

**CITY OF WASHINGTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022**

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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 and the aggregate remaining fund information of the City of Washington, Georgia, (the City) as of and for the year ended December 31, 2022, 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, 2022, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the required supplementary information on page 48 to be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 November 29, 2023, 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



Canton, Georgia
November 29, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Washington management is proud to present this narrative discussion and analysis of the City of Washington's financial performance, making available an overview of the activities for the year ended December 31, 2022. This report is drafted annually to provide readers of financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about the City of Washington. As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis affords comparisons with the previous fiscal year.

Financial Highlights

- The City of Washington's assets exceeded its liabilities at December 31, 2021 by \$24,926,434 (*net position*). Of this amount, \$5,928,349 is reported as unrestricted net position. This is an increase of \$1,751,482 from the previous year for unrestricted. Total net position increased by \$3,203,112 from the previous year due mostly to increases in unrestricted net position.
- As of December 31, 2022, the City of Washington's governmental funds reported combined ending fund balances of \$1,131,400. Approximately \$697,039 is reported as restricted. Approximately \$65,142 is reported as assigned. Information about the City of Washington's Policy on Fund Balance can be found in Note 3-G in the *Notes to the Financial Statements*.

Overview of the Financial Statements

This discussion and analysis narrative is intended to serve as an introduction to the City of Washington's basic financial statements. The City of Washington's basic financial statements are composed of three elements: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains required supplementary information in addition to our basic financial statements.

Government-wide Financial Statements (Reporting the City as a whole). The focus of the government-wide financial statements is on the overall financial position and activities of the City of Washington and is designed to provide a broad overview of the City's financial activities in a manner similar to a private business enterprise.

The City's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These two statements report information about the City of Washington using the accrual basis of accounting, which is similar to the accounting used by non-public businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The purpose of the **Statement of Net Position** is to report all of the assets held and liabilities owed by the City. The City reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the total assets and total liabilities is labeled *net position*. While the purpose of City Government is not to accumulate net position, as this amount increases it can indicate the strength of the City's financial position as a whole. When this amount decreases it can indicate a weakening of the City's financial position.

The **Statement of Activities** presents the revenues and expenses of the City. Under the accrual basis of accounting, revenues are recognized when earned and expenses when incurred in this statement. Thus, revenues are reported even when they may not be collected for several weeks after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period. The difference is described as *change in net position*. The Statement of Activities primary focus is on the *net cost* of various activities provided by the City and identifies the extent to which each function of the City draws from general revenues or is self-financing through user fees, special revenues, grants, or other sources.

In the Statement of Net Position and the Statement of Activities, we divide the City of Washington into three types of activities:

- **Governmental activities** – Most of the City’s basic services are reported under this category which includes: judicial, public safety, public works, and general administration. Taxes such as real property, sales, insurance premium and intangible finance most of these services.
- **Business-type or Enterprise activities** – The City charges fees to customers to assist in recovering the cost for providing certain services. The City’s water and sewer system, electric system, solid waste services, and internet telecommunications system are reported in this category.
- **Discretely Presented Component Unit** – A component unit is a legally separate organization for which the elected officials of the City can be financially accountable. The Downtown Development Authority of Washington, Georgia, although legally separate, functions for all practical purposes as a department of the City of Washington and has been included as an integral part of the government.

Fund Financial Statements (Reporting the City’s Major Funds).

The focus of fund financial statements is directed at specific activities of the City and its most significant funds, not the City as a whole. A fund is an entity with a self-balancing set of accounts that the City uses to track specific resources and expenditures, either for management purposes or because of legal mandates. The City’s funds are divided into two broad categories: governmental and proprietary. They use different prescribed accounting methodologies.

- **Governmental Funds** – These funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on the short-term view of the City’s general government operations and the basic services it provides. Governmental funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements and because of the different accounting methods used to prepare them, there are often significant differences between the totals presented in these financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government’s near-term financing decisions. An analysis of the balance sheet and the statement of revenues, expenditures, and changes in fund balances that reconciles the two statements are provided following each statement.

The City of Washington maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the American Rescue Plan Act Fund, which are considered major governmental funds. Data from the other governmental funds are

combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

The City of Washington adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been included for the General Fund.

- **Proprietary Funds** – When the City charges customers for the services it provides, whether to outside customers or internally to departments of the City, these services are generally reported in proprietary funds. The City maintains one type of proprietary funds: Enterprise Funds. These proprietary funds are prepared using the same accrual basis of accounting as the government-wide financial statements.

Enterprise fund statements report the same functions presented in the business-type activities columns of the government-wide financial statements. The City of Washington uses enterprise funds to account for its Water and Sewer, Electric, Solid Waste, and Internet Telecommunications functions.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's defined benefit pension plan.

Other Supplementary Information.

Other supplementary information includes combining financial statements for non-major governmental and proprietary funds. These funds are added together by fund type and presented in single columns in the basic financial statements but are not reported individually, as with major funds, on the government-wide financial statements.

This report includes two schedules which reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on fund financial statements.
- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statements but as deferred inflows of resources on the fund statements.
- Unless due and payable, long-term liabilities, such as lease obligations, compensated absences, bonds and notes payable, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures on the governmental fund financial statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements but are reported as expenditures on the governmental fund financial statements.

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for this fiscal year is summarized as follows based on the information included in the government-wide financial statements:

**City of Washington
Net Position
December 31, 2022 and 2021**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current Assets	2,843,365	1,871,379	9,819,957	7,329,871	12,663,322	9,201,250
Capital Assets	7,800,759	7,840,767	16,426,173	15,851,883	24,226,932	23,692,650
Other Noncurrent Assets	-	6,400	-	426,803	-	433,203
Total Assets	10,644,124	9,718,546	26,246,130	23,608,557	36,890,254	33,327,103
Total Deferred Outflows of Resources	14,552	168,770	31,373	363,873	45,925	532,643
Current Liabilities	1,677,930	1,025,933	1,865,052	1,929,647	3,542,982	2,955,580
Noncurrent Liabilities	1,166,998	1,125,547	6,364,868	6,436,983	7,531,866	7,562,530
Total Liabilities	2,844,928	2,151,480	8,229,920	8,366,630	11,074,848	10,518,110
Total Deferred Inflows of Resources	648,445	951,978	286,452	666,336	934,897	1,618,314
Net Position:						
Net Investments in						
Capital Assets	7,038,016	7,019,118	10,249,964	9,009,299	17,287,980	16,028,417
Restricted	697,039	422,177	1,013,066	1,112,382	1,710,105	1,534,559
Unrestricted	(569,752)	(657,437)	6,498,101	4,817,783	5,928,349	4,160,346
Total Net Position	7,165,303	6,783,858	17,761,131	14,939,464	24,926,434	21,723,322

Net position may serve over time as a useful indicator of a government's financial position. Assets for the City of Washington exceeded liabilities by \$25,815,406 at the close of 2022. Approximately 69% of the City of Washington's net position is reflected in its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt outstanding that was needed to construct or acquire them. This has decreased 5% from 74% at December 31, 2021. The City uses capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position comprises 7% of total net position. This amount represents resources that are subject to external restrictions or enabling legislation on how they may be used. Unrestricted net position makes up the remaining 24%.

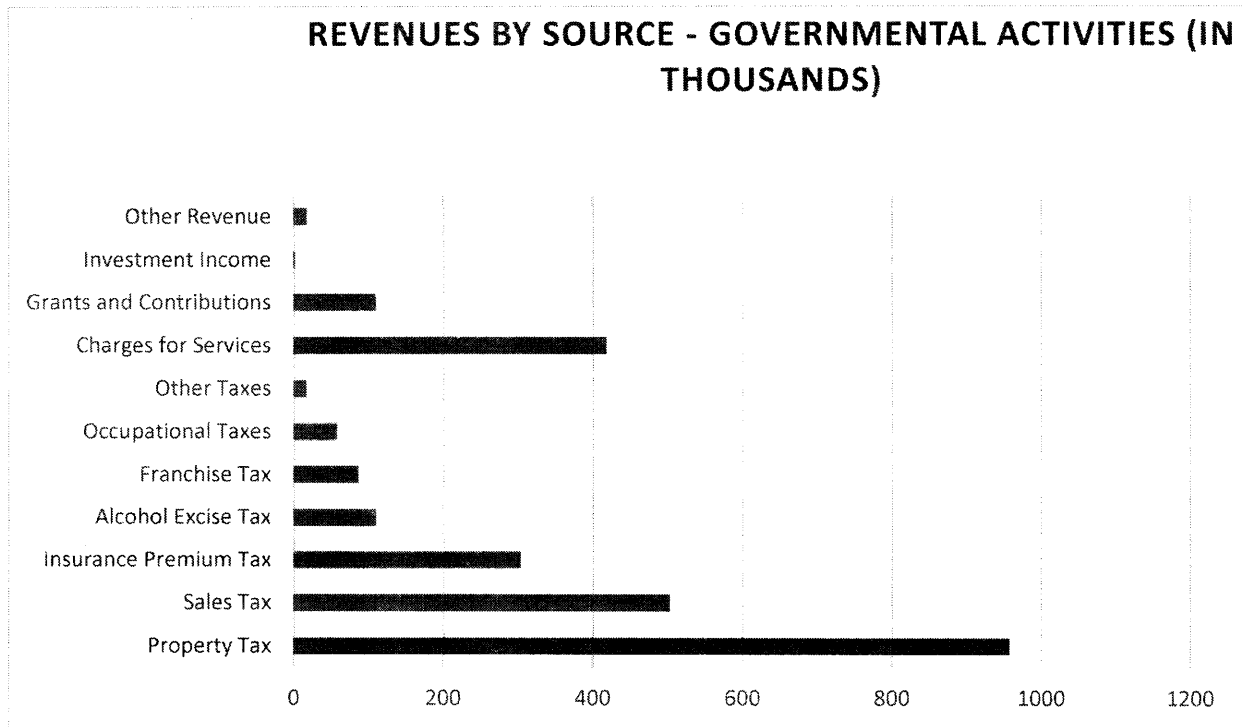
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Washington's net position changed during the year.

**City of Washington
Changes in Net Position
For Years Ended December 31, 2022 and 2021**

	Governmental Activities		Business-Type Activities	
	2021	2022	2021	2022
<u>REVENUES</u>				
Charges for Services	\$ 307,442	\$ 417,967	\$ 14,760,606	\$ 25,403,014
Operating Grants and Contributions	145,810	110,076	865,820	-
Capital Grants and Contributions	785,043	949,289	-	-
General Revenues:				
Taxes				
Property Taxes	860,484	956,796	-	-
Sales Taxes	540,381	502,623	-	-
Insurance Premium Tax	342,961	303,516	-	-
Alcohol Excise Tax	119,237	110,083	-	-
Franchise Tax	88,927	87,145	-	-
Occupational Taxes	61,437	58,541	-	-
Other Taxes	29,877	17,464	-	-
Unrestricted Investment Earnings	1,824	2,706	17,558	552,216
Miscellaneous	98,827	17,884	9,387	-
Contributions	-	25,785	-	-
Gain on Sale of Assets	207	27,100	-	-
Total Revenues	3,382,457	3,586,975	15,653,371	25,955,230
<u>EXPENDITURES</u>				
General Government	782,267	941,789	-	-
Judicial	50,653	76,730	-	-
Public Safety	1,065,737	1,276,256	-	-
Public Works	1,308,569	1,738,401	-	-
Health and Welfare	246,304	295,067	-	-
Culture and Recreation	278,470	303,070	-	-
Housing and Development	448,242	737,018	-	-
Debt Service	37,587	32,019	-	-
Water and Sewer	-	-	2,305,217	2,707,234
Electric	-	-	9,211,515	17,689,948
Solid Waste	-	-	484,166	541,561
Internet Telecommunications	-	-	33,094	-
Total Expenditures	4,217,829	5,400,350	12,033,992	20,938,743
Indirect Costs	600,441	588,399	(600,441)	(588,399)
Transfers	278,725	1,606,421	(278,725)	(1,606,421)
Net Change in Fund Balances	43,794	381,445	2,740,213	2,821,667
Fund Balances - Beginning of Year	6,740,064	6,783,858	12,199,251	14,939,464
Fund Balances - End of Year	\$ 6,783,858	\$ 7,165,303	\$ 14,939,464	\$ 17,761,131

Governmental Activities –

The following chart illustrates revenues of the governmental activities for the fiscal year December 31, 2022:



The following chart illustrates the expenses of the governmental activities for the fiscal year December 31, 2022:

