Finance Director:</b>				
Salaries and employee benefits	382,222	380,524	1,698	370,071
Professional services	85,237	83,886	1,351	87,766
Other operating expenditures	25,882	14,614	11,268	16,747
Maintenance and repairs	1,000	933	67	710
Total	494,341	479,957	14,384	475,294
<b>Purchasing and Supply:</b>				
Salaries and employee benefits	106,189	105,667	522	102,204
Other operating expenditures	16,870	14,655	2,215	30,160
Maintenance and repairs	3,815	3,566	249	3,728
Total	126,874	123,888	2,986	136,092
<b>Customer Service:</b>				
Salaries and employee benefits	410,749	387,596	23,153	413,788
Professional services	39,000	38,249	751	48,891
Other operating expenditures	202,731	198,549	4,182	214,241
Maintenance and repairs	8,500	7,153	1,347	7,037
Capital outlay	-	-	-	4,070
Total	660,980	631,547	29,433	688,027

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Billing Department:</b>				
Salaries and employee benefits	68,922	68,056	866	44,982
Professional services	-	-	-	72
Other operating expenditures	85,800	77,500	8,300	79,193
Total	154,722	145,556	9,166	124,247
<b>Information Services:</b>				
Salaries and employee benefits	68,828	67,861	967	103,892
Contract services	98,976	92,196	6,780	83,766
Other operating expenditures	30,323	19,083	11,240	23,031
Maintenance and repairs	7,000	2,457	4,543	10,516
Capital outlay	65,933	50,026	15,907	21,550
Total	271,060	231,623	39,437	242,755
<b>Municipal Building:</b>				
Salaries and employee benefits	42,763	42,344	419	41,283
Contracted services	6,130	5,810	320	3,490
Other operating expenditures	62,268	58,172	4,096	70,837
Maintenance and repairs	50,918	42,686	8,232	44,940
Total	162,079	149,012	13,067	160,550
<b>Legal Services:</b>				
Professional services	260,000	236,240	23,760	267,278
<b>Non-Departmental:</b>				
Other operating expenditures	539,367	520,617	18,750	649,949
Maintenance and repairs	1,000	794	206	794
Capital outlay	100,120	-	100,120	189,201
Hurricane Irene FEMA expenses	338,368	287,664	50,704	-
Total	978,855	809,075	169,780	839,944
<b>Economic Development:</b>				
Operating expenditures	208,762	208,724	38	177,684
<b>Reimbursement:</b>				
Enterprise funds	(1,921,077)	(1,921,077)	-	(2,030,676)
Tourism Authority	(111,970)	(118,805)	6,835	(106,374)
Total	(2,033,047)	(2,039,882)	6,835	(2,137,050)
<b>Total general government</b>	<b>2,071,622</b>	<b>1,727,794</b>	<b>343,828</b>	<b>1,761,830</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and employee benefits	2,389,843	2,362,190	27,653	2,300,436
Professional services	4,830	4,777	53	3,220
Other operating expenditures	198,517	192,655	5,862	220,583
Maintenance and repairs	153,828	150,058	3,770	146,435
Contracted services	49,003	49,000	3	50,921
Capital outlay	50,899	50,678	221	49,904
<b>Total</b>	<b>2,846,920</b>	<b>2,809,358</b>	<b>37,562</b>	<b>2,771,499</b>
<b>E-911 Communication:</b>				
Salaries and employee benefits	307,839	286,954	20,885	298,004
Other operating expenditures	74,851	73,084	1,767	31,212
Maintenance and repairs	10,500	9,567	933	11,717
<b>Total</b>	<b>393,190</b>	<b>369,605</b>	<b>23,585</b>	<b>340,933</b>
<b>Fire:</b>				
Salaries and employee benefits	1,422,401	1,390,540	31,861	1,349,525
Professional services	8,667	7,411	1,256	10,076
Contracted services	1,908	1,908	-	1,145
Other operating expenditures	124,932	104,423	20,509	119,002
Maintenance and repairs	58,550	53,805	4,745	61,156
Contribution to Fireman's Association	1,835	1,826	9	3,278
<b>Total</b>	<b>1,618,293</b>	<b>1,559,913</b>	<b>58,380</b>	<b>1,544,182</b>
<b>Rescue:</b>				
Salaries and employee benefits	568,411	566,940	1,471	564,920
Professional services	36,260	30,389	5,871	37,858
Other operating expenditures	57,079	52,544	4,535	46,228
Maintenance and repairs	32,605	31,915	690	18,527
Capital outlay	135,500	135,356	144	-
<b>Total</b>	<b>829,855</b>	<b>817,144</b>	<b>12,711</b>	<b>667,533</b>
<b>Planning/Zoning:</b>				
Salaries and employee benefits	264,424	252,150	12,274	245,955
Professional services	21,009	12,700	8,309	7,628
Contract services	36,000	29,200	6,800	-
Other operating expenditures	28,640	14,643	13,997	44,402
Capital outlay	1,250	-	1,250	4,052
<b>Total</b>	<b>351,323</b>	<b>308,693</b>	<b>42,630</b>	<b>302,037</b>
<b>Code Enforcement/Inspections:</b>				
Salaries and employee benefits	193,688	192,839	849	148,416
Professional Services	-	-	-	36
Contract services	9,600	8,580	1,020	9,762
Other operating expenditures	29,673	16,507	13,166	8,078
Maintenance and repairs	4,050	4,039	11	2,772
<b>Total</b>	<b>237,011</b>	<b>221,965</b>	<b>15,046</b>	<b>169,064</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Reimbursement:</b>				
Enterprise funds	(52,371)	(52,371)	-	(52,113)
<b>Total public safety</b>	<b>6,224,221</b>	<b>6,034,307</b>	<b>189,914</b>	<b>5,743,135</b>
<b>Transportation:</b>				
<b>Street Maintenance:</b>				
Salaries and employee benefits	375,530	372,412	3,118	377,335
Professional services	332	332	-	146
Other operating expenditures	21,714	20,823	891	27,501
Maintenance and repairs	71,406	71,361	45	49,634
Capital outlay	92,616	92,566	50	14,420
Total	561,598	557,494	4,104	469,036
<b>Street Construction - Powell Bill:</b>				
Salaries and employee benefits	104,361	97,788	6,573	94,887
Professional services	378	378	-	519
Other operating expenditures	30,000	21,358	8,642	36,737
Maintenance and repairs	25,986	19,445	6,541	33,864
Contracted services	75,093	20,212	54,881	261,633
Capital outlay	731,291	662,441	68,850	150,678
Total	967,109	821,622	145,487	578,318
<b>Street Lighting:</b>				
Street lighting services	123,000	122,938	62	126,934
Total	123,000	122,938	62	126,934
<b>Equipment Services:</b>				
Salaries and employee benefits	100,792	99,182	1,610	96,553
Professional services	100	100	-	3,600
Other operating expenditures	63,980	65,160	(1,180)	10,855
Maintenance and repairs	15,161	6,049	9,112	6,481
Total	180,033	170,491	9,542	117,489
<b>Reimbursement:</b>				
Enterprise funds	(72,539)	(72,539)	-	(72,675)
<b>Total transportation</b>	<b>1,759,201</b>	<b>1,600,006</b>	<b>159,195</b>	<b>1,219,102</b>
<b>Environmental Protection:</b>				
<b>Public Works Director:</b>				
Salaries and employee benefits	78,443	77,870	573	75,361
Professional services	36	36	-	52
Other operating expenditures	2,430	1,664	766	1,922
Maintenance and repairs	4	4	-	55
Total	80,913	79,574	1,339	77,390

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Drainage Improvements:</b>				
Salaries and employee benefits	291,625	289,485	2,140	279,053
Other operating expenditures	432	426	6	246
Maintenance and repairs	20,220	20,217	3	11,945
Total	312,277	310,128	2,149	291,244
<b>Total environmental protection</b>	<b>393,190</b>	<b>389,702</b>	<b>3,488</b>	<b>368,634</b>
<b>Cultural and Recreational:</b>				
<b>Recreation Centers:</b>				
Salaries and employee benefits	102,656	102,421	235	100,543
Professional services	450	150	300	260
Other operating expenditures	27,575	16,806	10,769	27,491
Maintenance and repairs	27,647	23,712	3,935	10,931
Programs	21,315	19,178	2,137	28,768
Total	179,643	162,267	17,376	167,993
<b>Athletics and Programs:</b>				
Salaries and employee benefits	13,387	12,363	1,024	12,363
Contracted services	15	15	-	128
Other operating expenditures	20,262	18,734	1,528	17,196
Maintenance and repairs	1,800	1,117	683	891
Total	35,464	32,229	3,235	30,578
<b>Senior Citizens Programs:</b>				
Salaries and employee benefits	123,153	121,644	1,509	119,340
Other operating expenditures	29,802	26,867	2,935	34,339
Programs	35,171	30,887	4,284	24,239
Maintenance and repairs	29,478	29,038	440	18,228
Total	217,604	208,436	9,168	196,146
<b>Recreation Administration:</b>				
Salaries and employee benefits	175,237	174,838	399	160,150
Professional services	1,565	1,564	1	1,221
Other operating expenditures	47,226	46,723	503	41,653
Maintenance and repairs	1,945	1,707	238	2,031
Capital outlay	1,232	-	1,232	-
Total	227,205	224,832	2,373	205,055
<b>Library:</b>				
Salaries and employee benefits	265,448	264,564	884	244,903
Contract services	18,350	18,055	295	21,090
Professional services	400	390	10	550
Other operating expenditures	109,031	98,578	10,453	97,452
Maintenance and repairs	30,520	27,825	2,695	11,035
Capital outlay	-	-	-	28,744
Total	423,749	409,412	14,337	403,774

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Parks and Grounds Maintenance:</b>				
Salaries and employee benefits	276,650	271,944	4,706	269,879
Professional services	100	57	43	225
Contracted services	6,720	6,720	-	6,720
Other operating expenditures	85,360	84,609	751	79,754
Maintenance and repairs	94,515	80,236	14,279	74,735
Capital outlay	190,816	141,203	49,613	8,509
<b>Total</b>	<b>654,161</b>	<b>584,769</b>	<b>69,392</b>	<b>439,822</b>
<b>Waterfront Docks:</b>				
Salaries and employee benefits	50,221	48,654	1,567	49,399
Professional services	200	-	200	-
Other operating expenditures	47,385	43,537	3,848	41,655
Maintenance and repairs	4,844	2,932	1,912	2,391
Capital outlay	-	-	-	85,221
<b>Total</b>	<b>102,650</b>	<b>95,123</b>	<b>7,527</b>	<b>178,666</b>
<b>Contributions to Outside Agencies:</b>				
Arts Council	21,940	21,940	-	24,600
Zion Shelter	9,385	9,385	-	10,500
Boys and Girls Club	19,735	19,735	-	22,088
Washington Historic Foundation/Christmas Parade	1,970	1,970	-	2,329
The Blind Center	2,500	2,500	-	2,800
Human Relations Council	500	476	24	524
Turnage Theater	-	-	-	100,000
Purpose of God	1,610	1,610	-	1,800
Right Flight	3,795	3,795	-	4,250
Wildlife Arts Festival	7,902	7,902	-	8,573
Eagle Wings	-	-	-	1,900
Washington Community Care	500	500	-	-
<b>Total</b>	<b>69,837</b>	<b>69,813</b>	<b>24</b>	<b>179,364</b>
<b>Civic Center:</b>				
Salaries and employee benefits	52,023	51,845	178	69,618
Other operating expenditures	12,893	11,505	1,388	15,006
Maintenance and repairs	14,380	12,835	1,545	106
Contracted services	50,000	50,000	-	50,000
Professional services	200	46	154	249
<b>Total</b>	<b>129,496</b>	<b>126,231</b>	<b>3,265</b>	<b>134,979</b>
<b>Aquatic Center:</b>				
Salaries and employee benefits	186,735	180,387	6,348	178,370
Professional services	500	200	300	275
Other operating expenditures	112,785	98,684	14,101	88,351
Maintenance and repairs	55,092	52,544	2,548	24,832
Printing and publishing	1,853	1,838	15	1,948
<b>Total</b>	<b>356,965</b>	<b>333,653</b>	<b>23,312</b>	<b>293,776</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
<b>Reimbursement:</b>				
Civic Center	(84,715)	(56,503)	(28,212)	(75,000)
Library Trust Fund	(225)	(369)	144	(314)
Total	<u>(84,940)</u>	<u>(56,872)</u>	<u>(28,068)</u>	<u>(75,314)</u>
<b>Total cultural and recreation</b>	<u>2,311,834</u>	<u>2,189,893</u>	<u>121,941</u>	<u>2,154,839</u>
<b>Debt Service:</b>				
Principal retirement	260,611	234,504	26,107	557,194
Interest and fees	141,706	141,398	308	125,094
Total debt service	<u>402,317</u>	<u>375,902</u>	<u>26,415</u>	<u>682,288</u>
<b>Total expenditures</b>	<u>13,162,385</u>	<u>12,317,604</u>	<u>844,781</u>	<u>11,929,828</u>
<b>Revenues over (under) expenditures</b>	<u>(1,754,006)</u>	<u>(633,025)</u>	<u>1,120,981</u>	<u>(1,392,523)</u>
<b>Other Financing Sources (Uses):</b>				
<b>Transfer From:</b>				
From Economic Development Capital Reserve Fund	189,779	189,779	-	185,000
From Electric Fund	973,150	973,150	-	973,150
From Water Fund	143,926	143,926	-	-
From Sewer Fund	81,064	81,064	-	-
From Public Safety Capital Reserve Fund	120,000	120,000	-	175,000
From CPF	-	-	-	34
<b>Transfer To:</b>				
To Public Safety Capital Reserve Fund	(120,000)	(120,000)	-	(120,000)
To Airport Fund	(124,982)	(124,982)	-	(95,633)
To Façade Program Fund	(10,000)	(10,000)	-	(10,000)
To Cemetery Fund	(114,505)	(114,505)	-	(99,942)
To CPF	(45,000)	(45,000)	-	(261,425)
To other funds	(45,015)	(45,015)	-	-
Long-term debt issued	-	-	-	206,550
Appropriated fund balance	705,589	-	(705,589)	-
Total other financing sources (uses)	<u>1,754,006</u>	<u>1,048,417</u>	<u>(705,589)</u>	<u>952,734</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>415,392</u>	<u>\$ 415,392</u>	<u>(439,789)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>7,967,618</u>		<u>8,407,407</u>
End of year - June 30		<u>\$ 8,383,010</u>		<u>\$ 7,967,618</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ -	\$ 445
Total revenues	-	-	-	445
<b>Other Financing Sources (Uses):</b>				
Transfers to General Fund	(189,779)	(189,779)	-	(185,000)
Transfers from Electric Fund	126,593	126,593	-	75,000
Transfer from Water Fund	31,593	31,593	-	-
Transfer from Sewer Fund	31,593	31,593	-	-
Total other financing sources (uses)	-	-	-	(110,000)
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	(109,555)
<b>Fund Balance:</b>				
Beginning of year - July 1		21		109,576
End of year - June 30		<u>\$ 21</u>		<u>\$ 21</u>

## **Nonmajor Governmental Funds**

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## CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2012

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 17,595	\$ 1,033,009	\$ 472,175	\$ 1,522,779
Accounts receivable, net	27,436	39,097	200	66,733
Notes receivable, net	188,000	-	-	188,000
Restricted cash and investments	-	92,359	-	92,359
Total assets	<u>\$ 233,031</u>	<u>\$ 1,164,465</u>	<u>\$ 472,375</u>	<u>\$ 1,869,871</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 3,195	\$ 443	\$ -	\$ 3,638
Due to other funds	12,462	38,141	-	50,603
Deferred revenues	200,099	-	200	200,299
Total liabilities	<u>215,756</u>	<u>38,584</u>	<u>200</u>	<u>254,540</u>
<b>Fund Balances:</b>				
Non-spendable, not in spendable form:				
Perpetual maintenance - library care	-	-	95,375	95,375
Perpetual maintenance - cemetery care	-	-	376,800	376,800
Restricted:				
Stabilization by State statute	15,337	39,097	-	54,434
Restricted, all other	10,560	81,838	-	92,398
Committed	5,575	1,001,642	-	1,007,217
Assigned	-	18,908	-	18,908
Unassigned	(14,197)	(15,604)	-	(29,801)
Total fund balances	<u>17,275</u>	<u>1,125,881</u>	<u>472,175</u>	<u>1,615,331</u>
Total liabilities and fund balances	<u>\$ 233,031</u>	<u>\$ 1,164,465</u>	<u>\$ 472,375</u>	<u>\$ 1,869,871</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, 2012**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 100,400	\$ 559,983	\$ -	\$ 660,383
Perpetual Care fees	-	-	19,600	19,600
Investment earnings	92	3,757	1,754	5,603
Miscellaneous revenue	-	76,308	-	76,308
Total revenues	<u>100,492</u>	<u>640,048</u>	<u>21,354</u>	<u>761,894</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	102,498	7,515	-	110,013
Environmental protection	-	-	1,385	1,385
Cultural and recreation	1,425	241,491	369	243,285
Economic and physical development	37,911	1,073,815	-	1,111,726
General government	-	195,665	-	195,665
Total expenditures	<u>141,834</u>	<u>1,518,486</u>	<u>1,754</u>	<u>1,662,074</u>
<b>Revenues over (under) expenditures</b>	<u>(41,342)</u>	<u>(878,438)</u>	<u>19,600</u>	<u>(900,180)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	7,000	258,015	-	265,015
Transfers out	-	(120,000)	-	(120,000)
Long-term debt issued	-	769,566	-	769,566
Total other financing sources (uses)	<u>7,000</u>	<u>907,581</u>	<u>-</u>	<u>914,581</u>
<b>Net change in fund balances</b>	<u>(34,342)</u>	<u>29,143</u>	<u>19,600</u>	<u>14,401</u>
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>51,617</u>	<u>1,096,738</u>	<u>452,575</u>	<u>1,600,930</u>
End of year - June 30	<u>\$ 17,275</u>	<u>\$ 1,125,881</u>	<u>\$ 472,175</u>	<u>\$ 1,615,331</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
- Gang/Drug Investigator Fund
- CDBG Affordable Housing Fund
- Comprehensive Bicycle Plan Fund
- Talent Enhancement Grant Fund

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## CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

	<u>CDBG Program Income</u>	<u>Gang/Drug Investigator Fund</u>	<u>CDBG Affordable Housing</u>	<u>Comprehensive Bicycle Plan</u>	<u>Talent Enhancement Grant-CDBG</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>Assets:</b>						
Cash and cash equivalents	\$ 10,560	\$ -	\$ -	\$ 7,000	\$ 35	\$ 17,595
Accounts receivable, net	12,099	13,471	665	1,140	61	27,436
Notes receivable, net	188,000	-	-	-	-	188,000
Total assets	<u>\$ 210,659</u>	<u>\$ 13,471</u>	<u>\$ 665</u>	<u>\$ 8,140</u>	<u>\$ 96</u>	<u>\$ 233,031</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 1,770	\$ -	\$ 1,425	\$ -	\$ 3,195
Due to other funds	-	11,701	665	-	96	12,462
Deferred revenue	200,099	-	-	-	-	200,099
Total liabilities	<u>200,099</u>	<u>13,471</u>	<u>665</u>	<u>1,425</u>	<u>96</u>	<u>215,756</u>
<b>Fund Balances:</b>						
<b>Restricted:</b>						
Stabilization by State statute	-	13,471	665	1,140	61	15,337
Restricted, all other	10,560	-	-	-	-	10,560
Committed	-	-	-	5,575	-	5,575
Unassigned	-	(13,471)	(665)	-	(61)	(14,197)
Total fund balances (deficit)	<u>10,560</u>	<u>-</u>	<u>-</u>	<u>6,715</u>	<u>-</u>	<u>17,275</u>
Total liabilities and fund balances	<u>\$ 210,659</u>	<u>\$ 13,471</u>	<u>\$ 665</u>	<u>\$ 8,140</u>	<u>\$ 96</u>	<u>\$ 233,031</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, 2012**

	<u>CDBG Program Income</u>	<u>Emergency 911</u>	<u>Gang/Drug Investigator Fund</u>	<u>CDBG Affordable Housing</u>	<u>Comprehensive Bicycle Plan</u>	<u>Talent Enhancement Grant-CDBG</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>Revenues:</b>							
Restricted intergovernmental	\$ 2,350	\$ -	\$ 58,999	\$ 17,800	\$ 1,140	\$ 20,111	\$ 100,400
Investment earnings	-	92	-	-	-	-	92
Total revenues	<u>2,350</u>	<u>92</u>	<u>58,999</u>	<u>17,800</u>	<u>1,140</u>	<u>20,111</u>	<u>100,492</u>
<b>Expenditures:</b>							
Public safety	-	43,499	58,999	-	-	-	102,498
Economic and physical development	-	-	-	17,800	-	20,111	37,911
Cultural and recreational	-	-	-	-	1,425	-	1,425
Total expenditures	<u>-</u>	<u>43,499</u>	<u>58,999</u>	<u>17,800</u>	<u>1,425</u>	<u>20,111</u>	<u>141,834</u>
<b>Revenues over (under) expenditures</b>	<u>2,350</u>	<u>(43,407)</u>	<u>-</u>	<u>-</u>	<u>(285)</u>	<u>-</u>	<u>(41,342)</u>
<b>Other Financing Sources (Uses):</b>							
Transfers from other funds	-	-	-	-	7,000	-	7,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
<b>Net change in fund balances</b>	<u>2,350</u>	<u>(43,407)</u>	<u>-</u>	<u>-</u>	<u>6,715</u>	<u>-</u>	<u>(34,342)</u>
<b>Fund Balance:</b>							
Beginning of year - July 1	<u>8,210</u>	<u>43,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,617</u>
End of year - June 30	<u>\$ 10,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,715</u>	<u>\$ -</u>	<u>\$ 17,275</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, 2012  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Economic development loan repayments	\$ -	\$ 2,350	\$ 2,350	\$ 1,877
Total revenues	-	2,350	2,350	1,877
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>2,350</u>	<u>\$ 2,350</u>	1,877
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>8,210</u>		<u>6,333</u>
End of year - June 30		<u>\$ 10,560</u>		<u>\$ 8,210</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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Emergency 911 surcharge	\$ -	\$ -	\$ -	\$ 43,385
Investment earnings	-	92	92	115
Total revenues	-	92	92	43,500
<b>Expenditures:</b>				
<b>Public Safety:</b>				
Contract services	43,535	43,499	36	23,403
Total expenditures	43,535	43,499	36	23,403
<b>Revenues over (under) expenditures</b>	<u>(43,535)</u>	<u>(43,407)</u>	<u>128</u>	<u>20,097</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	43,535	-	(43,535)	-
Total other financing sources (uses)	43,535	-	(43,535)	-
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(43,407)</u>	<u>\$ (43,407)</u>	<u>20,097</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		43,407		23,310
End of year - June 30		<u>\$ -</u>		<u>\$ 43,407</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, 2012**

	<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	\$ 131,344	\$ 58,999	\$ 190,343	\$ (965)
Total revenues	<u>191,308</u>	<u>131,344</u>	<u>58,999</u>	<u>190,343</u>	<u>(965)</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Salaries and employee benefits	127,153	72,368	54,002	126,370	783
Materials	16,715	11,536	4,997	16,533	182
Capital outlay	<u>47,440</u>	<u>47,440</u>	-	<u>47,440</u>	-
Total expenditures	<u>191,308</u>	<u>131,344</u>	<u>58,999</u>	<u>190,343</u>	<u>965</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			-		
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, 2012**

	<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>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Grant funds	\$ 227,700	\$ 158,901	\$ 17,800	\$ 176,701	\$ (50,999)
Total revenues	<u>227,700</u>	<u>158,901</u>	<u>17,800</u>	<u>176,701</u>	<u>(50,999)</u>
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Administration and planning	80,700	28,759	17,800	46,559	34,141
Acquisition	<u>147,000</u>	<u>130,142</u>	-	<u>130,142</u>	<u>16,858</u>
Total expenditures	<u>227,700</u>	<u>158,901</u>	<u>17,800</u>	<u>176,701</u>	<u>50,999</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			-		
End of year, June 30			<u>\$ -</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**SPECIAL REVENUE FUND - COMPREHENSIVE BICYCLE PLAN  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<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>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Federal grant funds	\$ 28,000	\$ -	\$ 1,140	\$ 1,140	\$ (26,860)
Total revenues	<u>28,000</u>	<u>-</u>	<u>1,140</u>	<u>1,140</u>	<u>(26,860)</u>
<b>Expenditures:</b>					
<b>Cultural and recreational</b>					
Professional services	35,000	-	1,425	1,425	33,575
Total expenditures	<u>35,000</u>	<u>-</u>	<u>1,425</u>	<u>1,425</u>	<u>33,575</u>
<b>Revenues over (under) expenditures</b>	<u>(7,000)</u>	<u>-</u>	<u>(285)</u>	<u>(285)</u>	<u>6,715</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from General Fund	7,000	-	7,000	7,000	-
Total other financing sources (uses)	<u>7,000</u>	<u>-</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>6,715</u>	<u>\$ 6,715</u>	<u>\$ 6,715</u>
<b>Fund Balance:</b>					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 6,715</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**SPECIAL REVENUE FUND - TALENT ENHANCEMENT GRANT - CDBG  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<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>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
CDBG Grant funds	\$ 50,000	\$ -	\$ 20,111	\$ 20,111	\$ (29,889)
Total revenues	<u>50,000</u>	<u>-</u>	<u>20,111</u>	<u>20,111</u>	<u>(29,889)</u>
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Administration	5,000	-	-	-	5,000
Personnel	30,000	-	10,022	10,022	19,978
Employee development	12,000	-	10,000	10,000	2,000
Travel	3,000	-	89	89	2,911
Total expenditures	<u>50,000</u>	<u>-</u>	<u>20,111</u>	<u>20,111</u>	<u>29,889</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>		

## **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
- Festival Park Construction Fund
- Public Safety Capital Reserve Fund
- Facade Program Fund
- Impressions Building Fund
- ARRA Lighting Grant Fund
- Main Street Energy Grant Fund
- Spinrite Economic Development Grant Fund
- Old City Hall Rehabilitation Fund
- Weir Valves Rehabilitation Grant Fund
- Rescue Vehicle Construction Fund

**CITY OF WASHINGTON, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

	<b>CDBG</b>			
	<b>Keyesville Road</b>	<b>New Police</b>	<b>Festival Park</b>	<b>Public Safety</b>
	<b>Subdivision</b>	<b>Station</b>	<b>Construction</b>	<b>Capital Reserve</b>
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 872,428	\$ 12,459	\$ 1,214
Accounts receivable, net	2,971	-	25,615	-
Restricted cash and cash equivalents	-	-	-	-
Total assets	<u>\$ 2,971</u>	<u>\$ 872,428</u>	<u>\$ 38,074</u>	<u>\$ 1,214</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 443	\$ -
Due to General Fund	2,971	-	24,649	-
Total liabilities	<u>2,971</u>	<u>-</u>	<u>25,092</u>	<u>-</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by State statute	2,971	-	25,615	-
Restricted, all other	-	-	-	-
Committed	-	872,428	-	1,214
Assigned	-	-	-	-
Unassigned	(2,971)	-	(12,633)	-
Total fund balances	<u>-</u>	<u>872,428</u>	<u>12,982</u>	<u>1,214</u>
Total liabilities and fund balances	<u>\$ 2,971</u>	<u>\$ 872,428</u>	<u>\$ 38,074</u>	<u>\$ 1,214</u>

Schedule 15

<b>Façade Program Fund</b>	<b>Impressions Building Fund</b>	<b>Spinrite Economic Development Grant Fund</b>	<b>Weir Valves Rehabilitation Grant Fund</b>	<b>Rescue Vehicle Construction - FEMA Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
\$ 18,908	\$ -	\$ 90,000	\$ 20,500	\$ 17,500	\$ 1,033,009
-	10,511	-	-	-	39,097
-	92,359	-	-	-	92,359
<u>\$ 18,908</u>	<u>\$ 102,870</u>	<u>\$ 90,000</u>	<u>\$ 20,500</u>	<u>\$ 17,500</u>	<u>\$ 1,164,465</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 443
-	10,521	-	-	-	38,141
-	10,521	-	-	-	38,584
-	10,511	-	-	-	39,097
-	81,838	-	-	-	81,838
-	-	90,000	20,500	17,500	1,001,642
18,908	-	-	-	-	18,908
-	-	-	-	-	(15,604)
<u>18,908</u>	<u>92,349</u>	<u>90,000</u>	<u>20,500</u>	<u>17,500</u>	<u>1,125,881</u>
<u>\$ 18,908</u>	<u>\$ 102,870</u>	<u>\$ 90,000</u>	<u>\$ 20,500</u>	<u>\$ 17,500</u>	<u>\$ 1,164,465</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, 2012**

	<b>CDBG</b>				
	<b>Keyesville Road Subdivision Fund</b>	<b>New Police Station Fund</b>	<b>Festival Park Construction Fund</b>	<b>Public Safety Capital Reserve Fund</b>	<b>Façade Program Fund</b>
<b>Revenues:</b>					
Grant funds	\$ 125,665	\$ -	\$ 120,745	\$ -	\$ -
Contributions	-	-	-	-	-
Investment earnings	-	3,419	77	-	64
<b>Total revenues</b>	<u>125,665</u>	<u>3,419</u>	<u>120,822</u>	<u>-</u>	<u>64</u>
<b>Expenditures:</b>					
Public safety	-	7,215	-	-	-
General government	195,665	-	-	-	-
Cultural and recreational	-	-	241,491	-	-
Economic and physical development	-	-	-	-	8,260
<b>Total expenditures</b>	<u>195,665</u>	<u>7,215</u>	<u>241,491</u>	<u>-</u>	<u>8,260</u>
<b>Revenues over (under) expenditures</b>	<u>(70,000)</u>	<u>(3,796)</u>	<u>(120,669)</u>	<u>-</u>	<u>(8,196)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	-	120,000	10,000
Transfers out	-	-	-	(120,000)	-
Long-term debt issued	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<b>Net change in fund balances</b>	<u>(70,000)</u>	<u>(3,796)</u>	<u>(120,669)</u>	<u>-</u>	<u>1,804</u>
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>70,000</u>	<u>876,224</u>	<u>133,651</u>	<u>1,214</u>	<u>17,104</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 872,428</u>	<u>\$ 12,982</u>	<u>\$ 1,214</u>	<u>\$ 18,908</u>

<b>Impressions Building Fund</b>	<b>ARRA Lighting Grant Fund</b>	<b>Main Street Energy Grant Fund</b>	<b>Spinrite Economic Development Grant Fund</b>	<b>Weir Valves Rehabilitation Grant Fund</b>	<b>Rescue Vehicle Construction - FEMA Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
\$ -	\$ 259,979	\$ 53,309	\$ -	\$ -	\$ 285	\$ 559,983
-	23,000	53,308	-	-	-	76,308
197	-	-	-	-	-	3,757
197	282,979	106,617	-	-	285	640,048
-	-	-	-	-	300	7,515
-	-	-	-	-	-	195,665
-	-	-	-	-	-	241,491
675,959	282,979	106,617	-	-	-	1,073,815
675,959	282,979	106,617	-	-	300	1,518,486
(675,762)	-	-	-	-	(15)	(878,438)
-	-	-	90,000	20,500	17,515	258,015
-	-	-	-	-	-	(120,000)
769,566	-	-	-	-	-	769,566
769,566	-	-	90,000	20,500	17,515	907,581
93,804	-	-	90,000	20,500	17,500	29,143
(1,455)	-	-	-	-	-	1,096,738
<u>\$ 92,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 20,500</u>	<u>\$ 17,500</u>	<u>\$ 1,125,881</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, 2012**

	<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	\$ 124,335	\$ 125,665	\$ 250,000	\$ -
Total revenues	<u>250,000</u>	<u>124,335</u>	<u>125,665</u>	<u>250,000</u>	<u>-</u>
<b>Expenditures:</b>					
<b>General Government:</b>					
Grant administration	20,000	18,946	1,054	20,000	-
Acquisitions	69,976	69,976	-	69,976	-
Street improvements	92,671	30,456	62,215	92,671	-
Water improvements	59,664	-	59,664	59,664	-
Sewer improvements	<u>77,689</u>	<u>4,957</u>	<u>72,732</u>	<u>77,689</u>	<u>-</u>
Total expenditures	<u>320,000</u>	<u>124,335</u>	<u>195,665</u>	<u>320,000</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>(70,000)</u>	<u>-</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from Sewer Fund	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>-</u>
Total other financing sources (uses)	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>(70,000)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>70,000</u>		
End of year - June 30			<u>\$ -</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, 2012**

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 6,268	\$ 3,419	\$ 9,687	\$ 9,687
Total revenues	-	6,268	3,419	9,687	9,687
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Legal fees	20,000	14,889	-	14,889	5,111
Engineering fees	325,000	95,659	7,215	102,874	222,126
Contingency	445,000	-	-	-	445,000
Land acquisition	210,000	19,496	-	19,496	190,504
Total expenditures	1,000,000	130,044	7,215	137,259	862,741
<b>Revenues over (under) expenditures</b>	<b>(1,000,000)</b>	<b>(123,776)</b>	<b>(3,796)</b>	<b>(127,572)</b>	<b>872,428</b>
<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>	<b>\$ -</b>	<b>\$ 876,224</b>	<b>(3,796)</b>	<b>\$ 872,428</b>	<b>\$ 872,428</b>
<b>Fund Balance:</b>					
Beginning of year - July 1			876,224		
End of year - June 30			\$ 872,428		

## 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, 2012**

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Federal grant funds	\$ 295,125	\$ 161,857	\$ 120,745	\$ 282,602	\$ (12,523)
Donations	-	33,700	-	33,700	33,700
Investment earnings	-	383	77	460	460
Total revenues	<u>295,125</u>	<u>195,940</u>	<u>120,822</u>	<u>316,762</u>	<u>21,637</u>
<b>Expenditures:</b>					
<b>Culture and Recreation:</b>					
Planning and design	82,481	53,401	28,379	81,780	701
Construction	<u>507,769</u>	<u>270,313</u>	<u>213,112</u>	<u>483,425</u>	<u>24,344</u>
Total expenditures	<u>590,250</u>	<u>323,714</u>	<u>241,491</u>	<u>565,205</u>	<u>25,045</u>
<b>Revenues over (under) expenditures</b>	<u>(295,125)</u>	<u>(127,774)</u>	<u>(120,669)</u>	<u>(248,443)</u>	<u>46,682</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	<u>295,125</u>	<u>261,425</u>	-	<u>261,425</u>	<u>(33,700)</u>
Total other financing sources (uses)	<u>295,125</u>	<u>261,425</u>	-	<u>261,425</u>	<u>(33,700)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 133,651</u>	<u>(120,669)</u>	<u>\$ 12,982</u>	<u>\$ 12,982</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>133,651</u>		
End of year - June 30			<u>\$ 12,982</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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Restricted Intergovernmental:</b>				
Investment earnings	\$ -	\$ -	\$ -	\$ 361
Total revenues	-	-	-	361
<b>Other Financing Sources (Uses):</b>				
Transfers from General Fund	120,000	120,000	-	120,000
Transfers to General Fund	(120,000)	(120,000)	-	(175,000)
Total other financing sources (uses)	-	-	-	(55,000)
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>(54,639)</b>
<b>Fund Balance:</b>				
Beginning of year - July 1		1,214		55,853
End of year - June 30		\$ 1,214		\$ 1,214

## 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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 64	\$ 64	\$ 61
Total revenues	-	64	64	61
<b>Expenditures:</b>				
<b>Economic Development:</b>				
Facade grants	12,926	8,260	4,666	3,463
Total expenditures	12,926	8,260	4,666	3,463
<b>Revenues over (under) expenditures</b>	<b>(12,926)</b>	<b>(8,196)</b>	<b>4,730</b>	<b>(3,402)</b>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	2,926	-	(2,926)	-
Transfer from General Fund	10,000	10,000	-	10,000
Total other financing sources (uses)	12,926	10,000	(2,926)	10,000
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>1,804</b>	<b>\$ 1,804</b>	<b>6,598</b>
<b>Fund Balance:</b>				
Beginning of year - July 1		17,104		10,506
End of year - June 30		<u>\$ 18,908</u>		<u>\$ 17,104</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, 2012**

	<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>					
Investment earnings	\$ -	\$ -	\$ 197	\$ 197	\$ 197
Total revenues	-	-	197	197	197
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Construction	732,920	55	644,265	644,320	88,600
Professional services	36,646	1,400	31,694	33,094	3,552
Total expenditures	769,566	1,455	675,959	677,414	92,152
<b>Revenues over (under) expenditures</b>	(769,566)	(1,455)	(675,762)	(677,217)	(92,349)
<b>Other Financing Sources (Uses):</b>					
Long-term debt issued	769,566	-	769,566	769,566	-
<b>Net change in fund balance</b>	\$ -	\$ (1,455)	93,804	\$ 92,349	\$ 92,349
<b>Fund Balance:</b>					
Beginning of year - July 1			(1,455)		
End of year - June 30			\$ 92,349		

## 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, 2012**

	<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	\$ 259,979	\$ -	\$ 259,979	\$ 259,979	\$ -
Impressions contribution	23,000	-	23,000	23,000	-
Total revenues	<u>282,979</u>	<u>-</u>	<u>282,979</u>	<u>282,979</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Contract services	282,979	-	282,979	282,979	-
Total expenditures	<u>282,979</u>	<u>-</u>	<u>282,979</u>	<u>282,979</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

**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, 2012**

	<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	\$ 56,840	\$ -	\$ 53,309	\$ 53,309	\$ (3,531)
Contributions	56,840	-	53,308	53,308	(3,532)
Total revenues	<u>113,680</u>	<u>-</u>	<u>106,617</u>	<u>106,617</u>	<u>(7,063)</u>
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Contract services	85,280	-	78,217	78,217	7,063
Educational demonstration	28,400	-	28,400	28,400	-
Total expenditures	<u>113,680</u>	<u>-</u>	<u>106,617</u>	<u>106,617</u>	<u>7,063</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				-	
End of year - June 30			<u>\$ -</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - SPINRITE ECONOMIC DEVELOPMENT GRANT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<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>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Economic development incentives	\$ 90,000	\$ -	\$ -	\$ -	\$ 90,000
Total expenditures	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>
<b>Revenues over (under) expenditures</b>	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	45,000	-	45,000	45,000	-
Transfer from Water Fund	22,500	-	22,500	22,500	-
Transfer from Sewer Fund	<u>22,500</u>	<u>-</u>	<u>22,500</u>	<u>22,500</u>	<u>-</u>
Total other financing sources (uses)	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>90,000</u>	<u>\$ 90,000</u>	<u>\$ 90,000</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ 90,000</u>		

**CITY OF WASHINGTON, NORTH CAROLINA**

**CAPITAL PROJECT FUND - OLD CITY HALL REHABILITATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<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>					
Grant funds	\$ 200,000	\$ -	\$ -	\$ -	\$ (200,000)
Total revenues	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Building improvements	200,000	-	-	-	200,000
Total expenditures	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</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 - WEIR VALVES REHABILITATION GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<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>					
Grant funds	\$ 410,000	\$ -	\$ -	\$ -	\$ (410,000)
Total revenues	<u>410,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(410,000)</u>
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Administration	20,500	-	-	-	20,500
Building improvements	<u>410,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>410,000</u>
Total expenditures	<u>430,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>430,500</u>
<b>Revenues over (under) expenditures</b>	(20,500)	-	-	-	20,500
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	<u>20,500</u>	<u>-</u>	<u>20,500</u>	<u>20,500</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>20,500</u>	<u>\$ 20,500</u>	<u>\$ 20,500</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ 20,500</u>		

## CITY OF WASHINGTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - RESCUE VEHICLE CONSTRUCTION - FEMA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<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>					
Grant funds	\$ 332,785	\$ -	\$ 285	\$ 285	\$ (332,500)
Total revenues	<u>332,785</u>	<u>-</u>	<u>285</u>	<u>285</u>	<u>(332,500)</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Administration	300	-	300	300	-
Capital outlay	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
Total expenditures	<u>350,300</u>	<u>-</u>	<u>300</u>	<u>300</u>	<u>350,000</u>
<b>Revenues over (under) expenditures</b>	(17,515)	-	(15)	(15)	17,500
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	<u>17,515</u>	<u>-</u>	<u>17,515</u>	<u>17,515</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>17,500</u>	<u>\$ 17,500</u>	<u>\$ 17,500</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ 17,500</u>		

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## **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 Cemetery Fund to help defray a portion of the costs associated with the upkeep of the cemeteries.

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## CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR PERMANENT FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2012

	<u>Library Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Permanent Funds</u>
<b>Assets:</b>			
Cash and investments	\$ 95,375	\$ 376,800	\$ 472,175
Accounts receivable, net	-	200	200
Total assets	<u>\$ 95,375</u>	<u>\$ 377,000</u>	<u>\$ 472,375</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	-	376,800	376,800
Total fund balances	<u>95,375</u>	<u>376,800</u>	<u>472,175</u>
Total liabilities and fund balances	<u>\$ 95,375</u>	<u>\$ 377,000</u>	<u>\$ 472,375</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, 2012**

	<u>Library Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Permanent Funds</u>
<b>Revenues:</b>			
Perpetual Care fees	\$ -	\$ 19,600	\$ 19,600
Interest earnings	369	1,385	1,754
Total revenues	<u>369</u>	<u>20,985</u>	<u>21,354</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Environmental protection	-	1,385	1,385
Cultural and recreation	369	-	369
Total expenditures	<u>369</u>	<u>1,385</u>	<u>1,754</u>
<b>Net change in fund balances</b>	-	19,600	19,600
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>95,375</u>	<u>357,200</u>	<u>452,575</u>
End of year - June 30	<u>\$ 95,375</u>	<u>\$ 376,800</u>	<u>\$ 472,175</u>

## CITY OF WASHINGTON, NORTH CAROLINA

**NONMAJOR PERMANENT FUND - LIBRARY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Interest earnings	\$ 375	\$ 369	\$ (6)	\$ 314
Total revenues	<u>375</u>	<u>369</u>	<u>(6)</u>	<u>314</u>
<b>Expenditures:</b>				
Administration	<u>375</u>	<u>369</u>	<u>6</u>	<u>314</u>
Total expenditures	<u>375</u>	<u>369</u>	<u>6</u>	<u>314</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**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Perpetual Care fees	\$ -	\$ 19,600	\$ 19,600	\$ 16,000
Interest earnings	1,400	1,385	(15)	1,148
Total revenues	1,400	20,985	19,585	17,148
<b>Expenditures:</b>				
Administration	1,400	1,385	15	1,148
Total expenditures	1,400	1,385	15	1,148
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>19,600</b>	<b>\$ 19,600</b>	<b>16,000</b>
<b>Fund Balance:</b>				
Beginning of year - July 1		357,200		341,200
End of year - June 30		<u>\$ 376,800</u>		<u>\$ 357,200</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.
- Water Capital Reserve Fund - This fund is used to account for the accumulation of funds for future water fund capital outlays.
- Main and Respass Lift Station Capital Project Fund - This fund is used to account for the construction of the lift station.
- 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.

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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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Water sales	\$ 2,850,000	\$ 2,967,803	\$ 117,803	\$ 3,013,313
<b>Other Operating Revenues:</b>				
Connection and reconnection fees	29,500	33,396	3,896	31,192
Water taps	8,000	24,062	16,062	11,451
Fire hydrants	13,660	13,536	(124)	13,660
Late penalty charges	18,000	19,960	1,960	22,170
Sales of services and materials	-	-	-	-
<b>Total operating revenues</b>	<b>2,919,160</b>	<b>3,058,757</b>	<b>139,597</b>	<b>3,091,786</b>
<b>Non-Operating Revenues:</b>				
Rents	34,777	33,322	(1,455)	33,322
Recovery of doubtful accounts	300	540	240	227
Interest earnings	2,200	4,570	2,370	3,556
Sale of surplus and scrap	-	17,335	17,335	235
FEMA assistance	45,000	22,844	(22,156)	-
Miscellaneous	4,175	953	(3,222)	12,530
<b>Total non-operating revenues</b>	<b>86,452</b>	<b>79,564</b>	<b>(6,888)</b>	<b>49,870</b>
<b>Total revenues</b>	<b>3,005,612</b>	<b>3,138,321</b>	<b>132,709</b>	<b>3,141,656</b>
<b>Operating Expenditures:</b>				
<b>Water Administration:</b>				
<b>Public Works Director:</b>				
Salaries and employee benefits	82,854	82,591	263	79,623
Supplies	646	407	239	679
Employee development	250	-	250	101
Telephone	575	561	14	499
Repair and maintenance	1,275	1,022	253	-
<b>Total Public Works Director</b>	<b>85,600</b>	<b>84,581</b>	<b>1,019</b>	<b>80,902</b>
<b>Miscellaneous - Non-Departmental:</b>				
Workers' compensation	2,393	2,092	301	2,243
Unemployment wages	5,125	-	5,125	6,372
Insurance and bonds	38,584	38,578	6	38,362
Printing and publishing	4,100	2,570	1,530	2,758
Utility service fee - General Fund	279,503	279,503	-	257,679
Utility service fee - Electric Fund	82,208	82,208	-	82,208
Repair and maintenance	500	397	103	397
Hurricane Irene FEMA grant expenses	42,803	17,317	25,486	-
Other expenses	5,420	2,376	3,044	2,376
<b>Total miscellaneous - non-departmental</b>	<b>460,636</b>	<b>425,041</b>	<b>35,595</b>	<b>392,395</b>
<b>Total water administration</b>	<b>546,236</b>	<b>509,622</b>	<b>36,614</b>	<b>473,297</b>

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Water Treatment and Distribution:</b>				
<b>Water Meter Services:</b>				
Salaries and employee benefits	133,452	132,625	827	127,919
Telephone	816	816	-	637
Employee development	-	-	-	1,112
Repair and maintenance	234,059	233,979	80	103,923
Supplies	390	380	10	429
Materials	5,713	5,712	1	619
OSHA safety mandates	720	716	4	349
Professional services	255	210	45	64
Total water meter services	<u>375,405</u>	<u>374,438</u>	<u>967</u>	<u>235,052</u>
<b>Water Treatment Plant:</b>				
Salaries and employee benefits	475,986	451,761	24,225	439,655
OSHA safety mandates	2,000	394	1,606	985
Employee development	2,500	1,975	525	1,713
Telephone	3,800	3,092	708	3,095
Printing and publishing	2,500	2,243	257	2,224
Water and electric services	237,925	200,481	37,444	239,416
Repair and maintenance	121,568	86,814	34,754	145,646
Supplies	4,714	3,981	733	4,328
Chemicals and lab supplies	347,745	258,221	89,524	242,476
Dues and subscriptions	6,835	4,770	2,065	4,705
Professional services	8,981	5,840	3,141	5,072
Contract services	11,884	9,557	2,327	8,049
Employee advertisement	100	92	8	64
Total water treatment plant	<u>1,226,538</u>	<u>1,029,221</u>	<u>197,317</u>	<u>1,097,428</u>
<b>Water Distribution Maintenance:</b>				
Salaries and employee benefits	113,553	112,805	748	112,312
Contract services	50,955	50,240	715	39,366
Water and electric services	6,000	5,842	158	6,998
Employee advertising	100	-	100	-
Repair and maintenance	11,919	11,466	453	11,144
Supplies	1,500	1,248	252	2,711
Materials	40,000	26,588	13,412	14,220
Total water distribution maintenance	<u>224,027</u>	<u>208,189</u>	<u>15,838</u>	<u>186,751</u>
<b>Total water treatment and distribution</b>	<u>1,825,970</u>	<u>1,611,848</u>	<u>214,122</u>	<u>1,519,231</u>
Capital outlay	<u>349,423</u>	<u>223,088</u>	<u>126,335</u>	<u>139,335</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Debt Service:</b>				
<b>General Obligation Bonds:</b>				
Principal retirement	242,818	242,818	-	227,641
Interest	25,681	24,751	930	35,085
<b>Installment Notes:</b>				
Principal retirement	-	-	-	37,479
Interest	-	-	-	682
Total debt service	268,499	267,569	930	300,887
<b>Total operating expenditures</b>	<b>2,990,128</b>	<b>2,612,127</b>	<b>378,001</b>	<b>2,432,750</b>
<b>Revenues over (under) expenditures</b>	<b>15,484</b>	<b>526,194</b>	<b>510,710</b>	<b>708,906</b>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	152,535	-	(152,535)	-
<b>Transfers from:</b>				
Water Capital Reserve Fund	30,000	30,000	-	2,700
<b>Transfers to:</b>				
Capital Project Fund	(22,500)	(22,500)	-	-
Water Capital Reserve Fund	-	-	-	(28,990)
Economic Development Fund	(31,593)	(31,593)	-	-
General Fund	(143,926)	(143,926)	-	-
Total other financing sources (uses)	(15,484)	(168,019)	(152,535)	(26,290)
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 358,175</b>	<b>\$ 358,175</b>	<b>\$ 682,616</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		\$ 358,175		\$ 682,616
Capital outlay		223,088		139,335
Principal retirement		242,818		265,120
Increase in accrued vacation and sick pay		27,615		(17,291)
Change in OPEB liability		(16,274)		(15,927)
Depreciation		(723,714)		(697,972)
Bad debt provision		(439)		(2,578)
Inventory adjustment		(474)		(382)
Capital contributions		58,440		3,789
Transfer in of capital asset		21,188		-
Transfer to Water Capital Reserve		-		28,990
Transfer from Water Capital Reserve		(30,000)		(2,700)
Capital contributions, revenue from:				
Water Capital Reserve Fund		41,132		23,877
Change in net assets		\$ 201,555		\$ 406,877

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Sewer sales	\$ 3,020,000	\$ 2,964,861	\$ (55,139)	\$ 3,025,805
<b>Other Operating Revenues:</b>				
Sewer taps	5,000	8,527	3,527	3,862
Late penalty charges	20,000	22,105	2,105	45,033
Total operating revenues	3,045,000	2,995,493	(49,507)	3,074,700
<b>Non-Operating Revenues:</b>				
Recovery of doubtful accounts	500	790	290	831
Interest earnings	7,500	6,411	(1,089)	8,864
Sewer assessments	11,671	(18,109)	(29,780)	12,672
FEMA assistance	45,000	70,884	25,884	-
Miscellaneous	-	50,747	50,747	15,959
Total non-operating revenues	64,671	110,723	46,052	38,326
<b>Total revenues</b>	<b>3,109,671</b>	<b>3,106,216</b>	<b>(3,455)</b>	<b>3,113,026</b>
<b>Operating Expenditures:</b>				
<b>Sewer Administration:</b>				
<b>Public Works Director:</b>				
Salaries and employee benefits	82,636	82,591	45	79,623
Supplies	349	348	1	214
Telephone	640	635	5	473
Total Public Works Director	83,625	83,574	51	80,310
<b>Miscellaneous - Non-Departmental:</b>				
Workers' compensation	5,984	5,486	498	6,649
Printing and publishing	3,500	2,570	930	2,755
Insurance and bonds	44,512	44,512	-	45,453
Utility service fee - General Fund	280,932	280,932	-	261,982
Repair and maintenance	500	397	103	397
Other expenses	6,420	2,376	4,044	2,376
Utility service fee - Electric Fund	49,675	49,675	-	49,675
Hurricane Irene FEMA grant expenses	39,575	36,327	3,248	-
Total miscellaneous - non-departmental	431,098	422,275	8,823	369,287
<b>Total sewer administration</b>	<b>514,723</b>	<b>505,849</b>	<b>8,874</b>	<b>449,597</b>
<b>Waste Collection and Treatment:</b>				
<b>Wastewater Treatment:</b>				
Salaries and employee benefits	466,389	444,811	21,578	434,670
Employee advertising	101	100	1	-
Employee development	2,890	2,888	2	2,111
Telephone	600	352	248	292
Printing and publishing	1,000	-	1,000	991

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Water and electric service	268,800	244,838	23,962	298,394
Repair and maintenance	80,103	72,350	7,753	101,606
Supplies	114,499	58,505	55,994	66,719
Dues	6,200	6,100	100	4,870
Professional services	3,000	536	2,464	1,533
Contract services	111,660	93,468	18,192	98,370
Licenses and permits	7,050	6,910	140	6,960
OSHA safety mandates	2,000	361	1,639	1,669
Total wastewater treatment	1,064,292	931,219	133,073	1,018,185
<b>Wastewater Collection Maintenance:</b>				
Salaries and employee benefits	134,999	124,335	10,664	130,264
OSHA safety mandates	2,680	2,645	35	500
Employee development	260	225	35	598
Telephone	3,000	2,464	536	2,426
Printing and publishing	-	-	-	63
Repair and maintenance	20,744	20,089	655	15,890
Supplies	2,309	2,309	-	2,200
Materials	11,000	9,175	1,825	8,569
Contract services	66,579	38,681	27,898	86,483
Other expenses	2,955	2,952	3	3,228
Total wastewater collection maintenance	244,526	202,875	41,651	250,221
<b>Sewer Pumping Station:</b>				
Salaries and employee benefits	60,327	60,043	284	57,725
Water and electrical service	136,008	105,974	30,034	144,276
Repair and maintenance	78,573	74,108	4,465	52,801
Supplies	2,000	1,538	462	1,956
Chemicals	600	294	306	7,989
Professional services	22,052	21,195	857	10,642
Total sewer pumping station	299,560	263,152	36,408	275,389
<b>Total waste collection and treatment</b>	<b>1,608,378</b>	<b>1,397,246</b>	<b>211,132</b>	<b>1,543,795</b>
<b>Debt Service:</b>				
<b>General Obligation Bonds:</b>				
Principal retirement	282,425	282,422	3	274,146
Interest	45,511	43,695	1,816	58,289
<b>Installment Notes:</b>				
Principal retirement	38,386	38,385	1	67,823
Interest	1,976	1,976	-	3,312
<b>State Loan:</b>				
Principal retirement	154,305	131,806	22,499	131,805
Interest	62,656	43,616	19,040	49,931
Total debt service	585,259	541,900	43,359	585,306

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Capital outlay	472,617	375,100	97,517	290,220
<b>Total operating expenditures</b>	<b>3,180,977</b>	<b>2,820,095</b>	<b>360,882</b>	<b>2,868,918</b>
<b>Revenues over (under) expenditures</b>	<b>(71,306)</b>	<b>286,121</b>	<b>357,427</b>	<b>244,108</b>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	199,985	-	(199,985)	-
<b>Transfers from:</b>				
Sewer Capital Reserve Fund	86,000	86,000	-	-
<b>Transfer to:</b>				
Economic Development Fund	(31,593)	(31,593)	-	-
Capital Project Fund	(22,500)	(22,500)	-	-
Water Fund	(21,200)	-	21,200	-
General Fund	(81,064)	(81,064)	-	-
Sewer Capital Project Fund	(58,322)	(58,322)	-	(70,000)
<b>Total other financing sources (uses)</b>	<b>71,306</b>	<b>(107,479)</b>	<b>(178,785)</b>	<b>(70,000)</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 178,642</b>	<b>\$ 178,642</b>	<b>\$ 174,108</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		\$ 178,642		\$ 174,108
Capital outlay		375,100		290,220
Principal retirement		452,613		473,774
Increase in accrued vacation and sick pay		34,955		(45,786)
Change in OPEB liability		(16,274)		(8,304)
Depreciation		(624,926)		(626,582)
Bad debt (provision) recovery		11,584		(3,959)
Inventory adjustment		88		205
Loss on disposal of capital assets		(4,758)		-
Transfer out of capital assets		(21,188)		-
Capital contributions, grant revenue from:				
Pennsylvania Avenue Sewer Extension Project		-		61,283
Sewer Capital Reserve Fund		52,406		8,785
Transfer from Sewer Capital Reserve Fund		(86,000)		-
Transfer to Sewer Capital Project Fund		58,322		-
Capital contributions		58,699		10,641
Change in net assets		\$ 469,263		\$ 334,385

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
<b>Operating Revenues:</b>				
Electric sales	\$ 36,651,859	\$ 34,779,149	\$ (1,872,710)	\$ 38,666,148
<b>Other Operating Revenues:</b>				
Underground services	40,000	9,713	(30,287)	26,245
Reconnection fees	75,000	71,160	(3,840)	84,109
Facility connection fees	4,000	5,158	1,158	5,207
Pole attachment fees - cable TV	20,000	18,757	(1,243)	26,897
Connection fees	40,000	35,697	(4,303)	41,448
Late penalty charges	250,000	246,443	(3,557)	293,928
New construction fee	5,000	7,100	2,100	5,950
Total operating revenues	<u>37,085,859</u>	<u>35,173,177</u>	<u>(1,912,682)</u>	<u>39,149,932</u>
<b>Non-Operating Revenues:</b>				
Recovery of doubtful accounts	3,000	4,560	1,560	2,291
Interest earnings	10,000	14,104	4,104	2,705
Sale of surplus and scrap	16,000	81,007	65,007	62,444
Fines and meters	10,000	7,093	(2,907)	11,708
DOT reimbursement	70,255	222,583	152,328	414,496
FEMA assistance	1,050,000	1,251,873	201,873	-
Miscellaneous	90,219	17,321	(72,898)	74,744
Total non-operating revenues	<u>1,249,474</u>	<u>1,598,541</u>	<u>349,067</u>	<u>568,388</u>
<b>Total revenues</b>	<u>38,335,333</u>	<u>36,771,718</u>	<u>(1,563,615)</u>	<u>39,718,320</u>
<b>Operating Expenditures:</b>				
<b>Administration:</b>				
<b>Office of Electric Director:</b>				
Salaries and employee benefits	245,199	241,432	3,767	292,106
Employee development	4,050	3,359	691	7,655
Professional services	105,255	81,913	23,342	503,898
Telephone	4,000	3,693	307	3,028
Printing and publishing	100	10	90	19
Maintenance	5,556	5,024	532	1,847
Supplies	3,550	3,466	84	1,786
Dues and subscriptions	1,000	619	381	887
Other expenses	-	-	-	564
Total Office of Electric Director	<u>368,710</u>	<u>339,516</u>	<u>29,194</u>	<u>811,790</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
<b>Miscellaneous - Non-Departmental:</b>				
Printing and publishing	6,000	5,140	860	5,468
Dues and subscriptions	300	270	30	270
Insurance and bonds	139,584	139,551	33	144,016
Workers' compensation	117,164	115,757	1,407	49,491
Inventory reimbursement	34,800	34,776	24	-
Rents	18,000	18,000	-	18,000
Maintenance	1,000	794	206	794
Utility service fee - General Fund	1,269,231	1,269,231	-	1,321,816
Utility Assistance Contribution	10,000	10,000	-	10,000
Hurricane Irene FEMA grant expenses	1,050,000	1,045,496	4,504	-
Other expenses	136,785	125,873	10,912	125,393
Total miscellaneous - non-departmental	2,782,864	2,764,888	17,976	1,675,248
<b>Total administration</b>	<b>3,151,574</b>	<b>3,104,404</b>	<b>47,170</b>	<b>2,487,038</b>
<b>Utility Communications:</b>				
Salaries and employee benefits	260,083	204,900	55,183	237,689
Employee advertising	135	135	-	193
Employee development	200	75	125	620
Professional services	184	184	-	261
Telephone	12,584	12,580	4	11,120
Water and electric services	2,620	1,096	1,524	1,579
Rents	17,320	17,320	-	17,320
Maintenance	5,577	2,904	2,673	848
Supplies	2,180	2,165	15	1,148
Total load management	300,883	241,359	59,524	270,778
<b>Meter Services:</b>				
Salaries and employee benefits	275,107	258,283	16,824	276,649
Employee advertising	200	-	200	-
Employee development	2,923	1,661	1,262	1,239
Telephone	3,000	1,903	1,097	2,256
Water and electric service	11,795	5,395	6,400	8,892
Maintenance	174,038	132,288	41,750	52,361
Supplies	2,500	2,301	199	2,529
Materials	7,700	3,926	3,774	8,083
Professional services	92	92	-	70
Other expenses	400	285	115	324
Contract services	17,859	150	17,709	-
Reimbursement from other funds	(131,883)	(131,883)	-	(131,883)
Total meter services	363,731	274,401	89,330	220,520

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Power Line Maintenance:</b>				
Salaries and employee benefits	753,112	747,927	5,185	651,673
Employee advertising	220	-	220	83
Employee development	14,000	13,218	782	11,460
Telephone	3,300	3,087	213	3,463
Water and electric service	8,000	4,565	3,435	11,855
Printing and publishing	100	-	100	-
Maintenance	188,673	184,549	4,124	152,916
Supplies	40,750	40,749	1	37,238
Materials	118,616	89,129	29,487	69,443
Contract services	200,000	199,050	950	203,249
Professional services	4,700	4,541	159	601
Insurance	2,900	2,863	37	5,131
Other expenses	750	570	180	648
Total power line maintenance	1,335,121	1,290,248	44,873	1,147,760
<b>Substation Maintenance:</b>				
Salaries and employee benefits	196,055	193,715	2,340	190,294
Employee advertisement	200	-	200	69
Employee development	3,400	1,903	1,497	1,272
Professional services	21,500	16,651	4,849	-
Telephone	2,000	1,274	726	1,701
Water and electric service	28,000	17,557	10,443	24,866
Maintenance	253,420	176,983	76,437	260,198
Supplies	2,000	1,692	308	1,894
Contract services	18,381	16,021	2,360	9,558
Gasoline purchases	290,000	210,507	79,493	230,621
Other expenses	61,719	57,732	3,987	1,812
Total substation maintenance	876,675	694,035	182,640	722,285
<b>Load Management:</b>				
Salaries and employee benefits	43,258	42,117	1,141	11,431
Employee advertisement	100	-	100	-
Supplies	615	15	600	-
Heat pump rebates	28,000	9,626	18,374	16,925
Maintenance	2,000	1,490	510	288
Materials	4,852	3,021	1,831	100,800
Marketing and promotions	20,000	18,425	1,575	13,382
Contract services	101,660	87,245	14,415	68,222
Other expenses	70,000	65,477	4,523	-
Total load management	270,485	227,416	43,069	211,048
<b>Total electric operations</b>	<b>3,146,895</b>	<b>2,727,459</b>	<b>419,436</b>	<b>2,572,391</b>

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
Electric power purchases	28,858,440	27,908,667	949,773	29,529,635
Capital outlay	2,191,610	1,949,546	242,064	1,966,694
<b>Debt Service:</b>				
<b>General Obligation Bonds:</b>				
Principal retirement	24,761	24,761	-	23,213
Interest	2,620	2,525	95	3,577
<b>Installment Notes:</b>				
Principal retirement	934,984	934,871	113	685,097
Interest	62,230	60,523	1,707	70,106
Total debt service	1,024,595	1,022,680	1,915	781,993
<b>Total operating expenditures</b>	<b>38,373,114</b>	<b>36,712,756</b>	<b>1,660,358</b>	<b>37,337,751</b>
<b>Revenues over (under) expenditures</b>	<b>(37,781)</b>	<b>58,962</b>	<b>96,743</b>	<b>2,380,569</b>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	-	-	-	888,000
Fund balance appropriated	1,137,524	-	(1,137,524)	-
<b>Transfers to:</b>				
General Fund	(973,150)	(973,150)	-	(973,150)
Economic Development Capital Reserve Fund	(126,593)	(126,593)	-	(75,000)
Total other financing sources (uses)	37,781	(1,099,743)	(1,137,524)	(160,150)
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (1,040,781)</b>	<b>\$ (1,040,781)</b>	<b>\$ 2,220,419</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		\$ (1,040,781)		\$ 2,220,419
Capital outlay		1,949,546		1,940,139
Principal retirement		959,632		708,310
Installment note proceeds		-		(888,000)
Change in accrued vacation and sick pay		11,093		(14,346)
Change in OPEB liability		(41,592)		(47,053)
Depreciation		(1,559,160)		(1,474,243)
Bad debt provision		137,291		(237,672)
Inventory adjustment		31,684		106,903
Capital contributions		22,187		-
Loss on disposal of capital assets		-		(20,982)
Change in net assets		\$ 469,900		\$ 2,293,475

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
<b>Charges for Sales and Services:</b>				
Public works fees	\$ 492,000	\$ 494,878	\$ 2,878	\$ 504,463
Miscellaneous	-	25	25	353
Late penalty charges	2,800	3,775	975	3,514
Permit fees	5,000	2,500	(2,500)	3,023
Total operating revenues	499,800	501,178	1,378	511,353
<b>Non-Operating Revenues:</b>				
Interest earnings	106,238	106,347	109	57,826
Total non-operating revenues	106,238	106,347	109	57,826
<b>Total revenues</b>	<b>606,038</b>	<b>607,525</b>	<b>1,487</b>	<b>569,179</b>
<b>Operating Expenditures:</b>				
Salaries and employee benefits	-	-	-	3,048
Professional services	5,300	3,324	1,976	2,760
Water and electric service	16,820	14,733	2,087	28,436
Maintenance and repairs	78,040	66	77,974	43,531
Supplies	2,200	1,935	265	1,933
Contracted services	7,500	6,972	528	6,772
Materials	10,650	10,647	3	7,137
Insurance	1,169	1,035	134	2,443
Contingency	2,072	-	2,072	-
Utility service fee - General Fund	-	-	-	94,708
Miscellaneous	2,436	2,376	60	2,376
Total operating expenditures	126,187	41,088	85,099	193,144
<b>Debt Service:</b>				
Principal	352,433	352,415	18	193,250
Interest	243,214	243,211	3	123,987
Total debt service	595,647	595,626	21	317,237
<b>Capital outlay</b>	<b>4,774</b>	<b>4,774</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>726,608</b>	<b>641,488</b>	<b>85,120</b>	<b>510,381</b>
<b>Revenues over (under) expenditures</b>	<b>(120,570)</b>	<b>(33,963)</b>	<b>86,607</b>	<b>58,798</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	120,570	-	(120,570)	-
Total other financing sources (uses)	120,570	-	(120,570)	-
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ (33,963)</u>	<u>\$ (33,963)</u>	<u>\$ 58,798</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		\$ (33,963)		\$ 58,798
Depreciation		(130,252)		(130,253)
Capital outlay		4,774		-
Capital contributions		-		19,050
Principal retirement		352,415		193,250
Investment earnings from capital project fund		5,649		5,031
Decrease in accrued vacation and sick pay		-		29,863
Change in OPEB liability		-		16,156
Bad debt expense (recoveries)		400		598
Change in net assets		<u>\$ 199,023</u>		<u>\$ 192,493</u>

## 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, 2012  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Water impact fees	\$ -	\$ 40,692	\$ 40,692	\$ 23,477
Investment earnings	-	440	440	400
Total revenues	-	41,132	41,132	23,877
<b>Other Financing Sources (Uses):</b>				
Transfer to Water Fund	(30,000)	(30,000)	-	(2,700)
Transfer from Water Fund	-	-	-	28,990
Appropriated fund balance	30,000	-	(30,000)	-
Total other financing sources (uses)	-	(30,000)	(30,000)	26,290
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	11,132	\$ 11,132	50,167
<b>Fund Balance:</b>				
Beginning of year - July 1		121,301		71,134
End of year - June 30		\$ 132,433		\$ 121,301

This fund is consolidated into the Water Fund.

## CITY OF WASHINGTON, NORTH CAROLINA

**ENTERPRISE FUND - MAIN AND RESPESS LIFT STATION  
SEWER CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Years		
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Administration	\$ 32,000	\$ -	\$ 12,000	\$ 12,000	\$ 20,000
Legal fees	6,000	-	-	-	6,000
Engineering and permitting	160,000	-	75,882	75,882	84,118
Construction	438,402	-	83,341	83,341	355,061
Contingency	21,920	-	-	-	21,920
Total expenditures	<u>658,322</u>	<u>-</u>	<u>171,223</u>	<u>171,223</u>	<u>487,099</u>
<b>Revenues over (under) expenditures</b>	<u>(658,322)</u>	<u>-</u>	<u>(171,223)</u>	<u>(171,223)</u>	<u>487,099</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from Sewer Fund	58,322	-	58,322	58,322	-
Long-term debt issued	600,000	-	159,223	159,223	(440,777)
Total other financing sources (uses)	<u>658,322</u>	<u>-</u>	<u>217,545</u>	<u>217,545</u>	<u>(440,777)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>46,322</u>	<u>\$ 46,322</u>	<u>\$ 46,322</u>
<b>Fund Balance:</b>					
Beginning of year, July 1				-	
End of year, June 30			<u>\$ 46,322</u>		

This fund is consolidated into the Sewer 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, 2012**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Sewer impact fees	\$ -	\$ 52,036	\$ 52,036	\$ 8,189
Investment earnings	-	370	370	596
Total revenues	-	52,406	52,406	8,785
<b>Other Financing Sources (Uses):</b>				
Transfer to Sewer Fund	(86,000)	(86,000)	-	-
Appropriated fund balance	86,000	-	(86,000)	-
Total other financing sources (uses)	-	(86,000)	(86,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(33,594)	\$ (33,594)	8,785
<b>Fund Balance:</b>				
Beginning of year - July 1		129,268		120,483
End of year - June 30		\$ 95,674		\$ 129,268

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, 2012**

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Years		
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 5,031	\$ 5,649	\$ 10,680	\$ 10,680
<b>Expenditures:</b>					
<b>Economic and Physical Development:</b>					
Professional services	42,827	41,171	100	41,271	1,556
Engineering	508,005	422,865	61,589	484,454	23,551
Construction	4,103,769	614,706	2,958,894	3,573,600	530,169
Easement acquisition	156,288	156,288	-	156,288	-
Contingency	189,111	-	-	-	189,111
Total expenditures	5,000,000	1,235,030	3,020,583	4,255,613	744,387
<b>Revenues over (under) expenditures</b>	<b>(5,000,000)</b>	<b>(1,229,999)</b>	<b>(3,014,934)</b>	<b>(4,244,933)</b>	<b>755,067</b>
<b>Other Financing Sources (Uses):</b>					
Long-term debt issued	5,000,000	5,000,000	-	5,000,000	-
Total other financing sources (uses)	5,000,000	5,000,000	-	5,000,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 3,770,001	(3,014,934)	\$ 755,067	\$ 755,067
<b>Fund Balance:</b>					
Beginning of year, July 1			3,770,001		
End of year, June 30			\$ 755,067		

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.

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## CITY OF WASHINGTON, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS  
 COMBINING STATEMENT OF NET ASSETS  
 JUNE 30, 2012**

	<u>Warren Field Airport Fund</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	\$ 372,458	\$ 359,560	\$ 21,474	\$ 753,492
Accounts receivable, net	28,435	172,544	8,139	209,118
Inventory	63,100	-	-	63,100
Restricted cash and investments	-	26,030	-	26,030
Total current assets	<u>463,993</u>	<u>558,134</u>	<u>29,613</u>	<u>1,051,740</u>
<b>Capital Assets:</b>				
Non-depreciable capital assets	1,360,161	-	-	1,360,161
Other capital assets, net of accumulated depreciation	<u>963,279</u>	<u>442,853</u>	<u>5,180</u>	<u>1,411,312</u>
Total capital assets	<u>2,323,440</u>	<u>442,853</u>	<u>5,180</u>	<u>2,771,473</u>
Total assets	<u>\$ 2,787,433</u>	<u>\$ 1,000,987</u>	<u>\$ 34,793</u>	<u>\$ 3,823,213</u>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 4,680	\$ 34,742	\$ 7,063	\$ 46,485
Current portion of installment notes	-	67,511	-	67,511
Current portion of compensated absences	-	26,060	8,151	34,211
Total current liabilities	<u>4,680</u>	<u>128,313</u>	<u>15,214</u>	<u>148,207</u>
<b>Non-Current Liabilities:</b>				
Non-current portion of installment notes	-	103,787	-	103,787
Non-current portion of compensated absences	-	20,319	6,355	26,674
Non-current portion of OPEB liability	-	54,349	22,588	76,937
Total non-current liabilities	<u>-</u>	<u>178,455</u>	<u>28,943</u>	<u>207,398</u>
Total liabilities	<u>4,680</u>	<u>306,768</u>	<u>44,157</u>	<u>355,605</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	2,323,440	297,585	5,180	2,626,205
Unrestricted	<u>459,313</u>	<u>396,634</u>	<u>(14,544)</u>	<u>841,403</u>
Total net assets	<u>2,782,753</u>	<u>694,219</u>	<u>(9,364)</u>	<u>3,467,608</u>
Total liabilities and net assets	<u>\$ 2,787,433</u>	<u>\$ 1,000,987</u>	<u>\$ 34,793</u>	<u>\$ 3,823,213</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, 2012**

	<b>Warren Field Airport Fund</b>	<b>Solid Waste Fund</b>	<b>Cemetery Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Operating Revenues:</b>				
Charges for sales and services	\$ 219,114	\$ 1,226,751	\$ 169,885	\$ 1,615,750
Miscellaneous	<u>2,105</u>	<u>7,724</u>	<u>1,758</u>	<u>11,587</u>
Total operating revenues	<u>221,219</u>	<u>1,234,475</u>	<u>171,643</u>	<u>1,627,337</u>
<b>Operating Expenditures:</b>				
Operations	323,570	1,144,227	271,685	1,739,482
Depreciation	<u>130,699</u>	<u>70,090</u>	<u>1,259</u>	<u>202,048</u>
Total operating expenditures	<u>454,269</u>	<u>1,214,317</u>	<u>272,944</u>	<u>1,941,530</u>
<b>Operating income (loss)</b>	<u>(233,050)</u>	<u>20,158</u>	<u>(101,301)</u>	<u>(314,193)</u>
<b>Non-Operating Revenues (Expenditures):</b>				
Investment earnings	995	1,173	-	2,168
Solid waste disposal tax	-	6,746	-	6,746
Hurricane Irena FEMA grant expenses	(2,775)	(107,754)	(3,607)	(114,136)
Loss on disposal of capital asset	-	(5,887)	-	(5,887)
Interest expense	<u>-</u>	<u>(4,948)</u>	<u>-</u>	<u>(4,948)</u>
Total non-operating revenues (expenditures)	<u>(1,780)</u>	<u>(110,670)</u>	<u>(3,607)</u>	<u>(116,057)</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>(234,830)</u>	<u>(90,512)</u>	<u>(104,908)</u>	<u>(430,250)</u>
<b>Capital Contributions and Transfers:</b>				
Capital contributions	129,845	115,030	8,075	252,950
Transfers in	<u>124,982</u>	<u>-</u>	<u>114,505</u>	<u>239,487</u>
Total capital contributions and transfers	<u>254,827</u>	<u>115,030</u>	<u>122,580</u>	<u>492,437</u>
Change in net assets	19,997	24,518	17,672	62,187
<b>Net Assets:</b>				
Beginning of year - July 1	<u>2,762,756</u>	<u>669,701</u>	<u>(27,036)</u>	<u>3,405,421</u>
End of year - June 30	<u>\$ 2,782,753</u>	<u>\$ 694,219</u>	<u>\$ (9,364)</u>	<u>\$ 3,467,608</u>

## CITY OF WASHINGTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012

	Warren Field Airport Fund	Solid Waste Fund	Cemetery Fund	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 264,454	\$ 1,209,872	\$ 171,930	\$ 1,646,256
Cash paid to employees	(45,302)	(511,652)	(209,717)	(766,671)
Cash paid to suppliers	(321,173)	(712,393)	(63,460)	(1,097,026)
Net cash provided (used) by operating activities	<u>(102,021)</u>	<u>(14,173)</u>	<u>(101,247)</u>	<u>(217,441)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Payments to/from other funds	-	-	(60,032)	(60,032)
Transfers from other funds	124,982	-	114,505	239,487
Net cash provided (used) by non-capital financing activities	<u>124,982</u>	<u>-</u>	<u>54,473</u>	<u>179,455</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Interest expense	-	(4,948)	-	(4,948)
Acquisition of capital assets	(141,274)	(114,529)	-	(255,803)
Principal payments on long-term debt	-	(65,765)	-	(65,765)
Capital contributions	129,845	121,776	8,075	259,696
Net cash provided (used) by capital and related financing activities	<u>(11,429)</u>	<u>(63,466)</u>	<u>8,075</u>	<u>(66,820)</u>
<b>Cash Flows from Investing Activities:</b>				
Investment earnings	995	1,173	-	2,168
Net cash provided (used) by investing activities	<u>995</u>	<u>1,173</u>	<u>-</u>	<u>2,168</u>
Net increase (decrease) in cash and cash equivalents/investments	12,527	(76,466)	(38,699)	(102,638)
<b>Cash and Cash Equivalents/Investments:</b>				
Beginning of year - July 1	359,931	462,056	60,173	882,160
End of year - June 30	<u>\$ 372,458</u>	<u>\$ 385,590</u>	<u>\$ 21,474</u>	<u>\$ 779,522</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (233,050)	\$ 20,158	\$ (101,301)	\$ (314,193)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation	130,699	70,090	1,259	202,048
Non-operating revenues (expenses)	(2,775)	(107,754)	(3,607)	(114,136)
<b>Change in Assets and Liabilities:</b>				
(Increase) decrease in accounts receivable	43,235	(24,603)	287	18,919
(Increase) decrease in inventory	(40,046)	-	-	(40,046)
(Increase) decrease in prepaid assets	-	3,407	-	3,407
Increase (decrease) in accounts payable and accrued liabilities	(84)	3,443	(2,986)	373
Increase (decrease) in compensated absences payable	-	7,472	(4,382)	3,090
Increase (decrease) in OPEB liability	-	13,614	9,483	23,097
Net cash provided (used) by operating activities	<u>\$ (102,021)</u>	<u>\$ (14,173)</u>	<u>\$ (101,247)</u>	<u>\$ (217,441)</u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Contributed assets	<u>\$ (21,188)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,188)</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
<b>Charges for Sales and Services:</b>				
Fuel sales	\$ 171,480	\$ 159,372	\$ (12,108)	\$ 162,225
Rentals	63,300	59,742	(3,558)	61,038
Miscellaneous revenue	-	2,105	2,105	940
Total operating revenues	<u>234,780</u>	<u>221,219</u>	<u>(13,561)</u>	<u>224,203</u>
<b>Non-Operating Revenues:</b>				
Interest earnings	800	995	195	983
FEMA assistance	5,000	2,698	(2,302)	-
Grant funds	<u>662,595</u>	<u>127,147</u>	<u>(535,448)</u>	<u>171,381</u>
Total non-operating revenues	<u>668,395</u>	<u>130,840</u>	<u>(537,555)</u>	<u>172,364</u>
<b>Total revenues</b>	<u>903,175</u>	<u>352,059</u>	<u>(551,116)</u>	<u>396,567</u>
<b>Operating Expenditures:</b>				
Professional services	2,479	2,478	1	3,142
Utilities	19,575	18,858	717	20,903
Fuel purchases	166,600	166,557	43	97,540
Maintenance and repairs	22,728	20,070	2,658	16,810
Supplies	100	50	50	33
Contracted services	80,685	77,702	2,983	85,308
Equipment rental	1,750	795	955	(2,260)
Miscellaneous	2,621	2,551	70	2,307
Insurance	15,620	15,213	407	15,727
Utility service fee - General Fund	19,296	19,296	-	27,866
Total	<u>331,454</u>	<u>323,570</u>	<u>7,884</u>	<u>267,376</u>
<b>Miscellaneous - Non-Departmental:</b>				
Hurricane Irene FEMA grant expenses	<u>6,300</u>	<u>2,775</u>	<u>3,525</u>	<u>-</u>
Total miscellaneous - non-departmental	<u>6,300</u>	<u>2,775</u>	<u>3,525</u>	<u>-</u>
<b>Capital outlay</b>	<u>736,216</u>	<u>141,274</u>	<u>594,942</u>	<u>190,425</u>
<b>Total expenditures</b>	<u>1,073,970</u>	<u>467,619</u>	<u>606,351</u>	<u>457,801</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
<b>Revenues over (under) expenditures</b>	<u>(170,795)</u>	<u>(115,560)</u>	<u>55,235</u>	<u>(61,234)</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	45,813	-	(45,813)	-
Transfers from General Fund	<u>124,982</u>	<u>124,982</u>	<u>-</u>	<u>95,633</u>
Total other financing sources (uses)	<u>170,795</u>	<u>124,982</u>	<u>(45,813)</u>	<u>95,633</u>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ 9,422</u>	<u>\$ 9,422</u>	<u>\$ 34,399</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		\$ 9,422		\$ 34,399
Capital outlay		141,274		190,425
Depreciation		<u>(130,699)</u>		<u>(127,199)</u>
Change in net assets		<u>\$ 19,997</u>		<u>\$ 97,625</u>

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
<b>Charges for Sales and Services:</b>				
Garbage collection fees	\$ 1,241,000	\$ 1,227,248	\$ (13,752)	\$ 1,286,340
Miscellaneous revenues	-	7,724	7,724	3,543
Total operating revenues	1,241,000	1,234,972	(6,028)	1,289,883
<b>Non-Operating Revenues:</b>				
Interest earnings	800	1,173	373	912
ABC Recycling Grant	-	-	-	100,000
FEMA Assistance	300,500	115,030	(185,470)	-
Disposal tax	6,700	6,746	46	6,802
Total non-operating revenues	308,000	122,949	(185,051)	107,714
<b>Total revenues</b>	<b>1,549,000</b>	<b>1,357,921</b>	<b>(191,079)</b>	<b>1,397,597</b>
<b>Operating Expenditures:</b>				
Salaries and employee benefits	550,221	532,738	17,483	520,933
Contracted services	2,700	2,700	-	-
Utilities	525	483	42	412
County tipping fees	236,287	229,057	7,230	224,415
Maintenance and repairs	154,998	154,996	2	137,822
Supplies	1,485	605	880	1,776
Materials	14,200	1,003	13,197	210,457
Miscellaneous	6,455	3,795	2,660	4,295
Insurance	20,884	17,611	3,273	16,214
Contingency	33,811	-	33,811	-
Workers' compensation	3,640	3,272	368	4,923
Utility service fee - General Fund	176,879	176,879	-	173,919
Total operating expenditures	1,202,085	1,123,139	78,946	1,295,166
<b>Debt Service:</b>				
Principal	65,777	65,765	12	62,672
Interest	5,383	4,948	435	4,023
Total debt service	71,160	70,713	447	66,695
<b>Miscellaneous - Non-Departmental:</b>				
Hurricane Irene FEMA grant expenses	275,761	107,754	168,007	-
Total miscellaneous - non-departmental	275,761	107,754	168,007	-
<b>Capital outlay</b>	<b>114,530</b>	<b>114,530</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>1,663,536</b>	<b>1,416,136</b>	<b>247,400</b>	<b>1,361,861</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues over (under) expenditures</b>	<u>(114,536)</u>	<u>(58,215)</u>	<u>56,321</u>	<u>35,736</u>
<b>Other Financing Sources (Uses):</b>				
Fund balance appropriated	114,536	-	(114,536)	-
Long-term debt issued	-	-	-	140,000
Total other financing sources (uses)	<u>114,536</u>	<u>-</u>	<u>(114,536)</u>	<u>140,000</u>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ (58,215)</u>	<u>\$ (58,215)</u>	<u>\$ 175,736</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		\$ (58,215)		\$ 175,736
Depreciation		(70,090)		(71,634)
Capital outlay		114,529		-
Installment note proceeds		-		(140,000)
Principal retirement		65,765		62,672
Loss on disposal of capital asset		(5,887)		-
Decrease in accrued vacation and sick pay		(7,473)		15,363
Change in OPEB liability		(13,614)		(8,422)
Bad debt expense (recoveries)		(497)		(2,564)
Change in net assets		<u>\$ 24,518</u>		<u>\$ 31,151</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, 2012  
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
<b>Charges for Sales and Services:</b>				
Sale of cemetery plots	\$ 67,000	\$ 70,050	\$ 3,050	\$ 65,550
Cemetery grave openings	108,000	98,450	(9,550)	96,225
Administrative charges	1,700	1,385	(315)	1,148
Total operating revenues	<u>176,700</u>	<u>169,885</u>	<u>(6,815)</u>	<u>162,923</u>
<b>Non-Operating Revenues:</b>				
FEMA assistance	8,000	8,075	75	-
Miscellaneous	-	1,758	1,758	-
Total non-operating revenues	<u>8,000</u>	<u>9,833</u>	<u>1,833</u>	<u>-</u>
<b>Total revenues</b>	<u>184,700</u>	<u>179,718</u>	<u>(4,982)</u>	<u>162,923</u>
<b>Operating Expenditures:</b>				
Salaries and employee benefits	223,608	214,818	8,790	221,862
Other operating expenditures	21,457	20,175	1,282	13,891
Maintenance and repairs	12,296	11,445	851	12,597
Utility service fee - General Fund	20,146	20,146	-	17,494
Reimbursement from other funds	(21,400)	-	(21,400)	(14,288)
Total operating expenditures	<u>256,107</u>	<u>266,584</u>	<u>(10,477)</u>	<u>251,556</u>
<b>Miscellaneous - Non-Departmental:</b>				
Hurricane Irene FEMA grant expenses	4,424	3,607	817	-
Total miscellaneous - non-departmental	<u>4,424</u>	<u>3,607</u>	<u>817</u>	<u>-</u>
<b>Total expenditures</b>	<u>260,531</u>	<u>270,191</u>	<u>(9,660)</u>	<u>251,556</u>
<b>Revenues over (under) expenditures</b>	<u>(75,831)</u>	<u>(90,473)</u>	<u>(14,642)</u>	<u>(88,633)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from General Fund	74,505	114,505	40,000	99,942
Fund balance appropriated	1,326	-	(1,326)	-
Total other financing sources (uses)	<u>75,831</u>	<u>114,505</u>	<u>38,674</u>	<u>99,942</u>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ 24,032</u>	<u>\$ 24,032</u>	<u>\$ 11,309</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		\$ 24,032		\$ 11,309
Depreciation		(1,259)		(2,628)
Increase in accrued vacation and sick pay		4,382		(2,324)
Change in OPEB liability		(9,483)		(13,106)
Change in net assets		<u>\$ 17,672</u>		<u>\$ (6,749)</u>

## **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 Fund– This fund is used to finance and account for the City's workers' compensation insurance program.

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## 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, 2012**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Operating Revenues:</b>			
Contributions from employer	\$ 208,000	\$ 208,000	\$ -
<b>Operating Expenditures:</b>			
Workers' compensation claims	303,000	188,457	114,543
Operating income (loss)	<u>(95,000)</u>	<u>19,543</u>	<u>(114,543)</u>
<b>Non-Operating Revenues:</b>			
Investment earnings	<u>-</u>	<u>2,709</u>	<u>2,709</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>95,000</u>	<u>-</u>	<u>(95,000)</u>
Total other financing sources (uses)	<u>95,000</u>	<u>-</u>	<u>(95,000)</u>
Change in net assets	<u>\$ -</u>	<u>22,252</u>	<u>\$ 22,252</u>
<b>Net Assets:</b>			
Beginning of year - July 1		<u>666,202</u>	
End of year - June 30		<u>\$ 688,454</u>	

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## **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

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## CITY OF WASHINGTON, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2012**

<u>Year</u>	<u>Uncollected Balance July 1, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 4,150,564	\$ 3,889,207	\$ 261,357
2010-2011	240,066	-	176,268	63,798
2009-2010	77,453	-	28,662	48,791
2008-2009	37,550	-	9,866	27,684
2007-2008	33,531	-	4,026	29,505
2006-2007	26,453	-	879	25,574
2005-2006	15,410	-	1,079	14,331
2004-2005	15,652	-	921	14,731
2003-2004	18,253	-	628	17,625
2002-2003	18,319	-	663	17,656
2001-2002	22,057	-	22,057	-
Total	<u>\$ 504,744</u>	<u>\$ 4,150,564</u>	<u>\$ 4,134,256</u>	521,052
Plus uncollected prior year ad valorem taxes receivable on annually registered vehicles				17,361
Less allowance for uncollectible ad valorem taxes receivable:				
General Fund				<u>(154,343)</u>
<b>Ad Valorem Taxes Receivable, Net:</b>				
General Fund				<u>\$ 384,070</u>
<b>Reconciliation With Revenues:</b>				
Ad valorem taxes - General Fund				\$ 4,189,504
Refunds				574
Write-offs and releases				2,032
Penalties and interest collected				<u>(57,854)</u>
Total collections and credits				<u>\$ 4,134,256</u>

## CITY OF WASHINGTON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2012

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy</b>	\$ 836,567,200	\$ 0.50	\$ 4,182,836	\$ 3,912,583	\$ 270,253
<b>Discoveries</b>	4,546,600	0.50	22,733	22,733	-
<b>Abatements</b>	(11,001,000)	0.50	(55,005)	(47,625)	(7,380)
Total property valuation	<u>\$ 830,112,800</u>				
<b>Net Levy</b>			4,150,564	3,887,691	262,873
Uncollected taxes at June 30, 2012			<u>261,357</u>	<u>192,015</u>	<u>69,342</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 3,889,207</u>	<u>\$ 3,695,676</u>	<u>\$ 193,531</u>
<b>Current Levy Collection Percentage</b>			<u>93.70%</u>	<u>95.06%</u>	<u>73.62%</u>

## **Statistical Section**

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## **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.	137
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source.	144
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.	148
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.	152
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.	154

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Table 1

## CITY OF WASHINGTON, NORTH CAROLINA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 19,310,212
Restricted	404,975	404,975	404,975	825,368	610,356	718,443	749,958	802,414	2,960,002	3,070,972
Unrestricted	8,159,703	9,996,697	10,178,546	9,491,617	10,347,583	9,159,353	9,814,379	8,836,625	6,206,219	6,317,546
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	\$ 28,698,730
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	\$ 52,089,287	\$ 56,442,379	\$ 57,884,865	\$ 59,355,152	\$ 60,476,100
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	13,476,598
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	\$ 73,952,698
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	\$ 79,786,312
Restricted	1,609,202	502,838	404,975	825,368	610,356	718,443	749,958	802,414	2,960,002	3,070,972
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	19,794,144
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	\$ 102,651,428

CITY OF WASHINGTON, NORTH CAROLINA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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	\$ 2,115,692
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	6,272,982
Transportation	860,034	422,934	1,039,811	959,050	1,313,731	1,079,272	733,196	858,877	1,056,475	852,732
Environmental protection	1,463,517	1,150,356	1,065,567	1,213,528	436,896	354,391	614,650	6,307	642,630	657,371
Cultural and recreation	1,552,087	1,995,018	2,538,723	2,510,074	2,714,800	2,672,910	2,605,246	2,160,070	2,697,305	2,013,443
Economic and physical development	1,979,730	1,063,657	111,452	27,104	111,698	184,507	564,134	560,332	169,738	74,514
Interest on long term debt	49,502	37,868	30,311	18,989	55,238	40,845	152,570	146,573	125,094	156,808
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	12,143,542
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	2,859,068
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	2,603,297
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	35,224,262
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	414,551
Warren Field Airport	-	-	384,981	487,413	403,057	567,006	409,650	364,180	394,575	457,044
Solid waste	-	-	-	-	1,051,889	1,038,700	1,160,196	1,156,281	1,363,882	1,332,906
Cemetery	-	-	-	-	-	-	-	264,870	269,614	276,551
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	43,167,679
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	\$ 55,311,221
<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	\$ 888,616
Public safety	271,087	189,122	511,639	485,195	521,370	225,680	550,576	-	8,000	493,962
Transportation	7,075	-	-	-	5,175	-	-	9,073	4,629	25,563
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	229,454
Economic and physical development	6,187	-	-	3,112	2,475	-	9,792	123,536	33,700	76,308
Operating grants and contributions:										
General government	-	210,562	130,385	-	-	33,372	169,511	-	10,722	10,900
Public safety	418,827	369,519	530,498	480,487	417,740	254,801	364,340	448,897	429,860	913,131
Transportation	-	289,187	319,483	322,203	315,718	354,222	314,031	-	-	-
Environmental protection	172,600	-	-	-	-	-	-	-	-	6,689
Cultural and recreation	54,981	86,667	138,627	188,745	117,934	51,220	53,437	50,660	35,611	19,396
Economic and physical development	2,199,021	2,143,567	52,268	23,646	150,151	173,251	537,270	46,618	168,152	41,418
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-

CITY OF WASHINGTON, NORTH CAROLINA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Capital grants and contributions:</b>										
General Government	-	3,000	3,000	-	-	97,047	14,656	21,794	1,998	125,665
Public safety	-	-	-	-	-	161,500	3,400	209,086	237,712	49,931
Transportation	317,349	-	-	-	-	-	-	284,260	326,458	705,593
Cultural and recreation	-	-	-	-	-	41,627	36,066	49,782	31,145	258,579
Economic and physical development	65,420	-	-	-	10,674	6,481	-	483,689	-	313,288
<b>Total governmental activities program revenues</b>	<b>4,957,139</b>	<b>4,412,304</b>	<b>3,106,167</b>	<b>3,230,849</b>	<b>3,404,346</b>	<b>2,828,777</b>	<b>4,248,111</b>	<b>2,640,609</b>	<b>2,343,283</b>	<b>4,158,493</b>
<b>Business-type activities:</b>										
<b>Charge for services:</b>										
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	3,151,154
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	3,092,541
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	35,283,158
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	501,578
Warren Field Airport	-	-	121,435	225,075	267,196	378,488	222,062	169,329	224,203	221,219
Solid Waste	-	-	-	-	1,144,562	1,130,400	1,266,234	1,283,968	1,294,121	1,241,221
Cemetery	-	-	-	-	-	-	-	213,633	162,923	171,643
<b>Operating grants and contributions:</b>										
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	-	-	-	-	529,243	-	-	-	-	-
Solid Waste	-	-	63,018	-	-	6,750	-	16,000	-	-
<b>Capital grants and contributions:</b>										
Water	150,100	32,831	34,770	100,430	14,128	11,100	569,523	164,933	3,789	81,284
Sewer	4,466,936	546,472	1,400,584	419,070	3,028	-	4,834	445,639	71,924	129,583
Electric	-	-	-	-	-	-	61,472	-	414,496	1,486,643
Stormwater utility	-	-	-	-	-	-	-	-	100,000	-
Solid Waste	1,870,442	751,104	-	-	-	-	-	-	-	-
Warren Field Airport	-	-	-	2,990	32,388	241,739	23,927	289,245	171,381	129,845
Solid Waste	-	-	-	-	-	-	-	-	-	115,030
Cemetery	-	-	-	-	-	-	-	-	-	8,075
<b>Total business-type activities program revenues</b>	<b>36,353,715</b>	<b>32,981,425</b>	<b>33,979,009</b>	<b>35,636,697</b>	<b>39,773,977</b>	<b>41,523,053</b>	<b>44,981,467</b>	<b>46,368,904</b>	<b>48,510,768</b>	<b>45,622,974</b>
<b>Total primary government program revenues</b>	<b>\$ 41,310,854</b>	<b>\$ 37,393,729</b>	<b>\$ 37,085,176</b>	<b>\$ 38,867,546</b>	<b>\$ 43,178,323</b>	<b>\$ 44,351,830</b>	<b>\$ 49,229,578</b>	<b>\$ 49,009,513</b>	<b>\$ 50,854,051</b>	<b>\$ 49,781,467</b>
<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)	\$ (7,985,049)
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	2,455,285
<b>Total primary government net (expense)/revenue</b>	<b>\$ (1,193,211)</b>	<b>\$ (5,089,257)</b>	<b>\$ (6,266,840)</b>	<b>\$ (7,874,313)</b>	<b>\$ (8,614,917)</b>	<b>\$ (5,840,801)</b>	<b>\$ (4,811,868)</b>	<b>\$ (5,899,955)</b>	<b>\$ (6,575,519)</b>	<b>\$ (5,529,754)</b>

CITY OF WASHINGTON, NORTH CAROLINA

CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(ACCURAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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	\$ 4,090,923
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	2,572,734
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	1,529,835
Investment earnings	101,916	55,115	200,117	341,602	431,607	271,994	132,038	69,776	52,345	27,378
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)	-	-	-	-	-	-	-	-
Transfers	(134,794)	(128,144)	2,854,036	(1,270,782)	(211,522)	804,211	265,641	905,123	903,525	1,193,432
Total governmental activities:	6,155,683	5,793,784	10,172,651	5,698,000	8,294,102	9,105,747	8,447,162	9,172,627	9,223,446	9,414,302
<b>Business-type activities:</b>										
Investment earnings	69,422	33,511	89,942	284,057	404,033	299,054	112,932	15,609	80,873	140,065
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	-	1,128,864	-	-	-	-	-	-	-	-
Special item-Net asset transfer from Warren 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)	(1,193,432)
Total business-type activities	745,642	1,709,942	(441,007)	1,925,907	1,480,715	(505,157)	(152,709)	(889,514)	(822,652)	(1,053,367)
Total primary government	\$ 6,901,325	\$ 7,503,726	\$ 9,731,644	\$ 7,623,907	\$ 9,774,817	\$ 8,600,590	\$ 8,294,453	\$ 8,283,113	\$ 8,400,794	\$ 8,360,935
<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)	\$ 1,429,253
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	1,401,928
Total primary government	\$ 5,708,114	\$ 2,414,469	\$ 3,464,804	\$ (250,406)	\$ 1,159,900	\$ 2,759,789	\$ 3,482,585	\$ 2,383,158	\$ 1,825,275	\$ 2,831,181

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
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
2012	4,189,504	2,046,708	250,930	39,039	20,718	182,685	1,130,064	7,859,648

Table 4

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

General Fund	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Reserved	\$ 1,022,424	\$ 2,020,929	\$ 3,708,101	\$ 3,658,180	\$ 3,428,601	\$ 3,581,076	\$ 3,878,248	\$ 2,643,875	\$ -	\$ -
Unreserved	3,252,727	3,657,762	2,227,199	3,221,790	4,508,319	4,987,976	5,536,430	5,763,532	-	-
Non Spendable	-	-	-	-	-	-	-	-	97,932	85,930
Restricted	-	-	-	-	-	-	-	-	2,490,744	2,565,383
Committed	-	-	-	-	-	-	-	-	21	21
Assigned	-	-	-	-	-	-	-	-	-	189,471
Unassigned	-	-	-	-	-	-	-	-	5,378,942	5,542,226
<b>Total General Fund</b>	<b>\$ 4,275,151</b>	<b>\$ 5,678,691</b>	<b>\$ 5,935,300</b>	<b>\$ 6,879,970</b>	<b>\$ 7,936,920</b>	<b>\$ 8,569,052</b>	<b>\$ 9,414,678</b>	<b>\$ 8,407,407</b>	<b>\$ 7,967,639</b>	<b>\$ 8,383,031</b>
<b>All Other Governmental Funds</b>										
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	414,975	436,575	-	-
<b>Total reserved</b>	<b>1,940,461</b>	<b>1,911,115</b>	<b>1,025,379</b>	<b>483,746</b>	<b>465,719</b>	<b>404,998</b>	<b>429,191</b>	<b>449,491</b>	<b>-</b>	<b>-</b>
Unreserved:										
Special revenue funds	799,367	353,405	68,024	621,357	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated reported in nonmajor:										
Special revenue funds	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	472,175
Restricted:										
Special revenue funds	-	-	-	-	-	-	-	-	51,617	25,897
Capital project funds	-	-	-	-	-	-	-	-	171,736	120,935
Committed:										
Special revenue funds	-	-	-	-	-	-	-	-	-	5,575
Capital project funds	-	-	-	-	-	-	-	-	937,559	1,001,642
Assigned:										
Capital project funds	-	-	-	-	-	-	-	-	17,104	18,908
Unassigned:										
Special revenue funds	-	-	-	-	-	-	-	-	-	(14,197)
Capital project funds	-	-	-	-	-	-	-	-	(29,661)	(15,604)
<b>Total all other governmental funds</b>	<b>\$ 3,582,235</b>	<b>\$ 3,072,700</b>	<b>\$ 2,958,654</b>	<b>\$ 1,011,699</b>	<b>\$ 2,521,209</b>	<b>\$ 1,262,455</b>	<b>\$ 975,509</b>	<b>\$ 1,818,938</b>	<b>\$ 1,600,930</b>	<b>\$ 1,615,331</b>

Table 5

CITY OF WASHINGTON, NORTH CAROLINA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Ad valorem taxes	\$ 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	\$ 4,189,504
Other taxes and licenses	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	2,572,734
Unrestricted intergovernmental	1,162,609	1,130,365	1,183,205	1,223,642	1,398,957	1,515,146	1,601,893	1,680,181	1,645,002	1,529,835
Restricted intergovernmental	2,975,815	2,452,172	1,197,427	1,016,678	956,323	1,248,494	1,661,217	1,594,806	1,264,969	2,444,573
Permits and fees	81,347	103,554	120,325	122,498	180,315	137,313	72,236	89,417	62,564	91,530
Sales and services	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	1,432,739
Interest earnings	101,916	55,115	200,118	341,602	431,607	339,899	132,038	68,352	48,822	24,669
Miscellaneous	351,398	71,865	93,218	117,841	215,326	142,776	616,018	92,822	106,506	160,889
<b>Total revenues</b>	<b>11,244,654</b>	<b>11,349,633</b>	<b>10,376,518</b>	<b>10,769,375</b>	<b>11,749,451</b>	<b>11,418,804</b>	<b>11,860,695</b>	<b>11,103,367</b>	<b>11,025,550</b>	<b>12,446,473</b>
<b>Expenditures</b>										
General government	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	1,923,459
Public safety	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	6,144,320
Transportation	860,034	919,589	758,908	774,731	1,205,673	1,034,610	869,269	857,848	1,219,102	1,600,006
Environmental protection	1,365,802	1,120,348	1,351,709	1,196,351	319,950	358,302	338,247	80,465	369,782	391,087
Economic and physical development	1,979,730	1,489,460	1,10,829	27,104	111,698	184,507	564,134	560,332	171,193	1,111,726
Cultural and recreational	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	2,433,178
Debt Service:										
Principal	369,190	386,517	418,470	365,144	324,654	342,848	411,612	398,618	557,194	234,504
Interest	49,502	37,868	30,311	18,999	51,829	40,845	152,570	146,573	125,094	141,398
<b>Total expenditures</b>	<b>11,230,213</b>	<b>11,161,170</b>	<b>11,057,369</b>	<b>11,589,621</b>	<b>11,934,076</b>	<b>13,306,884</b>	<b>12,304,515</b>	<b>11,741,018</b>	<b>12,660,834</b>	<b>13,979,678</b>
<b>Excess of revenues over (under) expenditures</b>	<b>14,441</b>	<b>188,463</b>	<b>(680,851)</b>	<b>(820,246)</b>	<b>(184,625)</b>	<b>(1,888,080)</b>	<b>(443,820)</b>	<b>(637,651)</b>	<b>(1,635,284)</b>	<b>(1,533,205)</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in	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	1,772,934
Transfers out	(1,267,709)	(1,760,292)	(1,076,107)	(2,810,814)	1,641,137	(604,791)	(982,730)	(2,277,675)	(762,000)	(579,502)
Proceeds from installment note	-	531,682	-	1,088,744	(1,674,805)	-	317,500	-	246,550	769,566
Long-term debt issued/repaid	-	-	-	-	-	467,247	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(134,794)</b>	<b>403,538</b>	<b>823,429</b>	<b>(182,038)</b>	<b>2,751,085</b>	<b>1,271,458</b>	<b>992,500</b>	<b>473,809</b>	<b>1,169,125</b>	<b>1,962,998</b>
<b>Net change in fund balances</b>	<b>\$ (120,353)</b>	<b>\$ 592,001</b>	<b>\$ 142,578</b>	<b>\$ (1,002,284)</b>	<b>\$ 2,566,460</b>	<b>\$ (616,622)</b>	<b>\$ 548,680</b>	<b>\$ (163,842)</b>	<b>\$ (466,159)</b>	<b>\$ 429,793</b>
<b>Debt service as a percentage of non-capital expenditures</b>	4.01%	4.17%	4.40%	3.73%	3.51%	3.66%	4.89%	4.84%	5.63%	2.93%

Table 6

## CITY OF WASHINGTON, NORTH CAROLINA

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Companies (1)</b>	<b>Total Taxable Assessed Value</b>	<b>Tax Rate (2)</b>	<b>Tax Levy</b>
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 (3)	671,068,810	152,090,950	12,500,840	835,660,600	0.50	4,178,303
2012	665,125,195	152,995,288	11,992,317	830,112,800	0.50	4,150,564

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.

Table 7

CITY OF WASHINGTON

PROPERTY TAX RATES  
 DIRECT AND OVERLAPPING GOVERNMENTS  
 LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	City Direct Rate			Overlapping Rates
	City of Washington	Public Safety Capital Reserve	Total Direct	Beaufort County
2003	.53	.02	.55	.60
2004	.53	.02	.55	.60
2005	.53	.02	.55	.60
2006	.53	.02	.55	.60
2007	.58	.02	.60	.60
2008	.58	.02	.60	.60
2009	.58	.02	.60	.60
2010	.58	.02	.60	.60
2011 (1)	.4856	.0144	.50	.50
2012	.4856	.0144	.50	.53

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



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
2003	3,077,791		(46,159)	3,031,632	2,816,315	92.90%	197,661	3,013,976	99.42%
2004	3,149,850	8,488		3,158,338	2,956,399	93.61%	184,314	3,140,713	99.44%
2005	3,170,509	4,356		3,174,865	3,000,190	94.50%	159,944	3,160,134	99.54%
2006	3,251,374	(11,084)		3,240,290	3,086,833	95.26%	139,126	3,225,959	99.56%
2007	3,603,408	18,239		3,621,647	3,428,541	94.67%	167,532	3,596,073	99.29%
2008	3,729,878	(10,044)		3,719,834	3,518,139	94.58%	172,190	3,690,329	99.21%
2009	3,779,421	(10,254)		3,769,167	3,561,944	94.50%	179,539	3,741,483	99.27%
2010	3,944,270	(31,878)		3,912,392	3,671,185	93.83%	192,416	3,863,601	98.75%
2011	4,214,170	(35,867)		4,178,303	3,938,237	94.25%	176,268	4,114,505	98.47%
2012	4,182,836	(32,272)		4,150,564	3,889,207	93.70%	51,755	3,940,962	94.95%

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 Capita (1)
	Installment Loans	USDA Loan	Recovery Zone Economic Dev. Bonds	General Obligation Bonds	State Revolving Loan	Installment Loans	Recovery Zone Economic Dev. Bonds			
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	0.90%	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	0.78%	35952%
2010	494,245	2,769,736	-	2,075,000	1,977,079	2,654,851	-	9,970,911	0.66%	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	44385%
2012	796,277	2,656,120	36,002	1,000,000	1,872,691	1,745,095	4,499,998	12,606,183	N/A	N/A

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.

Table 11

## 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 Total Income</b>	<b>Percentage Per Capita(1)</b>
2003	12,730,000	-	12,730,000	2.31%	1.15%	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%	0.22%	10018.84%
2010	2,075,000	-	2,075,000	0.32%	0.14%	6404.52%
2011	1,550,000	-	1,550,000	0.19%	N/A	4919.23%
2012	1,000,000	-	1,000,000	0.12%	N/A	N/A

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, 2012

<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	<u>25,150,000</u>	22.00%	<u>5,533,000</u>
Total direct and overlapping debt	<u>\$ 25,150,000</u>		<u>\$ 5,533,000</u>

\*General obligation bond debt for governmental funds only.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Value of Property	\$ 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	\$ 836,567,200
Debt Limit, 8% of Assessed Value (Statutory Limitation)	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	66,925,376
Amount of Debt Applicable to Limit										
Gross debt	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	12,606,183
Less: Debt outstanding for water purposes	6,595,533	5,842,799	4,907,951	3,988,279	3,071,643	2,191,429	1,396,201	795,229	567,567	324,769
Debt outstanding for electric purposes	672,565	595,807	500,478	406,697	313,225	223,467	142,375	81,090	2,501,526	33,117
Total net debt applicable to limit	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	12,248,297
Legal Debt Margin	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	54,677,079
Total net debt applicable to the limit as a percentage of debt limit	12.40%	10.12%	8.75%	12.61%	10.71%	14.75%	19.72%	17.43%	16.33%	18.30%

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.

Table 14

## CITY OF WASHINGTON

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Total Personal Income (2) in Millions</u>	<u>Per Capita Personal Income (2)</u>	<u>Public School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>	<u>Number of Building Permits Issued (5)</u>
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	1,492	32,254	7,270	7.60%	184
2009	10,214	1,477	31,840	7,294	11.60%	125
2010	10,176	1,505	32,399	7,133	10.80%	185
2011	9,754	N/A	31,509	7,021	11.20%	155
2012	9,740	N/A	N/A	6,957	11.10%	213

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
- (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	2012			2011		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (1)	Rank	Percentage of Total County Employment (2)
Beaufort Co. Schools	1264	1	5.75%	1031	1	4.69%
Vidant Hospital	650	2	2.95%	732	2	3.33%
Flanders Filters	600	3	2.73%	630	3	2.86%
Mega Force Staffing Group Inc	450	4	2.05%	483	4	2.20%
Beaufort County	340	5	1.55%	462	5	2.10%
State of NC	305	6	1.39%	438	6	1.99%
Stanadyne Corporation	294	7	1.34%	293	7	1.33%
City of Washington	242	8	1.10%	243	8	1.10%
Wal-Mart	220	9	1.00%	228	9	1.04%
Hackney Division of SVC	151	10	0.69%	164	10	0.75%
Total	4,516			4,704		

\* 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

Table 16

## CITY OF WASHINGTON, NORTH CAROLINA

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

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Primary government:										
General government	25	25	26	24	24	30	31	27	27	26
Public safety	73	78	81	88	87	86	88	92	92	92
Transportation	15	15	15	15	14	14	14	14	13	13
Environmental protection	20	21	21	21	9	9	9	4	9	9
Cultural and recreation	16	16	19	20	19	14	15	15	16	16
Business-type activities:										
Water	14	14	15	15	15	15	15	14.5	14.5	14.5
Sewer	13	14	14	14	14	14	14	14.5	14.5	14.5
Electric	43	44	44	42	42	36	36	36	36	36
Stormwater utility	5	5	6	6	6	6	5	5	-	-
Solid waste	-	-	-	-	11	12	12	12	13	13
Beaufort county water districts	2	-	-	-	-	-	-	-	-	-
Civic center	1	1	-	-	-	1	1	1	1	1
Aquatic center	2	2	-	-	-	2	2	2	2	2
Cemetery	-	-	-	-	-	-	-	5	5	5
Total	<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>	<u>242</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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Physical arrests	1,582	1,308	1,435	3,199	1,109	1,360	1,408	1,111	989	1,180
Parking violations	N/A	153	482	501	102	102	163	400	52	155
Traffic violations	1,349	2,510	3,972	2,469	3,049	1,140	1,877	2,237	1,151	1,382
Fire										
Fire calls	235	437	446	397	404	457	715	619	698	689
EMS calls	1,509	1,640	1,676	2,248	1,858	1,931	2,050	2,168	2,170	2,319
Fire inspections	817	920	1,158	775	891	843	766	663	702	628
Streets										
Street resurfacing (miles)	1.11	0.14	1.54	-	3.84	1.23	-	-	2.18	-
New Construction (miles)	-	0.09	2.21	0.28	0.29	-	0.14	0.2	-	0.21
Solid Waste										
Refuse collected (tons/day)	25.56	25.65	25.24	25.91	25.33	24.26	22.58	21.7	21.2	20.9
Recyclables collected (tons/day)	0.57	0.55	0.61	0.41	0.68	0.84	0.87	1.28	1.62	1.96
Library										
Number of patrons	87,086	89,322	77,790	79,484	88,260	93,054	86,689	80,789	73,721	73,721
Number of Volumes	55,197	74,360	56,944	60,248	61,540	58,998	63,782	67,113	79,603	98,485
Water Utilities										
Number of customers										
Inside city	4,616	4,671	4,608	4,605	4,784	4,816	4,868	4,873	4,886	4,896
Outside city	192	180	187	414	216	225	222	228	232	244
Average daily consumption (millions of gallons)	2.75	2.65	2.51	2.33	2.025	2.26	2.757	2.241	2.312	2.289
Wastewater Utilities										
Number of customers										
Inside city	4,448	4,498	4,429	4,529	4,608	4,677	4,713	4,725	4,724	4,744
Outside city	81	68	68	222	100	116	121	120	121	128
Average daily treatment (millions of gallons)	1.588	1.88	1.93	1.87	1.769	1.517	1.639	1.859	1.727	1.486
Electric Utilities										
Number of customers	12,690	12,806	12,924	13,180	13,262	13,338	13,374	13,406	13,436	13,475
KWH Purchased	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	287,914,605
KWH Sold	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	274,920,134
Unaccounted KWH	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	12,994,471

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	13	12	15	13	15	14	14	14	14
Fire										
Stations	1	1	1	1	1	2	2	2	2	2
Streets										
Total miles	52.75	52.75	54.96	55.24	55.44	55.54	55.44	58.5	58.5	59.01
Paved miles	49.37	49.37	51.58	51.86	52.06	52.06	52.2	57.06	57.36	57.45
Unpaved miles	3.38	3.38	3.38	3.38	3.38	3.38	3.24	1.44	1.14	1.56
Recreation										
Neighborhood Centers	2	1	1	1	1	1	1	1	2	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	6	2	2	2	2	2	2	2	2
Basketball	9	7	5	5	7	7	7	7	7	7
Shuffleboard	2	-	-	-	-	-	-	-	-	0
Horseshoes	2	2	2	2	2	2	2	2	2	2
Bocce	-	-	-	-	1	1	1	1	1	1
Skate Park	-	-	-	-	-	1	1	1	1	1
Boat ramps	4	4	4	4	4	4	4	4	4	4
Boat Slips										
Rental	24	36	36	36	36	36	36	36	36	
Free	12	12	12	12	12	12	12	12	12	36
Piers										12
Fishing	1	1	1	1	1	1	1	1	1	1
Boats	9	4	4	4	4	4	4	4	4	4
Parks										
Total Acreage	212	352	352	352	352	352	352	550	550	550
Open Space	124	124	124	124	124	124	124	162	162	162
Wilderness	-	140	140	140	140	300	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	-	-	-	-	0
Baseball	5	5	5	5	5	6	6	6	6	6
Softball	3	3	3	3	3	3	3	3	3	2
Water Utilities										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Fire hydrants	600	618	631	644	664	667	672	684	687	697
Maximum daily capacity (millions of gallons)	4.825	3.68	4.374	5.45	5.45	5.45	5.45	5.45	5.45	5.45
Miles of water mains	75.45	77.78	79.99	81	81	81	81	82.19	82.19	82
Wastewater Utilities										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Lift stations	27	29	29	29	30	30	30	31	31	32
Maximum daily treatment capacity (millions of gallons)	3.4	3.5	3.198	3.65	3.65	3.65	3.65	3.65	3.65	3.65
Miles of gravity mains	66.4	71	73	74	74	74	74	74.3	74.3	74.3
Miles of force mains	22.4	26	27	27	27	27	27	28.27	28.27	30.35
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	32.1

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 OMB Circular A-133 And The State Single Audit Implementation Act
- Report on Compliance With Requirements That Could Have a Direct and Material Effect On Effect On Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 And The State Single Audit Implementation Act
- Schedule of Findings, Responses, and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Schedule of Expenditures of Federal and State Awards

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# 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 29, 2012. 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.  
October 29, 2012

# 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**

### **Independent Auditors' Report**

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, 2012. The City of Washington's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, 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, 2012.

## 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 and the State Single Audit Act, 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, 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.  
October 29, 2012

# 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 State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 And the State Single Audit Implementation Act**

### **Independent Auditors' Report**

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

#### **Compliance**

We have audited the compliance of the City of Washington with the types of compliance requirements described in applicable sections of U.S. Office of Management and Budget (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 the City of Washington's major State programs for the year ended June 30, 2012. The City of Washington's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State 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; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, applicable sections of 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 State 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 compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

## Internal Control Over Compliance

Management of the City of Washington is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to State 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 State program 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 applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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'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 State 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 State 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, 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.  
October 29, 2012

**CITY OF WASHINGTON, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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>
97.036	Federal Emergency Management-Public Assistance Grants
20.205	Department of Transportation Highway Planning and Construction Cluster
81.041	State Energy Program

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, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**State Awards:**

Internal control over major State 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 State programs:

**Program Name**

Federal Emergency Management-Public Assistance Grants  
Powell Bill

**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

**4. Findings and Questioned Costs Related to the Audit of State Awards**

None

**CITY OF WASHINGTON, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

None

## CITY OF WASHINGTON, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through or Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Awards</b>					
<i>U.S. Environmental Protection Agency</i>					
<i>Passed through the North Carolina Department of Environment &amp; Natural Resources</i>					
<i>Division of Water Quality</i>					
<i>Clean Water State Revolving Fund (CWSRF)</i>					
Main & Respass Lift Station Upgrade	66 458	CS370521-5	\$ 136,979	\$ 34,245	\$ -
<i>Total U.S. Department of Interior</i>			<u>136,979</u>	<u>34,245</u>	<u>-</u>
<i>U.S. Department of Interior</i>					
<i>Passed through the North Carolina Department of Environment &amp; Natural Resources</i>					
Jack's Creek Greenway	23 219C	2741	46,013	-	5,713
<i>Total U.S. Department of Interior</i>			<u>46,013</u>	<u>-</u>	<u>5,713</u>
<i>U.S. Department of Transportation Federal Highway Administration</i>					
<i>Passed through the North Carolina Department of Transportation</i>					
Comprehensive Bicycle Plan	20 205	M-0371	1,140	-	285
Bridge #80 Brown Street Over Jack's Creek Replacement	20 205	B-5174	529,969	-	132,473
<i>Total U.S. Department of Transportation Highway Planning and Construction Cluster</i>			<u>531,109</u>	<u>-</u>	<u>132,758</u>
<i>U.S. Department of Homeland Security</i>					
<i>Federal Emergency Management Agency</i>					
<i>Rescue Vehicle Acquisition</i>					
<i>Passed through NC Dept. of Crime Control &amp; Public Safety</i>					
<i>Division of Emergency Management</i>					
Public Assistance Grants - Irene	97 044	EMW-2011-FV-00583	285	-	15
<i>Total U.S. Department of Homeland Security</i>			<u>1,125,705</u>	<u>375,236</u>	<u>-</u>
			<u>1,125,990</u>	<u>375,236</u>	<u>15</u>
<i>U.S. Dept. of Justice</i>					
<i>Bureau of Justice Assistance</i>					
Edward Byrne Memorial Justice Assistance Grant	16 738	2011-DJ-BX-2592	11,252	-	-
Rural Law Enforcement Assistance Grant	16 810	2009-SD-B9-0168	58,998	-	-
Bullet Proof Vest/Body Armour Safety Initiative	16 607		3,407	-	-
Washington - Disruption of Street Drug Sales 2011	16 738	2011-DJ-BX-2091	9,410	-	3,136
<i>Total U.S. Department of Justice</i>			<u>83,067</u>	<u>-</u>	<u>3,136</u>
<i>U.S. Department of Transportation</i>					
<i>Passed through the North Carolina Department of Transportation</i>					
<i>Division of Aviation:</i>					
Airport Improvements	20 106	36237 38 7 1	20,336	-	2,260
Airport Improvements	20 106	36237 38 8 1	22,648	-	2,517
Airport Improvements	20 106	36237 38 9 1	56,920	-	6,325
Airport Improvements	20 106	36244 51 8 1	27,242	-	3,027
<i>Total U.S. Department of Transportation</i>			<u>127,146</u>	<u>-</u>	<u>14,129</u>
<i>U.S. Department of Housing and Urban Development</i>					
<i>Passed through the North Carolina Department of Commerce</i>					
<i>CDBG -State -Administered CDBG Cluster:</i>					
CDBG Housing Dev. Keyesville Road Subdivision	14 228	05-C-1490	125,664	-	70,000
CDBG Talent Enhancement Grant	14 228	11-C-2260	20,112	-	-
CDBG Affordable Housing	14 228	09-C-2050	17,800	-	-
<i>Total CDBG-State-Administered CDBG Cluster</i>			<u>163,576</u>	<u>-</u>	<u>70,000</u>
<i>U.S. Dept. of Homeland Security</i>					
<i>Passed through the Office of State and Local Government</i>					
<i>Coordination &amp; Preparedness</i>					
SAFER Grant	97 044	EMW-2007-FF-01057	38,395	-	107,358
<i>Total U.S. Dept. of Homeland Security</i>			<u>38,395</u>	<u>-</u>	<u>107,358</u>
<i>U.S. Department of Energy</i>					
<i>Passed through the North Carolina Department of Commerce, State Energy Office</i>					
ARRA-Energy Efficiency in Government Buildings Grant	81 041	4390014817	259,979	-	23,000
ARRA-2010 Main Street II	81 041	4390014947	53,309	-	53,308
ARRA-Student Internship & Fellowship Program	81 041	4390014627	11,689	-	1,857
<i>Total for U.S. Department of Energy</i>			<u>324,977</u>	<u>-</u>	<u>78,165</u>
<b>Total Federal Awards</b>			<u>2,577,252</u>	<u>409,481</u>	<u>411,274</u>

## CITY OF WASHINGTON, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

<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>State Awards</b>					
<i>N.C. Department of Cultural Resources</i>					
Cornerstone Grant			-	200	-
State Aid to Libraries			-	9,896	-
<i>Total N.C. Department of Cultural Resources</i>			-	10,096	-
<i>N.C. Department of Transportation</i>					
Powell Bill			-	258,588	-
<i>Total N.C. Department of Transportation</i>			-	258,588	-
<i>N.C. Department of Environment and Natural Resources</i>					
<i>Passed through the NC Parks and Recreation Trust Fund</i>					
Festival Park		3198	-	120,745	120,746
<i>Total N.C. Department of Environment and Natural Resources</i>			-	120,745	120,746
<b>Total State Awards</b>			-	389,429	120,746
<b>Total Federal and State Awards</b>			<b>\$ 2,577,252</b>	<b>\$ 798,910</b>	<b>\$ 532,020</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.

**Loans Outstanding**

City of Washington had the following loan balances outstanding at June 30, 2012. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for State Revolving Funds	66 458	CS370521-5	\$ 159,223

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