CITY OF WASHINGTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2025

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•Morris & Waters•

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Washington, Georgia, (the City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 the aggregate remaining fund information of the City as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Governmental Auditing Standards, we:

• Exercise professional judgment and maintain professional skepticism throughout the audit.

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

• Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

• Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Retirement Plan Schedule of Changes on Net Pension Liability on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Washington, Georgia's basic financial statements. The combining financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules and the schedule of projects financed with special purpose local option sales tax are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2026, on our consideration of the City of Washington's internal control over financial reporting and on our tests of its compliance with certain provision 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Morris & Waters

Morris and Waters

Canton, Georgia
May 21, 2026

CITY OF WASHINGTON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 1,995,051	$ 8,418,004	$ 10,413,055	$ 4,956
Investments	80,528	2,795,150	2,875,678	-
Restricted Assets				
Cash and Cash Equivalents	174,145	313,807	487,952	-
Investments	-	1,170,641	1,170,641	-
Receivables (net)				
Accounts	30,264	6,626,023	6,656,287	-
Intergovernmental	143,726	-	143,726	-
Taxes	414,956	-	414,956	-
Internal Balances	(33,085)	33,085	-	-
Prepaid Expenses	18,107	29,961	48,068	-
Total Current Assets:	2,823,692	19,386,671	22,210,363	4,956
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation				
Capital Assets Not Being Depreciated	1,323,753	207,190	1,530,943	-
Capital Assets, Net of Depreciation	7,654,164	17,331,603	24,985,767	-
Total Noncurrent Assets:	8,977,917	17,538,793	26,516,710	-
Total Assets	11,801,609	36,925,464	48,727,073	4,956
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources - Pension	153,515	82,662	236,177	-
LIABILITIES				
Accounts Payable	216,923	4,066,664	4,283,587	-
Accrued Liabilities	107,592	55,325	162,917	-
Compensated Absences	101,762	69,803	171,565	-
Accrued Interest Payable	3,874	-	3,874	-
Unearned Revenue	107,400	-	107,400	-
Liabilities payable from restricted assets				
Customer Deposits Payable	-	313,807	313,807	-
Noncurrent Liabilities:				
Net Pension Liability	255,856	137,769	393,625	-
Long Term Liabilities Due within one year	69,209	450,465	519,674	-
Long Term Liabilities Due in more than one year	501,880	3,491,103	3,992,983	-
Total Liabilities	1,364,496	8,584,936	9,949,432	-
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources - Pension	-	-	-	-
NET POSITION				
Net Investment in Capital Assets	8,406,828	13,597,225	22,004,053	-
Restricted for:				
MEAG Generation Trust	-	1,170,641	1,170,641	-
Public Safety	(20,520)	-	(20,520)	-
Public Works	518,842	-	518,842	-
Health and Wellfare	2,100	-	2,100	-
Culture and Recreation	12,796	-	12,796	-
Historical Properties	174,145	-	174,145	-
Capital Projects	1,062,316	-	1,062,316	-
Unrestricted	434,121	13,655,324	14,089,445	4,956
Total Net Position	$ 10,590,628	$ 28,423,190	$ 39,013,818	$ 4,956

The notes to the financial statements are an integral part of this statement.

CITY OF WASHINGTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

FUNCTIONS/PROGRAMS	Expenses	Indirect Costs	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Total	Component Unit
Primary Government:									
Governmental Activities:									
General Government	$ 1,402,666	$ (89,212)	$ 108,622	$ -	$ 493,561	$ (711,271)	$ -	$ (711,271)	$ -
Judicial	51,757	(3,183)	-	-	-	(48,574)	-	(48,574)	-
Public Safety	1,668,668	(94,652)	66,312	-	-	(1,507,704)	-	(1,507,704)	-
Public Works	2,923,987	(224,486)	103,621	1,206,159	166,103	(1,223,618)	-	(1,223,618)	-
Health and Welfare	1,104,560	(65,228)	57,922	2,500	-	(978,910)	-	(978,910)	-
Culture and Recreation	436,396	(34,268)	38,228	-	-	(363,900)	-	(363,900)	-
Housing and Development	471,094	(27,425)	38,166	-	61,618	(343,885)	-	(343,885)	-
Interest on Long-term Debt	24,369	-	-	-	-	(24,369)	-	(24,369)	-
Total Governmental Activities	8,083,497	(538,454)	412,871	1,208,659	721,282	(5,202,231)	-	(5,202,231)	-
Business-Type Activities:									
Water and Sewer	3,259,617	73,510	2,691,607	-	-	-	(641,520)	(641,520)	-
Electric	37,748,687	464,944	44,691,917	-	-	-	6,478,286	6,478,286	-
Solid Waste	730,443	-	552,579	-	-	-	(177,864)	(177,864)	-
Total Business-Type Activities	41,738,747	538,454	47,936,103	-	-	-	5,658,902	5,658,902	-
Total Primary Government	49,822,244	-	48,348,974	1,208,659	721,282	(5,202,231)	5,658,902	456,671	-
Component Unit									
Downtown Development Authority	751	-	-	255	-	-	-	-	(496)

	Governmental Activities	Business-Type Activities	Total	Component Unit
General Revenues:				
Taxes				
Property Taxes	824,515	-	824,515	-
Sales Taxes	650,774	-	650,774	-
Insurance Premium Tax	407,943	-	407,943	-
Alcohol Excise Tax	103,937	-	103,937	-
Franchise Tax	99,620	-	99,620	-
Occupational Taxes	62,320	-	62,320	-
Other Taxes	14,932	-	14,932	-
Unrestricted Investment Earnings	98,183	1,009,995	1,108,178	-
Miscellaneous	14,913	-	14,913	-
Contributions	5,998	106,472	112,470	-
Intergovernmental Payments	(601,602)	-	(601,602)	-
Transfers	4,502,007	(4,502,007)	-	-
	6,183,540	(3,385,540)	2,798,000	-
Changes in Net Position	981,309	2,273,362	3,254,671	(496)
Net Position - Beginning (as re-stated)	9,609,319	26,149,828	35,759,147	5,452
Net Position - Ending	$ 10,590,628	$ 28,423,190	$ 39,013,818	$ 4,956

The notes to the financial statements are an integral part of this statement.

WASHINGTON, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2025

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 300,332	$ 1,694,719	$ 1,995,051
Investments	3,385	77,143	80,528
Restricted Assets			
Cash and Cash Equivalents	174,145	-	174,145
Receivables (net)			
Accounts	30,264	-	30,264
Intergovernmental	58,082	85,644	143,726
Taxes	399,929	15,027	414,956
Prepaid Items	18,107	-	18,107
Total Assets	984,244	1,872,533	2,856,777
LIABILITIES			
Accounts and Contracts Payable	196,403	20,520	216,923
Accrued Salaries and Payroll Liabilities	107,592	-	107,592
Due to Other Funds	-	33,085	33,085
Unearned Revenue	-	107,400	107,400
Total Liabilities	303,995	161,005	465,000
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	40,630	-	40,630
FUND BALANCE			
Nonspendable:			
Prepaid Items	18,107	-	18,107
Contractually Required to be Maintained Intact	-	19,980	19,980
Restricted for:			
Public Safety	-	(20,520)	(20,520)
Public Works	-	518,842	518,842
Health and Wellfare	-	2,100	2,100
Culture and Recreation	-	12,796	12,796
Historical Properties	174,145	-	174,145
Capital Projects	-	1,062,316	1,062,316
Assigned for:			
Public Works	-	41,764	41,764
Culture and Recreation	-	2,603	2,603
Housing and Development	-	71,647	71,647
Unassigned	447,367	-	447,367
Total Fund Balances	639,619	1,711,528	2,351,147
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 984,244	$ 1,872,533	$ 2,856,777

The notes to the financial statements are an integral part of this statement.

CITY OF WASHINGTON, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total Fund Balances for Governmental Funds		**$ 2,351,147**
Total Net Position for Governmental Activities in the Statement of Net Position is different because:		
Capital assets net of acccumulated depreciation are not financial resources and, therefore, are not reported in the funds.		**8,977,917**
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the funds. These are:		
Property taxes		**40,630**
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. These are:		
Deferred outflows of resources		**153,515**
Deferred inflows of resources		**-**
Some liablities are not due and payable in the current period and, therefore, are not reported in the funds. These are:		
Compensated absences	**(101,762)**	
Interest payable	**(3,874)**	
Net pension liability	**(255,856)**	
Installment sale agreement payable	**(571,089)**	**(932,581)**
Total Net Position of Governmental Activities		**$ 10,590,628**

The notes to the financial statements are an integral part of this statement.

CITY OF WASHINGTON, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2025

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 2,164,041	$ 166,103	$ 2,330,144
Licenses and Permits	32,985	-	32,985
Intergovernmental	1,206,159	557,679	1,763,838
Fines, Fees and Forfeitures	66,312	-	66,312
Charges for Services	313,574	-	313,574
Investment Income	94,599	3,584	98,183
Contributions	2,692	3,306	5,998
Other	14,913	-	14,913
Total Revenues	3,895,275	730,672	4,625,947
EXPENDITURES			
Current:			
General Government	1,361,337	-	1,361,337
Judicial	48,574	-	48,574
Public Safety	1,444,350	217,681	1,662,031
Public Works	3,425,564	237,004	3,662,568
Health and Welfare	995,358	400	995,758
Culture and Recreation	522,910	-	522,910
Housing and Development	418,495	35,179	453,674
Debt Service	91,296	-	91,296
Total Expenditures	8,307,884	490,264	8,798,148
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,412,609)	240,408	(4,172,201)
OTHER FINANCING SOURCES (USES)			
Transfers In	5,607,052	272,161	5,879,213
Transfers Out	(1,377,206)	-	(1,377,206)
Intergovernmental Payments	-	(601,602)	(601,602)
Total Other Financing Sources (Uses)	4,229,846	(329,441)	3,900,405
Net Change in Fund Balances	(182,763)	(89,033)	(271,796)
Fund Balances - Beginning of Year	822,382	1,800,561	2,622,943
Fund Balances - End of Year	$ 639,619	$ 1,711,528	$ 2,351,147

The notes to the financial statements are an integral part of this statement.

CITY OF WASHINGTON, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balance - Total Governmental Funds		**$ (271,796)**
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense. This is the amount by which depreciation of $425,314 was exceeded by capital outlay of ($1,273,415) in the current period.		**848,101**
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In addition, intereston long-term debt is not recognized in the governmental funds until due, but is recognized in the statement of activities as it accrues.		
Net Change in Interest Payable	**451**	
Debt Principal Payments	**66,476**	**66,927**
Government funds report pension contributions as expenditures. Howerver, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Net Change in Pension Related Items		**376,039**
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Unavailable Revenues		**(11,579)**
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Compensated Absences		**(26,383)**
Change in Net Position of Governmental Activities		**$ 981,309**

The notes to the financial statements are an integral part of this statement.

CITY OF WASHINGTON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES
BUDGET & ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Property	$ 906,714	$ 906,714	$ 824,515	$ (82,199)
Sales	505,120	505,120	650,774	145,654
Insurance Premium	360,510	360,510	407,943	47,433
Alcohol Excise	136,151	136,151	103,937	(32,214)
Franchise	85,120	85,120	99,620	14,500
Occupational	40,701	40,701	62,320	21,619
Other	23,251	23,251	14,932	(8,319)
Licenses & Permits	45,964	45,964	32,985	(12,979)
Intergovernmental	1,308,362	1,308,362	1,206,159	(102,203)
Fines & Forfeitures	103,178	103,178	66,312	(36,866)
Charges For Services	275,821	275,821	313,574	37,753
Investment Income	166	166	94,599	94,433
Contributions	1,250	1,250	2,692	1,442
Other	14,953	14,953	14,913	(40)
Total Revenues	3,807,261	3,807,261	3,895,275	88,014
EXPENDITURES				
Current:				
General Government	1,843,019	1,843,019	1,361,337	481,682
Judicial	110,380	110,380	48,574	61,806
Public Safety	1,646,632	1,646,632	1,444,350	202,282
Public Works	3,420,548	3,420,548	3,425,564	(5,016)
Health and Welfare	1,266,500	1,266,500	995,358	271,142
Culture and Recreation	667,238	667,238	522,910	144,328
Housing and Development	507,810	507,810	418,495	89,315
Debt Service	94,500	94,500	91,296	3,204
Total Expenditures	9,556,627	9,556,627	8,307,884	1,248,743
Excess of Revenues Over Expenditures	(5,749,366)	(5,749,366)	(4,412,609)	1,336,757
OTHER FINANCING SOURCES (USES)				
Transfers In	5,749,366	5,749,366	5,607,052	(142,314)
Transfers Out	-	-	(1,377,206)	(1,377,206)
Sale of Assets	-	-	-	-
Total Other Financing Sources (Uses)	5,749,366	5,749,366	4,229,846	(1,519,520)
Net Change in Fund Balances	-	-	(182,763)	(182,763)
Fund Balance, Beginning Of Year	822,382	822,382	822,382	-
Fund Balance, End Of Year	$ 822,382	$ 822,382	$ 639,619	$ (182,763)

CITY OF WASHINGTON, GEORGIA
PROPRIETARY FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Business-Type Activities			
ASSETS	Water and Sewer	Electric	Solid Waste	Total
Current Assets:				
Cash and Cash Equivalents	$ -	$ 8,418,004	$ -	$ 8,418,004
Investments	-	2,795,150	-	2,795,150
Restricted Assets				
Cash and Cash Equivalents	104,505	209,302	-	313,807
Investments	-	1,170,641	-	1,170,641
Accounts Receivable (Net of Allowance for Uncollectibles)	385,543	6,150,697	89,783	6,626,023
Due from Other Funds	-	33,085	-	33,085
Prepaid Expenses	10,944	16,864	2,153	29,961
Total Current Assets	500,992	18,793,743	91,936	19,386,671
Noncurrent Assets:				
Capital Assets not Being Depreciated	194,710	8,480	4,000	207,190
Capital Assets Net Of Accumulated Depreciation	15,079,157	1,725,139	527,307	17,331,603
Total Noncurrent Assets	15,273,867	1,733,619	531,307	17,538,793
Total Assets	15,774,859	20,527,362	623,243	36,925,464
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources - Pension	47,235	23,618	11,809	82,662
LIABILITIES				
Current Liabilities:				
Accounts Payable	433,902	3,609,892	22,870	4,066,664
Accrued Liabilities	32,250	14,641	8,434	55,325
Compensated Absences	42,640	15,015	12,148	69,803
Notes Payable - Current	450,465	-	-	450,465
Liabilities Payable from Restricted Assets				
Customer Deposits	104,505	209,302	-	313,807
Total Current Liabilities	1,063,762	3,848,850	43,452	4,956,064
Noncurrent Liabilities				
Net Pension Liability	78,725	39,363	19,681	137,769
Notes Payable - Noncurrent	3,491,103	-	-	3,491,103
Total Noncurrent Liabilities	3,569,828	39,363	19,681	3,628,872
Total Liabilities	4,633,590	3,888,213	63,133	8,584,936
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources - Pension	-	-	-	-
NET POSITION				
Net Investment in Capital Assets	11,332,299	1,733,619	531,307	13,597,225
Restricted for MEAG Generation Trust	-	1,170,641	-	1,170,641
Unrestricted	(143,795)	13,758,507	40,612	13,655,324
Total Net Position	$ 11,188,504	$ 16,662,767	$ 571,919	$ 28,423,190

The notes to the financial statements are an integral part of this statement.

CITY OF WASHINGTON, GEORGIA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DECEMBER 31, 2025

	Business-Type Activities			
	Water and Sewer	Electric	Solid Waste	Total
OPERATING REVENUES				
Charges for Sales and Services	$ 2,691,607	$ 44,669,416	$ 552,579	$ 47,913,602
Other	-	22,501	-	22,501
Total Operating Revenues	2,691,607	44,691,917	552,579	47,936,103
OPERATING EXPENSES				
Cost of Sales and Services	1,565,260	37,551,407	278,511	39,395,178
Personal Services	1,155,645	506,232	328,180	1,990,057
Depreciation	612,222	155,992	123,752	891,966
Total Operating Expenses	3,333,127	38,213,631	730,443	42,277,201
Operating Income/(Loss)	(641,520)	6,478,286	(177,864)	5,658,902
NONOPERATING REVENUES (EXPENSES)				
Interest Revenues	-	27,843	-	27,843
Net Increase in Fair Value of Investments	-	982,152	-	982,152
Total Nonoperating Revenues (Expenses)	-	1,009,995	-	1,009,995
Net Income (Loss) Before Transfers	(641,520)	7,488,281	(177,864)	6,668,897
Transfers in	1,113,387	359,064	263,871	1,736,322
Transfers out	(160,340)	(5,879,213)	(198,776)	(6,238,329)
Capital Contributions	106,472	-	-	106,472
Total Transfers in/(out)	1,059,519	(5,520,149)	65,095	(4,395,535)
Changes in Net Position	417,999	1,968,132	(112,769)	2,273,362
Net Position - Beginning	10,770,505	14,694,635	684,688	26,149,828
Net Position - Ending	$ 11,188,504	$ 16,662,767	$ 571,919	$ 28,423,190

The notes to the financial statements are an integral part of this statement.

CITY OF WASHINGTON, GEORGIA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025

	Business-Type Activities			
	Water and Sewer	Electric	Solid Waste	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 2,691,245	$ 44,629,238	$ 550,838	$ 47,871,321
Cash Payments to Suppliers	(1,261,167)	(37,449,352)	(255,678)	(38,966,197)
Cash Payments to Employees	(1,189,148)	(569,852)	(360,255)	(2,119,255)
Net Cash provided by (Required for) Operating Activities	240,930	6,610,034	(65,095)	6,785,869
Cash Flows from Capital and Related Financing Activities:				
Transfers from Other Funds	737,912	-	-	737,912
Capital Contributions	106,472	-		106,472
Purchase of Capital Assets	(844,484)	(170,526)	-	(1,015,010)
Principal Paid on Notes Payable	(450,465)	-	-	(450,465)
Interest paid on Notes Payable	-	-	-	-
Net Cash Required for Capital and Related Financing Activities	(450,565)	(170,526)	-	(621,091)
Cash Flows from Noncapital Financing Activities:				
Transfers from Other Funds	375,475	359,064	263,871	998,410
Transfers to Other Funds	(160,340)	(5,879,213)	(198,776)	(6,238,329)
Net Cash Provided/(Used) by Noncapital Financing Activities	215,135	(5,520,149)	65,095	(5,239,919)
Cash Flows from Investing Activities:				
Interest Received	-	27,843	-	27,843
Net Cash Provided/(Used) by Investing Activities	-	27,843	-	27,843
Net Decrease in Cash and Cash Equivalents	5,500	947,202	-	952,702
Cash and Equivalents at Beginning of Year	99,005	7,680,104	-	7,779,109
Cash and Equivalents at End of Year	104,505	8,627,306	-	8,731,811
Reconciliation of Operating Income/(Loss) to Net Cash Provided from/(Used by) Operating Activities:				
Operating Income/(Loss)	(641,520)	6,478,286	(177,864)	5,658,902
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	612,222	155,992	123,752	891,966
(Increase)/Decrease in Accounts Receivable	(5,862)	(64,848)	(1,741)	(72,451)
(Increase)/Decrease in Prepaid Expenses	1,803	2,779	354	4,936
(Increase)/Decrease in Deferred Outflows - Pension	(47,235)	(23,618)	(11,809)	(82,662)
Increase/(Decrease) in Accounts Payable	302,290	99,276	22,833	424,399
Increase/(Decrease) in Accrued Liabilities	11,838	4,981	3,349	20,168
Increase/(Decrease) in Customer Deposits	5,500	2,169	-	7,669
Increase/(Decrease) in Compensated Absences	6,423	8,210	2,607	17,240
Increase/(Decrease) in Net Pension Liability	23,082	(15,884)	(4,449)	2,749
Increase/(Decrease) in Deferred Inflows - Pension	(27,611)	(37,309)	(22,127)	(87,047)
Net Cash Provided by/(Used by) Operating Activities	$ 240,930	$ 6,610,034	$ (65,095)	$ 6,785,869

The notes to the financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

Incorporated in 1780, under the laws of the State of Georgia, the City of Washington is governed by a seven member Mayor/Council form of government. The Mayor is elected to a four-year term, and the Council members are elected to staggered four-year terms. The Mayor serves as the Chief Executive Officer and the other six Council members serve on a part-time basis. The Mayor is assisted by the City Administrator to handle the daily operations of the City.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements or APB opinions issued after November 30, 1989. The most significant of the City's accounting policies are described below.

1-A. Reporting Entity

The financial statements of the reporting entity include those of City of Washington, Georgia (the primary government). Component units are legally separate organizations for which the City is financially accountable for the entity or the exclusion of such entity would cause the City's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of the entity's governing body and either the City can impose its will on the entity or the potential exists for the entity to provide specific financial benefits or impose specific financial burdens on the City. Based on this definition, the City has one component unit, the Downtown Development Authority, that is required to be reported in these financial statements. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Downtown Development Authority of Washington, Georgia

The Downtown Development Authority of Washington, Georgia was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of seven members, who are appointed by the Mayor and Council. The Downtown Development Authority provides for the vitalization of the downtown area of the City of Washington. In many respects, the Authority functions similar to a City department through regular participation in department director meetings, accounting, payroll, etc. The Authority is included in the reporting entity due to the nature and significance of its relationship with the City of Washington. The Downtown Development Authority of Washington, Georgia is reported in a separate column to emphasize that it is legally separate from the City. Separate financial statements of the component unit can be obtained from the Downtown Development Authority, P.O. Box 9, Washington, Georgia 30673.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities and fund financial statements, which provide a more detailed level of financial information. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Fiduciary funds are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the City at the fiscal year-end. 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 therefore clearly identifiable to that particular function. The City has elected not to allocate indirect expenses among its programs, functions and segments in the Statement of Activities. The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and, (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. To identify which functional program a revenue pertains to, the determining factor for *charges for services* is that function which *generates* the revenue; and for *grants and contributions*, the determining factor is that function to which the revenue is *restricted.* Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the 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 this more detailed level. Fund financial statements are provided for both governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

Fund Accounting - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds: governmental, proprietary and fiduciary.

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 following is the City's major governmental fund:

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

Proprietary Funds – Proprietary fund financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, and a statement of cash flows. Proprietary operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. The City's policy for defining operating and non-operating revenues and expenses in proprietary funds is based on the following concepts. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing business. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and the depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable to proprietary funds are similar to those used by businesses in the private sector. The following are the City's major proprietary funds:

The Water/Sewer Enterprise Fund – This fund accounts for the activities of the government's water and sewer activities.

The Electric Enterprise Fund – This fund accounts for the user fees and expenses for the electric services provided to the citizens of the City

The Solid Waste Enterprise Fund – This fund accounts for the user fees and expenses for the solid waste services provided to the citizens of the City

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Additionally, the City reports the following fund types:

<u>Governmental Fund Types</u>

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditures for specific purposes.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of capital facilities (other than those financed by the proprietary funds).

Permanent Funds - These funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting City's programs.

<u>Component Units</u>

The Downtown Development Authority of Washington, Georgia's operations are accounted for using a current financial resources measurement focus and using the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual. During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

1-C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. All assets and liabilities associated with the operation of the City, including capital assets, as well as infrastructure assets purchased since January 1, 2003, and long-term liabilities, are included in the Statement of Net position. The Statement of Activities reports revenues and expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year that they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements – Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and non-major funds aggregated. All governmental funds are reported using the *flow of current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets and current liabilities generally are included in 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 reported. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements. Like the government-wide statements, all proprietary fund types are accounted for on the flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included in the Statements of Net position. The Statements of Changes in Fund Net Position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities.

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of the fiscal year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 30 days for sales taxes and within 60 days for all other revenues) before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes and federal and state grants.

Program Revenues – Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Deferred/Unearned Revenue - The City recognizes revenues and other governmental fund financial resources in the accounting period in which they become both measurable and available. When an asset is received in a governmental fund, but the revenue is not available, the City reports a deferred inflow of resources until such time as the revenue becomes available. The City limits the use of the term "deferred" to items reported as deferred outflows of resources or deferred inflows of resources.

1-E. Assets, Liabilities and Fund Equity

1-E-1. Cash, Cash Equivalents and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet. Reinvested interest on certain debt service and capital project investments is included in the investment accounts.

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

The City reports investments using net asset value (NAV) when NAV is calculated in a manner consistent with fair value measurement guidelines, fair value is not readily determinable, and it is not probable for the investment to be sold at an amount other than NAV.

1-E-2. Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges are accrued as receivables and revenue at December 31, 2025.

1-E-3. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2025 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed. At the fund reporting level, an equal amount of fund balance is reserved, as this amount is not available for general appropriation.

1-E-4. Capital Assets

Capital Assets are defined by the City as assets with an initial, individual cost which exceeds certain capitalization thresholds and have an estimated useful life in excess of two years. General capital assets are those assets not specifically related to activities reported in the proprietary funds. All general infrastructure assets (e.g., roads, bridges, sidewalks and similar items) acquired or constructed after December 31, 2002 are reported in the government-wide financial statements. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide Statement of Net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $15,000 per item for streets, buildings, and grounds and $5,000 for all other capital assets that has an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized. 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 useful lives:

Assets	Estimated Useful Life in Years
Buildings and Improvements	12-40
Electric Plant Systems	30
Infrastructure	50
Equipment/Furniture	5-15
Software	5
Vehicles	5-20

At the inception of a capital lease, at the governmental fund reporting level, expenditures and an "other financing sources" of an equal amount are reported at the net present value of future minimum lease payments.

1-E-5. Compensated Absences

It is the City's policy to permit employees to accumulate up to 160 hours of earned but unused vacation benefits which will be paid to the employees upon separation from City service. Accumulated unpaid vacation pay amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

1-E-6. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. 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 the these funds. Capital leases are recognized as a liability in the governmental fund financial statements when due. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental type funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

1-E-7. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The City restricts those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unrestricted fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific purposes and are tentative management plans that are subject to change.

GASB Statement 54 distinguishes fund balance classifications based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be, if applicable, reported in the following categories:

1) **Nonspendable fund balance –** amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

2) **Restricted fund balance –** amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).

3) **Committed fund balance –** amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally.

4) **Assigned fund balance –** amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the City Council or by a designee to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

5) **Unassigned fund balance –** includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

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

Restricted fund balance is made up of funds which can only be used for public works, culture and recreation, housing and development and capital projects. At December 31, 2025 the balance in restricted fund balance was $1,749,679.

Assigned fund balance is made up of funds intended to be used for public works, culture and recreation and housing and development. At December 31, 2025 the balance in assigned fund balance was $116,014.

Net Position - Net Position represents the difference between assets and liabilities. Net Position invested in capital assets 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. This net position amount also is adjusted by any bond issuance deferral amounts. Net Position 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, laws or regulations of other governments. All other net positions are reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

1-E-8. Deferred outflows/inflows of resources

In addition to assets, the financial statements of the City will sometimes report a separate section for deferred outflows of resources. This separate element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources in the form of expense or expenditure until that time. The City reports deferred outflows of resources related to its defined benefit pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable property taxes revenues. The City also reports deferred inflows of resources related to its defined benefit pension plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1-E-9. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund.

1-E-10. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap in fees to the extent they exceed the cost of the connection to the system or from grants or outside contributions of resources restricted to capital acquisition and construction.

1-E-11. Interfund Activity

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 in the after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular 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.

1-E-12. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

2-A. Budgetary Information – The City follows these procedures in establishing the budgetary data for the funds reflected in the financial statements.

1. In November, a proposed operating budget for the fiscal year commencing January 1 is submitted to the City Council. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to January 1, the budget is legally enacted through passage of an ordinance.

4. All budget revisions or changes must be approved as required by Georgia law and administrative policy. Transfer of budgetary amounts between line items within a fund can be done with the approval of the City Administrator. Transfer of amounts between each department of each fund must be approved by the City Council. This is the legal level of budgetary control.

5. The funds obtained from any source may be used for any appropriations named in said budget, except funds specifically restricted by the City ordinance or State law.

6. The City does not employ the use of encumbrance accounting.

7. Unexpended appropriations lapse at the end of the year.

8. At the end of the fiscal year, all amendments to the budget are approved through passage of an ordinance.

Note 3 - Detailed Notes on All Funds

3-A. Deposits and Investments

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that, in the event of a financial institution failure, the City's deposits may not be returned. The City's policies require that all deposits be federally insured or fully collateralized.

Interest Rate Risk
The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk
State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of any corporation of the United States government, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City does not have a formal investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk
The City does not have a formal policy on the amount the City may invest in any one issuer.

Foreign Currency Risk
The City has no investments denominated in a foreign currency.

The City is a participant in the Municipal Electric Authority of Georgia (MEAG). The MEAG board approves an annual system budget from which MEAG bills its participants. At the end of the year, adjustments are made by MEAG to each participant's billings to agree with actual cost. Whenever MEAG recovers funds from the City in excess of its actual costs to serve the City, the City may elect to have their funds deposited in MEAG's Voluntary Flexible Operating Account or Generation Trust Account fund in lieu of receiving a refund. The voluntary stabilization fund is used to reduce future costs of the City at its discretion while also earning interest. The City is authorized to direct MEAG to retain or use the discretionary funds. The generation trust account is used to offset the City's share of future MEAG generation projects.

The Municipal Competitive Trust accounts are held in the Intermediate, Intermediate Extended Maturity, and Short-term Portfolios; these portfolios are not rated. At the end of the current year, the average weighted maturity of the Intermediate, Intermediate Extended Maturity, and Short-term Portfolios were 29.06, 41.00, and 6.02 months, respectively. At the end of the current year, the City's balance in the Voluntary Flexible Operating Account and the Generation Trust Account was $2,795,150 and $1,170,641, respectively.

At the end of the current year, the City had the following investments:

Investment by fair value level	Level 1	Level 2	Level 3	Total
Major Funds				
General Fund				
Certificates of deposit	$ 3,385	$ -	$ -	$ 3,385
Electric Fund				
MEAG Competitive Trust	-	3,965,791	-	3,965,791
Nonmajor Funds				
Governmental				
Certificates of deposit	77,143	-	-	77,143
Total	$ 80,528	$ 3,965,791	$ -	$ 4,139,936

3-B. Receivables

Receivables at December 31, 2025 consisted of taxes, interest and accounts (billings for user charges, including unbilled utility receivables). Receivables and payables are recorded in the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and, in the case of receivables, collectability. Receivables at December 31, 2025 consist of the following:

Governmental Funds:	General	SPLOST	TSPLOST
Accounts	$ 30,264	$ -	$ -
Intergovernmental	58,082	85,644	-
Taxes	399,929	-	15,027
Net Receivable	$ 488,275	$ 85,644	$ 15,027

Proprietary Funds:	Water/Sewer	Electric	Solid Waste
Accounts Receivable	$ 722,042	$8,056,875	$149,927
Less Allowance for uncollectible	336,499	1,906,178	60,144
Net Receivable	$ 385,543	$ 6,150,697	$ 89,783

3-C. Property Taxes

The City bills and collects its own property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables. Assessed values are an approximation of market value. At the government-wide level, property taxes are recognized as revenue when they are levied. The governmental fund statements recognize property taxes as revenue as soon as they are considered to be both measureable and available.

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for the 2025 tax digest year, based upon the assessments as of January 1, 2025, were levied on October 11, 2025, billed on December 28, 2025, and due on January 26, 2025.

3-D. Deficit Fund Net position

The City had no deficit net position balances at December 31, 2025.

3-E. Excess of Expenditures Over Appropriations

The City had excess expenditures over budgeted amounts in the following General Fund area:

Public Works	$ 5,016

3-F. Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 1,242,035	$ -	$ -	$ 1,242,035
Historical Treasures	81,718	-	-	81,718
Total capital assets, not being depreciated	1,323,753	-	-	1,323,753
Capital assets being depreciated:				
Buildings and Improvements	5,353,818	-	-	5,353,818
Equipment and Vehicles	4,260,839	562,247	-	4,823,086
Software	75,335	-	-	75,335
Infrastructure	4,760,906	711,168	-	5,472,074
Total capital assets, being depreciated	14,450,898	1,273,415	-	15,724,313
Less accumulated depreciation for:				
Buildings and Improvements	(2,857,052)	(92,277)	-	(2,949,329)
Equipment and Vehicles	(2,907,959)	(206,372)	-	(3,114,331)
Software	(75,335)	-	-	(75,335)
Infrastructure	(1,804,489)	(126,665)	-	(1,931,154)
Total accumulated depreciation	(7,644,835)	(425,314)	-	(8,070,149)
Total capital assets being depreciated, net	6,806,063	848,101	-	7,654,164
Total governmental activities capital assets, net	$ 8,129,816	$ 848,101	$ -	$ 8,977,917
Business-Type Activities				
Capital assets not being depreciated:				
Land	$ 207,190	$ -	$ -	$ 207,190
Construction in Progress	58,655	24,107	(82,762)	-
Total capital assets, not being depreciated	265,845	24,107	(82,762)	207,190
Capital assets being depreciated:				
Buildings and Improvements	736,686	-	-	736,686
Machinery and Equipment	2,256,175	428,384	-	2,684,559
Vehicles	2,551,936	193,090	-	2,745,026
Infrastructure	27,965,556	452,191	-	28,417,747
Total capital assets, being depreciated	33,510,353	1,073,665	-	34,584,018
Less accumulated depreciation for:				
Buildings and Improvements	(616,353)	(16,517)	-	(632,870)
Machinery and Equipment	(1,251,429)	(193,496)	-	(1,444,925)
Vehicles	(1,511,059)	(199,827)	-	(1,710,886)
Infrastructure	(12,981,608)	(482,126)	-	(13,463,734)
Total accumulated depreciation	(16,360,449)	(891,966)	-	(17,252,415)
Total capital assets being depreciated, net	17,149,904	181,699	-	17,331,603
Total business-type activities capital assets, net	$ 17,415,749	$ 205,806	$ (82,762)	$ 17,538,793

3-F. – Capital Assets – continued
Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	$ 850
Public Safety	114,408
Public Works	214,561
Health and Welfare	45,350
Culture and Recreation	28,143
Housing and Development	22,002
Total Depreciation Expense	$ 425,314

Business-Type Activities:	
Water and Sewer	$ 612,222
Electric	155,992
Solid Waste	125,752
Total Depreciation Expense	$ 891,966

3-G. – Long Term Liabilities

Government Activities

Installment Sale Agreement

During 2018, the City entered into an Installment Sale Agreement with BB&T (now TRUIST) in the amount of $975,000 for the purpose of constructing a new fire station. The installment sale agreement bears interest at 4.05%. The balance of the installment sale agreement was $571,089 at the end of the current year. The installment sale agreement calls for 57 quarterly payments of $22,824 beginning January 30, 2019 and matures January 30, 2033. This note is collateralized by a security interest in the purchased property. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable, and the property may be repossessed by the lender.

Debt service requirements to maturity for the installment sale agreement are as follows:

Year	Principal	Interest	Total
2026	$ 69,209	$ 22,087	$ 91,296
2027	72,057	19,239	91,296
2028	75,018	16,278	91,296
2029	78,102	13,194	91,296
2030	81,314	9,982	91,296
2031-2033	195,389	9,026	204,415
	$ 571,089	$ 89,806	$ 660,895

3-G. – Long Term Liabilities (continued)

Business-Type Activities

Notes from Direct Borrowning

a. During 2010, the City entered into a direct borrowing agreement with Georgia Environmental Facilities Authority in the original amount of $7,446,275, bearing zero interest. The balance of the note was $3,941,568 at the end of the current year. The note calls for monthly payments of $37,539 beginning January 31, 2014 and matures December 31, 2034. The purpose of the note was to finance improvements to the Water and Sewer system. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. Note payments and performance obligations are secured by revenues, fees and charges collected by the City.

Debt service requirements to maturity from direct borrowings are as follows:

Year	Principal	Interest	Total
2026	$ 450,465	$ -	$ 450,465
2027	450,465	-	450,465
2028	450,465	-	450,465
2029	450,465	-	450,465
2030	450,465	-	450,465
2031-2034	1,689,243	-	1,689,243
	$ 3,941,568	$ -	$ 3,941,568

Changes in Long – Term Liabilities

Long-term liability activity for the year ended December 31, 2025, was as follows:

Governmental Activities:	Balance 12/31/2024	Additions	Deductions	Balance 12/31/2025	Due Within One Year
Installment Sale	$ 637,565	$ -	$ 66,476	$ 571,089	$ 69,209
Compensated Absences	75,379	26,383	-	101,762	101,762
Total Governmental long term liabilities	$ 712,944	$ 26,383	$ 66,476	$ 672,851	$ 170,971

Business-type Activities:	Balance 12/31/2024	Additions	Deductions	Balance 12/31/2025	Due Within One Year
Notes Payable	$ 4,392,033	$ -	$ 450,465	$ 3,941,568	$ 450,465
Compensated Absences	52,563	17,240	-	69,803	69,803
Total Business-type long term liabilities	$ 4,444,596	$ 17,240	$ 450,465	$ 4,011,371	$ 520,268

3-H. – Restricted and Assigned Fund Balances

The following is a summary of restricted and assigned fund balances of the governmental funds as of the end of the current year:

	General	Nonmajor Governmental	Total Governmental Funds
Restricted For:			
Public Safety E-911	$ -	$ (20,520)	$ (20,520)
Public Works			
Transportation Improvements		$ 518,842	518,842
Cemetery Improvements	-	-	-
Health and Wellfare	-	2,100	2,100
Culture and Recreation			
Historical Properties	174,145	10,236	184,381
Callaway Plantation	-	2,560	2,560
Housing Development			
Economic Development	-	-	-
Capital Projects	-	1,062,316	1,062,316
	$ 174,145	$ 1,575,534	$ 1,749,679
Assigned For:			
Public Works			
Cemetery Care	$ -	$ 41,764	$ 41,764
Culture and Recreation			
Callaway Plantation Operations	-	2,603	2,603
Callaway Plantation Furnishings	-	-	-
Housing Development			
Economic Development	-	71,647	71,647
	$ -	$ 116,014	$ 116,014

3-I. Employee Retirement Plan

Plan Description and Provisions - Plan Description. The City, as authorized by the City Council, had established a defined benefit pension plan (The City of Washington Retirement Plan) covering all full-time employees. This plan was closed out for all new employees with a start date after January 1, 2020. The plan now only covers those employees who were eligible before that date. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Participants are not allowed to contribute to the Plan. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Benefits Provided
The GMEBS Plan provides retirement, disability, and death benefits to plan members and beneficiaries. All eligible City employees participated in the plan after five months of employment. Vesting takes place after five years of service. Normal retirement benefits are available to employees who retire at or after age 65 with five years of service. Early retirement is available after age 55 with 10 years of service. Retirement benefits are based upon age, average compensation and years of service. Benefit provisions are established under Public Retirement System Standards Law (Georgia Code Section 47-20-10). Employees are not permitted to contribute to the Plan. The City contributes the entire cost of the Plan, using the actuarial basis described in the annual valuation report

Contributions
Employees are not permitted to contribute to the Plan. The City contributes the entire cost of the Plan, using the actuarial basis described in the annual valuation report. The plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards Law. The Board of Trustees of GMEBS has adopted an actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to or greater than the recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2025, the City's recommended contributions of $137,817 was 13.37% of expected payroll.

Plan Membership
As of July 1, 2025, the current Plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	70
Terminated vested participants	30
Active vested participants	21
Active nonvested participants	-
Total membership in the Plan	121

Actuarial assumptions

The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions:	
Net investment rate of return	7.375%
Projected salary increases	2.250%
Cost of living adjustments	2.000%
Inflation	2.250%

Mortality rates for the July 1, 2025 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The mortality and economic actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to June 30, 2019.

The long-term expected rate of return on pension plan investments was determined using building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of March 31, 2024, are summarized in the table below.

Asset class:	Target Allocation	Expected real rate of return
Domestic equity	45%	6.60%
International equity	20%	7.03%
Real estate	10%	3.40%
Global fixed income	5%	3.70%
Domestic fixed income	20%	2.70%
Cash	0%	-
	100%	

Discount rate

The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes on the Net Pension Liability of the City

The changes in the components of the net pension liability of the City for the year ended December 31, 2025, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2024	$9,650,287	$9,225,951	$ 424,336
Changes for the year:			
Service Cost	28,469	-	28,469
Interest	687,869	-	687,869
Difference between expected and actual experience	(98,024)	-	(98,024)
Changes of assumptions	-		-
Contributions-employer	-	190,615	(190,615)
Contributions-employee	-	-	-
Other	-	-	-
Net investment income	-	476,971	(476,971)
Benefit payments	(703,444)	(703,444)	-
Administrative expense	-	(18,561)	18,561
Net Changes	(85,130)	(54,419)	(30,711)
Balances at December 31, 2025	$9,565,157	$9,171,532	$ 393,625

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.375 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.375%) or 1 percentage point higher (8.375%) than the current rate:

	1% Decrease 6.375%	Current Discount rate 7.375%	1% Increase 8.375%
City's net pension liability (asset)	$ 1,398,686	$ 393,625	$ (459,133)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2025 the City recognized pension expense of $168,123. At December 31, 2025 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	236,177	-
Total	$ 236,177	$ -

Amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ending Dec 31,	Amount
2026	$ 167,482
2027	147,298
2028	(115,373)
2029	36,770

Changes on the Net Pension Liability of the City

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2025.

3-J. – Defined Contribution Plan

The City participates in a deferred compensation plan, administered by Georgia Municipal Employee Benefit System (GMEBS), for employees under Internal Revenue Code section 457. The plan allows any full time employees to voluntarily defer receipt of their gross compensation, not to exceed the maximum annual contribution established by the Internal Revenue Service. The City contributes 3% of the employees salary and matches up to an additional 2%. The City's match is deposited into the 401(a). All amounts of compensation under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants in the deferred compensation plan.

Additionally, the City provides a single employer 401(a) defined contribution plan established and administered by the City for all full time employees. At the end of the current year, there were 21 plan members. Employees are not required to contribute to the Plan. Employees are eligible after one month of employment and are fully vested after five years. Plan provisions and contribution requirements are established and may be amended by resolution of the City Council. Separate financial statements are not issued for the Plan. For the current year, the City's contributions to the 401(a) Plan were $104,286 and the employees contributed $48,284 to the 457 Plan.

In accordance with GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the assets and liabilities of the City's Deferred Compensation Plan are not included within the City's financial statements.

3-K. - Interfund Balances and Transfers

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net position, except for any net residual amounts due between the aggregate governmental activities and the aggregate business-type activities, which are reclassified and presented as internal balances. All due to/from balances are expected to be repaid within one year. Interfund balances at December 31, 2025 are as follows:

Due To	Due From	Total
Electric Fund	SPLOST Fund	$33,085

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and, to return money to the fund from which it was originally provided once a project is completed. All transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

Interfund transfers for the year ended December 31, 2025, detailed below, consisted of the following amounts and represent charges for services or reimbursable expenses.

Transfers From	Transfers To	Total
General Fund	Water/Sewer Fund	$1,113,387
General Fund	Solid Waste	$ 263,819
Electric	General Fund	$5,607,052
Electric	E911	$ 197,161
Electric	Urban Redeveopment	$ 75,000
Water/Sewer Fund	Electric	$ 160,288
Water/Sewer Fund	Solid Waste	$ 52
Solid Waste	Electric	$ 198,776

Note 4 - Other Notes

4-A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and workers compensation for which The City carries commercial insurance.
There have been no decreases in insurance coverage from the prior year. Settled claims from these risks have not exceeded coverage for the past three years.

4-B. Contingencies and Commitments

Commitments

The City has entered into Power Sales Contracts with the Municipal Electric Authority of Georgia (MEAG). The contracts require the City to purchase from MEAG all of the City's bulk power supply, other than power supplied by Federally-owned generation projects. MEAG is authorized to establish rates and charges so as to produce revenues sufficient to cover its costs. The City's payment obligations are general obligations to the payment of which the City's full faith and credit and taxing powers are pledged. The City purchased bulk power totaling $36,074,856 from MEAG during the current year. The City's future minimum payment obligations to the Authority will be based on the Authority's costs and the City's yearly demand for bulk power supply. At the end of the current year, the outstanding debt of MEAG was approximately $9.4 billion. The City of Washington's guarantee varies by individual MEAG project and totals $105,108,962.

The City has adopted the provisions of a Municipal Competitive Trust agreement between the City and MEAG. MEAG established the Trust for the mutual benefit of MEAG and its wholesale customers who elect to become participants. The Trust was created to provide a means to mitigate the expected differential between "after deregulation" market rates for power and the associated costs of generating that power. The Trust created four types of accounts that are held by MEAG in the name of the City. The flexible operating trust account includes funds that are available to the City for operating costs and rate stabilization. As of the end of the current year, the balance in this account was $2,795,150. This amount is included in unrestricted investments in the Electric Fund. The generation trust account is used to offset the City's share of future MEAG generation projects. As of the end of the current year, the balance in this account was $1,170,641. This amount is included in restricted investments in the Electric Fund.

Contingencies

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

Based on the advice of the City attorney, there are no measurable, material claims outstanding against the City at the end of the current year.

Approximately 90% of electric charges are generated from two customers.

4-C. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the Central Savannah River Area, is a member of the CSRA Regional Commission (CSRARC) and is required to pay annual dues thereto. 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 RCs 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. A copy of the CSRARC financial statements can be obtained from the:

Central Savannah River Area Regional Commission
3023 Riverwatch Parkway, Suite A
Augusta, Georgia 30907.

The Washington-Wilkes Payroll Development Authority is a governmental organization chartered by the State of Georgia. It is formed for the purpose of promoting business development in Wilkes County, Georgia and the City of Washington, Georgia. The Authority is reported as a discretely presented component unit of Wilkes County, Georgia. The Authority has a five member board consisting of the Wilkes County Chairman, the City of Washington Mayor, the President of the Chamber of Commerce, one appointee by the County Chairman and one appointee by the City Mayor. A copy of the Authority financial statements can be obtained from the Washington-Wilkes Payroll Development Authority, 23 Court Street, Washington, Georgia 30673.

4-D. Related Organizations

On August 21, 1951, the City of Washington (the "City") entered into a cooperative agreement with the Housing Authority of the City of Washington, Georgia (the "Housing Authority"). Under the terms of this agreement, the Housing Authority agrees to endeavor to secure a contract or contracts with the Public Housing Authority (the "PHA") for loans and annual contributions and agrees to endeavor to develop and administer one or more projects. The obligations of the parties apply only to projects aggregating not more than 250 units of low-rent housing located within the corporate limits of the City of Washington. Under the constitution and statutes of the State of Georgia, all projects are exempt from all real and personal property taxes levied or imposed by any taxing body. The City agrees that it will not levy or impose real or personal property taxes or special assessments upon such projects or upon the Housing Authority with respect thereto as long as (1) the projects are owned, or (2) a contract exists between the Housing Authority and the PHA, or (3) bonds issued in connection with the project are outstanding.

4-E. Internal Activity

It is the City's policy to eliminate or reclassify all internal activity and balances reported as interfund activity and balances in the fund financial statements in the government-wide Statement of Net position and Activities. These eliminations occur first within the governmental activities column and within the business-type activities column and then separately in the total primary government column.

4-F. – Intergovernmental Payments

During the year ended December 31, 2025, the City made a payment to the Georgia Department of Community Affairs, Office of Community Housing Development in the amount of $601,602. The City received a letter from the Georgia Department of Community Affairs, Office of Community Housing Development, that stated that "The decision to request the return of program income from the City of Washington is part of a broader, statewide policy realignment within the Georgia Department of Community Affairs (DCA). This change ensures that all CHIP program income is administered directly by DCA in alignment with HUD requirements, providing consistency, compliance, and timeliness across all communities we serve." This payment is shown as Intergovernmental Payments on pages5,8 and 39.

CITY OF WASHINGTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF CHANGES ON NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Year End 2025	Year End 2024	Year End 2023	Year End 2022	Year End 2021	Year End 2020	Year End 2019	Year End 2018	Year End 2017	Year End 2016	Year End 2015
Total pension liability											
Service Cost	$ 28,469	$ 28,074	$ 33,567	$ 43,619	$ 47,386	$ 65,728	$ 68,844	$ 72,014	$ 78,718	$ 79,302	$ 104,710
Interest	687,869	691,214	711,933	701,552	694,426	672,914	648,011	602,150	578,186	542,950	515,810
Changes of benefit terms/other	-	-	-	-	-	394,099	-	-	-	-	0
Differences between expected and actual experience	(98,024)	(79,310)	(335,920)	91,849	15,910	94,126	80,838	382,167	33,300	161,076	64,438
Change of assumptions	-	-	-	-	-	(193,966)	-	0	-	-	(55,507)
Benefit payments, including refunds of employee contributions	(703,444)	(668,032)	(702,014)	(670,384)	(644,279)	(497,323)	(427,760)	(401,522)	(360,458)	(296,872)	(261,651)
Other	-	-	-	-	-	-	-	159,936	-	-	-
Net change in total pension liability	(85,130)	(28,054)	(292,434)	166,636	113,443	535,578	369,933	814,745	329,746	486,456	367,800
Total pension liability - beginning	9,650,287	9,678,341	9,970,775	9,804,139	9,690,697	9,155,119	8,785,186	7,970,441	7,640,695	7,154,239	6,786,439
Total pension liability - ending	9,565,157	9,650,287	9,678,341	9,970,775	9,804,140	9,690,697	9,155,119	8,785,186	7,970,441	7,640,695	7,154,239
Plan fiduciary net position											
Contribution - employer	190,615	249,654	285,004	323,511	246,336	253,474	215,573	180,303	162,412	179,490	254,240
Net investment income	476,971	1,357,070	(637,835)	562,672	2,954,150	(493,841)	261,668	835,253	771,536	17,608	562,237
Benefit payments, including refunds of employee contributions	(703,444)	(668,032)	(702,014)	(670,384)	(644,279)	(497,323)	(427,760)	(401,522)	(360,458)	(296,872)	(261,651)
Administration expense	(18,561)	(16,182)	(19,575)	(18,500)	(18,367)	(21,625)	(19,697)	(19,606)	(20,175)	(14,790)	(13,839)
Net change in plan fiduciary net position	(54,419)	922,510	(1,074,420)	197,299	2,537,840	(759,315)	29,784	594,428	553,315	(114,564)	540,987
Plan fiduciary net position - beginning	9,225,951	8,303,441	9,377,861	9,180,562	6,642,722	7,402,037	7,372,253	6,777,825	6,224,510	6,339,074	5,798,087
Plan fiduciary net position - ending	9,171,532	9,225,951	8,303,441	9,377,861	9,180,562	6,642,722	7,402,037	7,372,253	6,777,825	6,224,510	6,339,074
Net pension asset (liability) - ending	$ (393,625)	$ (424,336)	$ (1,374,900)	$ (592,914)	$ (623,578)	$ (3,047,975)	$ (1,753,082)	$ (1,412,933)	$ (1,192,616)	$ (1,416,185)	$ (815,165)
Plan fiduciary net position as a percentage of total pension liability	95.88%	95.60%	85.79%	94.05%	93.64%	68.55%	80.85%	83.92%	85.04%	81.47%	88.61%
Covered-employee payroll	1,019,439	1,068,424	1,101,519	1,243,855	1,397,889	1,615,837	1,983,627	2,060,718	1,919,920	2,097,797	2,020,005
Net position asset (liability) as a percentage of covered-employee payroll	-38.61%	-39.72%	-124.82%	-47.67%	-44.61%	-188.63%	-88.38%	-68.57%	-62.12%	-67.51%	-40.35%

Schedule of City Contributions:

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	**	198,113	266,835	291,060	300,895	261,583	249,238	183,916	162,412	160,850	192,511
Contributions in relation to the actuarially determined contribution	**	-181,604	-291,090	-266,805	-322,694	-261,583	-249,238	-183,916	-162,412	-160,973	-191,976
Contibution deficiency (excess)	-	16,509	(24,255)	24,255	(21,799)	-	-	-	-	(123)	535
City's covered - employee payroll	**	1,068,424	1,101,519	1,243,855	1,397,889	1,512,449	1,830,282	2,027,263	2,060,718	1,919,920	2,097,797
Contributions as a percentage of covered-employee payroll	**	17.00%	26.43%	21.45%	23.08%	17.30%	13.62%	9.07%	7.88%	8.38%	9.18%

** - 2025 information will be determined after the fiscal year end and will be included in the 2026 valuation report (excerp from the July 1, 2025 Actuarial Valuation Report)

Historical information prior to the implementation of GASB 68 is not required.

WASHINGTON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Special Revenue						Capital Projects		Permanent			
	E-911	Health and Wellness	Urban Redevelopment	Callaway Plantation Operating	American Rescue Plan Act Fund	TSPLOST Discretionary	SPLOST	CDBG/CHIP Grant	Cemetery Perpetual Care	Historical Properties Commission Trust	Callaway Charitable Trust Endowment Principal	Total Nonmajor Governmental Funds
ASSETS												
Cash and Cash Equivalents	$ -	$ 2,100	$ 71,647	$ -	$ 107,400	$ 503,715	$ 1,009,757	$ 100	$ -	$ -	$ -	$ 1,694,719
Investments	-	-	-	2,603	-	-	-	-	41,764	20,226	12,550	77,143
Receivables (net)												
Intergovernmental	-	-	-	-	-	-	85,644	-	-	-	-	85,644
Taxes	-	-	-	-	-	15,027	-	-	-	-	-	15,027
Total Assets	-	2,100	71,647	2,603	107,400	518,742	1,095,401	100	41,764	20,226	12,550	1,872,533
LIABILITIES												
Accounts and Contracts Payable	20,520	-	-	-	-	-	-	-	-	-	-	20,520
Due to Other Funds	-	-	-	-	-	-	33,085	-	-	-	-	33,085
Unearned Revenue	-	-	-	-	107,400	-	-	-	-	-	-	107,400
Total Liabilities	20,520	-	-	-	107,400	-	33,085	-	-	-	-	161,005
FUND BALANCE												
Nonspendable:												
Contractually Required to be Maintained Intact	-	-	-	-	-	-	-	-	-	9,990	9,990	19,980
Restricted	(20,520)	2,100	-	-	-	518,742	1,062,316	100	-	10,236	2,560	1,575,534
Assigned	-	-	71,647	2,603	-	-	-	-	41,764	-	-	116,014
Total Fund Balances	(20,520)	2,100	71,647	2,603	-	518,742	1,062,316	100	41,764	20,226	12,550	1,711,528
Total Liabilities and Fund Balance	$ -	$ 2,100	$ 71,647	$ 2,603	$ 107,400	$ 518,742	$ 1,095,401	$ 100	$ 41,764	$ 20,226	$ 12,550	$ 1,872,533

CITY OF WASHINGTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Special Revenue						Capital Projects		Permanent			
	E-911	Health and Wellness	Urban Redevelopment	Callaway Plantation Operating	American Rescue Plan Act Fund	TSPLOST Discretionary	SPLOST	CDBG/CHIP Grant	Cemetery Perpetual Care	Historical Properties Commission Trust	Callaway Charitable Trust Endowment Principal	Total Nonmajor Governmental Funds
REVENUES												
Taxes	$ -	$ -	$ -	$ -	$ -	$ 166,103	$ -	$ -	$ -	$ -	$ -	$ 166,103
Intergovernmental	-	2,500	-	-	13,485	-	480,076	61,618	-	-	-	557,679
Donations	-	-	3,306	-	-	-	-	-	-	-	-	3,306
Investment Income	-	-	-	102	852	-	-	-	1,247	898	485	3,584
Total Revenues	-	2,500	3,306	102	14,337	166,103	480,076	61,618	1,247	898	485	730,672
EXPENDITURES												
Current:												
Public Safety	217,681	-	-	-	-	-	-	-	-	-	-	217,681
Public Works	-	-	12,840	-	14,337	184,827	-	25,000	-	-	-	237,004
Health and Wellfare	-	400	-	-	-	-	-	-	-	-	-	400
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Housing and Development	-	-	-	-	-	-	-	35,179	-	-	-	35,179
Total Expenditures	217,681	400	12,840	-	14,337	184,827	-	60,179	-	-	-	490,264
Excess (Deficiency) of Revenues Over (Under) Expenditures	(217,681)	2,100	(9,534)	102	-	(18,724)	480,076	1,439	1,247	898	485	240,408
OTHER FINANCING SOURCES (USES)												
Transfers In	197,161	-	75,000	-	-	-	-	-	-	-	-	272,161
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental Payments	-	-	-	-	-	-	-	(601,602)	-	-	-	(601,602)
Total Other Financing Sources (Uses)	197,161	-	75,000	-	-	-	-	(601,602)	-	-	-	(329,441)
Net Change in Fund Balances	(20,520)	2,100	65,466	102	-	(18,724)	480,076	(600,163)	1,247	898	485	(89,033)
Fund Balances - Beginning of Year	-	-	6,181	2,501	-	537,466	582,240	600,263	40,517	19,328	12,065	1,800,561
Fund Balances - End of Year	$ (20,520)	$ 2,100	$ 71,647	$ 2,603	$ -	$ 518,742	$ 1,062,316	$ 100	$ 41,764	$ 20,226	$ 12,550	$ 1,711,528

City of Washington, Georgia
Schedule of Findings and Responses
December 31, 2025

Finding 2025-1:	Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.
Effect:	Failure to properly segregate duties or implement compensating controls can lead to misappropriation of funds or abuse of the system that is not detected in a timely manner by employees in the normal course of performing their assigned functions
Recommendations:	Because of limited resources and personnel, management may not be able to properly address this finding, but checks and balances should be strengthened between the Accounting Department, City Manager , Mayor and City Council to offset this deficiency.
Views of Responsible Officials and Planned Corrective Actions:	We will continue to review our operations to determine the most efficient and effective solution to properly segregate duties.
Finding 2025-2:	The City's expenditures exceeded appropriations at the legal level of control.
Recommendations:	We recommend that the City pass a budget that accurately reflects the expected expenditures and amend the budget throughout the year to account for unforeseen changes in these expenditures.
Views of Responsible Officials and Planned Corrective Actions:	We concur with the findings of our city auditor and plan on passing an accurate budget as well as amend the budget throughout the year to account for unforseen changes in revenues and expenditures.
Finding 2025-3:	During the course of the audit, it was noted that not all checking account reconciliations agreed to the general ledger. There were also errors found in bank reconciliations.
Effect:	This deficiency could resulted in errors and omissions and unreliable financial reports.
Recommendations:	It is recommended that all bank accounts be reconciled on a timely basis and ensure that they agree with the general ledger.
Views of Responsible Officials and Planned Corrective Actions:	We concur with this recommendation and will reconcile all accounts on a timely basis as well as check for errors.

Finding 2025-4:

During the course of the audit it was noted that some of the individual funds were out of balance.

Effect: This deficiency could resulted in errors and omissions and unreliable financial reports.

Recommendations: It is recommended that all funds are balanced as part of a monthly review.

Views of Responsible Officials and Planned Corrective Actions: We concur with this recommendation and will reconcile the funds on a timely basis.

Finding 2025-5: During the course of the audit, errors were detected in accounts payable and the accounts payable subsidiary ledgers did not agree with the general ledger.

Effect: This deficiency could resulted in errors and omissions and unreliable financial reports.

Recommendations: It is recommended that accounts payable be reviewed monthly for accuracy.

Views of Responsible Officials and Planned Corrective Actions: We concur with this recommendation and will review accounts payable on a monthly basis.

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*

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Washington, Georgia ("the City") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 21, 2026.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control

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. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses, as item 2025-1 to be a material weakness and items 2025-2-2025-5, to be significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Morris & Waters
Certified Public Accountants
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Canton, GA 30115
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Fx (770)-407-8532
www.morris-waters.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

City of Washington's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Morris & Waters

Morris and Waters

Canton, Georgia
May 21, 2026.

CITY OF WASHINGTON, GEORGIA
SCHEDULE OF PROJECTS USING SPECIAL PURPOSE SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2025

Cost	Estimated Cost * Original	Estimated Cost * Current	Expenditures Prior Years	Expenditures Current Year	Expenditures Total To Date	Estimated Percentage of Completion
2023 SPLOST	$ 1,522,576	$ 1,522,576				
Water and Sewer; Streets and Sidewalks; Fire Facilities and Equipment;			$ 10,691	$ -	$ 10,691	1%

* Estimated cost represents the portion of these projects to be financed with Special Purpose Local Option Sales Tax. Actual costs that are in excess of these amounts have been financed through alternative funds.