

**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

	Governmental Activities		Business-Type Activities		Total	
	<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	<u>10,644,124</u>	<u>9,718,546</u>	<u>26,246,130</u>	<u>23,608,557</u>	<u>36,890,254</u>	<u>33,327,103</u>
Total Deferred Outflows of Resources	<u>14,552</u>	<u>168,770</u>	<u>31,373</u>	<u>363,873</u>	<u>45,925</u>	<u>532,643</u>
Current Liabilities	1,677,930	1,025,933	1,865,052	1,929,647	3,542,982	2,955,580
Noncurrent Liabilities	<u>1,166,998</u>	<u>1,125,547</u>	<u>6,364,868</u>	<u>6,436,983</u>	7,531,866	7,562,530
Total Liabilities	<u>2,844,928</u>	<u>2,151,480</u>	<u>8,229,920</u>	<u>8,366,630</u>	<u>11,074,848</u>	<u>10,518,110</u>
Total Deferred Inflows of Resources	<u>648,445</u>	<u>951,978</u>	<u>286,452</u>	<u>666,336</u>	<u>934,897</u>	<u>1,618,314</u>
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	<u>(569,752)</u>	<u>(657,437)</u>	<u>6,498,101</u>	<u>4,817,783</u>	<u>5,928,349</u>	<u>4,160,346</u>
Total Net Position	<u>7,165,303</u>	<u>6,783,858</u>	<u>17,761,131</u>	<u>14,939,464</u>	<u>24,926,434</u>	<u>21,723,322</u>

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%.

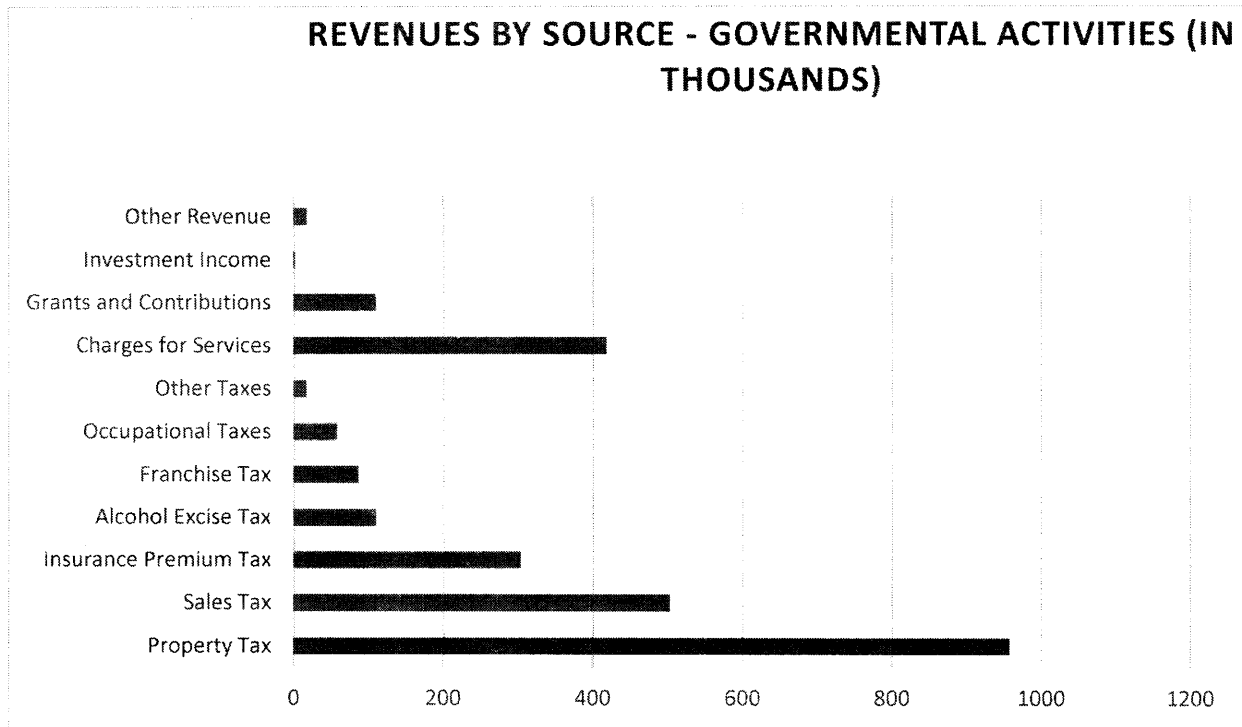
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Washington's net position changed during the year.

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

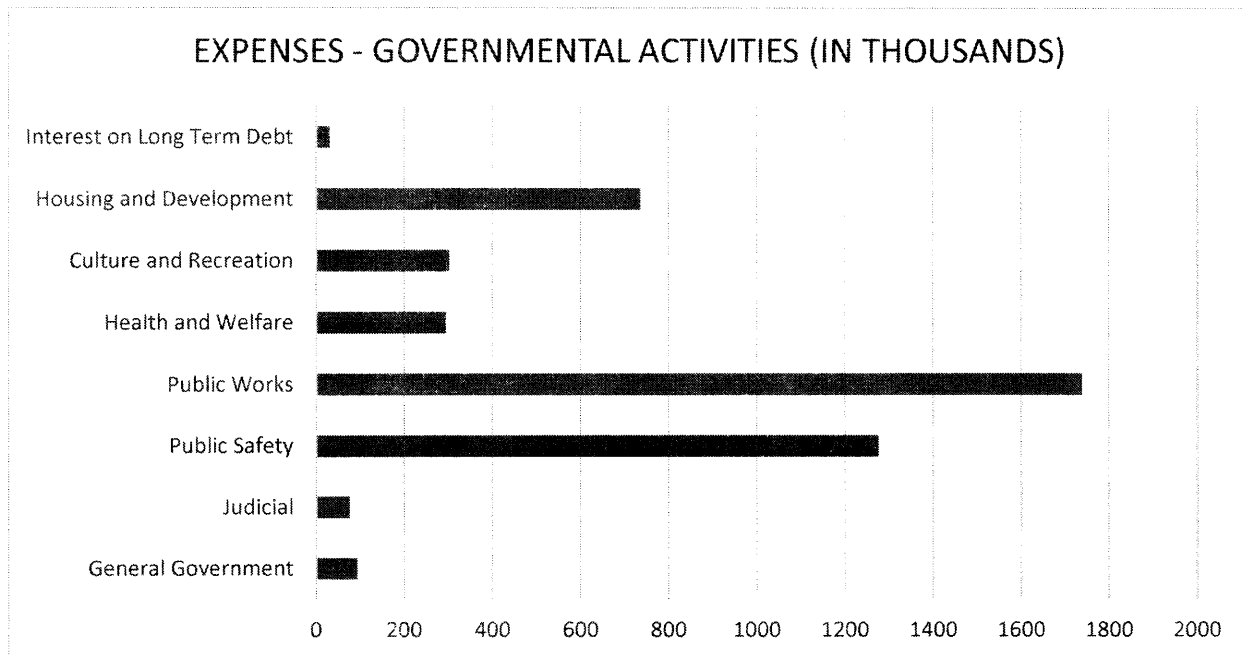
	Governmental Activities		Business-Type Activities	
	2021	2022	2021	2022
REVENUES				
Charges for Services	\$ 307,442	\$ 417,967	\$ 14,760,606	\$ 25,403,014
Operating Grants and Contributions	145,810	110,076	865,820	-
Capital Grants and Contributions	785,043	949,289	-	-
General Revenues:				
Taxes				
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
EXPENDITURES				
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:



Business-Type Activities –

Business-type activities increased the City of Washington's net position by \$2,821,667, or 19%. This increase is due to a large increase in net position in the Electric Fund and in the Water.

Financial Analysis of the City's Funds

The City of Washington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The main focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of unrestricted resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- 1) As the City completed this fiscal year, its governmental funds reported a combined ending fund balance of \$1,131,400. Of this amount, \$337,043 is reported as unassigned.

The General Fund is the chief operating fund of the City. At the end of the current year, fund balance of the General Fund was \$368,511. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at December 31, 2022, is \$326,149, or 89% of total fund balance. Total fund balance represents approximately 9% of total General Fund Expenditures. The City ended the year realizing an decrease in the overall fund balance in the General Fund by \$103,907 or approximately 22%. The City decreased unassigned fund balance in the General Fund by \$41,614.

Proprietary Funds. The City of Washington's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the City's four proprietary funds totaled as follows:

▪ Water and Sewer	\$	130,809
▪ Electric	\$	6,475,723
▪ Solid Waste	\$	(108,431)

The Water and Sewer Fund increased net position by \$611,579. The increase is due to a increase in sales and an increases in transfers in from other funds. The Electric Fund increased net position by \$2,609,608. The increase is due to an increase in sales, an increase in cash and cash equivalents, and an increase in intergovernmental revenue. The Solid Waste Fund increased net position by \$62,359. The increase is due to a increase in revenue.

Capital Assets and Debt Administration

Capital Assets. The City of Washington has invested \$24,226,929 in capital assets (net of accumulated depreciation) compared to \$23,692,650 in the previous year. This represents a increase of about 2.26%. Approximately 68% of this investment is related to business-type activities and includes infrastructure, land, buildings, and equipment and vehicles. Capital assets held by the City at year-end are summarized as follows:

**City of Washington
Capital Assets (net of accumulated depreciation)
For Years 2021 and 2020**

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,242,035	\$ 1,242,035	\$ 207,190	\$ 207,190	\$ 1,449,225	\$ 1,449,225
Historical Treasures	81,718	81,718	-	-	81,718	81,718
Construction in Progress	-	30,773	885,924	545,143	885,924	575,916
Buildings and Improvements	5,353,818	5,323,045	736,686	736,686	6,090,504	6,059,731
Equipment and Vehicles	3,723,587	3,723,587	3,307,040	2,894,329	7,030,627	6,617,916
Software	75,335	75,335	-	-	75,335	75,335
Infrastructure	<u>4,265,360</u>	<u>3,984,590</u>	<u>26,101,066</u>	<u>25,586,504</u>	<u>30,366,426</u>	<u>29,571,094</u>
Total	14,741,853	14,461,083	31,237,906	29,969,852	45,979,759	44,430,935
Accumulated Depreciation	<u>(6,941,094)</u>	<u>(6,620,316)</u>	<u>(14,811,736)</u>	<u>(14,117,969)</u>	<u>(21,752,830)</u>	<u>(20,738,285)</u>
Net Capital Assets	<u>7,800,759</u>	<u>7,840,767</u>	<u>16,426,170</u>	<u>15,851,883</u>	<u>24,226,929</u>	<u>23,692,650</u>

Major capital asset expenditures during the current fiscal year for governmental activities included the following:

- Paving and Street Projects

Major capital asset expenditures during the current year for business-type activities included the following:

- Water Line Improvements – Water / Sewer department
- Water Infrastructure
- New Water Meters
- New Electric Vehicle
- New Truck and Dump Body – Solid Waste department

Debt/Capital Leases. On December 31, 2022, the City of Washington had a total debt balance outstanding for governmental activities in the amount of \$762,743, as compared to \$821,649 the previous year. The City of Washington's outstanding debt for governmental activities has decreased by \$58,906 during the course of the year. On December 31, 2022, the City of Washington had a total debt balance outstanding for business-type activities in the amount of \$6,176,209, as compared to \$6,842,584 the previous year. The City of Washington's outstanding debt for business-type activities has decreased by \$666,375 during the course of the year.

Economic Condition and Outlook

The City of Washington is a rural bedroom community that continues to position itself for growth. The City is investing in infrastructure and quality of life amenities that attract employees, retirees, telecommuters, small business, and large industry. There are strong indicators that the strategy is working.

One of the newest manufacturing plants (Rekord Structures) announced an expansion that will add 20-30 new jobs. Several other manufacturing companies grew their businesses despite challenges from the COVID era. Perhaps the most notable economic threat in 2022 was the announcement that closure was imminent for WAHA, the city's largest electric utility customer and the third largest cryptocurrency mining company in Georgia. City leaders successfully negotiated a cost-plus power supply agreement with CleanSpark, a publicly traded cryptocurrency mining company that ultimately purchased WAHA's debts. CleanSpark launched a major capital improvement project that is forecast to increase the city's electric utility sales by over 200%.

Located in the heart of Georgia's timber basket, Washington's local economy continues to see increased demand for lumber and its secondary markets such as wood procurement, timber harvest equipment sales and service of logging equipment.

A local entrepreneur launched a manufacturing plant (Wilkes Lumber) that employs 15 people and provides trusses to the commercial and residential construction industry. Shortly after launching, the company also announced plans to build a sawmill on adjacent property and to hire an additional 25 employees. A third-generation local sawmill (Burt Lumber) completed a major upgrade project in 2021 and announced yet another capital improvement project for 2022. The city remains a finalist in site selection for a major agribusiness that, if successfully landed, will create 1,083 new jobs and will be a significant consumer of water, sewer, and electric services. Washington has much to offer prospects including Opportunity Zone incentives, fiber optic high-speed internet, low cost of living, abundant natural resources, proximity to a larger labor pool within commute distance, and a newly completed 4-lane expressway to I-20. For these reasons, the City continues to actively pursue other companies to invest in our community, to bring more diversity to our market and thus more stability to our economic future.

The City of Washington recognizes that growth also requires addressing the shortage of workforce housing and also a shortage of affordable housing. To address workforce housing, City leaders parlayed a 27-acre land donation into what is now called Washington Commons, the first privately funded new housing development in over 50 years. The impact will provide 110 new homes and townhomes in the \$150,000 to \$250,000 range. To address affordable housing, the City constructed four new homes as part of its Community HOME Investment Program (CHIP).

The City of Washington is actively engaged with the Payroll Development Authority in partnership with the County. The PDA is working with various businesses to fill our industrial park. The City also works with the Urban Redevelopment Authority and the Downtown Development Authority. Both subunits of the City are actively engaged in new business development and retaining of our current businesses.

The City continues to invest in its downtown district to attract tourists and new business. For example, the Main Street program helped save a blighted historic building by recruiting an artisan blacksmith who purchased it in 2022 and made it into a tourist attraction. The City and DDA also collaborated to develop a dog park in the downtown district. The Main Street Department continues offering incentives for businesses locating in downtown Washington. The City also continues to offer existing businesses incentives in the form of façade grants, and most recently a reduction in electric rates for small commercial customers.

The City employs a full-time director to manage the Main Street program and serve as director of its Downtown Development Authority. This person works with businesses to plan and promote events that attract commerce to the downtown area. The City regularly hosts downtown events such as the spectacular Independence Day festival and fireworks show organized by downtown merchants and the Chamber of Commerce. Main Street also supports concerts and various children's activities downtown. Main Street actively recruits small businesses to occupy vacant commercial spaces in the area.

Over the past couple of years, the City of Washington improved its net position while investing in Capital assets. Since the Covid-19 outbreak, the City has seen a mixture of small business closures offset somewhat by new small business startups plus an upsurge in industrial business growth. The local housing market shows strong demand with over 96% occupancy in our local market. The City is ideally located for those looking to trade urban life for a quaint small-town lifestyle that offers a slower pace of life, lower crime rate, and lower cost of living. The City has kept its property taxes low for several years.

The City of Washington is one of 49 cities that collectively own Municipal Energy Authority of Georgia (MEAG). By default, the city is a shareholder in MEAG's 23.7% stake in Vogtle nuclear energy plant. Vogtle units 3 & 4 are under construction and slated to come online in 2023 and early 2024. This will provide our customers with clean and reliable energy. The City continues to absorb the rising costs of electric prices due to State and Federal regulations being mandated on sources of power, specifically coal units. Growth in industrial electric consumption has enabled the City to consume all its MEAG power under contract, and to now become a consumer of excess power from other MEAG cities to meet our growing demands.

The City unveiled steps to lower electric utility rates at a time when many power companies are raising rates. For example, the City issued \$350,000 total in two rebates to electric utility customers in FY2022. The rebates were then to be followed in FY2023 by a permanent 7.2% electric rate rollback. The City continues to look for ways to decrease costs through efficient operations and to increase the City's tax base with improvements to residential communities and actively pursuing businesses to locate here in Washington. The City continues its utilization of CHIP grant funds from DCA to build new homes on City owned property to help low to moderate income families.

All of these items were considered in the 2022 budget process:

- The need for efficient operations and innovative ways to cut costs.
- Combining functions of employees to save money and eliminate duplication of duties
- Enforcing code to deal with dilapidated properties and thereby increase property values. The City also adopted a blight tax.
- Making decisions with citizens' quality of life and affordability at the forefront of our decision-making process
- Retaining a low ISO rating for fire and loss of life & property by making improvements to the Washington Fire Department
- Continuing infrastructure improvements. For example, the city used its ARP funds to make critical upgrades at its Water Treatment Plant and Wastewater Treatment Plant.
- Rising cost of healthcare and other insurance benefits
- Recruiting and retaining a qualified workforce by increasing the base salaries across the board and offering more training to employees

Contacting the City

This financial report is designed to provide City citizens, taxpayers, customers, and creditors with a general overview of the City of Washington's finances and to demonstrate the City's high level of accountability for the revenue it receives and the services it provides. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Washington
Attn: City Administrator
P.O. Box 9
Washington, Georgia 30673

Website

<http://www.cityofwashingtonga.gov>

BASIC FINANCIAL STATEMENTS

CITY OF WASHINGTON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Downtown Development Authority
	Activities	Activities		
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,140,762	\$ 3,269,013	\$ 5,409,775	\$ 8,827
Investments	73,236	1,697,138	1,770,374	2,458
Restricted Assets				
Cash and Cash Equivalents	31,616	301,885	333,501	-
Investments	-	1,013,066	1,013,066	-
Receivables (net)				
Accounts	38,124	3,507,221	3,545,345	-
Intergovernmental	103,070	-	103,070	-
Taxes	444,361	-	444,361	-
Prepaid Expenses	12,196	31,634	43,830	-
Total Current Assets:	<u>2,843,365</u>	<u>9,819,957</u>	<u>12,663,322</u>	<u>11,285</u>
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation				
Capital Assets Not Being Depreciated	1,323,753	1,093,114	2,416,867	-
Capital Assets, Net of Depreciation	<u>6,477,006</u>	<u>15,333,059</u>	<u>21,810,065</u>	<u>-</u>
Total Noncurrent Assets:	<u>7,800,759</u>	<u>16,426,173</u>	<u>24,226,932</u>	<u>-</u>
Total Assets	<u>10,644,124</u>	<u>26,246,130</u>	<u>36,890,254</u>	<u>11,285</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources - Pension	<u>14,552</u>	<u>31,373</u>	<u>45,925</u>	<u>-</u>
LIABILITIES				
Accounts Payable	140,909	1,462,150	1,603,059	-
Accrued Liabilities	67,997	47,184	115,181	-
Compensated Absences	83,567	50,825	134,392	-
Accrued Interest Payable	5,175	3,008	8,183	-
Due to Others	1,450	-	1,450	-
Unearned Revenue	1,378,832	-	1,378,832	-
Liabilities payable from restricted assets				
Customer Deposits Payable	-	301,885	301,885	-
Noncurrent Liabilities:				
Net Pension Liability	404,255	188,659	592,914	-
Long Term Liabilities Due within one year	61,328	672,782	734,110	-
Long Term Liabilities Due in more than one year	701,415	5,503,427	6,204,842	-
Total Liabilities	<u>2,844,928</u>	<u>8,229,920</u>	<u>11,074,848</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources - Pension	<u>648,445</u>	<u>286,452</u>	<u>934,897</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	7,038,016	10,249,964	17,287,980	-
Restricted for:				
MEAG Generation Trust	-	1,013,066	1,013,066	-
Public Works	221,214	-	221,214	-
Culture and Recreation	50,615	-	50,615	-
Housing and Development	27,869	-	27,869	-
Capital Projects	397,341	-	397,341	-
Unrestricted	<u>(569,752)</u>	<u>6,498,101</u>	<u>5,928,349</u>	<u>11,285</u>
Total Net Position	<u>\$ 7,165,303</u>	<u>\$ 17,761,131</u>	<u>\$ 24,926,434</u>	<u>\$ 11,285</u>

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, 2022

FUNCTIONS/PROGRAMS	Program Revenues					Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Indirect Costs	Charges for Services	Operating	Capital	Primary Government			
				Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:									
Governmental Activities:									
General Government	\$ 941,789	\$ (123,121)	\$ 74,438	\$ -	\$ 375,695	\$ (368,535)	\$ -	\$ (368,535)	\$ -
Judicial	76,730	(9,687)	-	-	-	(67,043)	-	(67,043)	-
Public Safety	1,276,256	(131,858)	45,713	8,900	-	(1,089,785)	-	(1,089,785)	-
Public Works	1,738,401	(222,699)	103,339	96,383	149,007	(1,166,973)	-	(1,166,973)	-
Health and Welfare	295,067	(28,022)	73,055	-	-	(193,990)	-	(193,990)	-
Culture and Recreation	303,070	(36,401)	66,388	4,793	-	(195,488)	-	(195,488)	-
Housing and Development	737,018	(36,611)	55,034	-	424,587	(220,786)	-	(220,786)	-
Interest on Long-term Debt	32,019	-	-	-	-	(32,019)	-	(32,019)	-
Total Governmental Activities	5,400,350	(588,399)	417,967	110,076	949,289	(3,334,619)	-	(3,334,619)	-
Business-Type Activities:									
Water and Sewer	2,707,234	100,963	2,628,966	-	-	-	(179,231)	(179,231)	-
Electric	17,689,948	487,436	22,212,685	-	-	-	4,035,301	4,035,301	-
Solid Waste	541,561	-	557,665	-	-	-	16,104	16,104	-
Internet Telecommunications	-	-	3,698	-	-	-	3,698	3,698	-
Total Business-Type Activities	20,938,743	588,399	25,403,014	-	-	-	3,875,872	3,875,872	-
Total Primary Government	26,339,093	-	25,820,981	110,076	949,289	(3,334,619)	3,875,872	541,253	-
Component Unit									
Downtown Development Authority	1,573	-	-	5,605	-	-	-	-	4,032
General Revenues:									
Taxes									
Property Taxes						956,796	-	956,796	-
Sales Taxes						502,623	-	502,623	-
Insurance Premium Tax						303,516	-	303,516	-
Alcohol Excise Tax						110,083	-	110,083	-
Franchise Tax						87,145	-	87,145	-
Occupational Taxes						58,541	-	58,541	-
Other Taxes						17,464	-	17,464	-
Unrestricted Investment Earnings						2,706	552,216	554,922	-
Miscellaneous						17,884	-	17,884	-
Contributions						25,785	-	25,785	-
Gain on Sale of Assets						27,100	-	27,100	-
Transfers						1,606,421	(1,606,421)	-	-
						3,716,064	(1,054,205)	2,661,859	-
Changes in Net Position						381,445	2,821,667	3,203,112	4,032
Net Position - Beginning						6,783,858	14,939,464	21,723,322	7,253
Net Position - Ending						\$ 7,165,303	\$ 17,761,131	\$ 24,926,434	\$ 11,285

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

WASHINGTON, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2022

	General	American Rescue Plan Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 144,920	\$ 1,389,471	\$ 606,371	\$ 2,140,762
Investments	3,319	-	69,917	73,236
Restricted Assets				
Cash and Cash Equivalents	31,616	-	-	31,616
Receivables (net)				
Accounts	38,124	-	-	38,124
Intergovernmental	41,371	-	61,699	103,070
Taxes	430,329	-	14,032	444,361
Prepaid Items	12,196	-	-	12,196
Total Assets	701,875	1,389,471	752,019	2,843,365
 <u>LIABILITIES</u>				
Accounts and Contracts Payable	140,885	-	24	140,909
Accrued Salaries and Payroll Liabilities	67,997	-	-	67,997
Due to Others	1,450	-	-	1,450
Unearned Revenue	255	1,378,577	-	1,378,832
Total Liabilities	210,587	1,378,577	24	1,589,188
 <u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Property Taxes	122,777	-	-	122,777
 <u>FUND BALANCE</u>				
Nonspendable:				
Prepaid Items	12,196	-	-	12,196
Contractually Required to be Maintained Intact	-	-	19,980	19,980
Restricted for:				
Public Works	7	-	221,207	221,214
Culture and Recreation	2,290	-	48,325	50,615
Housing and Development	27,869	-	-	27,869
Capital Projects	-	-	397,341	397,341
Assigned for:				
Public Works	-	-	38,067	38,067
Culture and Recreation	-	-	20,241	20,241
Housing and Development	-	-	6,834	6,834
Unassigned	326,149	10,894	-	337,043
Total Fund Balances	368,511	10,894	751,995	1,131,400
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 701,875	\$ 1,389,471	\$ 752,019	\$ 2,843,365

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, 2022

Total Fund Balances for Governmental Funds **\$ 1,131,400**

Total Net Position for Governmental Activities in the Statement of Net Position is different because:

Capital assets net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds. **7,800,759**

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 **122,777**

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 **14,552**

Deferred inflows of resources **(648,445)**

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These are:

Compensated absences **(83,567)**

Interest payable **(5,175)**

Net pension liability **(404,255)**

Installment sale agreement payable **(762,743)**

(1,255,740)

Total Net Position of Governmental Activities **\$ 7,165,303**

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, 2022

	<u>General</u>	<u>American Rescue Plan Act Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Taxes	\$ 2,036,168	\$ -	\$ 148,947	\$ 2,185,115
Licenses and Permits	36,900	-	-	36,900
Intergovernmental	110,076	-	800,259	910,335
Fines, Fees and Forfeitures	45,713	-	-	45,713
Charges for Services	334,926	-	-	334,926
Investment Income	294	2,412	511	3,217
Contributions	25,785	-	-	25,785
Other	17,884	-	-	17,884
Total Revenues	<u>2,607,746</u>	<u>2,412</u>	<u>949,717</u>	<u>3,559,875</u>
<u>EXPENDITURES</u>				
Current:				
General Government	866,839	-	-	866,839
Judicial	68,201	-	-	68,201
Public Safety	928,354	-	137,452	1,065,806
Public Works	1,567,927	-	142,521	1,710,448
Health and Welfare	197,290	-	-	197,290
Culture and Recreation	256,285	-	1,835	258,120
Housing and Development	257,764	-	435,452	693,216
Debt Service	91,296	-	-	91,296
Total Expenditures	<u>4,233,956</u>	<u>-</u>	<u>717,260</u>	<u>4,951,216</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,626,210)</u>	<u>2,412</u>	<u>232,457</u>	<u>(1,391,341)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	2,859,510	15,989	695,632	3,571,131
Transfers Out	(1,364,307)	(8,310)	(592,093)	(1,964,710)
Sale of Assets	27,100	-	-	27,100
Total Other Financing Sources (Uses)	<u>1,522,303</u>	<u>7,679</u>	<u>103,539</u>	<u>1,633,521</u>
Net Change in Fund Balances	<u>(103,907)</u>	<u>10,091</u>	<u>335,996</u>	<u>242,180</u>
Fund Balances - Beginning of Year	<u>472,418</u>	<u>803</u>	<u>415,999</u>	<u>889,220</u>
Fund Balances - End of Year	<u>\$ 368,511</u>	<u>\$ 10,894</u>	<u>\$ 751,995</u>	<u>\$ 1,131,400</u>

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, 2022

Net Change in Fund Balance - Total Governmental Funds \$ 242,180

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 \$320,778 exceeded capital outlay of (\$280,770) in the current period. (40,008)

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, interest on 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	371	
Debt Principal Payments	<u>58,906</u>	59,277

Government funds report pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension Contribution	181,086	
Cost of Benefits Earned net of Employee Contribution	<u>(84,398)</u>	96,688

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Unavailable Revenues		25,621
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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		<u>(2,313)</u>
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Change in Net Position of Governmental Activities \$ 381,445

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, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 822,594	\$ 822,594	\$ 956,796	\$ 134,202
Sales	360,000	360,000	502,623	142,623
Insurance Premium	310,000	310,000	303,516	(6,484)
Alcohol Excise	134,900	134,900	110,083	(24,817)
Franchise	94,400	94,400	87,145	(7,255)
Occupational	54,195	54,195	58,541	4,346
Other	14,000	14,000	17,464	3,464
Licenses & Permits	33,200	33,200	36,900	3,700
Intergovernmental	64,500	64,500	110,076	45,576
Fines & Forfeitures	45,000	45,000	45,713	713
Charges For Services	334,263	334,263	334,926	663
Investment Income	427	427	294	(133)
Contributions	500	500	25,785	25,285
Other	789,948	789,948	17,884	(772,064)
Total Revenues	<u>3,057,927</u>	<u>3,057,927</u>	<u>2,607,746</u>	<u>(450,181)</u>
EXPENDITURES				
Current:				
General Government	949,266	949,266	866,839	82,427
Judicial	65,886	65,886	68,201	(2,315)
Public Safety	977,591	977,591	928,354	49,237
Public Works	1,562,438	1,562,438	1,567,927	(5,489)
Health and Welfare	596,243	596,243	197,290	398,953
Culture and Recreation	361,116	361,116	256,285	104,831
Housing and Development	437,589	437,589	257,764	179,825
Debt Service	91,300	91,300	91,296	4
Total Expenditures	<u>5,041,429</u>	<u>5,041,429</u>	<u>4,233,956</u>	<u>807,473</u>
Excess of Revenues Over Expenditures	(1,983,502)	(1,983,502)	(1,626,210)	357,292
OTHER FINANCING SOURCES (USES)				
Transfers In	2,150,202	2,150,202	2,859,510	709,308
Transfers Out	(166,900)	(166,900)	(1,364,307)	(1,197,407)
Sale of Assets	200	200	27,100	26,900
Total Other Financing Sources (Uses)	<u>1,983,502</u>	<u>1,983,502</u>	<u>1,522,303</u>	<u>(461,199)</u>
Net Change in Fund Balances	-	-	(103,907)	(103,907)
Fund Balance, Beginning Of Year (as re-stated)	<u>472,418</u>	<u>472,418</u>	<u>472,418</u>	<u>-</u>
Fund Balance, End Of Year	<u>\$ 472,418</u>	<u>\$ 472,418</u>	<u>\$ 368,511</u>	<u>\$ (103,907)</u>

CITY OF WASHINGTON, GEORGIA
PROPRIETARY FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	<u>Business-Type Activities</u>			
	<u>Water and Sewer</u>	<u>Electric</u>	<u>Nonmajor Enterprise Funds</u>	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 3,269,013	\$ -	\$ 3,269,013
Investments	-	1,697,138	-	1,697,138
Restricted Assets				
Cash and Cash Equivalents	98,305	203,580	-	301,885
Investments	-	1,013,066	-	1,013,066
Accounts Receivable (Net of Allowance for Uncollectibles)	381,816	3,040,234	85,171	3,507,221
Prepaid Expenses	7,371	22,813	1,450	31,634
Total Current Assets	<u>487,492</u>	<u>9,245,844</u>	<u>86,621</u>	<u>9,819,957</u>
Noncurrent Assets:				
Capital Assets not Being Depreciated	1,080,634	8,480	4,000	1,093,114
Capital Assets Net Of Accumulated Depreciation	13,454,747	1,387,138	491,174	15,333,059
Total Noncurrent Assets	<u>14,535,381</u>	<u>1,395,618</u>	<u>495,174</u>	<u>16,426,173</u>
Total Assets	<u>15,022,873</u>	<u>10,641,462</u>	<u>581,795</u>	<u>26,246,130</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources - Pension	26,695	3,256	1,422	31,373
LIABILITIES				
Current Liabilities:				
Accounts Payable	81,354	1,325,384	55,412	1,462,150
Accrued Liabilities	24,595	14,666	7,923	47,184
Compensated Absences	31,711	13,159	5,955	50,825
Accrued Interest Payable	2,986	-	22	3,008
Notes Payable - Current	618,120	-	54,662	672,782
Liabilities Payable from Restricted Assets				
Customer Deposits	98,305	203,580	-	301,885
Total Current Liabilities	<u>857,071</u>	<u>1,556,789</u>	<u>123,974</u>	<u>2,537,834</u>
Noncurrent Liabilities				
Net Pension Liability	77,748	77,195	33,716	188,659
Notes Payable - Noncurrent	5,380,139	-	123,288	5,503,427
Total Noncurrent Liabilities	<u>5,457,887</u>	<u>77,195</u>	<u>157,004</u>	<u>5,692,086</u>
Total Liabilities	<u>6,314,958</u>	<u>1,633,984</u>	<u>280,978</u>	<u>8,229,920</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources - Pension	66,679	126,327	93,446	286,452
NET POSITION				
Net Investment in Capital Assets	8,537,122	1,395,618	317,224	10,249,964
Restricted for MEAG Generation Trust	-	1,013,066	-	1,013,066
Unrestricted	130,809	6,475,723	(108,431)	6,498,101
Total Net Position	<u>\$ 8,667,931</u>	<u>\$ 8,884,407</u>	<u>\$ 208,793</u>	<u>\$ 17,761,131</u>

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, 2022

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Water and Sewer</u>	<u>Electric</u>	<u>Nonmajor Enterprise Funds</u>	
<u>OPERATING REVENUES</u>				
Charges for Sales and Services	\$ 2,628,966	\$ 22,212,165	\$ 561,363	\$ 25,402,494
Other	-	520	-	520
Total Operating Revenues	<u>2,628,966</u>	<u>22,212,685</u>	<u>561,363</u>	<u>25,403,014</u>
<u>OPERATING EXPENSES</u>				
Cost of Sales and Services	1,307,488	17,591,850	185,952	19,085,290
Personal Services	988,048	464,198	267,817	1,720,063
Depreciation	484,943	121,336	87,488	693,767
Total Operating Expenses	<u>2,780,479</u>	<u>18,177,384</u>	<u>541,257</u>	<u>21,499,120</u>
Operating Income/(Loss)	<u>(151,513)</u>	<u>4,035,301</u>	<u>20,106</u>	<u>3,903,894</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Revenues	-	3,216	-	3,216
Interest on Notes Payable	(27,718)	-	(304)	(28,022)
Gain on Sale of Investment in Joint Venture	-	-	635,049	635,049
Net Decrease in Fair Value of Investments	-	(86,049)	-	(86,049)
Total Nonoperating Revenues (Expenses)	<u>(27,718)</u>	<u>(82,833)</u>	<u>634,745</u>	<u>524,194</u>
Net Income (Loss) Before Transfers	<u>(179,231)</u>	<u>3,952,468</u>	<u>654,851</u>	<u>4,428,088</u>
Transfers in	1,662,325	1,115,724	344,423	3,122,472
Transfers out	(871,515)	(2,458,584)	(1,398,794)	(4,728,893)
Total Transfers in/(out)	<u>790,810</u>	<u>(1,342,860)</u>	<u>(1,054,371)</u>	<u>(1,606,421)</u>
Changes in Net Position	611,579	2,609,608	(399,520)	2,821,667
Net Position - Beginning	<u>8,056,352</u>	<u>6,274,799</u>	<u>608,313</u>	<u>14,939,464</u>
Net Position - Ending	<u>\$ 8,667,931</u>	<u>\$ 8,884,407</u>	<u>\$ 208,793</u>	<u>\$ 17,761,131</u>

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, 2022

	Business-Type Activities			Total
	Water and Sewer	Electric	Nonmajor Enterprise Funds	
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 2,723,902	\$ 21,535,254	\$ 598,580	\$ 24,857,736
Cash Payments to Suppliers	(1,108,017)	(454,296)	(180,414)	(1,742,727)
Cash Payments to Employees	(975,212)	(16,843,335)	(262,702)	(18,081,249)
Net Cash provided by (Required for)				
Operating Activities	<u>640,673</u>	<u>4,237,623</u>	<u>155,464</u>	<u>5,033,760</u>
Cash Flows from Capital and Related Financing Activities:				
Transfers from Other Funds	592,093	-	-	592,093
Purchase of Capital Assets	(790,109)	(369,894)	(108,054)	(1,268,057)
Principal Paid on Notes Payable	(611,795)	-	(54,580)	(666,375)
Interest paid on Notes Payable	(28,572)	-	(304)	(28,876)
Net Cash Required for Capital and Related Financing Activities	<u>(838,383)</u>	<u>(369,894)</u>	<u>(162,938)</u>	<u>(1,371,215)</u>
Cash Flows from Noncapital Financing Activities:				
Transfers from Other Funds	1,070,232	1,115,724	344,423	2,530,379
Transfers to Other Funds	(871,515)	(2,458,584)	(1,398,794)	(4,728,893)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>198,717</u>	<u>(1,342,860)</u>	<u>(1,054,371)</u>	<u>(2,198,514)</u>
Cash Flows from Investing Activities:				
Interest Received	-	3,216	-	3,216
Purchase of Investments	-	(858,931)	-	(858,931)
Sale of Investment in Joint Venture	-	-	1,061,845	1,061,845
Net Cash Provided/(Used) by Investing Activities	<u>-</u>	<u>(855,715)</u>	<u>1,061,845</u>	<u>206,130</u>
Net Increase in Cash and Cash Equivalents	<u>1,007</u>	<u>1,669,154</u>	<u>-</u>	<u>1,670,161</u>
Cash and Equivalents at Beginning of Year	<u>97,298</u>	<u>1,803,439</u>	<u>-</u>	<u>1,900,737</u>
Cash and Equivalents at End of Year	<u>98,305</u>	<u>3,472,593</u>	<u>-</u>	<u>3,570,898</u>
Reconciliation of Operating Loss to Net				
Cash Provided from Operating Activities:				
Operating Loss	(151,513)	4,035,301	20,106	3,903,894
Adjustments to Reconcile Operating				
(Loss) to Net Cash Provided by				
Operating Activities:				
Depreciation and Amortization	484,943	121,336	87,488	693,767
(Increase)/Decrease in Accounts Receivable	93,929	(677,431)	37,217	(546,285)
Decrease in Inventory	200,625	313,937	-	514,562
(Increase)/Decrease in Prepaid Expenses	4,630	(6,897)	(656)	(2,923)
Decrease in Deferred Outflows - Pension	282,916	34,511	15,073	332,500
Increase in Accounts Payable	16,413	504,223	28,066	548,702
Decrease in Unearned Revenue	(1,007)	-	-	(1,007)
Increase in Accrued Liabilities	12,836	9,902	5,115	27,853
Increase in Customer Deposits	1,007	4,883	-	5,890
Decrease in Due to Other Funds	-	(12,397)	-	(12,397)
Increase in Compensated Absences	13,570	6,593	1,040	21,203
Decrease in Net Pension Liability	(66,379)	(3,992)	(1,744)	(72,115)
Decrease in Deferred Inflows - Pension	(251,297)	(92,346)	(36,241)	(379,884)
Net Cash Provided by				
Operating Activities	<u>\$ 640,673</u>	<u>\$ 4,237,623</u>	<u>\$ 155,464</u>	<u>\$ 5,033,760</u>

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

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

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

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

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 are The City's two major governmental funds:

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.

American Rescue Plan Act Fund – This fund is used to account for revenues and expenditures of the American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Fund.

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 is The City's major proprietary fund:

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

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

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:

Governmental Fund Types

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.

Component Units

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.

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

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.

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

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, 2022.

1-E-3. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2022 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.

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

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:

<u>Assets</u>	<u>Estimated Useful Life in Years</u>
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

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

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, 2022 the balance in restricted fund balance was \$697,039.

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, 2022 the balance in assigned fund balance was \$65,142.

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

City of Washington, Georgia
Notes to the Basic Financial Statements
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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 good or service 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.

City of Washington, Georgia
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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.

City of Washington, Georgia
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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 41.06, 53.00, and 5.73 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 \$1,697,138 and \$1,013,066, respectively.

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

Investment by fair value level	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Major Funds				
General Fund				
Certificates of deposit	\$ 3,319	\$ -	\$ -	\$ 3,319
Electric Fund				
MEAG Competitive Trust	-	2,710,204	-	2,710,204
Nonmajor Funds				
Governmental				
Certificates of deposit	<u>69,917</u>	<u>-</u>	<u>-</u>	<u>69,917</u>
Total	<u>\$ 73,236</u>	<u>\$ 2,710,204</u>	<u>\$ -</u>	<u>\$ 2,783,440</u>

City of Washington, Georgia
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3-B. Receivables

Receivables at December 31, 2022 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, 2022 consist of the following:

Governmental Funds:		2017	
	<u>General</u>	<u>SPLOST</u>	<u>TSPLOST</u>
Accounts	\$ 38,124	\$ -	\$ -
Intergovernmental	41,371	61,699	-
Taxes	<u>430,329</u>	<u>-</u>	<u>14,032</u>
Net Receivable	<u>\$ 509,824</u>	<u>\$ 61,699</u>	<u>\$ 14,032</u>
Proprietary Funds:	<u>Water/Sewer</u>	<u>Electric</u>	<u>Solid Waste</u>
Accounts Receivable	\$ 693,346	\$4,933,677	\$138,776
Less Allowance for uncollectible	<u>311,530</u>	<u>1,893,443</u>	<u>53,605</u>
Net Receivable	<u>\$ 381,816</u>	<u>\$ 3,040,234</u>	<u>\$ 85,171</u>

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 2021 tax digest year, based upon the assessments as of January 1, 2022, were levied on October 11, 2022, billed on December 28, 2022, and due on January 26, 2023.

3-D. Deficit Fund Net position

The City had no deficit net position balances at December 31, 2022.

3-E. Excess of Expenditures Over Appropriations

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

Judicial	\$ 2,315
Public Works	\$ 5,489

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

3-F. Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 1,242,035	\$ -	\$ -	\$ 1,242,035
Construction in Progress	30,773	-	(30,773)	-
Historical Treasures	81,718	-	-	81,718
Total capital assets, not being depreciated	<u>1,354,526</u>	<u>-</u>	<u>(30,773)</u>	<u>1,323,753</u>
Capital assets being depreciated:				
Buildings and Improvements	5,323,045	30,773	-	5,353,818
Equipment and Vehicles	3,723,587	-	-	3,723,587
Software	75,335	-	-	75,335
Infrastructure	3,984,590	280,770	-	4,265,360
Total capital assets, being depreciated	<u>13,106,557</u>	<u>311,543</u>	<u>-</u>	<u>13,418,100</u>
Less accumulated depreciation for:				
Buildings and Improvements	(2,570,324)	(97,138)	-	(2,667,462)
Equipment and Vehicles	(2,471,700)	(128,183)	-	(2,599,883)
Software	(75,335)	-	-	(75,335)
Infrastructure	(1,502,957)	(95,457)	-	(1,598,414)
Total accumulated depreciation	<u>(6,620,316)</u>	<u>(320,778)</u>	<u>-</u>	<u>(6,941,094)</u>
Total capital assets being depreciated, net	<u>6,486,241</u>	<u>(9,235)</u>	<u>-</u>	<u>6,477,006</u>
Total governmental activities capital assets, net	<u>\$ 7,840,767</u>	<u>\$ (9,235)</u>	<u>\$ (30,773)</u>	<u>\$ 7,800,759</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated:				
Land	\$ 207,190	\$ -	\$ -	\$ 207,190
Construction in Progress	545,143	340,781	-	885,924
Total capital assets, not being depreciated	<u>752,333</u>	<u>340,781</u>	<u>-</u>	<u>1,093,114</u>
Capital assets being depreciated:				
Buildings and Improvements	736,686	-	-	736,686
Machinery and Equipment	1,293,557	316,940	-	1,610,497
Vehicles	1,600,772	95,771	-	1,696,543
Infrastructure	25,586,504	514,562	-	26,101,066
Total capital assets, being depreciated	<u>29,217,519</u>	<u>927,273</u>	<u>-</u>	<u>30,144,792</u>
Less accumulated depreciation for:				
Buildings and Improvements	(566,804)	(16,516)	-	(583,320)
Machinery and Equipment	(829,144)	(124,542)	-	(953,686)
Vehicles	(1,085,082)	(116,916)	-	(1,201,998)
Infrastructure	(11,636,939)	(435,793)	-	(12,072,732)
Total accumulated depreciation	<u>(14,117,969)</u>	<u>(693,767)</u>	<u>-</u>	<u>(14,811,736)</u>
Total capital assets being depreciated, net	<u>15,099,550</u>	<u>233,506</u>	<u>-</u>	<u>15,333,056</u>
Total business-type activities capital assets, net	<u>\$ 15,851,883</u>	<u>\$ 574,287</u>	<u>\$ -</u>	<u>\$ 16,426,170</u>

City of Washington, Georgia
Notes to the Basic Financial Statements
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3-F. – Capital Assets – continued

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

Governmental Activities:

General Government	\$ 849
Public Safety	100,136
Public Works	117,577
Health and Welfare	69,755
Culture and Recreation	10,459
Housing and Development	<u>22,002</u>
Total Depreciation Expense	<u>\$ 320,778</u>

Business-Type Activities:

Water and Sewer	\$ 484,943
Electric	121,336
Solid Waste	<u>87,488</u>
Total Depreciation Expense	<u>\$ 693,767</u>

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 \$762,743 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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 61,328	\$ 29,968	\$ 91,296
2024	63,850	27,446	91,296
2025	66,476	24,820	91,296
2026	69,209	22,087	91,296
2027	72,057	19,239	91,296
2028-2032	407,228	61,853	469,081
2033	<u>22,595</u>	<u>229</u>	<u>22,824</u>
	<u>\$ 762,743</u>	<u>\$ 185,642</u>	<u>\$ 948,385</u>

City of Washington, Georgia
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December 31, 2022

3-G. – Long Term Liabilities (continued)

Business-Type Activities

Notes from Direct Borrowing

- a. During 2003, the City entered into a direct borrowing agreement with Georgia Environmental Facilities Authority in the original amount of \$789,731, bearing interest at 3.94%. The balance of the note was \$135,621 at the end of the current year. The note calls for quarterly payments of principal and interest of \$14,313 and matures October 2024. The purpose of the note was for construction of sewer rehabilitation. 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.

- b. During 2004, the City entered into a direct borrowing agreement with Georgia Environmental Facilities Authority in the original amount of \$1,599,998, bearing interest at 4.06%. The balance of the note was \$409,764 at the end of the current year. The note calls for monthly payments of principal and interest of \$9,746 and matures February 1, 2027. 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.

- c. 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 \$5,292,963 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.

- d. During 2017, the City entered into a direct borrowing agreement with Georgia Environmental Facilities Authority in the original amount of \$204,703, bearing interest at 1.90%. The balance of the note was \$159,911 at the end of the current year. The note calls for monthly payments of \$1,308 beginning November 1, 2018 and matures October 1, 2033. 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.

- e. During 2021, the City entered into a direct borrowing agreement with Georgia Environmental Facilities Authority in the original amount of \$273,411, bearing interest at 0.15%. The balance of the note was \$177,950 at the end of the current year. The note calls for monthly payments of \$4,574 beginning March 1, 2021 and matures March 1, 2026. The purpose of the note was to finance the costs of purchasing a sanitation truck and approximately 2,100 rolling garbage canisters. 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.

City of Washington, Georgia
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3-G. – Long Term Liabilities (continued)

Business-Type Activities (continued)

Notes from Direct Borrowing (continued)

Annual debt service requirements to maturity from direct borrowings are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 672,782	\$ 22,476	\$ 695,258
2024	679,440	15,818	695,258
2025	657,547	9,033	666,580
2026	567,982	3,787	571,769
2027	464,239	1,920	466,159
2028-2032	2,325,260	5,538	2,330,798
2033-2034	808,959	280	809,239
	<u>\$ 6,176,209</u>	<u>\$ 58,852</u>	<u>\$ 6,235,061</u>

Changes in Long – Term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

	<u>Balance</u>		<u>Balance</u>	<u>Due Within</u>
	<u>12/31/2021</u>	<u>Additions</u>	<u>12/31/2022</u>	<u>One Year</u>
Governmental Activities:		<u>Deductions</u>		
Installment Sale	\$ 821,649	\$ -	\$ 762,743	\$ 61,328
Compensated Absences	70,078	13,489	83,567	83,567
Total Governmental long term liabilities	<u>\$ 891,727</u>	<u>\$ 13,489</u>	<u>\$ 846,310</u>	<u>\$ 144,895</u>
Business-type Activities:		<u>Deductions</u>		
Notes Payable	\$ 6,842,584	\$ -	\$ 6,176,209	\$ 672,782
Compensated Absences	29,622	21,203	50,825	50,825
Total Business-type long term liabilities	<u>\$ 6,872,206</u>	<u>\$ 21,203</u>	<u>\$ 6,227,034</u>	<u>\$ 723,607</u>

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

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 Works			
Transportation Improvements	\$ -	\$ 221,208	\$ 221,208
Cemetery Improvements	7	-	7
Culture and Recreation			
Historical Properties	2,290	8,118	10,408
Callaway Plantation	-	40,137	40,137
Housing Development			
Economic Development	27,869	-	27,869
Capital Projects	-	397,342	397,342
	<u>\$ 30,166</u>	<u>\$ 666,805</u>	<u>\$ 696,971</u>
Assigned For:			
Public Works			
Cemetery Care	\$ -	\$ 38,067	\$ 38,067
Culture and Recreation			
Callaway Plantation Operations	-	2,374	2,374
Callaway Plantation Furnishings	-	17,867	17,867
Housing Development			
Economic Development	-	6,835	6,835
	<u>\$ -</u>	<u>\$ 65,143</u>	<u>\$ 65,143</u>

City of Washington, Georgia
Notes to the Basic Financial Statements
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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, 2022, the City's recommended contributions of \$266,835 was 21.21% of expected payroll.

Plan Membership

As of July 1, 2022, the current Plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	79
Terminated vested participants	28
Active vested participants	23
Active nonvested participants	<u>3</u>
Total membership in the Plan	<u>133</u>

City of Washington, Georgia
Notes to the Basic Financial Statements
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Actuarial assumptions

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial Assumptions:</u>	
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, 2022 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, 2020, are summarized in the table below.

<u>Asset class:</u>	<u>Target Allocation</u>	<u>Expected real rate of return</u>
Domestic equity	45%	6.55%
International equity	20%	7.30%
Real estate	10%	3.65%
Global fixed income	5%	0.50%
Domestic fixed income	20%	0.40%
Cash	<u>0%</u>	-
	<u>100%</u>	

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.

City of Washington, Georgia
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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, 2022, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2021	\$9,804,139	\$9,180,562	\$ 623,577
Changes for the year:			
Service Cost	43,619	-	43,619
Interest	701,552	-	701,552
Difference between expected and actual experience	91,849	-	91,849
Changes of assumptions	-		-
Contributions-employer	-	323,511	(323,511)
Contributions-employee	-	-	-
Other	-	-	-
Net investment income	-	562,672	(562,672)
Benefit payments	(670,384)	(670,384)	-
Administrative expense	-	(18,500)	18,500
Net Changes	166,636	197,299	(30,633)
Balances at December 31, 2022	\$9,970,775	\$9,377,861	\$592,914

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)	<u>\$ 1,682,051</u>	<u>\$ 592,915</u>	<u>\$ (324,690)</u>

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

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

For the year ended December 31, 2022 the City recognized pension expense of \$147,304. At December 31, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 45,925	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>(934,897)</u>
 Total	 <u>\$ 45,925</u>	 <u>\$ (934,897)</u>

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

<u>Year Ending Dec 31,</u>	<u>Amount</u>
2023	\$ (165,492)
2024	(267,928)
2025	(475,736)
2026	20,184

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, 2022.

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December 31, 2022

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 \$62,122 and the employees contributed \$18,525 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. There were no interfund balances at December 31, 2022.

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.

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

Interfund transfers for the year ended December 31, 2022, detailed below, consisted of the following amounts and represent charges for services or reimbursable expenses.

<u>Transfers From</u>	<u>Transfers To</u>	<u>Total</u>
General Fund	Water/Sewer Fund	\$1,070,231
General Fund	ARPA	\$ 15,989
General Fund	Solid Waste	\$ 278,086
Electric	General Fund	\$1,762,952
Internet	General Fund	\$1,096,559
Electric	E911	\$ 137,452
Electric	CHIP/CDBG	\$ 558,180
Water/Sewer Fund	Electric	\$ 805,248
Internet	Electric	\$ 3,998
Solid Waste	Electric	\$ 298,168
ARPA	Electric	\$ 8,310
Internet	Solid Waste	\$ 70
Water/Sewer Fund	Solid Waste	\$ 66,267
CHIP/CDBG	Water/Sewer Fund	\$ 340,781
SPLOST	Water/Sewer Fund	\$ 251,312

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 \$16,702,259 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 \$7.76 billion. The City of Washington’s guarantee varies by individual MEAG project and totals \$67,197,075.

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

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

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 \$1,697,138. 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 \$1,013,066. 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 40% 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.

City of Washington, Georgia
Notes to the Basic Financial Statements
December 31, 2022

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.

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, 2022

	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	\$ 43,619	\$ 47,386	\$ 65,728	\$ 68,844	\$ 72,014	\$ 78,718	\$ 79,302	\$ 104,710
Interest	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	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	(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	166,636	113,443	535,578	369,933	814,745	329,746	486,456	367,800
Total pension liability - beginning	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	9,970,775	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	323,511	246,336	253,474	215,573	180,303	162,412	179,490	254,240
Net investment income	562,672	2,954,150	(493,841)	261,668	835,253	771,536	17,608	562,237
Benefit payments, including refunds of employee contributions	(670,384)	(644,279)	(497,323)	(427,760)	(401,522)	(360,458)	(296,872)	(261,651)
Administration expense	(18,500)	(18,367)	(21,625)	(19,697)	(19,606)	(20,175)	(14,790)	(13,839)
Net change in plan fiduciary net position	197,299	2,537,840	(759,315)	29,784	594,428	553,315	(114,564)	540,987
Plan fiduciary net position - beginning	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	9,377,861	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	\$ (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	94.05%	93.64%	68.55%	80.85%	83.92%	85.04%	81.47%	88.61%
Covered-employee payroll	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	-47.67%	-44.61%	-188.63%	-88.38%	-68.57%	-62.12%	-67.51%	-40.35%
Schedule of City Contributions:								
Actuarially determined contributions	291,060	300,895	261,583	249,238	183,916	162,412	160,850	192,511
Contributions in relation to the actuarially determined contribution	-266,805	-322,694	-261,583	-249,238	-183,916	-162,412	-160,973	-191,976
Contribution deficiency (excess)	24,255	(21,799)	-	-	-	-	(123)	535
City's covered - employee payroll	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	21.45%	23.08%	17.30%	13.62%	9.07%	7.88%	8.38%	9.18%

** - 2022 information will be determined after the fiscal year end and will be included in the 2023 valuation report (excerpt from the July 1, 2022 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, 2022

	Special Revenue					Capital Projects			Permanent			Total Nonmajor Governmental Funds
	E-911	Urban Redevelopment	Callaway Plantation Operating	Callaway Plantation Furnishings	TSPLOST Discretionary	SPLOST	2017 SPLOST	CDBG/CHIP Grant	Cemetery Perpetual Care	Historical Properties Commission Trust	Callaway Charitable Trust Endowment Principal	
ASSETS												
Cash and Cash Equivalents	\$ -	\$ 6,858	\$ -	\$ 17,867	\$ 207,175	\$ 1,000	\$ 124,619	\$ 210,023	\$ -	\$ -	\$ 38,829	\$ 606,371
Investments	-	-	2,374	-	-	-	-	-	38,067	18,178	11,298	69,917
Receivables (net)												
Intergovernmental	-	-	-	-	-	-	61,699	-	-	-	-	61,699
Taxes	-	-	-	-	14,032	-	-	-	-	-	-	14,032
Total Assets	<u>-</u>	<u>6,858</u>	<u>2,374</u>	<u>17,867</u>	<u>221,207</u>	<u>1,000</u>	<u>186,318</u>	<u>210,023</u>	<u>38,067</u>	<u>18,178</u>	<u>50,127</u>	<u>752,019</u>
LIABILITIES												
Accounts and Contracts Payable	-	24	-	-	-	-	-	-	-	-	-	24
Due to Other Funds	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>
FUND BALANCE												
Nonspendable:												
Contractually Required to be												
Maintained Intact	-	-	-	-	-	-	-	-	-	9,990	9,990	19,980
Restricted	-	-	-	-	221,207	1,000	186,318	210,023	-	8,188	40,137	666,873
Assigned	-	6,834	2,374	17,867	-	-	-	-	38,067	-	-	65,142
Total Fund Balances	<u>-</u>	<u>6,834</u>	<u>2,374</u>	<u>17,867</u>	<u>221,207</u>	<u>1,000</u>	<u>186,318</u>	<u>210,023</u>	<u>38,067</u>	<u>18,178</u>	<u>50,127</u>	<u>751,995</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 6,858</u>	<u>\$ 2,374</u>	<u>\$ 17,867</u>	<u>\$ 221,207</u>	<u>\$ 1,000</u>	<u>\$ 186,318</u>	<u>\$ 210,023</u>	<u>\$ 38,067</u>	<u>\$ 18,178</u>	<u>\$ 50,127</u>	<u>\$ 752,019</u>

CITY OF WASHINGTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Special Revenue					Capital Projects			Permanent			Total Nonmajor Governmental Funds
	E-911	Urban Redevelopment	Callaway Plantation Operating	Callaway Plantation Furnishings	TSPLOST Discretionary	SPLOST	2017 SPLOST	CDBG/CHIP Grant	Cemetery Perpetual Care	Historical Properties Commission Trust	Callaway Charitable Trust Endowment Principal	
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 148,947	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 148,947
Intergovernmental	-	-	-	-	-	-	375,672	424,587	-	-	-	800,259
Investment Income	-	-	11	-	60	-	23	-	210	70	137	511
Total Revenues	-	-	11	-	149,007	-	375,695	424,587	210	70	137	949,717
EXPENDITURES												
Current:												
Public Safety	137,452	-	-	-	-	-	-	-	-	-	-	137,452
Public Works	-	-	-	-	142,521	-	-	-	-	-	-	142,521
Culture and Recreation	-	-	-	1,835	-	-	-	-	-	-	-	1,835
Housing and Development	-	3,489	-	-	-	-	-	431,963	-	-	-	435,452
Total Expenditures	137,452	3,489	-	1,835	142,521	-	-	431,963	-	-	-	717,260
Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,452)	(3,489)	11	(1,835)	6,486	-	375,695	(7,376)	210	70	137	232,457
OTHER FINANCING SOURCES (USES)												
Transfers In	137,452	-	-	-	-	-	-	558,180	-	-	-	695,632
Transfers Out	-	-	-	-	-	-	(251,312)	(340,781)	-	-	-	(592,093)
Total Other Financing Sources (Uses)	137,452	-	-	-	-	-	(251,312)	217,399	-	-	-	103,539
Net Change in Fund Balances	-	(3,489)	11	(1,835)	6,486	-	124,383	210,023	210	70	137	335,996
Fund Balances - Beginning of Year	-	10,323	2,363	19,702	214,721	1,000	61,935	-	37,857	18,108	49,990	415,999
Fund Balances - End of Year	\$ -	\$ 6,834	\$ 2,374	\$ 17,867	\$ 221,207	\$ 1,000	\$ 186,318	\$ 210,023	\$ 38,067	\$ 18,178	\$ 50,127	\$ 751,995

CITY OF WASHINGTON, GEORGIA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Business-Type Activities		
	Solid Waste	Internet Telecommunications	Total
ASSETS			
Current Assets:			
Accounts Receivable (Net of Allowance for Uncollectibles)	\$ 85,171	\$ -	\$ 85,171
Prepaid Expenses	1,450	-	1,450
Total Current Assets	86,621	-	86,621
Noncurrent Assets:			
Capital Assets not Being Depreciated	4,000	-	4,000
Capital Assets Net Of Accumulated Depreciation	491,174	-	491,174
Total Noncurrent Assets	495,174	-	495,174
Total Assets	581,795	-	581,795
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension	1,422	-	1,422
LIABILITIES			
Current Liabilities:			
Accounts Payable	55,412	-	55,412
Accrued Liabilities	7,923	-	7,923
Compensated Absences	5,955	-	5,955
Accrued Interest Payable	22	-	22
Notes Payable - Current	54,662	-	54,662
Total Current Liabilities	123,974	-	123,974
Noncurrent Liabilities			
Net Pension Liability	33,716	-	33,716
Notes Payable - Noncurrent	123,288	-	123,288
Total Noncurrent Liabilities	157,004	-	123,288
Total Liabilities	280,978	-	247,262
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Pension	93,446	-	93,446
NET POSITION			
Net Investment in Capital Assets	317,224	-	317,224
Unrestricted	(108,431)	-	(108,431)
Total Net Position	\$ 208,793	\$ -	\$ 208,793

CITY OF WASHINGTON, GEORGIA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DECEMBER 31, 2022

	Business-Type Activities		
	Solid Waste	Internet Telecommunications	Total
<u>OPERATING REVENUES</u>			
Charges for Sales and Services	\$ 557,665	\$ 3,698	\$ 561,363
Other	-	-	-
Total Operating Revenues	557,665	3,698	561,363
<u>OPERATING EXPENSES</u>			
Cost of Sales and Services	185,952	-	185,952
Personal Services	267,817	-	267,817
Depreciation	87,488	-	87,488
Total Operating Expenses	541,257	-	541,257
Operating Income/(Loss)	16,408	3,698	20,106
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Revenues	-	-	-
Interest on Notes Payable	(304)	-	(304)
Gain on Sale of Investment in Joint Venture	-	635,049	635,049
Total Nonoperating Revenues (Expenses)	(304)	635,049	634,745
Net Income (Loss) Before Transfers	16,104	638,747	654,851
Transfers in	344,423	-	344,423
Transfers out	(298,168)	(1,100,626)	(1,398,794)
Total Transfers in/(out)	46,255	(1,100,626)	(1,054,371)
Changes in Net Position	62,359	(461,879)	(399,520)
Net Position - Beginning	146,434	461,879	608,313
Net Position - Ending	\$ 208,793	\$ -	\$ 208,793

City of Washington, Georgia
Schedule of Findings and Responses
December 31, 2022

Finding 2022-1: 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 2022-2: The Cities 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 unforeseen changes in revenues and expenditures.

Finding 2022-3: During the course of the audit, it was noted that not all checking accounts were being reconciled on a timely basis.

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

Recommendations: It is recommended that any and all bank accounts be reconciled on a timely basis.

Views of Responsible Officials and Planned Corrective Actions: We concur with this recommendation.



●Morris & Waters●

**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 and each major fund 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, and have issued our report thereon dated November 29, 2023.

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 items 2022-1 – 2022-3, to be significant deficiencies.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Morris & Waters

Certified Public Accountants

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Canton, GA 30115
Ph (770)-883-3516

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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



Canton, Georgia
November 29, 2023.

CITY OF WASHINGTON, GEORGIA
SCHEDULE OF PROJECTS USING SPECIAL PURPOSE SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cost	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total To Date
2011 SPLOST	<u>\$ 2,025,960</u>	<u>\$ 2,025,960</u>			
Water and Sewer Improvements			<u>\$ 2,229,669</u>	<u>\$ -</u>	<u>\$ 2,229,669</u>
2017 SPLOST	<u>\$ 1,336,778</u>	<u>\$ 1,336,778</u>			
Water and Sewer; Streets and Sidewalks; Buildings; Fire Facilities and Equipment					
Water and Sewer			<u>\$ 1,143,681</u>	<u>\$ 251,312</u>	<u>\$ 1,394,993</u>

* 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.