CITY OF WAYNESBORO, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of net assets	11
Statement of activities	12
Fund Financial Statements:	
Governmental Funds	
Balance sheet - governmental funds	13
Statement of revenues, expenditures and changes in fund balances - governmental funds	15
Statement of revenues, expenditures and changes in fund balances - budget to actual - general fund	17
Proprietary Funds	
Statement of net assets	18
Statement of revenues, expenses and changes in fund net assets	19
Statement of cash flows	20
Notes to financial statements	22
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of funding progress	49
SUPPLEMENTARY DATA	
Combining and Individual Fund Statements and Schedules	
Governmental Funds:	
Non-major Governmental Funds	50
Combining balance sheet	51
Combining statement of revenues, expenditures and changes in fund balances	52
General Fund	
Schedule of revenues, expenditures and changes in fund balances - budget to actual	53
Special Revenue Funds	
Hotel/Motel Tax Fund	
Schedule of revenues, expenditures and changes in fund balances - budget to actual	55
Drug Control Fund	
Schedule of revenues, expenditures and changes in fund balances - budget to actual	56
Revolving Loan Fund	
Schedule of revenues, expenditures and changes in fund balances - budget to actual	57
Community Home Investment Program	
Schedule of revenues, expenditures and changes in fund balances - budget to actual	58
2006 Community Development Block Grant	
Schedule of revenues, expenditures and changes in fund balances - budget to actual	59
Family Connection Grant	
Schedule of revenues, expenditures and changes in fund balances - budget to actual	60
Reconciliation of program year to fiscal year	61

(Continued)

Page

SUPPLEMENTARY DATA (continued)
Combining and Individual Fund Statements and Schedules (continued)
Governmental Funds: (continued)
Capital Projects Funds
SPLOST Fund
Schedule of revenues, expenditures and changes in fund balances - budget to actual 62
SPLOST II Fund
Schedule of revenues, expenditures and changes in fund balances - budget to actual 63
Community Development Block R Grant
Schedule of revenues, expenditures and changes in fund balances - budget to actual 64
Proprietary Funds:
Water and Sewer Fund
Comparative statement of revenues, expenses and changes in fund net assets 65
Comparative statement of cash flows 66
Gas Fund
Comparative statement of revenues, expenses and changes in fund net assets 68
Comparative statement of cash flows 69
Solid Waste Fund
Comparative statement of revenues, expenses and changes in fund net assets 70
Comparative statement of cash flows 71

OTHER REPORTS
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* 72
Report on compliance with requirements that could have a direct and material effect on each major program and internal control over compliance in accordance with OMB Circular A-133 74
Schedule of expenditures of federal awards 76
Summary schedule of prior audit findings 77
Schedule of findings and questioned costs 78
Schedule of state awards expended 77
Schedule of projects constructed with Special Purpose Local Option Sales Tax Proceeds 85

REDDICK, RIGGS,
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CERTIFIED PUBLIC ACCOUNTANTS

TERRELL T. REDDICK
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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Waynesboro, Georgia
Waynesboro, Georgia

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and aggregate remaining fund information of the City of Waynesboro, Georgia as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 14, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary data on pages 3 through 10 and page 49, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Reddick, Riggs, Hunter and Kennedy, P. C.

Statesboro, Georgia
August 14, 2012

This discussion and analysis is intended to be an easily readable analysis of the City of Waynesboro, Georgia's (the City's) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Overview of the Financial Statements

The City's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the basic financial statements. The *government-wide financial statements* present an overall picture of the City's financial position and results of operations. The *fund financial statements* present financial information for the City's major funds. The *notes to financial statements* provide additional information concerning the City's finances that are not disclosed in the government-wide or fund financial statements.

Government-wide Financial Statements

The City's financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The *Statement of Activities* reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

In the Statement of Net Assets and Statement of Activities, the City is divided into two kinds of activities:

- *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, community development, information services and general administration. These activities are primarily supported by property taxes, sales taxes, other taxes, federal and state grants, and charges for services.
- *Business-type activities* - Business-type activities include the City's water and sewer system, gas system, and solid waste activities. These activities are supported by charges to the users of the activities.

The government-wide financial statements are presented on pages 11 and 12 of this report.

Overview of the Financial Statements (continued)

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

Governmental Funds: The majority of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances of spendable resources available at year-end. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The basic governmental fund financial statements are presented on pages 13 through 17 of this report.

The City maintains three major and seven non-major governmental funds. The City's major governmental funds are the General Fund, the SPLOST Fund and the SPLOST II Fund. The City's non-major governmental funds are the Hotel/Motel Tax Fund, Drug Control Fund, Revolving Loan Fund, Community Home Investment Program, the 2006 Community Development Block Grant Fund, Family Connection Grant, and the CDBG R Grant Fund.

Proprietary Funds: The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and Statement of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. These are reported in the fund financial statements and generally report services for which the fund essentially encompasses the same functions reported as business-type activities in the government-wide statements.

The basic enterprise fund financial statements are presented on pages 18 through 21 of this report.

The City maintains three enterprise funds: Water and Sewer, Gas and Solid Waste.

Notes to the Basic Financial Statements

The notes to the financial statements explain some of the information in the financial statements and provide information that is more detailed. The notes are essential to a full understanding of the government-wide and fund financial statements. The notes begin on page 22 of this report.

Budgetary Presentations

A budgetary comparison statement is included as "basic financial statements" for the General Fund. Budgetary comparison schedules for all other governmental funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Overview of the Financial Statements (continued)

Supplementary Financial Information

As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented as supplementary financial information of this report beginning on page 50.

Financial Analysis of the City as a Whole

The City's net assets at fiscal year-end are $17,657,492, as compared to $15,723,738 at December 31, 2010. The following table provides a summary of the City's net assets.

Summary of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	(As Restated) 2010	2011	2010	2011	(As Restated) 2010
Assets:						
Current and other assets	$ 4,975,806	4,787,775	$ 602,257	$ 646,647	$ 5,578,063	$ 5,434,422
Capital assets	4,995,007	4,226,016	19,670,404	19,388,235	24,665,411	23,614,251
Total assets	9,970,813	9,013,791	20,272,661	20,034,882	30,243,474	29,048,673
Liabilities:						
Long-term liabilities	149,541	264,718	10,903,074	11,107,331	11,052,615	11,372,049
Other liabilities	968,772	1,322,197	564,595	630,689	1,533,367	1,952,886
Total liabilities	1,118,313	1,586,915	11,467,669	11,738,020	12,585,982	13,324,935
Net assets:						
Invested in capital assets, net of related debt	4,910,953	4,029,360	8,784,212	8,297,554	13,695,165	12,326,914
Restricted	2,747,011	2,283,755	463,439	459,337	3,210,450	2,743,092
Unrestricted	1,194,536	1,113,761	(442,659)	(460,029)	751,877	653,732
Total Net Assets	$ 8,852,500	$ 7,426,876	$ 8,804,992	$ 8,296,862	$ 17,657,492	$ 15,723,738

The current ratio is used to measure an entity's ability to meet current obligations. The City of Waynesboro, Georgia has a 5.14 to 1 ratio for governmental activities as compared to 3.62 to 1 at December 31, 2010. The current ratio for business-type activities is 1.07 to 1, as compared to 1.03 to 1 at December 31, 2010.

The City reported positive balances in net assets for both governmental and business-type activities. Analyzing the net assets of governmental and business-type activities separately, the business-type activities net assets are $8,804,992. The table below focuses on the net assets and revenues and expenses of the City's governmental and business-type activities. Net assets increased $1,425,624 for governmental activities and increased $508,130 for business-type activities. The City's overall financial position improved during the year ended December 31, 2011.

Financial Analysis of the City as a Whole (continued)

The following table provides a summary of the City's changes in net assets:

Summary of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	(As Restated) 2010	2011	(As Restated) 2010	2011	(As Restated) 2010
Revenues:						
Program						
Charges for services	$ 407,279	$ 302,448	$ 4,733,201	$ 5,043,096	$ 5,140,480	$ 5,345,544
Operating grants	252,043	34,401	-	-	252,043	34,401
Capital grants / contributions	2,014,169	3,320,445	190,277	-	2,204,446	3,320,445
General						
Property taxes	1,289,820	1,246,959	-	-	1,289,820	1,246,959
Sales taxes	1,069,354	982,436	-	-	1,069,354	982,436
Franchise taxes	459,254	438,294	-	-	459,254	438,294
Insurance premium taxes	270,450	312,924	-	-	270,450	312,924
Financial institution taxes	25,826	30,110	-	-	25,826	30,110
Alcoholic beverage taxes	153,275	153,461	-	-	153,275	153,461
Hotel/Motel occupancy taxes	71,405	68,093	-	-	71,405	68,093
Intangible and other taxes	22,239	29,905	-	-	22,239	29,905
Interest	2,796	7,271	4,287	5,095	7,083	12,366
Gain (loss) on sale of assets	12,220	15,951	-	3,800	12,220	19,751
Other income	18,734	14,620	-	-	18,734	14,620
Total revenues	6,068,864	6,957,318	4,927,765	5,051,991	10,996,629	12,009,309
Program expenses:						
General government	822,486	697,824	-	-	822,486	697,824
Judicial	60,580	45,906	-	-	60,580	45,906
Public safety	2,214,064	1,816,089	-	-	2,214,064	1,816,089
Public works	968,615	1,004,914	-	-	968,615	1,004,914
Public health and welfare	229,340	372,084	-	-	229,340	372,084
Economic development	399,320	221,387	-	-	399,320	221,387
Interest	21,588	14,894	-	-	21,588	14,894
Water	-	-	2,542,937	2,488,892	2,542,937	2,488,892
Gas	-	-	1,147,849	1,370,297	1,147,849	1,370,297
Solid waste	-	-	656,096	832,152	656,096	832,152
Total expenses	4,715,993	4,173,098	4,346,882	4,691,341	9,062,875	8,864,439
Increase (decrease) in net assets before transfers and special items	1,352,871	2,784,220	580,883	360,650	1,933,754	3,144,870
Transfers	72,753	(24,337)	(72,753)	24,337	Nil	Nil
Increase (decrease) in net assets	1,425,624	2,759,883	508,130	384,987	1,933,754	3,144,870
Beginning net assets	7,426,876	4,666,993	8,296,862	7,911,875	15,723,738	12,578,868
Ending net assets	$ 8,852,500	$ 7,426,876	$ 8,804,992	$ 8,296,862	$ 17,657,492	$ 15,723,738

Governmental Revenues

The City's governmental activities are heavily reliant on property taxes and sales taxes, which collectively make up 38.85% of governmental revenues. Note that program revenues made up 69.10% of the City's total revenues.

Financial Analysis of the City as a Whole (continued)

Governmental Expenses

The above table presents the costs of each of the City's programs. Public safety, water and sewer, and gas were the most costly. Public safety made up 24.43% of the City's total expenses, while water and sewer and gas made up 28.04% and 12.67% respectively.

There was an excess of $1,352,871 in governmental activities and an excess of $580,883 in business-type activities. Transfers to (from) governmental activities resulted in a total excess in governmental activities of $1,425,624 and a total excess in business-type activities of $508,130. The total change in net assets was $1,933,754. As stated earlier, the financial position of the City improved in the year ended December 31, 2011.

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements.

Governmental funds reported ending fund balances of $3,287,652. Of this year-end total, $2,727,150 is reserved for capital projects and $12,480 for other uses. The unreserved portion of governmental fund balances was $495,402. The total ending fund balances of governmental funds shows an increase of $219,130, or a 7.14% increase.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund reported an ending fund balance of $518,616. Of this total, $5,158 is reserved for use under state grants or community development programs. The remaining balance of $495,402 is unreserved. The total ending fund balance of the general fund shows a decrease of $214,241. The decrease in the current year was a result of cost overruns in the following departments:

a. Police Department due to a reorganization of the department that consisted of hiring several new officers and purchase additional equipment,

b. Street Department due to increases in utility costs (streetlights) and equipment maintenance costs,

Total revenues of the General Fund were $3,572,643, a decrease of $134,359 from fiscal year 2010. This equates to a decrease of 3.62% in total revenues. Although several revenues such as a reimbursement of $190,219 from Georgia Department of Natural Resources for work at the Old City Landfill were additional revenues, property tax proceeds for 2011 decreased by $482,511.

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Operating revenues for the proprietary funds were $4,733,201, a decrease of $(309,895) over fiscal year 2010. After considering expenditures, the net income of these funds before capital contributions and transfers is $390,606.

Budgetary Highlights

Revenues in the General Fund were under the budget by $227,257. This decrease resulted primarily from This decrease was primarily due to a decrease in property tax proceeds in 2011 caused by an increase in deferred taxes. The Burke County Tax Commissioner was late in releasing the Tax Digest due to appeals by the utility companies. This delay caused tax bills to be mailed later than normal, with a late due date.

Expenditures in the General Fund were over the budget by $5,140 due to a combination of overages and surpluses in several of the departments.

A budget amendment was adopted during the year ended December 31, 2011 which resulted in an increase in General Fund expenditures of $723,000.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, as of December 31, 2011, was $24,665,411 as follows:

Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Nondepreciable assets:						
Land	$ 139,872	$ 139,872	$ 74,047	$ 12,156	$ 213,919	$ 152,028
Construction in progress	4,850	1,507,166	797,298	117,719	802,148	1,624,885
Book value - nondepreciable assets	144,722	1,647,038	871,345	129,875	1,016,067	1,776,913
Depreciable assets:						
Buildings and plant	5,123,531	2,893,277	26,957,509	26,710,107	32,081,040	29,603,384
Machinery and equipment	709,508	623,383	2,351,819	2,311,301	3,061,327	2,934,684
Office equipment	478,448	379,670	-	-	478,448	379,670
Vehicles	1,217,684	1,123,159	895,102	867,868	2,112,786	1,991,027
Total depreciable assets	7,529,171	5,019,489	30,204,430	29,889,276	37,733,601	34,908,765
Less accumulated depreciation	2,678,886	2,440,511	11,405,371	10,630,916	14,084,257	13,071,427
Book value - depreciable assets	4,850,285	2,578,978	18,799,059	19,258,360	23,649,344	21,837,338
Percentage depreciated	35.58 %	48.62 %	45.65 %	57.84 %	34.76 %	35.69 %
Total Capital Assets	$ 4,995,007	$ 4,226,016	$ 19,670,404	$ 19,388,235	$ 24,665,411	$ 23,614,251

For more information on the changes in capital assets, see Note 3.D.

Capital Assets and Debt Administration (continued)

Debt Outstanding

As of December 31, 2011, the City had total outstanding long-term debt of $11,052,615 as follows:

	Long-Term Debt					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Accumulated leave benefits	$ 65,487	$ 68,062	$ 16,882	$ 16,650	$ 82,369	$ 84,712
Notes payable						
City Hall renovation	21,085	44,450	-	-	21,085	44,450
GEFA Loan	-	-	911,189	1,030,523	911,189	1,030,523
GEFA Loan - WWTP rehab	-	-	556,704	618,047	556,704	618,047
GEFA Loan - Well	-	-	489,500	-	489,500	-
Capital leases						
Fire truck	31,112	60,746	-	-	31,112	60,746
Street sweeper	21,790	52,015	-	-	21,790	52,015
Police cars	10,067	35,512	-	-	10,067	35,512
Sanitation equipment	-	-	460,682	789,908	460,682	789,908
Other equipment	-	3,933	-	17,943	-	21,876
Revenue bonds payable						
USDA Bonds, Series 1992	-	-	2,683,788	2,755,360	2,683,788	2,755,360
USDA Bonds, Series 2002	-	-	2,866,397	2,917,925	2,866,397	2,917,925
USDA Bonds, Series 2003 (#4)	-	-	960,553	974,723	960,553	974,723
USDA Bonds, Series 2003 (#6)	-	-	1,957,379	1,986,252	1,957,379	1,986,252
Total Long-Term Debt	$ 149,541	$ 264,718	$ 10,903,074	$ 11,107,331	$ 11,052,615	$ 11,372,049

During the year ended December 31, 2011, the City issued long-term debt totaling $489,732. The City retired $809,166 of existing debt.

For more information on the City's long-term debt, see Note 3.G.

Economic Conditions Affecting the City

Waynesboro/Burke County has one of the state's highest unemployment rates at 12.8 (as of June 2012) despite being home to the Country's largest construction project at Southern Company's Vogtle Electric Generating Plant. The Plant is in the process of constructing two new nuclear reactors at the site. The plant currently employs 2,200 construction related workers and anticipates an increase to 3,500. Upon completion, the new reactors, 3 and 4, will create 800 to 900 permanent new jobs. Many of the new employees working at the plant live in neighboring counties.

Although, construction has started and has stumbled recently, the project is projected to generate an additional $14 million in sales tax revenues for the City of Waynesboro alone over the next six to seven years.

A warmer winter starting in November of 2011 and continuing through March of2012 has caused a significant decrease in natural gas revenues. These revenues are expected to decrease during 2011 and 2012 by more than $300,000 each year. Surplus natural gas revenues help fund the operations of many other departments in the City. Therefore this shortfall is expected to impact expenditures in all departments.

Economic Conditions Affecting the City (continued)

Management anticipates that the City will continue operating at an austere level as in the past few years until an appropriate level of reserves is set aside. Although an increase in construction at Plant Vogtle may provide a large increase in sales tax revenues at one time, management expects to curtail spending the City has built a budget for subsequent years which is expected to build reserves so that the City is not dependent on this construction project.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City at 628 Myrick Street, Waynesboro, Georgia 30830.

CITY OF WAYNESBORO, GEORGIA
Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Current Assets				
Cash	$ 2,485,058	$ 167,841	$ 2,652,899	$ 8,075
Receivables, net of allowance for uncollectibles:				
Taxes	1,267,970	-	1,267,970	-
Intergovernmental	273,129	-	273,129	-
Other	631,598	178,245	809,843	-
Accrued interest receivable	-	1,064	1,064	-
Internal balances	272,812	(272,812)	-	-
Inventories	-	-	-	971
Note receivable	45,239	-	45,239	-
Restricted assets:				
Cash	-	463,439	463,439	-
Noncurrent Assets				
Capital assets:				
Nondepreciable assets	144,722	871,345	1,016,067	-
Depreciable assets, net	4,850,285	18,799,059	23,649,344	-
Other assets:				
Bond issuance costs, unamortized portion	-	64,480	64,480	-
Total Assets	9,970,813	20,272,661	30,243,474	9,046
LIABILITIES				
Current Liabilities				
Accounts payable	508,656	175,791	684,447	-
Payroll taxes payable	198	-	198	-
Accrued salaries	24,210	4,846	29,056	-
Accrued sales tax	-	7,438	7,438	-
Accrued interest payable	6,115	34,083	40,198	-
Deposits to secure services	-	42,437	42,437	-
Tax anticipation notes	429,593	-	429,593	-
Due within one year:				
Compensated absences	13,097	3,377	16,474	-
Notes payable	21,085	212,298	233,383	-
Capital lease payable	58,083	286,940	345,023	-
Revenue bonds payable	-	175,825	175,825	-
Due in more than one year:			-	-
Compensated absences, net of current portion	52,390	13,505	65,895	-
Notes payable, net of current portion	-	1,745,095	1,745,095	-
Capital lease payable, net of current portion	4,886	173,742	178,628	-
Revenue bonds payable, net of current portion	-	8,292,292	8,292,292	-
Other noncurrent liabilities:	-	-	-	-
Pollution remediation obligation	-	300,000	300,000	-
Total Liabilities	1,118,313	11,467,669	12,585,982	Nil
NET ASSETS				
Invested in capital assets, net of related debt	4,910,953	8,784,212	13,695,165	-
Restricted for:				
Capital projects	2,727,150	-	2,727,150	-
Public Safety	7,381	-	7,381	-
Debt service	-	463,439	463,439	-
Community Development	12,480	-	12,480	9,046
Unrestricted	1,194,536	(442,659)	751,877	-
Total Net Assets	$ 8,852,500	$ 8,804,992	$ 17,657,492	$ 9,046

The Notes to Financial Statements are an integral part of these statements.

CITY OF WAYNESBORO, GEORGIA
Statement of Activities
For the Year Ended December 31, 2011

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total	Component Unit
Governmental activities:								
General government	$ 822,486	$ 112,369	$ 192,651	$ -	$ (517,466)	$ -	$ (517,466)	$ -
Judicial	60,580	-	-	-	(60,580)	-	(60,580)	-
Public safety	2,214,064	291,760	6,424	-	(1,915,880)	-	(1,915,880)	-
Public works	968,615	3,150	-	2,010,819	1,045,354	-	1,045,354	-
Public health and welfare	229,340	-	52,968	-	(176,372)	-	(176,372)	-
Economic development	399,320	-	-	3,350	(395,970)	-	(395,970)	-
Interest on long-term debt	21,588	-	-	-	(21,588)	-	(21,588)	-
Total governmental activities	4,715,993	407,279	252,043	2,014,169	(2,042,502)	Nil	(2,042,502)	Nil
Business-type activities:								
Water and sewer	2,542,937	2,153,393	-	190,277	-	(199,267)	(199,267)	-
Gas	1,147,849	1,553,302	-	-	-	405,453	405,453	-
Solid waste	656,096	1,026,506	-	-	-	370,410	370,410	-
Total business-type activities	4,346,882	4,733,201	Nil	190,277	Nil	576,596	576,596	Nil
Total	$ 9,062,875	$ 5,140,480	$ 252,043	$ 2,204,446	(2,042,502)	576,596	(1,465,906)	Nil
Component unit:								
Downtown Development Authority	$ 3,407	$ 4,454	$ Nil	$ Nil	Nil	Nil	Nil	1,047
General Revenues								
Property taxes					1,289,820	-	1,289,820	-
Sales taxes					1,069,354	-	1,069,354	-
Franchise taxes					459,254	-	459,254	-
Insurance premium taxes					270,450	-	270,450	-
Financial institution taxes					25,826	-	25,826	-
Alcoholic beverage taxes					153,275	-	153,275	-
Hotel/Motel occupancy taxes					71,405	-	71,405	-
Intangible and other taxes					22,239	-	22,239	-
Interest					2,796	4,287	7,083	-
Other revenues					18,734	-	18,734	-
Gain (loss) on sale of assets					12,220	-	12,220	-
Total general revenues					3,395,373	4,287	3,399,660	-
Transfers					72,753	(72,753)	-	-
Total general revenues and transfers					3,468,126	(68,466)	3,399,660	-
Change in net assets					1,425,624	508,130	1,933,754	1,047
Net assets, beginning of year					7,426,876	8,296,862	15,723,738	7,999
Net assets, end of year					$ 8,852,500	$ 8,804,992	$17,657,492	$ 9,046

The Notes to Financial Statements are an integral part of these statements.

CITY OF WAYNESBORO, GEORGIA
Balance Sheet
Governmental Funds
December 31, 2011

	General Fund	SPLOST Fund	SPLOST II Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 72,817	$ 429,797	$ 1,971,347	$ 11,097	$ 2,485,058
Receivables:					
Taxes receivable	1,267,970	-	-	-	1,267,970
Intergovernmental receivables	-	-	243,449	29,680	273,129
Notes receivable	-	-	-	45,239	45,239
Other receivables	625,915	-	2,076	3,606	631,597
Due from other funds	-	272,812	-	24,625	297,437
Total Assets	$ 1,966,702	$ 702,609	$ 2,216,872	$ 114,247	$ 5,000,430
LIABILITIES					
Accounts payable	$ 243,965	$ -	$ 210,387	$ 54,305	$ 508,657
Payroll taxes payable	198	-	-	-	198
Accrued salaries	24,210	-	-	-	24,210
Deferred tax revenues	719,444	-	-	-	719,444
Accrued interest payable	6,052	-	-	-	6,052
Due to other funds	24,624	-	-	-	24,624
Tax anticipation notes	429,593	-	-	-	429,593
Total Liabilities	1,448,086	Nil	210,387	54,305	1,712,778
FUND BALANCES					
Nonspendable:					
Notes receivable	-	-	-	45,239	45,239
Restricted for:	-	-	-	-	-
Capital projects	18,056	702,609	2,006,485	-	2,727,150
Public safety	-	-	-	7,381	7,381
Community development	5,158	-	-	7,322	12,480
Fund balance - unreserved	495,402	-	-	-	495,402
Total Fund Balances	518,616	702,609	2,006,485	59,942	3,287,652
Total Liabilities and Fund Balances	$ 1,966,702	$ 702,609	$ 2,216,872	$ 114,247	$ 5,000,430

The Notes to Financial Statements are an integral part of these statements.

CITY OF WAYNESBORO, GEORGIA
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2011

Total Governmental Fund Balances		$ 3,287,652
Amounts reported in governmental activities in the statements of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		
Cost	$ 7,673,893	
Accumulated depreciation	(2,678,886)	4,995,007
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Property taxes		719,444
Accrued interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(62)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Notes payable	$ (21,085)	
Capital lease obligation	(62,969)	
Compensated absences	(65,487)	(149,541)
Total Net Assets of Governmental Activities		$ 8,852,500

The Notes to Financial Statements are an integral part of these statements.

CITY OF WAYNESBORO, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General Fund	SPLOST Fund	SPLOST II Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property taxes	$ 866,571	$ -	$ -	$ -	$ 866,571
Motor vehicle taxes	93,787	-	-	-	93,787
Mobile home taxes	1,026	-	-	-	1,026
Franchise taxes	459,254	-	-	-	459,254
Sales and use taxes	1,069,354	-	-	-	1,069,354
Alcoholic beverage taxes	153,275	-	-	-	153,275
Business and occupation taxes	62,654	-	-	-	62,654
Insurance premium taxes	270,450	-	-	-	270,450
Financial institution taxes	25,826	-	-	-	25,826
Hotel/Motel occupancy taxes	-	-	-	71,405	71,405
Other taxes	22,239	-	-	-	22,239
Licenses and permits	47,356	-	-	-	47,356
Intergovernmental revenues	196,688	-	1,763,240	229,469	2,189,397
Charges for services	54,959	-	-	-	54,959
Fees, fines and forfeitures	224,363	-	-	17,398	241,761
Investment income	2,210	438	1,061	587	4,296
Contributions from private sources	3,350	-	72,011	6,424	81,785
Other revenues	19,281	-	-	-	19,281
Total revenues	3,572,643	438	1,836,312	325,283	5,734,676
EXPENDITURES					
Current operations:					
General city government	850,804	-	-	-	850,804
Judicial	60,580	-	-	-	60,580
Public safety	2,262,467	-	-	31,959	2,294,426
Public works	896,870	-	-	-	896,870
Public health and welfare	-	-	-	229,340	229,340
Economic development	222,666	-	-	152,843	375,509
Debt service:					
General city government	27,763	-	-	-	27,763
Public safety	70,634	-	-	-	70,634
Public works	36,056	168,048	-	-	204,104
Capital:					
General city government	-	-	477,993	-	477,993
Public works	-	-	613,285	-	613,285
Total expenditures	4,427,840	168,048	1,091,278	414,142	6,101,308
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(855,197)	(167,610)	745,034	(88,859)	(366,632)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	12,220	-	-	-	12,220
Transfers in	632,029	-	-	3,293	635,322
Transfers out	(3,293)	-	-	(58,487)	(61,780)
NET CHANGE IN FUND BALANCES	(214,241)	(167,610)	745,034	(144,053)	219,130
FUND BALANCES, beginning of year (as restated)	732,857	870,219	1,261,451	203,995	3,068,522
FUND BALANCES, end of year	$ 518,616	$ 702,609	$ 2,006,485	$ 59,942	$ 3,287,652

The Notes to Financial Statements are an integral part of these statements.

CITY OF WAYNESBORO, GEORGIA
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2011

Net change in fund balances - total governmental funds		$ 219,130
Amounts reported in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		1,007,369
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(238,375)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes current financial resources of governmental funds.		
Principal retirement on long-term debt		112,600
Accrued interest expense on long-term debt reported in the government-wide statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.		
Accrued interest on long-term debt at December 31, 2011	$ (62)	
Accrued interest on long-term debt at December 31, 2010	419	357
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred property taxes at December 31, 2011	$ 719,444	
Deferred property taxes at December 31, 2010	(397,476)	321,968
Compensated absences reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Liability at December 31, 2011	$ (65,487)	
Liability at December 31, 2010	68,062	2,575
Change in net assets in governmental funds		$ 1,425,624

The Notes to Financial Statements are an integral part of these statements.

CITY OF WAYNESBORO, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes:				
Property taxes	$ 1,091,000	$ 1,198,200	$ 866,571	$ (331,629)
Motor vehicle taxes	90,000	95,000	93,787	(1,213)
Mobile home taxes	1,500	1,000	1,026	26
Franchise taxes	404,000	451,300	459,254	7,954
Sales and use taxes	850,000	978,300	1,069,354	91,054
Alcoholic beverage taxes	150,000	152,600	153,275	675
Business and occupation taxes	72,000	62,500	62,654	154
Insurance premium taxes	312,000	270,500	270,450	(50)
Financial institution taxes	28,000	25,800	25,826	26
Other taxes	13,500	20,750	22,239	1,489
Licenses and permits	27,300	47,400	47,356	(44)
Intergovernmental revenues	12,000	196,800	196,688	(112)
Charges for services	3,000	55,000	54,959	(41)
Fees, fines and forfeitures	185,000	220,900	224,363	3,463
Investment income	5,000	2,200	2,210	10
Contributions from private sources	-	3,350	3,350	-
Other revenues	24,100	18,300	19,281	981
Total revenues	3,268,400	3,799,900	3,572,643	(227,257)
EXPENDITURES				
Current operations:				
General city government	812,200	856,900	850,804	6,096
Judicial	47,000	65,000	60,580	4,420
Public safety	1,716,600	2,186,300	2,262,467	(76,167)
Public works	799,700	954,600	896,870	57,730
Economic development	205,600	230,300	222,666	7,634
Debt service:				
General city government	12,300	13,300	27,763	(14,463)
Public safety	66,800	75,300	70,634	4,666
Public works	39,500	41,000	36,056	4,944
Total expenditures	3,699,700	4,422,700	4,427,840	(5,140)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(431,300)	(622,800)	(855,197)	(232,397)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	12,200	12,220	20
Use (return) of prior year surplus	-	254,000	-	(254,000)
Transfers in	431,300	356,600	632,029	275,429
Transfers out	-	-	(3,293)	(3,293)
NET CHANGE IN FUND BALANCES	Nil	Nil	(214,241)	(214,241)
FUND BALANCES, beginning of year (as restated)	732,857	732,857	732,857	Nil
FUND BALANCES, end of year	$ 732,857	$ 732,857	$ 518,616	$ (214,241)

The Notes to Financial Statements are an integral part of these statements.

CITY OF WAYNESBORO, GEORGIA
Statement of Net Assets
Proprietary Funds
December 31, 2011

	Water and Sewer Fund	Gas Fund	Solid Waste Fund	Total
ASSETS				
Current Assets				
Cash	$ 167,841	$ -	$ -	$ 167,841
Accounts receivable	87,948	51,230	39,067	178,245
Accrued interest receivable	1,064	-	-	1,064
Restricted assets:				
Cash	463,439	-	-	463,439
Total current assets	720,292	51,230	39,067	810,589
Noncurrent Assets				
Bond issuance costs, unamortized portion	64,480	-	-	64,480
Capital assets:				
Nondepreciable assets	798,926	3,000	69,419	871,345
Depreciable assets, net	18,108,982	111,266	578,811	18,799,059
Total noncurrent assets	18,972,388	114,266	648,230	19,734,884
Total Assets	19,692,680	165,496	687,297	20,545,473
LIABILITIES				
Current Liabilities				
Accounts payable	9,414	166,377	-	175,791
Accrued salaries	2,341	903	1,602	4,846
Accrued sales tax	-	7,438	-	7,438
Accrued interest payable	34,083	-	-	34,083
Due to other funds	272,812	-	-	272,812
Compensated absences	2,204	623	550	3,377
Notes payable - current portion	212,298	-	-	212,298
Capital lease payable - current portion	-	-	286,940	286,940
Revenue bonds payable - current portion	175,825	-	-	175,825
Deposits to secure service	14,714	20,738	6,985	42,437
Total current liabilities	723,691	196,079	296,077	1,215,847
Noncurrent Liabilities				
Compensated absences	8,815	2,491	2,199	13,505
Notes payable, net of current portion	1,745,095	-	-	1,745,095
Capital lease payable, net of current portion	-	-	173,742	173,742
Revenue bonds payable, net of current portion	8,292,292	-	-	8,292,292
Pollution remediation obligation	-	-	300,000	300,000
Total noncurrent liabilities	10,046,202	2,491	475,941	10,524,634
Total Liabilities	10,769,893	198,570	772,018	11,740,481
NET ASSETS				
Invested in capital assets, net of related debt	8,482,398	114,266	187,548	8,784,212
Restricted for debt service	463,439	-	-	463,439
Net assets, unrestricted	(23,050)	(147,340)	(272,269)	(442,659)
Total Net Assets	$ 8,922,787	$ (33,074)	$ (84,721)	$ 8,804,992

The Notes to Financial Statements are an integral part of these statements.

CITY OF WAYNESBORO, GEORGIA
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Water and Sewer Fund	Gas Fund	Solid Waste Fund	Total
OPERATING REVENUES				
Customer charges	$ 2,099,095	$ 1,510,001	$ 1,002,562	$ 4,611,658
Tap fees	3,575	-	-	3,575
Penalties	50,123	36,032	23,944	110,099
Miscellaneous	-	7,269	-	7,269
Recovery of bad debts	600	-	-	600
Total operating revenues	2,153,393	1,553,302	1,026,506	4,733,201
OPERATING EXPENSES				
Salaries	227,436	88,769	174,125	490,330
Employee benefits	53,634	19,568	43,272	116,474
Contractual services	640,313	14,756	16,924	671,993
Repairs, maintenance and other contractual services	66,205	58,385	29,296	153,886
Gas purchases	-	904,244	-	904,244
Communications	10,536	3,078	2,628	16,242
Travel and training	3,323	302	-	3,625
Landfill fees	-	-	153,839	153,839
Supplies and materials	128,904	5,194	41,137	175,235
Utilities	185,901	2,848	-	188,749
Vehicle gasoline	27,544	5,127	39,749	72,420
Depreciation	648,668	22,563	103,224	774,455
Other expenses	72,225	22,958	32,481	127,664
Total operating expenses	2,064,689	1,147,792	636,675	3,849,156
NET INCOME FROM OPERATIONS	88,704	405,510	389,831	884,045
NONOPERATING REVENUES (EXPENSES)				
Amortization of bond issuance costs	(2,132)	-	-	(2,132)
Interest earned	4,287	-	-	4,287
Interest expense	(476,116)	(57)	(19,421)	(495,594)
Total nonoperating revenues (expenses)	(473,961)	(57)	(19,421)	(493,439)
INCOME (LOSS) BEFORE TRANSFERS	(385,257)	405,453	370,410	390,606
Capital contributions	691,067	-	-	691,067
Transfers out	(22,382)	(442,359)	(108,802)	(573,543)
CHANGE IN NET ASSETS	283,428	(36,906)	261,608	508,130
NET ASSETS, beginning of year (as restated)	8,639,359	3,832	(346,329)	8,296,862
NET ASSETS, end of year	$ 8,922,787	$ (33,074)	$ (84,721)	$ 8,804,992

The Notes to Financial Statements are an integral part of these statements.

CITY OF WAYNESBORO, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Water and Sewer Fund	Gas Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 2,204,694	$ 1,661,771	$ 1,049,995	$ 4,916,460
Cash paid for goods and services	(1,164,803)	(1,092,927)	(353,006)	(2,610,736)
Cash paid to employees for services	(227,518)	(87,822)	(174,770)	(490,110)
Customer deposits received (refunded)	307	710	150	1,167
Net cash provided by operating activities	812,680	481,732	522,369	1,816,781
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Net borrowings from other funds	-	-	(108,802)	(108,802)
Net transfers in (out)	(22,382)	(442,359)	-	(464,741)
Net cash used by noncapital financing activities	(22,382)	(442,359)	(108,802)	(573,543)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Contributed capital	443,863	-	-	443,863
Purchase of property and equipment	(710,155)	(35,374)	(63,892)	(809,421)
Proceeds from issuance of long-term debt	489,500	-	-	489,500
Payment of loan origination fee	(7,342)	-	-	(7,342)
Loan repayments	(180,676)	-	-	(180,676)
Retirement of revenue bonds	(166,143)	-	-	(166,143)
Capital lease principal payments	(14,010)	(3,934)	(329,226)	(347,170)
Interest and fiscal charges paid	(478,336)	(65)	(20,449)	(498,850)
Net cash used by capital and related financing activities	(623,299)	(39,373)	(413,567)	(1,076,239)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Dividends and interest earned	4,944	-	-	4,944
Net cash provided by investing activities	4,944	Nil	Nil	4,944
NET INCREASE IN CASH AND CASH EQUIVALENTS	171,943	Nil	Nil	171,943
CASH AND EQUIVALENTS, beginning of year	459,337	Nil	Nil	459,337
CASH AND EQUIVALENTS, end of year	$ 631,280	$ Nil	$ Nil	$ 631,280

The Notes to Financial Statements are an integral part of these statements.

CITY OF WAYNESBORO, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Water and Sewer Fund	Gas Fund	Solid Waste Fund	Total
Reconciliation of net income to net cash provided by operating activities:				
NET INCOME FROM OPERATIONS	$ 88,704	$ 405,510	$ 389,831	$ 884,045
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Provision for losses on receivables	25,372	5,640	6,617	37,629
Depreciation	648,668	22,563	103,224	774,455
Decrease (increase) in operating assets:				
Accounts receivable	51,301	108,469	23,488	183,258
Increase (decrease) in operating liabilities:				
Accounts payable	(1,590)	(55,956)	(296)	(57,842)
Accrued salaries	160	294	(467)	(13)
Accrued leave benefits	(242)	653	(178)	233
Accrued sales tax	-	(6,151)	-	(6,151)
Deposits for services	307	710	150	1,167
Total adjustments	723,976	76,222	132,538	932,736
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 812,680	$ 481,732	$ 522,369	$ 1,816,781

Supplemental Disclosure of Cash Flow Information

Noncash investing and financing activities:

Contribution of capital	247,203	Nil	Nil	247,203

The Notes to Financial Statements are an integral part of these statements.

Note 1. Summary of Significant Accounting Policies

The City of Waynesboro, Georgia was incorporated in 1803 under the laws of the State of Georgia and operates under an elected Mayor-Council form of government. The financial statements of the City have been prepared in conformity with accounting principals generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds and departments that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

Using the above criteria, the City has one component unit as described below:

Waynesboro Downtown Development Authority (the Authority) - The Authority works to promote the economic development and revitalization of the downtown area. The City Council appoints the board members and is legally obligated or has otherwise assumed financial responsibility for the organization. Therefore, the Authority is fiscally dependent on the City. Complete financial statements for the Authority can be obtained directly from the Waynesboro Downtown Development Authority at 628 Myrick Street, Waynesboro, Georgia 30830.

The following are related organizations of the City which are excluded from the reporting entity:

Waynesboro/Burke County Housing Authority (the Authority) - The City Council appoints the five-member Authority. The Authority's operations are financed primarily through grants and rent revenues and the City has no ongoing financial requirement to support the Authority. Additionally, the City does not hold title to the Authority's assets, nor does it have any rights to the Authority's surpluses. During the year ended December 31, 2011, the Authority paid the City $6,468 for payment in lieu of taxes. Financial statements for the Authority may be obtained through the Housing Authority Director at 570 Wallace Street, Waynesboro, Georgia 30830.

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

The Family Connection - The Family Connection is a program operated in connection with the Burke County Family Connection Collaborative, Inc., a nonprofit organization. Funding is provided in the form of a grant from the Georgia Department of Human Resources. The City provides limited financial oversight. Operations are handled by the Collaborative's board of directors, who work in partnership with the Burke County Board of Education, the Waynesboro/Burke County Recreation Department and other local agencies to provide services to children and families at risk. Financial statements for the program may be obtained through the Program Director at 840 Academy Avenue, Waynesboro, Georgia 30830.

The following are joint ventures or jointly governed organizations which are excluded from the reporting entity:

Waynesboro/Burke County Recreation Department - The City Council appoints three board members while the Burke County Board of Commissioners appoints four members. The County provides all funds as needed, and has responsibility for oversight of employees and operations. Financial statements for the Department may be obtained through the Burke County Board of Commissioners at P. O. Box 89, Waynesboro, Georgia 30830.

Waynesboro/Burke County Hospital Authority - The City Council has the option to appoint three members of the nine-member Authority, with the Burke County Board of Commissioners appointing the remaining six members. The Council does not exercise this option of appointment and all current authority members have been appointed by the County. The Authority's operations are financed primarily through patient revenues and the City has no ongoing financial requirement to support the Authority. Financial statements for the Authority may be obtained through the Hospital Administrator at 351 Liberty Street, Waynesboro, Georgia 30830.

Central Savannah River Area Regional Commission - Under Georgia law, the City, in conjunction with other cities and counties in a 13-county region in the eastern portion of central Georgia, is a member of the Central Savannah River Regional Commission (RC) and is required to pay annual dues thereto. In addition, the City contracts with the RC for specific services which are billed based on standard hourly rates. During the year ended December 31, 2011, the City paid the RC $16,970 for grant administration services. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Financial statements for the Commission may be obtained directly from the RC at 3023 Riverwatch Parkway, Suite A, Augusta, Georgia 30907.

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide financial statements - The statement of net assets and statement of activities display information about the financial activities of the overall government in its entirety, except those that are fiduciary. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The statement of net assets presents the financial position of the governmental and business-type activities of the City.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and are therefore clearly identifiable to that particular function.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or identifiable activity; (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenue sources not properly included in program revenues are reported as general revenues of the City.

Fund financial statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. Each fund is considered to be a separate accounting entity with a self-balancing set of accounts. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The City's major governmental funds are:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in other funds. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

SPLOST Fund - This fund is used to account for the proceeds of a Special Purpose Local Option Sales Tax received under an intergovernmental agreement with Burke County, Georgia. Proceeds are restricted to use for certain public facility improvements, including water and sewer facilities or improvements, and the related debt.

SPLOST II Fund - This fund is used to account for the proceeds of an additional Special Purpose Local Option Sales Tax received under an intergovernmental agreement with Burke County, Georgia. Proceeds are restricted to use for certain public facility improvements, including water and sewer facilities or improvements.

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise funds.

Water and Sewer Fund - This fund is used to account for the operation of the City's water and sewer system which renders services to the residents and businesses located within the City.

Gas Fund - This fund is used to account for the operation of the City's gas system which renders services to the residents and businesses located within the City.

Solid Waste Fund - This fund is used to account for the operation of the City's solid waste and sanitation program.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Under the modified accrual basis of accounting, revenues are recorded when they become "measurable and available." "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The City considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, claims and judgments, pension and other post employment costs, and compensated absences, which are recognized only when payment is due.

The revenues susceptible to accrual are property taxes, franchise taxes, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Expenditure-based grants are recorded as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. All other governmental fund type revenues are recognized when received.

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity

1. Cash, Cash Equivalents and Investments

The City's cash and equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity date within three months of the date acquired by the government.

State statute authorizes municipalities to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the government or governmental agency
- Obligations of any corporations of the government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

It is the City's policy to invest all cash in insured deposit accounts. Any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U. S. obligations.

2. Receivables

Receivables are stated net of an allowance for uncollectible accounts. Delinquent taxes receivable are offset by the deferral of the related revenues until payment is received except amounts received within 60 days of the balance sheet date.

3. Interfund Balances

Outstanding balances resulting in transactions between funds are reported as "due to/from other funds." These amounts are eliminated in the governmental and business-type activities column of the government-wide statement of net assets, except that any residual balances between the governmental activities and the business-type activities are reported on the government-wide financial statements as "internal balances."

4. Interfund Activities

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the nonoperating revenues/expenses section in proprietary funds. Repayments from funds responsible for expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated. Transfers between governmental and business-type activities are eliminated from the total column.

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

5. Inventories and Prepaid Expenses

The purchase method is used to account for inventories of materials. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates the assets are unavailable for appropriation even though they are a component of reported assets.

Payments by the City in the current year to provide services occurring in the subsequent fiscal year are recorded under the purchase method. Therefore, no prepaid balance has been reflected at year end.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (i.e., roads, bridges, right of ways, water and sewer distribution systems and similar items), are reported in the applicable governmental or business-type activities column on the government-wide financial statements. General infrastructure assets acquired prior to July 1, 2003 are not reported. The City defines capital assets as assets with an initial cost greater than $500 or infrastructure assets with an initial cost greater than $10,000, and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value on the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Category	Estimated Useful Life
Buildings and plant	40 to 50 years
Machinery and equipment	5 to 10 years
Office furnishings and equipment	5 to 7 years
Vehicles	5 to 7 years

7. Deferred Revenues

The government-wide financial statements use the accrual basis of accounting and all revenue is recognized when earned. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available, in accordance with the modified accrual basis of accounting.

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

8. Compensated Absences

City policy provides for the accumulation of unused vacation days up to a maximum of 20 days. It also provides for the accumulation of sick days up to a maximum of 90 days. It is the City's policy to pay employees for unused vacation when there is a separation from service. Accumulated sick pay does not vest and is not paid upon termination.

Vacation pay is accrued when incurred in the government-wide and proprietary funds. A liability for these amounts is reported in the governmental funds only if amounts are actually due employees as a result of termination and/or retirement. All compensated absence liabilities include salary-related payments, where applicable.

9. Accrued Liabilities and Long-Term Debt

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. For proprietary fund types, bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Issuance costs are reported as other assets.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Debt service expenditures are recognized in the governmental fund financial statements when due.

10. Fund Net Assets or Equity

Fund equity at the governmental fund reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e. items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- **Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

10.. Fund Net Assets or Equity (continued)

- **Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.

- **Assigned** - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted or committed.

- **Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions - When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted as described in the fund balance section above. All other net assets are reported as unrestricted.

11. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

13. Comparative Data

Comparative total data for the prior year has been presented only for individual funds in the fund financial statements and schedules in order to provide an understanding of the changes in financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

Note 2. Stewardship, Compliance and Accountability

A. Budgetary Information

The City adopts an annual operating budget for all governmental funds except the capital projects funds, which have an adopted project budget. The budgets are adopted on a basis consistent with GAAP, except that no provision is made to reserve for encumbrances. All annual appropriations lapse at fiscal year end.

The City's budgetary process requires that expending agencies and department heads submit appropriation requests to the City Manager. After review by the City Manager, the requests are combined and an operating budget is submitted to the City Council prior to December for the fiscal year commencing the following January 1. Once received by the City Council, public hearings are advertised and conducted at City Hall to obtain taxpayer comments. Prior to January, the budget is legally enacted through passage of an ordinance. The final budget can be amended by the City Council through the year.

During the fiscal year ended December 31, 2011, City Council approved a budget amendment which increased general fund expenditures by $724,500.

The legal level of budgetary control is the department level.

The City does not use encumbrance accounting, whereby commitments for goods and services at the end of the year are recorded as encumbrances for budgetary control.

B. Excess of Expenditures over Appropriations

In governmental funds, operating expenditures exceeded the budget as follows:

General Fund		
General city government: Administration	$	1,826
Public safety: Police	$	80,647
Debt service: General city government	$	14,463
Drug Control Fund	$	31,959
Revolving Loan Fund	$	118,831
Family Connection Grant	$	9,843

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

At December 31, 2011, the carrying amount of the City's deposits was $3,116,338 which is reflected as cash of $2,652,899 and restricted cash of $463,439. The related bank balance was $3,278,342. Of this bank balance, $557,599 was FDIC insured. The uninsured portion was collateralized at 110% with State or U.S. Government securities held by a third party in the City's name.

Note 3. **Detailed Notes on All Funds (continued)**

B. Receivables

Receivables at December 31, 2011, including the applicable allowance for uncollectible accounts, consisted of taxes, interest, accounts (billings for user charges) and intergovernmental receivables arising from grants.

Property taxes at December 31, 2011 consist of the following:

Taxes receivable -	Current	$ 1,181,974
	Prior	127,448
Gross receivables		1,309,422
Allowance for uncollectible accounts		41,452
Total		$ 1,267,970

Other receivables at December 31, 2011, consisted of the following:

	General Fund	SPLOST II	Special Revenue	Enterprise	Total
Intergovernmental receivables	$ -	$ 243,449	$ 29,680	$ -	$ 273,129
Other receivables	625,915	$ 2,076	3,606	242,880	874,477
Gross receivables	625,915	245,525	33,286	242,880	1,147,606
Allowance for uncollectible	-	-	-	64,635	64,635
Total	$ 625,915	$ 245,525	$ 33,286	$ 178,245	$ 1,082,971

Intergovernmental receivables consist of SPLOST revenues due from Burke County, Georgia, and reimbursements for program expenditures under the City's Family Collaborative Grant, Transportation Enhancement Grants, and Community Development Block Grants.

Other receivables in the General Fund consist primarily of franchise taxes, local option sales taxes and alcoholic beverage taxes.

C. Property Taxes

Property taxes are levied on October 20, based on the assessed value of property as listed on the previous January 1 and are due December 20. On December 21, the bill becomes delinquent and interest may be assessed by the government. Penalties may be assessed 30 days after that date.

At the fund reporting level, if delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred revenue since they are not available to finance current expenditures. The City has adopted the policy of writing off all taxes receivable over seven years old.

Note 3. Detailed Notes on All Funds (continued)

D. Capital Assets

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

	Balance December 31, 2010	Additions	Retirements	Balance December 31, 2011
Governmental Activities:				
Nondepreciable capital assets:				
Land	$ 139,872	$ -	$ -	$ 139,872
Construction-in-progress	1,507,166	913,932	2,416,248	4,850
Total nondepreciable capital assets	1,647,038	913,932	2,416,248	144,722
Depreciable assets:				
Buildings and plant	2,893,277	2,230,254	-	5,123,531
Machinery and equipment	623,383	147,334	61,209	709,508
Office equipment	379,670	98,778	-	478,448
Vehicles	1,123,159	94,525	-	1,217,684
Total depreciable capital assets	5,019,489	2,570,891	61,209	7,529,171
Total capital assets	6,666,527	3,484,823	2,477,457	7,673,893
Accumulated depreciation:				
Buildings and plant	684,970	92,898	-	777,868
Machinery and equipment	423,083	55,202	-	478,285
Office equipment	338,778	23,546	-	362,324
Vehicles	993,680	66,729	-	1,060,409
Total accumulated depreciation	2,440,511	238,375	Nil	2,678,886
Governmental activities capital assets, net	$ 4,226,016	$ 3,246,448	$ 2,477,457	$ 4,995,007

Governmental activities depreciation expense:

General city government	$ 44,865
Public safety	96,749
Public works	72,199
Economic development	24,562
Total governmental activities depreciation expense	$ 238,375

Note 3. Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

	Balance December 31, 2010	Additions	Retirements	Balance December 31, 2011
Business-Type Activities:				
Nondepreciable capital assets:				
Land	$ 12,156	$ 61,891	$ -	$ 74,047
Construction-in-progress	117,719	865,772	186,193	797,298
Total nondepreciable capital assets	129,875	927,663	186,193	871,345
Depreciable capital assets:				
Buildings and plant	26,710,107	247,402	-	26,957,509
Machinery and equipment	2,311,301	40,518	-	2,351,819
Vehicles	867,868	27,234	-	895,102
Total depreciable capital assets	29,889,276	315,154	-	30,204,430
Total capital assets	30,019,151	1,242,817	186,193	31,075,775
Accumulated depreciation:				
Buildings and plant	10,031,063	586,410	-	10,617,473
Machinery and equipment	397,773	80,335	-	478,108
Vehicles	202,080	107,710	-	309,790
Total accumulated depreciation	10,630,916	774,455	Nil	11,405,371
Business-type capital assets, net	$ 19,388,235	$ 468,362	$ 186,193	$ 19,670,404

Business-type activities depreciation expense:

Water and sewer	$ 648,668
Gas	22,563
Solid waste	103,224
Total business-type activities depreciation expense	$ 774,455

Note 3. Detailed Notes on All Funds (continued)

E. Interfund Balances and Transfers

A summary of interfund receivables/payables at December 31, 2011, is as follows:

	Due to:			
	Special Revenue		Capital Projects	
	Hotel/Motel Tax Fund	Family Connection Grant	SPLOST	Total
Due from:				
Governmental Funds:				
General Fund	$ 14,162	$ 10,463	$ -	$ 24,625
Proprietary Funds:				
Water and Sewer Fund	-	-	272,812	272,812
Total	$ 14,162	$ 10,463	$ 272,812	$ 297,437

Amounts due to the SPLOST Fund represent funds advanced for water and sewer improvements which are to be repaid from the Water and Sewer Fund.

Amounts due to the Family Connection Grant represent drawdowns of grant funds for expenditures which had not yet been disbursed for grant expenditures at year end.

Amounts due to the Hotel/Motel Tax Fund represent net cash transactions of the Hotel/Motel Tax Fund deposited into or paid from the General Fund.

A summary of interfund transfers during the year ended December 31, 2011, is as follows:

	Transfers from:					
		Special Revenue	Enterprise Fund			
	General Fund	Hotel/Motel Tax Fund	Water and Sewer Fund	Gas Fund	Solid Waste Fund	Total
Transfers to:						
Governmental funds:						
General Fund	$ -	$ 58,487	$ 22,382	$ 442,359	$ 108,802	$ 632,030
Drug Control Fund	3,293	-	-	-	-	3,293
Total governmental funds	3,293	58,487	22,382	442,359	108,802	635,323
Total	$ 3,293	$ 58,487	$ 22,382	$ 442,359	$ 108,802	$ 635,323

Amounts transferred to the General Fund from the enterprise funds and amounts transferred from the General Fund to the enterprise funds represent net cash transactions of those funds deposited into or paid from the General Fund.

Amounts transferred from the Hotel/Motel Fund represent Hotel/Motel taxes in excess of the amount required by law to be used for tourism, which are deposited into the General Fund.

Note 3. **Detailed Notes on All Funds (continued)**

F. Short-Term Debt

The City issued tax anticipation notes on July 15, 2010, bearing interest at 4.5%, due December 31, 2010. The notes were issued for cash flow purposes. It is anticipated that all short-term debt will be repaid from operating revenues. Changes in the short-term obligations for the year ended December 31, 2011 were as follows:

Balance at December 31, 2010	$ 687,800
Funds advanced	621,093
Repayments	(879,300)
Balance at December 31, 2011	$ 429,593

Interest on short-term debt incurred during the year ended December 31, 2011 in governmental activities totaled $15,489, which was charged to expenditures during the year.

G. Long-Term Debt

1. Notes Payable

Notes payable of the City at December 31, 2011 consisted of the following:

Governmental Activities:	
Note payable to the Georgia Downtown Development Revolving Loan Fund, issued October 1, 2002 in the original amount of $206,865 with monthly installments of $2,046 through October, 2012, with interest at 3.5%	$ 21,085
Total governmental activities	21,085
Business-type Activities:	
Note payable to the Georgia Environmental Facilities Authority, issued July 1, 2009 in the original amount of $700,762 due in monthly installments of $7,128 through July, 2019, with interest at 4.10%	556,704
Note payable to the Georgia Environmental Facilities Authority, issued April 13, 1998 in the original amount of $1,939,790 due in quarterly installments of $43,246 through January, 2018, with interest at 5.44%	911,189
Note payable to the Georgia Environmental Facilities Authority, issued February 23, 2011. The balance represents drawdowns through December 31, 2011. Effective January 1, 2012 the loan was placed into repayment status, with monthly installments of $2,039.58 with interest at 0%.	489,500
Total business-type activities	1,957,393
Total	$ 1,978,478

The notes payable of the governmental activities were used to refinance the renovation of City Hall.

Note 3. Detailed Notes on All Funds (continued)

G. Long-Term Debt (continued)

1. Notes Payable (continued)

The notes payable of the business-type activities were obtained for the purpose of improving the City's water and sewer systems.

Annual debt service requirements to amortize all notes payable are as follows:

	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2012	$ 21,085	$ 361	$ 212,298	$ 68,661	$ 302,405
2013	-	-	224,001	58,998	282,999
2014	-	-	234,164	48,835	282,999
2015	-	-	244,852	38,146	282,998
2016	-	-	256,095	26,904	282,999
2017 - 2021	-	-	539,193	20,176	559,369
2022 - 2026	-	-	122,375	-	122,375
2027 - 2031	-	-	122,375	-	122,375
2032 - 2036	-	-	2,040	-	2,040
Total	$ 21,085	$ 361	$ 1,957,393	$ 261,720	$ 2,240,559

2. Bonds Payable

At December 31, 2011, bonds payable consisted of the following:

Revenue Bonds:	
Water and Sewerage Revenue Bonds, Series 1992, issued December 9, 1992 in the original amount of $3,531,000, due in annual installments of $209,340 through March 9, 2032, with interest at 5%	$ 2,683,788
Water and Sewerage Revenue Bonds, Series 2002, issued February 17, 2002 in the original amount of $3,379,963, due in monthly installments of $15,751 through December 9, 2037, with interest at 4.75%	2,866,397
Water and Sewerage Revenue Bonds, Series 2003, (loan number 4) issued August 21, 2003 in the original amount of $1,062,100, due in monthly installments of $4,610 through August 21, 2043, with interest at 4.25%	960,553
Water and Sewerage Revenue Bonds, Series 2003, (loan number 6) issued August 21, 2003 in the original amount of $2,164,300, due in monthly installments of $9,394 through August 21, 2043, with interest at 4.25%	1,957,379
Total	$ 8,468,117

Note 3. **Detailed Notes on All Funds (continued)**

G. Long-Term Debt (continued)

The revenue bonds were issued through the United States Department of Agriculture, Rural Development (formerly Farmers Home Administration) to provide funding for expansion and renovation of the City's water and sewer system. The amortization schedule below includes principal and interest on the outstanding balance. The bonds are payable from the net revenues of the water and sewer system and are not general obligations of the City.

The annual requirements to each debt type to amortize bonds outstanding at December 31, 2011, are as follows:

	Business-Type Activities		
	Principal	Interest	Total
2012	$ 175,825	$ 390,575	$ 566,400
2013	184,328	382,072	566,400
2014	193,244	373,156	566,400
2015	202,593	363,807	566,400
2016	212,396	354,004	566,400
2017 - 2021	1,226,539	1,605,461	2,832,000
2022 - 2026	1,553,856	1,278,144	2,832,000
2027 - 2031	1,968,952	863,048	2,832,000
2032 - 2036	1,449,854	446,816	1,896,670
2037 - 2041	1,046,146	149,122	1,195,268
2042 - 2046	254,384	9,021	263,405
Total	$ 8,468,117	$ 6,215,226	$ 14,683,343

3. Obligation Under Capital Leases

The City has the following capital lease obligations at December 31, 2011:

Capital lease payable to Wachovia due in monthly installments of $2,457, including interest at 4.51%, through February, 2013, for the acquisition of a fire truck	$ 31,112
Capital lease payable to Wachovia due in monthly installments of $2,466, including interest at 4.43%, through October, 2012, for the acquisition of a street sweeper	21,790
Capital lease payable to Branch Bank and Trust due in monthly installments of $2,032.47, including interest at 3.78%, through June, 2012, for the acquisition of police cars	10,067
Capital lease payable to Branch Bank and Trust due in monthly installments of $22,851.34, including interest at 2.97%, through February, 2013, for the acquisition of sanitation equipment	292,019
Capital lease payable to Branch Bank and Trust due in monthly installments of $4,046.78, including interest at 2.97%, through September, 2015, for the acquisition of sanitation equipment	168,663
Total	$ 523,651

Note 3. Detailed Notes on All Funds (continued)

G. Long-Term Debt (continued)

The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through the capital leases are as follows:

	Governmental Activities	Business-Type Activities
Fire equipment	$ 156,314	$ -
Street sweeper	132,500	-
Police cars	55,960	-
Sanitation equipment	-	712,703
Other equipment	23,203	106,619
Total original cost	367,977	819,322
Accumulated depreciation	234,546	241,686
Total	$ 133,431	$ 577,636

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

	Governmental Activities	Business-Type Activities	Total
2012	$ 59,380	$ 295,879	$ 355,259
2013	4,913	94,300	99,213
2014	-	48,562	48,562
2015	-	36,421	36,421
Total minimum lease payments	64,293	475,162	539,455
Less: amount representing interest	1,324	14,480	15,804
Total	$ 62,969	$ 460,682	$ 523,651

Note 3. Detailed Notes on All Funds (continued)

G. Long-Term Debt (continued)

4. Changes in Long-Term Debt

Transactions for the year ended December 31, 2011 are summarized as follows:

	Balance December 31, 2010	Additions	Retirements	Balance December 31, 2011	Amounts Due Within One Year
Governmental Activities:					
Capital leases	$ 152,206	$ -	$ 89,237	$ 62,969	$ 58,083
Notes payable	44,450	-	23,365	21,085	21,085
Compensated absences	68,062	-	2,575	65,487	13,097
Total governmental activities	264,718	Nil	115,177	149,541	92,265
Business-Type Activities:					
Capital leases	807,851	-	347,169	460,682	286,940
Notes payable	1,648,570	489,500	180,677	1,957,393	212,298
Revenue bonds	8,634,260	-	166,143	8,468,117	175,825
Compensated absences	16,650	232	-	16,882	3,377
Total business-type activities	11,107,331	489,732	693,989	10,903,074	678,440
Total	$ 11,372,049	$ 489,732	$ 809,166	$ 11,052,615	$ 770,705

Principal and interest for notes and bonds payable of the Water and Sewer Fund are financed from income derived from the operation of the City's Water and Sewer system. The compensated absences liability will be paid from the proprietary fund from which the employee's salaries are paid. Compensated absences for governmental activities will be paid from the General Fund. The capital lease obligations are paid from the General Fund.

5. Pledged Revenues

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay revenue bonds in the original amount of $10,137,363 as described at 3.G.2. Proceeds from the bonds provided financing for various water and sewer system improvements and expansion. The bonds are payable solely from water and sewer customer net revenues and are payable through 2043. The total principal and interest remaining to be paid on the bonds is $14,683,343. Principal and interest paid for the current year and total customer net revenues were $566,400 and $2,153,393, respectively.

6. Interest

Interest incurred during the year ended December 31, 2011, in governmental activities was $21,493, which was charged to expense during the year. Interest incurred during the year ended December 31, 2011, in business-type activities was $495,595, of which $495,595 was charged to expense during the year and $Nil was capitalized as "Construction in Progress."

Note 3. Detailed Notes on All Funds (continued)

H. Pension Plan

1. Plan Description

The City contributes to the Georgia Municipal Employees Benefits System (GMEBS), an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for cities in the State of Georgia. GMEBS provides retirement and disability benefits, as well as death benefits to plan members and beneficiaries. Benefit provisions are established and amended by the authority of the City's governing body. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Prior Street, SW, Atlanta, Georgia 30303.

2. Funding Policy

Participating employees are not required to contribute to the plan. The City is required to contribute 100% of the amounts necessary to fund the plan at an actuarially determined rate. The current rate is 5.82% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

3. Annual Pension Cost

For December 31, 2011, the City's annual pension cost of $108,154 was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and (b) projected salary increases based on a table of rates based on age and service, (c) no post-retirement benefit increase and (d) an inflation rate of 3.5%. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability (initial unfunded actuarial accrued liability over 30 years from 1985 and changes in the unfunded actuarial accrued liabilities over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year in which such changes arise), and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The total level dollar amount must be within a corridor of the 10-year and the 30-year amortization of the unfunded (surplus) actuarial accrued liability. These amortization periods, if applicable, are closed for this plan year.

4. Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2009	$ 136,327	100 %	$ Nil
December 31, 2010	84,751	100	Nil
December 31, 2011	108,154	100	Nil

Note 3. Detailed Notes on All Funds (continued)

5. Schedule of Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was funded 95.21%. The actuarial accrued liability for benefits was $2,579,520, and the actuarial value of the assets was $2,455,975, resulting in an unfunded actuarial accrued liability (UAAL) of $123,545. The covered payroll (annual payroll of active employees covered by the plan) was $1,825,980, and the ratio of the funding excess to covered payroll was 6.77%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

I. Equity

Net assets on the government-wide statement of assets as of December 31, 2011, are as follows:

	Governmental Activities	Business-Type Activities	Total
Cost of capital assets	$ 7,673,893	$ 31,075,775	$ 38,749,668
Accumulated depreciation	2,678,886	11,405,371	14,084,257
Book value	4,995,007	19,670,404	24,665,411
Less capital related debt	84,054	10,886,192	10,970,246
Invested in capital assets, net of related debt	$ 4,910,953	$ 8,784,212	$ 13,695,165

The changes in fund balances for governmental funds are as follows:

	Major Funds				
	General Fund	SPLOST Fund	SPLOST II Fund	Non-Major Governmental Funds	Total
Net change in fund balances	$ (214,241)	$ (167,610)	$ 745,034	$ (144,053)	$ 219,130
Decrease (increase) in reserves:					
Capital projects	2,944	167,610	(745,034)	-	(574,480)
Drug Control	-	-	-	4,811	4,811
Community Development	-	-	-	139,272	139,272
Net change in unassigned fund balances	(211,297)	Nil	Nil	30	(211,267)
Fund balances - unassigned, beginning of year	706,699	Nil	Nil	(30)	706,669
Fund balances - unassigned, end of year	$ 495,402	$ Nil	$ Nil	$ Nil	$ 495,402

Note 3. Detailed Notes on All Funds (continued)

I. Equity (continued)

The Statement of Net Assets shows certain amounts as restricted net assets. These amounts are restricted in their use by parties outside the City such as creditors, grantors, or contributors, or restricted by law or regulation. Components of restricted net assets include:

Activity	Restricted By	Governmental Activities	Business-Type Activities	Total
Capital projects				
SPLOST capital projects	Law	$ 2,709,094	$ -	$ 2,709,094
Community Development capital projects	Grantor agencies	18,056	-	18,056
Total capital projects		2,727,150	-	2,727,150
Debt service	Bond covenants	-	463,439	463,439
Other restrictions				
Public safety	Law	7,381	-	7,381
Community Development programs	Grantor agencies	12,480	-	12,480
Total other		19,861	-	19,861
Total restricted net assets		$ 2,747,011	$ 463,439	$ 3,210,450

Note 4. Other Notes

A. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries the following insurance coverages. There were no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA), a public entity risk pool currently operating as a common risk management and insurance program for member local governments. The amount of insurance coverage has been adequate over the last three fiscal years to cover any settlements. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA. The City is also responsible for following loss reduction and prevention procedures established by GIRMA and reporting as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. GIRMA's responsibility includes paying claims and representing the City in defense and settlement of claims within the scope of loss protection furnished by the funds. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2011. No provisions have been made in the financial statements for the year ended December 31, 2011 for any estimate of potential unpaid claims.

Note 4. Other Notes (continued)

A. Risk Management (continued)

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF), a risk management agency created under Georgia law. As a participant in the GMAWCSIF, the City has no obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the GMAWCSIF permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

The City pays unemployment claims to the Georgia Department of Labor on a reimbursement basis. Liabilities for such claims are immaterial and are not accrued.

B. Contingencies and Pending Litigation

On February 4, 2010, an employee in the City's Police Department filed a first report of injury relating to a shoulder injury allegedly sustained while carrying a case of bottled water into the Police Department. The claim has been forwarded to the City's self-insured carrier, Georgia Municipal Association Workers Compensation Self Insurance Fund for handling. At this time, $8,812 in medical benefits and $456 in indemnity benefits/lost wages have been paid to the employee. The City intends to pursue settlement possibilities. The outcome of the case is unknown at the date of this report.

On March 3, 2011, an employee in the City's Solid Waste Department filed a first report of injury relating to injuries to the shoulder, arm and hand allegedly sustained when the employee fell off the side of a dump truck while unloading trash. The claim has been forwarded to the City's carrier, Key Risk Insurance Company for handling. At this time, $28,848 in medical benefits, $10,666 in wage loss, and $2,497 in nurse rehabilitation fees have been paid to the employee. The City intends to pursue settlement possibilities. The outcome of the case is unknown at the date of this report.

The City has received notice that an employee in the City's Public Works department filed a Charge of Discrimination against the City on or about March 26, 2012 alleging violations of Title VII of the Civil Rights Act and the Age Discrimination in Employment Act. The City has filed its response to the Charge of Discrimination with the Equal Employment Opportunity Commission (EEOC) and is waiting for a response. The City plans to contest the case vigorously. The outcome of the case is unknown at the date of this report.

The City has received notice that an employee in the City's Police department filed a Charge of Discrimination against the City on or about June 6, 2011 alleging violations of Title VII of the Civil Rights Act. The claim was subsequently amended to include claims of retaliation. The claim has been forwarded to the City's self-insured carrier, GIRMA, for handling. The City filed its response to the Charge of Discrimination with the EEOC. EEOC conducted on-site interviews. EEOC issued a finding against the City and requested that the City participate in conciliation. The City rejected conciliation. EEOC has forwarded the claim to the U. S. Department of Justice for further handling. The City plans to pursue settlement options. The outcome of the case is unknown at the date of this report.

Note 4. Other Notes (continued)

B. Contingencies and Pending Litigation (continued)

The City has received notice that an additional employee in the City's Police department filed a Charge of Discrimination against the City on or about September 9, 2010 alleging violations of Title VII of the Civil Rights Act. The employee filed a second Charge of Discrimination against the City on or about July 15, 2011 alleging retaliation based on a legitimate department-wide reorganization of the Police Department. The claim has been forwarded to the City's self-insured carrier, GIRMA, for handling. The City filed its response to the Charge of Discrimination with the EEOC on October 8, 2010 and August 22, 2011. EEOC conducted on-site interviews. EEOC issued a finding against the City and requested that the City participate in conciliation. The City rejected conciliation. EEOC has forwarded the claim to the U. S. Department of Justice for further handling. The City plans to contest the case vigorously. The outcome of the case is unknown at the date of this report.

The City has received Ante Litem Notice on May 19, 2011 regarding an employee in the Water department who was involved in an automobile collision with a citizen while on duty. The employee allegedly received personal injuries and suffered property damage as a result of the accident. The claim has been forwarded to the City's self-insured carrier, GIRMA, for handling. The City intends to contest the case vigorously. The outcome of the case is unknown at the date of this report.

The City has received Ante Litem Notice on July 27, 2011 regarding an employee in the Police department who was involved in an automobile collision with a citizen. The citizens allegedly received personal injuries as a result of the accident. The claim has been forwarded to the City's self-insured carrier, GIRMA, for handling. The City intends to contest the case vigorously. The outcome of the case is unknown at the date of this report.

The City was served with a Petition for Certiorari on or about March 2, 2012 regarding an employee in the City's Police Department who was terminated for failure to complete mandatory Taser training. The City Council upheld the termination following appeal. The employee subsequently filed a petition for Certiorari in the Superior Court of Burke County demanding reinstatement to this position and payment of back wages. The claim has been forwarded to the City's self-insured carrier, GIRMA, for handling. A hearing on the Petition for Certiorari was held on April 26, 2012. The City is negotiating a settlement with the employee's attorney. The parties have agreed upon $13,500, and execution of the settlement documents and releases is pending. The City intends to continue to pursue settlement with the claimant. The outcome of the case is unknown until settlement documents are executed.

The City has received a first report of injury on September 26, 2011 regarding an employee in the Police Department who was struck in the head while breaking up a domestic dispute. The employee allegedly received injuries to his head as a result of the accident. The claim has been forwarded to the City's carrier, Key Risk Insurance Company for handling. At this time, $3,572 in medical benefits and $800 in temporary disability payments have been paid to the employee. The City intends to pursue settlement possibilities. The outcome of the case is unknown at the date of this report.

The City has received a first report of injury on November 14, 2011 regarding an employee in the Police Department who was attacked by dogs while on a call for puppies in the roadway. The employee allegedly received injuries to his lower arm as a result of the accident. The claim has been forwarded to the City's carrier, Key Risk Insurance Company for handling. At this time, $4,039 in medical benefits, $4,857 in temporary disability payments, and $1,112 in nurse rehabilitation fees have been paid to the employee. The City intends to pursue settlement possibilities. The outcome of the case is unknown at the date of this report.

Note 4. Other Notes (continued)

B. Contingencies and Pending Litigation (continued)

The City has received a first report of injury on June 6, 2012 regarding an employee in the Police Department who slipped on a broken brick while walking down stairs. The employee allegedly received injuries to his knee as a result of the accident. The claim has been forwarded to the City's carrier, Key Risk Insurance Company for handling. At this time, $366 in medical benefits have been paid to the employee. The City intends to pursue settlement possibilities. The outcome of the case is unknown at the date of this report.

The City has received a first report of injury on April 17,2012 regarding an employee in the Police Department who twisted his left knee while chasing a suspect. The employee allegedly received injuries to his head as a result of the accident. The claim has been forwarded to the City's carrier, Key Risk Insurance Company for handling. At this time, $757 in medical benefits have been paid to the employee. The City intends to pursue settlement possibilities. The outcome of the case is unknown at the date of this report.

The City has received a first report of injury on April 26,2012 regarding an employee in the Administration department who allegedly injured her shoulder when lifting boxes. The claim has been forwarded to the City's carrier, Key Risk Insurance Company for handling. At this time, $281 in medical benefits have been paid to the employee. The City intends to pursue settlement possibilities. The outcome of the case is unknown at the date of this report.

The City has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based on prior experience, management of the City believes such disallowances, if any, will not be significant.

At the date of this report, no other litigation, claims or contingencies are pending.

C. Commitments

The City is involved in a continuing plan for various facility improvements. As of December 31, 2011, the City had the following commitments with respect to unfinished capital projects:

	Total Project Cost	Remaining Construction Commitment	Expected Date of Completion
6th Street filter plant	$ 195,400	$ 5,547,243	October, 2012
North 25 well	800,000	665,835	October, 2012
Highway 25 water line extension	200,000	51,462	August, 2012
Total	$ 1,195,400	$ 6,264,540	

It is anticipated that funding for the North 25 well will be funded through non-interest bearing loans and grants from the Georgia Environmental Facilities Authority.

It is anticipated that funding for the 6th Street filter plant will be provided through a loan from the Georgia Environmental Facilities Authority and SPLOST funds.

Note 4. Other Notes (continued)

C. Commitments (continued)

It is anticipated that funding for the Highway 25 water line extension will be provided through SPLOST funds.

D. Hotel/Motel Lodging Tax

During the year ended December 31, 2011, the City levied a 5% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied in excess of 3% be expended or obligated contractually for the promotion of tourism, conventions or trade shows. The City's policy is to remit a portion of the taxes levied to the Waynesboro/Burke County Chamber of Commerce to promote tourism. The Chamber has certified that the funds received from the City were used for, or planned to be used for, the intended purpose as outlined within the Official Code of Georgia. A summary of the transactions for the year ended December 31, 2011 is as follows:

Taxes collected	$ 71,405	
Expended for community development / promotion	$ 28,562	0.40 %

E. Notes Receivable

Notes receivable at December 31, 2011, are as follows:

5% note receivable from Forever Angels, Inc. with monthly installments of $575 including principal and interest (principal only)	$ 36,107
5% note receivable from Forever Angels, Inc. with monthly installments of $145 including principal and interest (principal only)	9,132
Total	$ 45,239

The loans were made pursuant to the revitalization of the various properties within the City as part of an employment incentive program administered as a Community Development Block Grant. The loan proceeds have been used in the development of business property designed to create permanent jobs for low and moderate income households. Amounts collected are invested and held for further community development projects in the Revolving Loan Fund. Amounts were advanced in excess of the loan documents to Forever Angels, Inc. An agreement has been reached that the excess funds will be repaid at the conclusion of the existing loan over 24 months at 5%.

F. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by Nationwide Retirement Solutions. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, death, or an unforeseeable emergency. All of the amounts deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefits of participants and their beneficiaries. As a result, the deferred compensation investments are not included in the City's financial statements.

Note 4. Other Notes (continued)

G. Landfill

The Georgia Environmental Protection Division has completed its evaluation of the technical and administrative data for the closure of the Waynesboro landfill for compliance with the Georgia Comprehensive Solid Waste Management Act of 1990 and rules and regulations promulgated thereunder.

The landfill was closed in February, 1970 and was therefore not required to implement a closure/postclosure plan. After closing the landfill, the City has used the Burke County landfill and pays monthly fees for such use which are included in contractual services in the Solid Waste fund.

During the year ended December 31, 2009, the City negotiated with the Georgia Department of Natural Resources Environmental Protection Department (EPD) on a corrective action plan to correct an environmental problem that exists at the site. The City's corrective action plan was approved by EPD on February 22, 2010, subject to certain conditions which were addressed by the City in an addendum to its corrective action plan dated April 30, 2010. Total cost of the remediation is estimated to be $1,050,000, with expected recovery of $750,000. The net amount of $300,000 has been reflected in the Solid Waste Fund as a Pollution Remediation Obligation of $300,000 and a Special Item in the statement of activities. The liability can change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

H. Restatement of Prior Year Data

During the current year, it was noted that accounts payable were overstated at December 31, 2010. It was also noted that certain intergovernmental revenues were under-accrued at the previous year end. The prior year statements have been restated to correct the error. The net effects of the restatements were as follows:

	General Fund	SPLOST II Fund	Water and Sewer Fund	Gas Fund	Solid Waste Fund
Increase (decrease) in Intergovernmental Receivables	$ -	$ 78,069	$ -	$ -	$ -
Decrease (increase) in Accounts Payable	$ 30,227	$ -	$ -	$ -	$ -
Decrease (increase) in Fund Balance, Beginning of Year	$ -	$ (34,108)	$ -	$ -	$ -
Decrease (increase) in Revenues	$ -	$ (43,961)	$ -	$ -	$ -
Increase (decrease) in Expenditures / Operating Expenses	$ (23,973)	$ -	$ (2,345)	$ (1,564)	$ (2,345)
Decrease (increase) in Transfers In (Out)	$ (6,254)	$ -	$ 2,345	$ 1,564	$ 2,345

Note 4. **Other Notes (continued)**

The effects of the restatement on the government-wide financial reports were as follows:

	Governmental Activities	Business-Type Activities
Increase (decrease) in Intergovernmental Receivables	$ 78,069	$ -
Decrease (increase) in Accounts Payable	$ 30,227	$ -
Decrease (increase) in Net Assets, Beginning of Year	$ (34,108)	$ -
Decrease (increase) in Capital Grants and Contributions	$ (43,961)	$ -
Decrease (increase) in Operating Expenses	$ (23,973)	$ (6,254)
Decrease (increase) in Transfers	$ (6,254)	$ 6,254

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAYNESBORO, GEORGIA
Required Supplementary Information
Schedule of Funding Progress

	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Total Unfunded Actuarial Liability (Funding Excess)	Annual Covered Payroll	Ratio of Unfunded (Excess) to Annual Covered Payroll*
2011	$ 2,455,975	$ 2,579,520	95.21 %	$ 123,545	$ 1,825,980	6.77 %
2010	2,354,959	2,273,298	103.59	(81,661)	1,871,231	0.00
2009	1,814,460	2,239,821	81.01	425,361	1,791,117	23.75
2008	2,193,677	2,155,314	101.78	(38,363)	1,716,166	0.00
2007	2,122,735	2,112,144	100.50	(10,591)	1,570,103	0.00

** Not less than zero*

For information regarding assumptions and amortization methods, see Note 3.H.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special revenue funds are established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Hotel/Motel Tax Fund - To account for revenues and expenditures of the funds accumulated through hotel/motel taxes. Funds are accumulated and held to be used in future community development/promotion activities.

Drug Control Fund - To account for receipts from sale of confiscated properties in drug-related cases. Proceeds are restricted to use by law enforcement for drug investigation and control.

Revolving Loan Fund - To account for revenues and expenditures associated with the City's Revolving Loan created under an Employment Incentive Community Development Block Grant. Funds are accumulated and held to be used in future community development projects which will promote employment for moderate to low income households.

Community Home Investment Program - To account for the rehabilitation of private residences which will benefit low and moderate income persons. Funding is being provided through a Community Home Investment Program (CHIP) Grant.

2006 Community Development Block Grant - To account for the rehabilitation of private residences which will benefit low and moderate income persons. Funding is being provided through a Community Development Block Grant.

Family Collaborative Grant Fund - To account for revenues received under a Family Connection Grant which will provide funding for services to various youth and families in the City.

Capital projects funds are established to account for major capital expenditures not financed by enterprise funds, internal service funds or trust funds.

Community Development Block R Grant Fund - To account for the costs of certain public facility improvements, including sewer facilities, which will benefit low and moderate income persons. Financing is being provided through a Community Development Block Grant (CDBG) program.

CITY OF WAYNESBORO, GEORGIA
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended December 31, 2011

	Special Revenue Funds						Capital Projects	
	Hotel / Motel Tax Fund	Drug Control Fund	Revolving Loan Fund	Community Home Investment Program	2006 Community Development Block Grant	Family Connection Grant	CDBG R Grant	Total
ASSETS								
Cash	$ -	$ 7,381	$ 2,272	$ 55	$ 1,389	$ -	$ -	$ 11,097
Intergovernmental receivables	-	-	-	8,600	-	21,080	-	29,680
Notes receivable	-	-	45,239	-	-	-	-	45,239
Other receivables	3,606	-	-	-	-	-	-	3,606
Due from other funds	14,162	-	-	-	-	10,463	-	24,625
Total assets	$ 17,768	$ 7,381	$ 47,511	$ 8,655	$ 1,389	$ 31,543	$ Nil	$ 114,247
LIABILITIES								
Accounts payable	$ 14,162	$ -	$ -	$ 8,600	$ -	$ 31,543	$ -	$ 54,305
Total liabilities	14,162	Nil	Nil	8,600	Nil	31,543	Nil	54,305
FUND BALANCES								
Nonspendable	-	-	45,239	-	-	-	-	45,239
Restricted for:	-	-	-	-	-	-	-	-
Public safety	-	7,381	-	-	-	-	-	7,381
Community development	3,606	-	2,272	55	1,389	-	-	7,322
Total fund balances	3,606	7,381	47,511	55	1,389	Nil	Nil	59,942
Total liabilities and fund balances	$ 17,768	$ 7,381	$ 47,511	$ 8,655	$ 1,389	$ 31,543	$ Nil	$ 114,247

CITY OF WAYNESBORO, GEORGIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended December 31, 2011

	Special Revenue Funds						Capital Projects	
	Hotel / Motel Tax Fund	Drug Control Fund	Revolving Loan Fund	Community Home Investment Program	2006 Community Development Block Grant	Family Connection Grant	CDBG R Grant	Total
REVENUES								
Taxes	$ 71,405	$ -	$ -	$ -	$ -	$ -	$ -	$ 71,405
Intergovernmental revenues	-	-	2,431	45,700	128,370	52,968	-	229,469
Fees, fines and forfeitures	-	17,398	-	-	-	-	-	17,398
Investment income	-	33	554	-	-	-	-	587
Contributions from private sources	-	6,424	-	-	-	-	-	6,424
Total revenues	71,405	23,855	2,985	45,700	128,370	52,968	Nil	325,283
EXPENDITURES								
Current operations:								
Public safety	-	31,959	-	-	-	-	-	31,959
Public health and welfare	-	-	-	45,715	130,657	52,968	-	229,340
Economic development	28,562	-	124,281	-	-	-	-	152,843
Total expenditures	28,562	31,959	124,281	45,715	130,657	52,968	Nil	414,142
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	42,843	(8,104)	(121,296)	(15)	(2,287)	Nil	Nil	(88,859)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	3,293	-	-	-	-	-	3,293
Transfers out	(58,487)	-	-	-	-	-	-	(58,487)
NET CHANGE IN FUND BALANCES	(15,644)	(4,811)	(121,296)	(15)	(2,287)	Nil	Nil	(144,053)
FUND BALANCES, beginning of year	19,250	12,192	168,807	70	3,676	Nil	Nil	203,995
FUND BALANCES, end of year	$ 3,606	$ 7,381	$ 47,511	$ 55	$ 1,389	$ Nil	$ Nil	$ 59,942

CITY OF WAYNESBORO, GEORGIA
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
For the Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	2011				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2010 Actual
REVENUES					
Taxes:					
Property taxes	$ 1,091,000	$ 1,198,200	$ 866,571	$ (331,629)	$ 1,356,419
Motor vehicle taxes	90,000	95,000	93,787	(1,213)	93,204
Mobile home taxes	1,500	1,000	1,026	26	1,392
Franchise taxes	404,000	451,300	459,254	7,954	438,294
Sales and use taxes	850,000	978,300	1,069,354	91,054	982,436
Alcoholic beverage taxes	150,000	152,600	153,275	675	153,461
Business and occupation taxes	72,000	62,500	62,654	154	59,657
Insurance premium taxes	312,000	270,500	270,450	(50)	312,924
Financial institution taxes	28,000	25,800	25,826	26	30,110
Other taxes	13,500	20,750	22,239	1,489	29,905
Licenses and permits	27,300	47,400	47,356	(44)	44,164
Intergovernmental revenues	12,000	196,800	196,688	(112)	6,000
Charges for services	3,000	55,000	54,959	(41)	3,823
Fees, fines and forfeitures	185,000	220,900	224,363	3,463	173,846
Investment income	5,000	2,200	2,210	10	6,598
Contributions from private sources	-	3,350	3,350	-	-
Other revenues	24,100	18,300	19,281	981	14,769
Total revenues	3,268,400	3,799,900	3,572,643	(227,257)	3,707,002
EXPENDITURES					
Current operations:					
General city government					
Elections	8,000	8,000	79	7,921	420
Administration	804,200	848,900	850,726	(1,826)	710,810
Judicial					
Municipal court	47,000	65,000	60,580	4,420	45,906
Public safety					
Police	1,241,700	1,677,400	1,758,047	(80,647)	1,301,895
Fire	471,100	486,300	484,280	2,020	436,846
Animal control	3,800	22,600	20,139	2,461	1,230
Public works					
Street	533,800	633,500	590,196	43,304	605,518
Maintenance	92,900	127,800	121,108	6,692	125,230
Cemetery and beautification	173,000	193,300	185,566	7,734	172,648
Economic development					
Urban redevelopment and housing	205,600	230,300	222,666	7,634	190,978
Debt service:					
General city government	12,300	13,300	27,763	(14,463)	20,607
Public safety	66,800	75,300	70,634	4,666	66,144
Public works	39,500	41,000	36,056	4,944	34,923

(Continued)

CITY OF WAYNESBORO, GEORGIA
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
For the Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	2011				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2010 Actual
EXPENDITURES (continued)					
Total expenditures	$ 3,699,700	$ 4,422,700	$ 4,427,840	$ (5,140)	$ 3,713,155
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(431,300)	(622,800)	(855,197)	(232,397)	(6,153)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	12,200	12,220	20	15,951
Use (return) of prior year surplus	-	254,000	-	(254,000)	-
Transfers in	431,300	356,600	632,029	275,429	894,319
Transfers out	-	-	(3,293)	(3,293)	-
NET CHANGE IN FUND BALANCES	Nil	Nil	(214,241)	(214,241)	904,117
FUND BALANCES, beginning of year (as restated)	732,857	732,857	732,857	Nil	(171,260)
FUND BALANCES, end of year	$ 732,857	$ 732,857	$ 518,616	$ (214,241)	$ 732,857

CITY OF WAYNESBORO, GEORGIA
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	2011			
	Budget (Original and Final)	Actual	Variance Positive (Negative)	2010 Actual
REVENUES				
Taxes:				
Hotel/Motel occupancy taxes	$ 70,000	$ 71,405	$ 1,405	$ 68,093
Total revenues	70,000	71,405	1,405	68,093
EXPENDITURES				
Current operations:				
Economic development				
Community development and tourism	29,500	28,562	938	27,238
Total expenditures	29,500	28,562	938	27,238
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	40,500	42,843	2,343	40,855
OTHER FINANCING SOURCES (USES)				
Transfers out	(40,500)	(58,487)	(17,987)	(25,586)
NET CHANGE IN FUND BALANCES	Nil	(15,644)	(15,644)	15,269
FUND BALANCES, beginning of year	19,250	19,250	Nil	3,981
FUND BALANCES, end of year	$ 19,250	$ 3,606	$ (15,644)	$ 19,250

CITY OF WAYNESBORO, GEORGIA
Drug Control Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	2011			
	Budget (Original and Final)	Actual	Variance Positive (Negative)	2010 Actual
REVENUES				
Fees, fines and forfeitures:				
Seizures and condemnations	$ -	$ 17,398	$ 17,398	$ 20,809
Investment income	-	33	33	13
Contributions from private sources	-	6,424	6,424	-
Total revenues	Nil	23,855	23,855	20,822
EXPENDITURES				
Current operations:				
Public safety				
Professional fees	-	1,106	(1,106)	1,016
Supplies	-	7,514	(7,514)	209
Equipment purchases	-	18,769	(18,769)	2,531
Drug enforcement expenditures	-	4,570	(4,570)	7,210
Total expenditures	Nil	31,959	(31,959)	10,966
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	Nil	(8,104)	(8,104)	9,856
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,293	3,293	-
NET CHANGE IN FUND BALANCES	Nil	(4,811)	(4,811)	9,856
FUND BALANCES, beginning of year	12,192	12,192	Nil	2,336
FUND BALANCES, end of year	$ 12,192	$ 7,381	$ (4,811)	$ 12,192

CITY OF WAYNESBORO, GEORGIA
Revolving Loan Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	2011			
	Budget (Original and Final)	Actual	Variance Positive (Negative)	2010 Actual
REVENUES				
Intergovernmental revenues:				
CDBG program income	$ 5,000	$ 2,431	$ (2,569)	$ 2,270
Investment income	4,500	554	(3,946)	660
Total revenues	9,500	2,985	(6,515)	2,930
EXPENDITURES				
Current operations:				
Economic development	5,450	124,281	(118,831)	-
Total expenditures	5,450	124,281	(118,831)	Nil
NET CHANGE IN FUND BALANCES	4,050	(121,296)	(125,346)	2,930
FUND BALANCES, beginning of year	168,807	168,807	Nil	165,877
FUND BALANCES, end of year	$ 172,857	$ 47,511	$ (125,346)	$ 168,807

CITY OF WAYNESBORO, GEORGIA
Community Home Investment Program
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	2011			
	Budget (Original and Final)	Actual	Variance Positive (Negative)	2010 Actual
REVENUES				
Intergovernmental revenues:				
Program (CHIP) grant	$ 94,992	$ 45,700	$ (49,292)	$ 74,099
Total revenues	94,992	45,700	(49,292)	74,099
EXPENDITURES				
Current operations:				
Public health and welfare				
Rehabilitation of private properties	90,760	44,667	46,093	67,011
Administration	4,232	1,048	3,184	6,988
Total expenditures	94,992	45,715	49,277	73,999
NET CHANGE IN FUND BALANCES	Nil	(15)	(15)	100
FUND BALANCES, beginning of year	70	70	Nil	(30)
FUND BALANCES, end of year	$ 70	$ 55	$ (15)	$ 70

CITY OF WAYNESBORO, GEORGIA
2006 Community Development Block Grant
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	2011			
	Budget (Original and Final)	Actual	Variance Positive (Negative)	2010 Actual
REVENUES				
Intergovernmental revenues:				
Housing improvement grant	$ 143,370	$ 128,370	$ (15,000)	$ 267,083
Total revenues	143,370	128,370	(15,000)	267,083
EXPENDITURES				
Current operations:				
Public health and welfare				
Administration	15,937	15,937	-	1,553
Cash match - rehabilitation of private properties	117,496	-	117,496	264,401
Contingencies	9,937	-	9,937	-
Urban redevelopment and housing	127,433	114,720	12,713	-
Total expenditures	270,803	130,657	140,146	265,954
NET CHANGE IN FUND BALANCES	(127,433)	(2,287)	125,146	1,129
FUND BALANCES, beginning of year	3,676	3,676	Nil	2,547
FUND BALANCES, end of year	$ (123,757)	$ 1,389	$ 125,146	$ 3,676

CITY OF WAYNESBORO, GEORGIA
Family Connection Grant
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	2011			
	Budget (Original and Final)	Actual	Variance Positive (Negative)	2010 Actual
REVENUES				
Intergovernmental revenues:				
Family Connection grant	$ 43,125	$ 52,968	$ 9,843	$ 32,131
Total revenues	43,125	52,968	9,843	32,131
EXPENDITURES				
Current operations:				
Public health and welfare				
Personal services	41,325	50,563	(9,238)	28,413
Travel	-	105	(105)	1,459
Regular operating expenditures	800	900	(100)	1,659
Telecommunications	-	400	(400)	600
Per diem, fees and contracts	1,000	1,000	-	-
Total expenditures	43,125	52,968	(9,843)	32,131
NET CHANGE IN FUND BALANCES	Nil	Nil	Nil	Nil
FUND BALANCES, beginning of year	Nil	Nil	Nil	Nil
FUND BALANCES, end of year	$ Nil	$ Nil	$ Nil	$ Nil

CITY OF WAYNESBORO, GEORGIA
Family Connection Grant
Reconciliation of Program Year to Fiscal Year
For the Year Ended December 31, 2011
Contract Year Ended June 30, 2011

	Family Connection Grant 427-93-08080487-99	Reconciliation to Year End Reports		Total
	Program Year Ended June 30, 2011	July to December, 2010	July to December, 2011	Year Ended December 31, 2011
REVENUES				
Intergovernmental revenues:				
Family Connection grant	$ 42,250	$ (10,514)	$ 21,232	$ 52,968
Total intergovernmental revenues	$ 42,250	$ (10,514)	$ 21,232	$ 52,968
EXPENDITURES				
Personal services	$ 40,450	$ (10,114)	$ 20,227	$ 50,563
Travel	-	-	105	105
Regular operating expenditures	800	(400)	500	900
Telecommunications	-	-	400	400
Per diem, fees and contracts	1,000	-	-	1,000
Total expenditures	$ 42,250	$ (10,514)	$ 21,232	$ 52,968

CITY OF WAYNESBORO, GEORGIA
SPLOST Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	2011			
	Budget (Original and Final)	Actual	Variance Positive (Negative)	2010 Actual
REVENUES				
Investment income	$ -	$ 438	$ 438	$ 8,446
Total revenues	Nil	438	438	8,446
EXPENDITURES				
Debt service:				
Public works				
Water and sewer system debt on improvements	168,048	168,048	-	168,048
Total expenditures	168,048	168,048	Nil	168,048
NET CHANGE IN FUND BALANCES	(168,048)	(167,610)	438	(159,602)
FUND BALANCES, beginning of year	870,219	870,219	Nil	1,029,821
FUND BALANCES, end of year	$ 702,171	$ 702,609	$ 438	$ 870,219

CITY OF WAYNESBORO, GEORGIA
SPLOST II Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	2011			
	Budget (Original and Final)	Actual	Variance Positive (Negative)	2010 Actual
REVENUES				
Intergovernmental revenues:				
SPLOST revenues	$ 716,934	$ 1,177,677	$ 460,743	$ 1,414,884
Transportation Enhancement Grant	-	585,563	585,563	1,104,829
Investment income	-	1,061	1,061	8,831
Contributions from private sources	-	72,011	72,011	-
Total revenues	716,934	1,836,312	1,119,378	2,528,544
EXPENDITURES				
Capital:				
General city government				
Building renovation and construction	83,333	477,993	(394,660)	708,508
Public works				
Water, sewer and storm drainage	633,601	613,285	20,316	922,667
Total expenditures	716,934	1,091,278	(374,344)	1,631,175
NET CHANGE IN FUND BALANCES	Nil	745,034	745,034	897,369
FUND BALANCES, beginning of year (as restated)	1,261,451	1,261,451	Nil	364,082
FUND BALANCES, end of year	$ 1,261,451	$ 2,006,485	$ 745,034	$ 1,261,451

CITY OF WAYNESBORO, GEORGIA
Community Development Block R Grant
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
From Inception and For the Year Ended December 31, 2011

	Project Budget	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues:				
CDBG grant	$ 436,273	$ 436,273	$ -	$ 436,273
Total revenues	436,273	436,273	Nil	436,273
EXPENDITURES				
Capital:				
Public works				
Sewer facilities	381,316	381,316	-	381,316
Grant administration	16,500	16,500	-	16,500
Engineering	38,457	38,457	-	38,457
Total expenditures	436,273	436,273	Nil	436,273
NET CHANGE IN FUND BALANCES	Nil	Nil	Nil	Nil
FUND BALANCES, beginning of year	Nil	Nil	Nil	Nil
FUND BALANCES, end of year	$ Nil	$ Nil	$ Nil	$ Nil

CITY OF WAYNESBORO, GEORGIA
Water and Sewer Fund
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Customer charges	$ 2,099,095	$ 2,148,549
Tap fees	3,575	1,920
Penalties	50,123	44,768
Recovery of bad debts	600	1,000
Total operating revenues	2,153,393	2,196,237
OPERATING EXPENSES		
Salaries	227,436	226,280
Employee benefits	53,634	62,713
Contractual services	640,313	607,541
Repairs, maintenance and other contractual services	66,205	83,730
Communications	10,536	8,686
Travel and training	3,323	2,621
Supplies and materials	128,904	139,260
Utilities	185,901	111,740
Vehicle gasoline	27,544	24,048
Depreciation	648,668	635,846
Other expenses	72,225	92,561
Total operating expenses	2,064,689	1,995,026
NET INCOME FROM OPERATIONS	88,704	201,211
NONOPERATING REVENUES (EXPENSES)		
Amortization of bond issuance costs	(2,132)	(2,132)
Interest earned	4,287	5,095
Interest expense	(476,116)	(491,735)
Total nonoperating revenues (expenses)	(473,961)	(488,772)
INCOME (LOSS) BEFORE TRANSFERS	(385,257)	(287,561)
Capital contributions	691,067	893,070
Transfers out	(22,382)	(174,604)
CHANGE IN NET ASSETS	283,428	430,905
NET ASSETS, beginning of year (as restated)	8,639,359	8,208,454
NET ASSETS, end of year	$ 8,922,787	$ 8,639,359

CITY OF WAYNESBORO, GEORGIA
Water and Sewer Fund
Comparative Statement of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 2,204,694	$ 2,114,716
Cash paid for goods and services	(1,164,803)	(1,117,291)
Cash paid to employees for services	(227,518)	(227,631)
Customer deposits received (refunded)	307	(538)
Net cash provided by operating activities	812,680	769,256
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net transfers in (out)	(22,382)	(172,259)
Net cash used by noncapital financing activities	(22,382)	(172,259)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contributed capital	443,863	893,070
Purchase of property and equipment	(710,155)	(641,430)
Proceeds from issuance of long-term debt	489,500	-
Payment of loan origination fees	(7,342)	-
Loan repayments	(180,676)	(172,148)
Retirement of revenue bonds	(166,143)	(158,561)
Capital lease principal payments	(14,010)	(17,901)
Interest and fiscal charges paid	(478,336)	(495,302)
Net cash used by capital and related financing activities	(623,299)	(592,272)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends and interest earned	4,944	4,659
Net cash provided by investing activities	4,944	4,659
NET INCREASE IN CASH AND CASH EQUIVALENTS	171,943	9,384
CASH AND EQUIVALENTS, beginning of year	459,337	449,953
CASH AND EQUIVALENTS, end of year	$ 631,280	$ 459,337

(Continued)

CITY OF WAYNESBORO, GEORGIA
Water and Sewer Fund
Comparative Statement of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Reconciliation of net income to net cash provided by operating activities:		
NET INCOME FROM OPERATIONS	$ 88,704	$ 198,866
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Provision for losses on receivables	25,372	26,375
Depreciation	648,668	635,846
Decrease (increase) in operating assets:		
Accounts receivable	51,301	(81,521)
Increase (decrease) in operating liabilities:		
Accounts payable	(1,590)	(8,421)
Accrued salaries	160	(173)
Accrued leave benefits	(242)	(1,178)
Deposits for services	307	(538)
Total adjustments	723,976	570,390
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 812,680	$ 769,256

Supplemental Disclosure of Cash Flow Information

Noncash investing and financing activities:		
Contribution of capital	$ 247,203	$ Nil

CITY OF WAYNESBORO, GEORGIA
Gas Fund
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Customer charges	$ 1,510,001	$ 1,944,025
Penalties	36,032	40,479
Miscellaneous	7,269	159
Total operating revenues	1,553,302	1,984,663
OPERATING EXPENSES		
Salaries	88,769	117,785
Employee benefits	19,568	27,505
Contractual services	14,756	35,029
Repairs, maintenance and other contractual services	58,385	70,026
Gas purchases	904,244	1,037,468
Communications	3,078	3,405
Travel and training	302	3,444
Supplies and materials	5,194	5,555
Utilities	2,848	2,387
Vehicle gasoline	5,127	3,914
Depreciation	22,563	20,102
Other expenses	22,958	43,677
Total operating expenses	1,147,792	1,370,297
NET INCOME FROM OPERATIONS	405,510	614,366
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(57)	-
Total nonoperating revenues (expenses)	(57)	Nil
INCOME (LOSS) BEFORE TRANSFERS	405,453	614,366
Transfers out	(442,359)	(554,715)
CHANGE IN NET ASSETS	(36,906)	59,651
NET ASSETS, beginning of year (as restated)	3,832	(55,819)
NET ASSETS, end of year	$ (33,074)	$ 3,832

CITY OF WAYNESBORO, GEORGIA
Gas Fund
Comparative Statement of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 1,661,771	$ 1,843,490
Cash paid for goods and services	(1,092,927)	(1,134,928)
Cash paid to employees for services	(87,822)	(119,506)
Customer deposits received (refunded)	710	(235)
Net cash provided by operating activities	481,732	588,821
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net transfers in (out)	(442,359)	(553,151)
Net cash used by noncapital financing activities	(442,359)	(553,151)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(35,374)	(30,243)
Capital lease principal payments	(3,934)	(5,026)
Interest and fiscal charges paid	(65)	(401)
Net cash used by capital and related financing activities	(39,373)	(35,670)
NET INCREASE IN CASH AND CASH EQUIVALENTS	Nil	Nil
CASH AND EQUIVALENTS, beginning of year	Nil	Nil
CASH AND EQUIVALENTS, end of year	$ Nil	$ Nil
Reconciliation of net income to net cash provided by operating activities:		
NET INCOME FROM OPERATIONS	$ 405,510	$ 612,802
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Provision for losses on receivables	5,640	77,977
Depreciation	22,563	20,101
Decrease (increase) in operating assets:		
Accounts receivable	108,469	(141,173)
Increase (decrease) in operating liabilities:		
Accounts payable	(55,956)	14,415
Accrued salaries	294	(535)
Accrued leave benefits	653	(1,186)
Accrued sales tax	(6,151)	6,655
Deposits for services	710	(235)
Total adjustments	76,222	(23,981)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 481,732	$ 588,821

CITY OF WAYNESBORO, GEORGIA
Solid Waste Fund
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Customer charges	$ 1,002,562	$ 844,599
Penalties	23,944	17,597
Total operating revenues	1,026,506	862,196
OPERATING EXPENSES		
Salaries	174,125	147,205
Employee benefits	43,272	36,115
Contractual services	16,924	163,296
Repairs, maintenance and other contractual services	29,296	22,045
Communications	2,628	2,529
Landfill fees	153,839	92,620
Supplies and materials	41,137	251,591
Vehicle gasoline	39,749	6,758
Depreciation	103,224	51,280
Other expenses	32,481	39,343
Total operating expenses	636,675	812,782
NET INCOME FROM OPERATIONS	389,831	49,414
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(19,421)	(19,371)
Sale of capital assets	-	3,800
Total nonoperating revenues (expenses)	(19,421)	(15,571)
INCOME (LOSS) BEFORE TRANSFERS	370,410	33,843
Transfers out	(108,802)	(139,413)
CHANGE IN NET ASSETS	261,608	(105,570)
NET ASSETS, beginning of year	(346,329)	(240,759)
NET ASSETS, end of year	$ (84,721)	$ (346,329)

CITY OF WAYNESBORO, GEORGIA
Solid Waste Fund
Comparative Statement of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 1,049,995	$ 823,956
Cash paid for goods and services	(353,006)	(605,016)
Cash paid to employees for services	(174,770)	(144,554)
Customer deposits received (refunded)	150	20
Net cash provided by operating activities	522,369	74,406
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net borrowings from other funds	(108,802)	(137,067)
Net cash used by noncapital financing activities	(108,802)	(137,067)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(63,892)	(712,704)
Proceeds from sale of property and equipment	-	3,800
Proceeds of capital leases	-	920,814
Capital lease principal payments	(329,226)	(130,907)
Interest and fiscal charges paid	(20,449)	(18,342)
Net cash provided (used) by capital and related financing activities	(413,567)	62,661
NET INCREASE IN CASH AND CASH EQUIVALENTS	Nil	Nil
CASH AND EQUIVALENTS, beginning of year	Nil	Nil
CASH AND EQUIVALENTS, end of year	$ Nil	$ Nil
Reconciliation of net income to net cash provided by operating activities:		
NET INCOME FROM OPERATIONS	$ 389,831	$ 47,069
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Provision for losses on receivables	6,617	12,058
Depreciation	103,224	51,280
Decrease (increase) in operating assets:		
Accounts receivable	23,488	(38,241)
Increase (decrease) in operating liabilities:		
Accounts payable	(296)	(431)
Accrued salaries	(467)	1,067
Accrued leave benefits	(178)	1,584
Deposits for services	150	20
Total adjustments	132,538	27,337
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 522,369	$ 74,406

OTHER REPORTS

REDDICK, RIGGS,
HUNTER AND KENNEDY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TERRELL T. REDDICK
1947-2005
JAMES S. RIGGS
PATRICIA H. HUNTER
J. BRIAN KENNEDY

REPORT OF 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*

Mayor and City Council
City of Waynesboro, Georgia
Waynesboro, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and aggregate remaining fund information of the City of Waynesboro, Georgia as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 14, 2012. 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.

Internal Control over Financial Reporting

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

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

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding 2011-5 and 2011-6 to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Waynesboro, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2011-1 through 2011-4.

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

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

Reddick, Riggs, Hunter and Kennedy, P. C.

Statesboro, Georgia
August 14, 2012

REDDICK, RIGGS,
HUNTER AND KENNEDY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TERRELL T. REDDICK
1947-2005
JAMES S. RIGGS
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor and City Council
City of Waynesboro, Georgia
Waynesboro, Georgia

Compliance

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

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

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

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Internal Control Over Compliance

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

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2010-7 to be a material weakness.

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

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

Reddick, Riggs, Hunter and Kennedy, P. C.

Statesboro, Georgia
August 14, 2012

CITY OF WAYNESBORO, GEORGIA
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Housing and Urban Development			
Pass-through programs from:			
Georgia Department of Community Affairs			
Home Investment Partnerships Program	14.239	06m-x-017-2-2946	$ 45,700
Rural Housing and Economic Development	14.250	06h-x-017-2-3250	130,657
Total			176,357
Highway Planning and Construction Cluster			
Pass-through programs from:			
Georgia Department of Transportation			
ARRA - Transportation Enhancement Grant	20.205	CSTEE-0008-00(080)	444,603
Transportation Enhancement Grant	20.205	TE-0006-00 (633)	140,960
Total			585,563
U. S. Environmental Protection Agency			
Direct programs:			
Georgia Environmental Facilities Authority			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWSRD 09-023	190,277
Total			190,277
Total expenditures of federal awards			$ 952,197

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Waynesboro, Georgia and is presented on the 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF WAYNESBORO, GEORGIA
Summary Schedule of Prior Audit Findings
December 31, 2011

Department of Housing and Urban Development

Finding 2010 - 5

Condition: This finding related to the 2006 CHIP Grant where checks that had been reimbursed to the General Fund did not have supporting documents retained in the grant file.

Recommendation: The auditor recommended that original documents be maintained on the City premises, and not taken offsite by the grant administrator and that a drawdown not be submitted for reimbursement until all invoices related to the drawdown be specifically identified and placed in the grant file. The City concurred and implemented the recommendation.

Current status: The recommendation was adopted and no similar findings were noted in the 2011 audit.

Finding 2010 - 6

Condition: This finding related to the Compliance of the Davis Bacon Act for the Transportation Enhancement grant for the Ice Plant renovation. It was noted that payrolls in which the wages paid by contractors to certain employees were less than the rate for the classification of worker as identified in the contract signed by the general contractor.

Recommendation: The auditor recommended that city personnel test a sample of certified payrolls submitted to the engineer by contractors against the wage determination in the contract documents ensure compliance with grant agreements. The City concurred and implemented the recommendation.

Current status: The recommendation was adopted and no similar findings were noted in the 2011 audit.

CITY OF WAYNESBORO, GEORGIA
Schedule of Findings and Questioned Costs
December 31, 2011

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with Circular A-133, Section 510(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Transportation Enhancement Grant
20.205	ARRA - Transportation Enhancement Grant

Threshold used for distinguishing between Type A and B programs:	$ 300,000
Auditee qualified as low-risk auditee?	No

Findings and Questioned Costs (continued)

Financial Statements

*Finding 2011 - 1**

Criteria:	State law requires municipalities to annually adopt a balanced budget for all funds. Once adopted, these budgets act as legal spending authorizations or appropriation limits.
Condition:	During the year ended December 31, 2011, various departments and funds of the City expended amounts which exceeded appropriations.
Context:	Total General Fund expenditures were under the budget, several departments exceeded budget appropriations.
Cause:	During the year, the City had several areas in which unanticipated repairs or other items caused departments to overspend the budget. In addition, interest on short-term debt was not correctly classified and was therefore not considered in the City's budget amendment.
Effect:	The budget amendment approved by City Council did not adequately project final expenditures for the Police Department, Administration, and for debt service, causing the over expenditure of the budget.
Recommendation:	We recommend that in future years, expenditures be reviewed for classification errors prior to adoption of a budget amendment to correctly anticipate major items which were not anticipated when the original budget ordinance was adopted.
Comments:	The City concurs with the finding. The City Manager and/or the Finance Directors will propose a budget amendment to the City Council that will include all expenditures and debt service for all unanticipated items.

*Finding 2011 - 2**

Criteria:	Georgia law authorizes the governing authority to incur temporary loans which shall not exceed 75 percent of the total gross income collected in the previous year and requires that such loans be payable on or before December 31 of the calendar year when the loan is obtained.
Condition:	At December 31, 2011, the City's tax anticipation loan remained outstanding.
Context:	The remaining debt outstanding at December 31, 2011 was $429,593.
Cause:	Because the tax digest was approved late, the City's tax bills were delayed and were not due until after December 31, 2011. This delay in billing taxes caused a significant shortfall in funds available to retire the tax anticipation notes in a timely manner.
Effect:	The outstanding tax anticipation loans are a violation of state law.
Recommendation:	We recommend that the City establish a repayment plan as soon as possible in order to repay this loan and bring the City into compliance with state law.
Comments:	The City concurs with the finding. The shor-term debt was repaid upon collection of the 2011 property taxes and other revenue that were not received at year end.

Findings and Questioned Costs (continued)

*Finding 2011 - 3**

Criteria:	Georgia law requires that SPLOST monies be held in a separate account and restricted for use as approved in the sales tax referendum.
Condition:	During prior years, the City advanced $272,812 from its SPLOST Fund to be used for a construction project which was subsequently drawn down under the City's USDA loan.
Cause:	While the original projects would have qualified for use of SPLOST funds, the amounts subsequently reimbursed from other sources were not remitted to the appropriate SPLOST account.
Effect:	Amounts due to the SPLOST fund in the amount of $272,812 remain outstanding.
Recommendation:	We recommend that the City establish a repayment plan as soon as possible in order to repay this loan and bring the City into compliance with state law.
Comments:	The City concurs with the finding. Over the life of the SPLOST fund, the City will establish a repayment plan to repay the SPLOST fund.

Finding 2011 - 4

Criteria:	Effective with fiscal years beginning on or after January 1, 2011, local governments with an annual budget in excess of $1 million are required to submit a pdf copy of their budget within 30 days of adoption to the Carl Vinson Institute of Government to be posted on their publicly accessible website.
Condition:	During our audit, we noted that the 2011 budget had not been submitted.
Cause:	It appears that lack of compliance was due to oversight of the new requirement by management.
Effect:	In addition to being in violation of state law, failure to comply could cause the City to fail to qualify for various state grants or funding.
Recommendation:	We recommend that the City comply with this requirement as soon as possible and that the City schedule annual training which will highlight new compliance areas to make sure that new compliance requirements are implemented as required by law.
Comments:	The City concurs with the finding. The City Manager and Finance Director will attend annual training to stay current with any new compliance changes.

Findings and Questioned Costs (continued)

Finding 2011 - 5

Criteria:	An important element of control over the purchasing/cash disbursement function is the proper documentation of expenditures.
Condition:	During the year ended December 31, 2011, there were several expenditures for informant fees, drug purchases for undercover investigations, and miscellaneous supplies purchased from petty cash held by the police department. During the year, we noted that control was not maintained of the cash in the box, and the cash held was not balanced back to receipts. The petty cash box contained items such as badges, etc. However, there was no cash in the box at the time of the audit.
Context:	Upon investigation, the police officers on duty provided two checks from the general fund that had not been cashed yet that were reimbursement to the petty cash fund for receipts submitted to the City. They were able to locate a drawer full of receipts, but were unable to determine which receipts had not been previously reimbursed to the cash box and which had not. The cash box itself held various other items.
Cause:	It appears that there is little control over the cash held in the police department and reimbursements to it.
Effect:	While the total dollar amount of the cash fund, and the transactions through it are not material, it is possible that inappropriate expenditures could be made and not detected in that fund.
Recommendation:	To strengthen controls over cash, we recommend that the cash box be balanced at least monthly to the stated amount of $300, and at all times, there be cash or vouchers that total $300 held in the box. When cash is disbursed confidentially for informant fees and undercover drug purchases, we recommend that a voucher be signed by the investigator working on the case and the chief or his designee indicating the date, amount and reason for the expenditure.
Comments:	The City concurs with the finding. The Chief of Police and/or Deputy Chief will implement the recommendation.

Findings and Questioned Costs (continued)

Finding 2011 - 6

Criteria:	Georgia law specifies that local governments shall expend assets seized in cases related to controlled substances for any law enforcement purpose; for the representation of indigents in criminal cases; for drug treatment, rehabilitation, prevention, or education or any other program which responds to problems created by drug or substance abuse; for use as matching funds for grant programs related to drug treatment or prevention; to fund victim-witness assistance programs, or for any combination of the foregoing.
Condition:	During the year ended December 31, 2011, we noted that the police department received contributions from various individuals and organizations in the community which were deposited into the Drug Control account. These funds were used for various activities designed to foster police relations with the community and particularly with at-risk youth, and included football sponsorships, fun day community events, and a police department Christmas party.
Context:	While the activities funded through contributions do enhance the Police department's image in the community and open opportunities to work with at-risk youth, these activities do not directly relate to drug prevention or education.
Cause:	It appears that the use of this account for contributed funds was caused by a misunderstanding of the purpose of the account, which is named "Police Department Special Account."
Effect:	While it appears that private contributions were sufficient to fund the activities noted, and that no confiscated assets were spent inappropriately, the co-mingling of these funds could result in confiscated assets being spent for inappropriate purposes, a violation of state law.
Recommendation:	To strengthen controls over confiscated assets, we recommend that a separate account be established for contributions received by the Police department, subject to the same control procedures regarding signature authority and required documentation, and that expenditures which do not directly relate to the purposes allowed by law as defined above be paid from the contributed funds. Further, to clarify the use of the drug control account, we recommend that the account be renamed as the "confiscated assets account."
Comments:	The City concurs with the finding. The Finance Director will establish an account for Police contributions and will rename the drug control account to the Confiscated Assets account.

Findings and Questioned Costs (continued)

Federal Awards

Finding 2011 - 7

Criteria:	An important element of control over grants and contracts is the accurate and timely submission of required reports.
Condition:	During the year ended December 31, 2011, the City was notified that its Revolving Loan Fund had been closed by the Georgia Department of Community Affairs due to lack of compliance in reporting.
Context:	The Georgia Department of Community Affairs cited 14 instances of late or delinquent reports over a three and one-half year period.
Cause:	It appears that the failure to comply was due to oversight.
Effect:	The City's noncompliance caused the City to be required to return substantially all of the funds in its Revolving Loan Fund, with a future directive to remit all funds received in excess of $2,500.
Recommendation:	We recommend that the City Finance Director establish a tickler system for all required reports. Because there are a number of electronic calendar solutions available at little to no cost, we recommend that a calendar be established with all federal and state reporting requirements that would provide reminders several days prior to each due date.
Comments:	The City concurs with the finding and will adopt the recommendation.

** Indicates uncorrected prior year finding*

CITY OF WAYNESBORO, GEORGIA
Schedule of State Awards Expended
For the Year Ended December 31, 2011

State Program Name	Contract Number	Prior Year Balance	Grant Revenue Received	Matching Funds Received	Expenditures	Remaining Amount to be Expended	Amount Due to (from) State
Department of Community Affairs							
Local Assistance Grant	02-C-L-389	$ 21,000	$ -	$ -	$ -	$ 21,000	$ -
Department of Human Resources							
Family Connection Grant	427-93-11110075-99	-	42,250	-	42,250	-	-
Total		$ 21,000	$ 42,250	$ Nil	$ 42,250	$ 21,000	$ Nil

CITY OF WAYNESBORO, GEORGIA
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2011

Project	Original Estimated Cost	Estimated Cost	Prior Years	Current Year	Total
SPLOST I					
Water and sewer improvements					
Construction	$ 2,948,875	$ 744,866	$ 744,866	$ -	$ 744,866
Related debt service	364,104	2,199,542	1,328,885	168,048	1,496,933
Total	$ 3,312,979	$ 2,944,408	$ 2,073,751	$ 168,048	$ 2,241,799
SPLOST II					
Building renovation and construction	$ 500,000	$ 1,291,188	$ 813,195	$ 477,993	$ 1,291,188
Water, sewer and storm drainage improvements	3,801,605	6,426,219	3,806,449	613,285	4,419,734
Total	$ 4,301,605	$ 7,717,407	$ 4,619,644	$ 1,091,278	$ 5,710,922