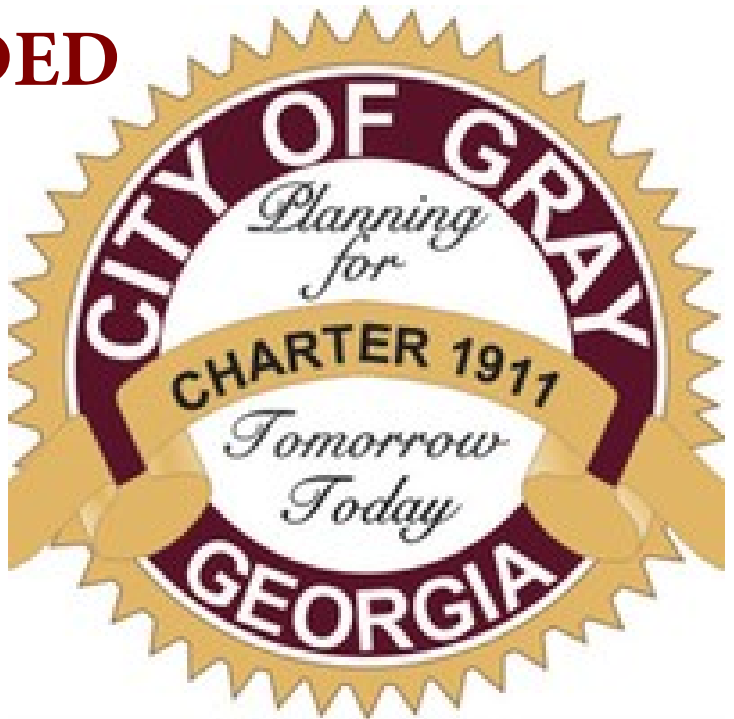


CITY OF GRAY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2025



CITY OF GRAY, GEORGIA

FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2025 AND
INDEPENDENT AUDITOR'S REPORT

CITY OF GRAY, GEORGIA

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May 15, 2026

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Gray, Georgia

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison 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* (GAS) 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.

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 GAS 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 GAS, 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 information on pages 4 through 9, the schedule of changes in the City's net pension liability and related ratios on pages 47 and 48, the schedule of City contributions on page 49, and the notes to the required supplementary information on page 50 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's basic financial statements. The combining nonmajor fund financial statements, budgetary comparison schedules, schedule of projects constructed with special sales tax proceeds, and the Downtown Development Authority's financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, budgetary comparison schedules, schedule of projects constructed with special sales tax proceeds, and the Downtown Development Authority's financial statements 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 nonmajor fund financial statements, budgetary comparison schedules, schedule of projects constructed with special sales tax proceeds, and the Downtown Development Authority's financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Mc Nair, Mc Lemore, Middlebrooks & Co., LLC
McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2025

As management of the City of Gray, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2025.

Financial Highlights

- The assets and deferred outflows of resources for the City exceeded its liabilities and deferred inflows of resources as of December 31, 2025, by \$15,207,804.
- The government's total net position decreased by \$237,528 for the year ended December 31, 2025.
- As of December 31, 2025, total net position consisted of \$9,152,075 invested in capital assets, net of related debt, \$1,824,952 restricted and \$4,230,777 unrestricted.
- As of the close of the current year the City's governmental funds reported combined ending fund balances of \$6,185,491 an increase of \$450,244 in comparison with the prior year.
- For the year ended December 31, 2025, fund balance for the general fund increased from \$4,668,914 to \$5,018,164.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1. government-wide financial statements; 2. fund financial statements; and 3. notes to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from others functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, and public works. The business-type activities of the City include a water and sewer fund.

The government-wide financial statements can be found on pages 10 through 13 of this report.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2025 (CONTINUED)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds: the General Fund, the Public Safety VR Grant Fund, the American Rescue Plan Fund, a Hotel/Motel Fund, SPLOST Fund, a Law Enforcement Confiscation Fund, a Capital Improvement Fund, 2022 CHIP Grant Fund and the Perpetual Care Fund.

The City adopts an annual appropriated budget for the General Fund, the Public Safety VR Grant Fund, American Rescue Plan Fund, Hotel/Motel Fund, 2022 CHIP Grant Fund, and the Law Enforcement Confiscation Fund. A budgetary comparison statement and schedules have been provided to demonstrate compliance with these budgets.

The basic governmental funds financial statements can be found on pages 14 through 19 of this report.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for the activities of the water and sewer fund and the sanitation fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 20 through 25 of this report.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2025 (CONTINUED)

Notes to Financial Statements

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,207,804 at the close of the most recent year.

A portion of the City's net position reflects its investment in capital assets, less any related debt outstanding and non-debt capital related liabilities. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. As of December 31, 2025, the investment consists of \$32,746,755 in assets, with accumulated depreciation of \$13,476,579 less outstanding debt of \$10,118,101.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations.

As of December 31, 2025 current liabilities increased by \$689,666 and net position decreased by \$237,528 compared to December 31, 2024.

	Summary of Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and Other Assets	\$ 6,618,954	\$ 5,945,951	\$ 1,666,824	\$ 2,217,758	\$ 8,285,778	\$ 8,163,709
Capital Assets	3,032,131	3,100,638	16,238,045	16,517,869	19,270,176	19,618,507
Total Assets	9,651,085	9,046,589	17,904,869	18,735,627	27,555,954	27,782,216
Deferred Outflows of Resources						
Related to Pensions	298,149	205,261	160,542	110,525	458,691	315,786
Total Deferred Outflows of Resources	298,149	205,261	160,542	110,525	458,691	315,786
Liabilities						
Current and Other Liabilities	512,471	128,643	697,810	391,972	1,210,281	520,615
Long-Term Liabilities	1,156,568	1,105,297	10,436,412	10,965,831	11,592,980	12,071,128
Total Liabilities	1,669,039	1,233,940	11,134,222	11,357,803	12,803,261	12,591,743
Deferred Inflows of Resources						
Related to Pensions	2,327	39,603	1,253	21,324	3,580	60,927
Total Deferred Inflows of Resources	2,327	39,603	1,253	21,324	3,580	60,927
Net Position						
Net Investment in Capital Assets	3,032,131	3,100,638	6,119,944	6,102,755	9,152,075	9,203,393
Restricted	1,090,934	984,704	734,018	736,633	1,824,952	1,721,337
Unrestricted	4,154,803	3,892,965	75,974	627,637	4,230,777	4,520,602
Total Net Position	\$ 8,277,868	\$ 7,978,307	\$ 6,929,936	\$ 7,467,025	\$ 15,207,804	\$ 15,445,332

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2025 (CONTINUED)

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for Services	\$ 404,308	\$ 294,632	\$ 2,814,515	\$ 2,935,183	\$ 3,218,823	\$ 3,229,815
Operating Grants and Contributions	196,994	163,579	27,028	26,260	224,022	189,839
Capital Grants and Contributions	861,205	1,315,330	203,910	307,621	1,065,115	1,622,951
General Revenues						
Taxes	3,092,336	2,895,529	-	-	3,092,336	2,895,529
Investment Revenues	97,197	42,825	10,338	9,246	107,535	52,071
Gain on Sale of Assets	6,225	15,755	-	679	6,225	16,434
Miscellaneous	49,653	42,438	-	-	49,653	42,438
Total Revenues	4,707,918	4,770,088	3,055,791	3,278,989	7,763,709	8,049,077
Expenses						
General Government	1,300,067	893,195	-	-	1,300,067	893,195
Judicial	139,609	133,981	-	-	139,609	133,981
Public Safety	1,496,890	1,640,878	-	-	1,496,890	1,640,878
Public Works	899,954	1,078,057	-	-	899,954	1,078,057
Other	472,227	140,617	-	-	472,227	140,617
Water and Sewer	-	-	3,237,597	2,932,983	3,237,597	2,932,983
Sanitation	-	-	454,893	380,959	454,893	380,959
Total Expenses	4,308,747	3,886,728	3,692,490	3,313,942	8,001,237	7,200,670
Increase (Decrease) in Net Position Before Transfers	399,171	883,360	(636,699)	(34,953)	(237,528)	848,407
Transfers	(99,610)	(119,719)	99,610	119,719	-	-
Increase (Decrease) In Net Position	299,561	763,641	(537,089)	84,766	(237,528)	848,407
Net Position - Beginning	7,978,307	7,214,666	7,467,025	7,382,259	15,445,332	14,343,883
Net Position - Ending	<u>\$ 8,277,868</u>	<u>\$ 7,978,307</u>	<u>\$ 6,929,936</u>	<u>\$ 7,467,025</u>	<u>\$ 15,207,804</u>	<u>\$ 15,192,290</u>

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable 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 year.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2025 (CONTINUED)

As of December 31, 2025 the City's governmental funds reported combined ending fund balances of \$6,185,491. The unassigned fund balance reflects a balance of \$5,009,333 which is available for spending at the government's discretion. \$1,090,934 is restricted fund balance and the remainder of fund balance \$85,224 is assigned for miscellaneous capital outlays and is not available for new spending.

The fund balance of the City's governmental funds increased by \$450,244 during the current year.

Proprietary Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The water and sewer system fund provides to the City's residential and commercial customers. The City strives to maintain competitive rates to its customers while providing safe drinking water and sewerage treatment. Unrestricted net position of the water and sewerage and sanitation operations at the end of the year amounted to \$75,974.

General Fund Budgetary Highlights

The City is ever cognizant of the necessity of being good stewards of public funds while at the same time having the responsibility of accumulating sufficient funds to effectively promote growth and development of the economy.

A detailed comparison of the general fund budget to actual amounts can be found on pages 18 through 19 of this report.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025, totals \$19,270,176 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and vehicles. The total decrease in the City's investment in capital assets for the current year was \$348,331. Detailed information regarding the capital asset activity for 2025 can be found in Note 8 of this report.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 1,053,040	\$ 1,053,040	\$ 85,580	\$ 34,414	\$ 1,138,620	\$ 1,087,454
Water Rights	-	-	313,683	313,683	313,683	313,683
Construction in Progress	-	-	90,495	99,508	90,495	99,508
Infrastructure	542,444	653,259	15,179,507	15,638,407	15,721,951	16,291,666
Buildings	435,408	454,826	-	-	435,408	454,826
Storm Drainage Improve	-	-	442,858	328,996	442,858	328,996
Equipment	173,386	178,520	125,922	97,340	299,308	275,860
Vehicles	782,391	679,812	-	5,521	782,391	685,333
Intangible Right-To-Use Asset	45,462	81,181	-	-	45,462	81,181
Total	\$ 3,032,131	\$ 3,100,638	\$ 16,238,045	\$ 16,517,869	\$ 19,270,176	\$ 19,618,507

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2025 (CONTINUED)

Long-Term Debt

In 2016, the City entered into a contract with the Georgia Environmental Financing Authority for a drinking water state revolving loan/grant to provide financing for improvements to the water system. The total amount the City drew down on this loan was \$374,798. Monthly payments of \$1,729, including interest at 1.03% began in September 2017 and will end in August 2037. Total interest paid in 2025 was \$2,450. Notes payable equal \$227,950 with \$18,484 due within one year. In 2018, the City entered into a contract with GEFA to provide financing for improvements to the sewer system. The total the City drew down on this loan was \$325,435. Notes payable equal \$238,963 with \$15,701 due within one year. In 2021, the City entered into a contract with GEFA to provide financing for upgrading of the Wolf Creek Water Pollution Control Plant and related appurtenances. The total the City drew down on this loan was \$9,900,000. Notes payable equal \$9,651,188 with \$253,479 due within one year. Total interest paid for 2025 was \$182,026. Detailed information regarding the long-term debt activity for 2025 can be found in Note 9.

Accomplishments/Growth for 2025

In 2025, the City of Gray continued to make great strides in upgrading its water and sewer infrastructure while addressing inflow and infiltration issues. The water system continues to strive for efficiency and conservation and has lowered the amount of non-revenue water loss each year, which directly contributes to conservation efforts. The city continues to address storm drainage issues through maintenance and replacement to keep existing streets well maintained. The city's Fire Department received an ISO rating of 3 in March of 2025. The Gray/Jones Business Development office opened in 2025.

Request for Information

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the City Clerk of Gray, P. O. Box 443, Gray, Georgia 31032.

BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Unit
	Governmental	Business-Type		Downtown
	Activities	Activities	Total	Development
				Authority
Assets				
Cash and Cash Equivalents	\$ 5,106,646	\$ 565,513	\$ 5,672,159	\$ 47,585
Certificates of Deposit	1,087,460	239,444	1,326,904	-
Receivables (Net of Allowance)				
Accrued Interest	15,824	4,959	20,783	-
Taxes	161,436	-	161,436	-
Accounts	1,539	205,187	206,726	2,425
Due from Other Governments	163,752	-	163,752	-
Internal Balances	82,297	(82,297)	-	-
Restricted Assets				
Cash and Cash Equivalents	-	734,018	734,018	-
Capital Assets				
Nondepreciable Assets	1,053,040	489,758	1,542,798	1,021,421
Depreciable Assets, Net	1,979,091	15,748,287	17,727,378	876,506
Total Assets	9,651,085	17,904,869	27,555,954	1,947,937
Deferred Outflows of Resources				
Deferred Outflows of Resources Related to Pensions	298,149	160,542	458,691	-
Total Deferred Outflows of Resources	298,149	160,542	458,691	-

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2025
(CONTINUED)

	Primary Government			Component Unit
	Governmental	Business-Type		Downtown
	Activities	Activities	Total	Development
				Authority
Liabilities				
Accounts Payable	259,411	120,651	380,062	-
Accrued Liabilities	62,149	18,021	80,170	-
Customer Deposits	-	234,905	234,905	5,400
Noncurrent Liabilities				
Due Within One Year				
Notes Payable	-	287,664	287,664	-
Finance Purchase Option	-	-	-	135,173
Compensated Absences	190,911	36,569	227,480	-
Due in More Than One Year				
Notes Payable	-	9,830,437	9,830,437	-
Compensated Absences	31,186	-	31,186	-
Net Pension Liability	1,125,382	605,975	1,731,357	-
Total Liabilities	1,669,039	11,134,222	12,803,261	140,573
Deferred Inflows of Resources				
Deferred Inflows of Resources Related to Pensions	2,327	1,253	3,580	-
Total Deferred Inflows of Resources	2,327	1,253	3,580	-
Net Position				
Net Investment in Capital Assets	3,032,131	6,119,944	9,152,075	1,762,754
Restricted for				
Debt Service	-	734,018	734,018	-
Capital Outlay	1,079,768	-	1,079,768	-
Tourism	892	-	892	-
Law Enforcement	10,274	-	10,274	-
Unrestricted	4,154,803	75,974	4,230,777	44,610
Total Net Position	\$ 8,277,868	\$ 6,929,936	\$ 15,207,804	\$ 1,807,364

See accompanying notes which are an integral part of these financial statements.

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

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 1,300,067	\$ 97,021	\$ -	\$ -
Judicial	139,609	-	-	-
Public Safety	1,496,890	307,287	196,994	175,633
Public Works	899,954	-	-	685,572
Health and Welfare	2,286	-	-	-
Housing and Development	469,941	-	-	-
Total Governmental Activities	4,308,747	404,308	196,994	861,205
Business-Type Activities				
Water and Sewer	3,237,597	2,357,431	27,028	203,910
Sanitation	454,893	457,084	-	-
Total Business-Type Activities	3,692,490	2,814,515	27,028	203,910
Total Primary Government	\$ 8,001,237	\$ 3,218,823	\$ 224,022	\$ 1,065,115
Component Unit				
Downtown Development Authority	\$ 229,666	\$ 143,035	\$ -	\$ 20,000

General Revenues

Property Taxes
Sales Taxes
Insurance Premium Tax
Franchise Tax
Other Taxes
Unrestricted Investment Earnings
Gain on Sale of Asset
Miscellaneous

Total General Revenues

Transfers

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Downtown Development Authority
Governmental Activities	Business-Type Activities	Total	
\$ (1,203,046)	\$ -	\$ (1,203,046)	\$ -
(139,609)	-	(139,609)	-
(816,976)	-	(816,976)	-
(214,382)	-	(214,382)	-
(2,286)	-	(2,286)	-
(469,941)	-	(469,941)	-
(2,846,240)	-	(2,846,240)	-
-	(649,228)	(649,228)	-
-	2,191	2,191	-
-	(647,037)	(647,037)	-
(2,846,240)	(647,037)	(3,493,277)	-
			(66,631)
1,371,002	-	1,371,002	-
747,297	-	747,297	-
379,006	-	379,006	-
300,019	-	300,019	-
295,012	-	295,012	-
97,197	10,338	107,535	-
6,225	-	6,225	-
49,653	-	49,653	3,710
3,245,411	10,338	3,255,749	3,710
(99,610)	99,610	-	-
299,561	(537,089)	(237,528)	(62,921)
7,978,307	7,467,025	15,445,332	1,870,285
\$ 8,277,868	\$ 6,929,936	\$ 15,207,804	\$ 1,807,364

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	2021 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 3,971,746	\$ 1,047,125	\$ 87,775	\$ 5,106,646
Certificates of Deposit	1,087,460	-	-	1,087,460
Receivables, Net of Allowance				
Taxes	161,436	-	-	161,436
Interest	15,824	-	-	15,824
Accounts	-	-	1,539	1,539
Due From Other Governments	100,186	63,566	-	163,752
Due From Other Funds	82,472	-	-	82,472
Total Assets	\$ 5,419,124	\$ 1,110,691	\$ 89,314	\$ 6,619,129
Liabilities				
Accounts Payable	\$ 226,908	\$ 30,923	\$ 1,580	\$ 259,411
Accrued Liabilities	62,149	-	-	62,149
Due To Other Funds	-	-	175	175
Total Liabilities	289,057	30,923	1,755	321,735
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	111,903	-	-	111,903
Total Deferred Inflows of Resources	111,903	-	-	111,903
Fund Balances				
Restricted	-	1,079,768	11,166	1,090,934
Assigned	8,831	-	76,393	85,224
Unassigned	5,009,333	-	-	5,009,333
Total Fund Balances	5,018,164	1,079,768	87,559	6,185,491
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,419,124	\$ 1,110,691	\$ 89,314	\$ 6,619,129

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balances - Governmental Funds	\$ 6,185,491
Capital Assets	
Capital assets used in governmental activities are not financed resources and, therefore, are not reported in the funds.	
Cost of Assets	7,250,109
Accumulated Depreciation	(4,217,978)
Deferred Outflows of Resources	
Related to Pensions	298,149
Long-Term Liabilities	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Position. Long-term liabilities at year-end consist of the following:	
Compensated Absences	(222,097)
Net Pension Liability	(1,125,382)
Deferred Inflows of Resources	
Related to Pensions	(2,327)
Revenues	
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	111,903
Total Net Position of Governmental Activities	\$ 8,277,868

See accompanying notes which are an integral part of these financial statements.

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

	General Fund	2021 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Property	\$ 1,341,160	\$ -	\$ -	\$ 1,341,160
Sales	747,297	-	-	747,297
Other Taxes	958,669	-	15,368	974,037
Licenses and Permits	97,021	-	-	97,021
Intergovernmental	196,994	682,943	175,633	1,055,570
Fines and Forfeitures	307,217	-	70	307,287
Investment Earnings	97,057	2,629	140	99,826
Miscellaneous	49,653	-	-	49,653
Total Revenues	3,795,068	685,572	191,211	4,671,851
Expenditures				
Current				
General Government	876,311	-	15,363	891,674
Judicial	139,609	-	-	139,609
Public Safety	1,529,496	17,511	7,400	1,554,407
Public Works	499,665	288,240	-	787,905
Health and Welfare	2,286	-	-	2,286
Housing and Development	305,066	-	164,875	469,941
Capital Outlay	-	271,188	11,212	282,400
Total Expenditures	3,352,433	576,939	198,850	4,128,222
Excess (Deficiency) of Revenues Over (Under) Expenditures	442,635	108,633	(7,639)	543,629
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	6,225	-	-	6,225
Transfers Out	(99,610)	-	-	(99,610)
Total Other Financing Sources (Uses)	(93,385)	-	-	(93,385)
Net Change in Fund Balances	349,250	108,633	(7,639)	450,244
Fund Balances, Beginning of Year	4,668,914	971,135	95,198	5,735,247
Fund Balance - End of Year	\$ 5,018,164	\$ 1,079,768	\$ 87,559	\$ 6,185,491

See accompanying notes which are an integral part of these financial statements.

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

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 450,244
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Capital Assets

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Total Capital Outlays	282,400
Total Depreciation	(350,907)

Deferred outflows of resources related to pensions are not available during the current period, and therefore are not reported in the fund.

Change in Deferred Outflows of Resources Related to Pensions	92,888
--	--------

Long-Term Liabilities

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustments for these items are as follows:

Compensated Absences	(126,024)
Net Pension Liability	(116,158)

Deferred inflows of resources related to pensions are not available during the current period and therefore are not reported in the funds.

Change in Deferred Inflows of Resources Related to Pensions	37,276
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Revenues

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

	29,842
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Change in Net Position of Governmental Activities	\$ 299,561
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See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes				
General Property Taxes	\$ 1,203,423	\$ 1,243,001	\$ 1,341,160	\$ 98,159
Local Option Sales Tax	680,000	747,297	747,297	-
Other Taxes				
Insurance Premium Tax	280,000	379,006	379,006	-
Motor Vehicle Tax	111,051	157,412	156,109	(1,303)
Franchise Tax	255,000	300,019	300,019	-
Beer and Wine Tax	100,000	100,000	98,485	(1,515)
Real Estate Transfer Tax	3,000	3,002	4,192	1,190
Recording Intangible Taxes	10,000	10,000	16,309	6,309
Mobile Home Tax	706	706	562	(144)
Penalties and Interest	1,000	1,000	3,987	2,987
Total Taxes	2,644,180	2,941,443	3,047,126	105,683
Licenses and Permits				
Business Licenses and Permits	85,000	85,000	97,021	12,021
Intergovernmental Revenues				
Department of Transportation	-	130,449	130,449	-
Emergency Management Agency	-	13,545	13,545	-
Jones County Board of Education				
Crossing Guards	35,000	53,000	53,000	-
Total Intergovernmental Revenues	35,000	196,994	196,994	-
Fines, Forfeitures, and Penalties				
Fines and Forfeitures	143,000	146,881	307,217	160,336
Total Fines, Forfeitures, and Penalties	143,000	146,881	307,217	160,336
Miscellaneous				
Interest Earnings	5,000	76,363	97,057	20,694
Miscellaneous	18,262	44,365	49,653	5,288
Total Miscellaneous	23,262	120,728	146,710	25,982
Total Revenues	2,930,442	3,491,046	3,795,068	304,022

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

	Budget			Variance with
	Original	Final	Actual	Final Budget
Expenditures				
Current				
General Government				
General Administration	\$ 851,210	\$ 936,814	\$ 876,311	\$ 60,503
Judicial				
Municipal Court	128,002	131,883	130,609	1,274
Public Defender	9,000	9,000	9,000	-
Public Safety				
Police	1,110,200	1,312,890	1,297,341	15,549
Prisoner Custody	20,800	20,800	5,119	15,681
Fire	158,812	166,555	141,803	24,752
Dispatching	84,250	84,250	84,233	17
Emergency Management	1,000	1,000	1,000	-
Public Works				
Highways and Streets	343,600	559,083	499,665	59,418
Health and Welfare				
Community Center	2,500	2,500	2,286	214
Housing and Development				
Better Hometown	7,368	7,368	7,368	-
Planning and Zoning	9,600	9,600	9,600	-
Downtown Development	20,000	158,949	158,949	-
Main Street Gray	84,100	129,302	129,149	153
Total Expenditures	2,830,442	3,529,994	3,352,433	177,561
Excess (Deficiency) of Revenues Over Expenditures	100,000	(38,948)	442,635	481,583
Other Financing Sources (Uses)				
Proceeds From Sale of Assets	-	-	6,225	6,225
Transfer to Water and Sewer Fund	(100,000)	(100,000)	(99,610)	390
Total Other Financing Sources (Uses)	(100,000)	(100,000)	(93,385)	6,615
Net Change in Fund Balance	-	(138,948)	349,250	488,198
Fund Balance - Beginning of Year	4,668,914	4,668,914	4,668,914	-
Fund Balance - End of Year	\$ 4,668,914	\$ 4,529,966	\$ 5,018,164	\$ 488,198

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2025

	Business-Type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 543,594	\$ 21,919	\$ 565,513
Certificates of Deposit	239,444	-	239,444
Restricted Cash and Cash Equivalents			
Revenue Bond Covenant Accounts	734,018	-	734,018
Accrued Interest Receivable	4,959	-	4,959
Accounts Receivable (Net of Allowance for Uncollectibles)	167,056	38,131	205,187
Due From Other Funds	-	9,304	9,304
Total Current Assets	1,689,071	69,354	1,758,425
Noncurrent Assets			
Capital Assets			
Nondepreciable Assets	489,758	-	489,758
Depreciable Assets, Net	15,748,287	-	15,748,287
Total Capital Assets	16,238,045	-	16,238,045
Total Noncurrent Assets	16,238,045	-	16,238,045
Total Assets	17,927,116	69,354	17,996,470
Deferred Outflows of Resources			
Deferred Outflows of Resources Related to Pensions	160,542	-	160,542
Total Deferred Outflows of Resources	160,542	-	160,542

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2025
(CONTINUED)

	Business-Type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Liabilities			
Current Liabilities			
Accounts Payable	\$ 120,651	\$ -	\$ 120,651
Accrued Liabilities	18,021	-	18,021
Customer Deposits Payable	234,905	-	234,905
Compensated Absences	36,569	-	36,569
Due To Other Funds	52,588	39,013	91,601
Notes Payable - Current	287,664	-	287,664
Total Current Liabilities	750,398	39,013	789,411
Noncurrent Liabilities			
Notes Payable	9,830,437	-	9,830,437
Net Pension Liability	605,975	-	605,975
Total Noncurrent Liabilities	10,436,412	-	10,436,412
Total Liabilities	11,186,810	39,013	11,225,823
Deferred Inflows of Resources			
Deferred Inflows of Resources Related to Pensions	1,253	-	1,253
Total Deferred Inflows of Resources	1,253	-	1,253
Net Position			
Net Investment in Capital Assets	6,119,944	-	6,119,944
Restricted			
Restricted for Debt Service	734,018	-	734,018
Unrestricted	45,633	30,341	75,974
Total Net Position	\$ 6,899,595	\$ 30,341	\$ 6,929,936

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Business-Type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Operating Revenues			
Charges for Sales and Services			
Water Sales	\$ 1,284,526	\$ -	\$ 1,284,526
Sewerage Fees	964,047	-	964,047
Garbage Fees	-	457,084	457,084
Connection Fees	66,875	-	66,875
Penalties and Other Fees	41,283	-	41,283
Miscellaneous	700	-	700
Total Operating Revenues	2,357,431	457,084	2,814,515
Operating Expenses			
Salaries	565,653	-	565,653
Employee Benefits	292,068	-	292,068
Depreciation	571,247	-	571,247
Utilities	149,402	-	149,402
Maintenance and Supplies	198,394	-	198,394
Insurance	83,356	-	83,356
Professional Fees	22,651	-	22,651
Contracted Services	425,015	454,893	879,908
Travel	16,342	-	16,342
Engineering Fees	10,629	-	10,629
County Water Expense	597,419	-	597,419
Other Operating Expenses	118,743	-	118,743
Total Operating Expenses	3,050,919	454,893	3,505,812
Operating Income (Loss)	(693,488)	2,191	(691,297)
Non-Operating Revenues (Expenses)			
Interest Revenue	10,287	51	10,338
Intergovernmental Revenue	27,028	-	27,028
Interest Expense	(186,678)	-	(186,678)
Total Non-Operating Revenues (Expenses)	(149,363)	51	(149,312)

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

	Business-Type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Net Income (Loss) Before Contributions and Transfers	(842,851)	2,242	(840,609)
Capital Contributions	203,910	-	203,910
Transfers In	99,610	-	99,610
Change In Net Position	(539,331)	2,242	(537,089)
Net Position - Beginning of Year	7,438,926	28,099	7,467,025
Net Position - End of Year	<u>\$ 6,899,595</u>	<u>\$ 30,341</u>	<u>\$ 6,929,936</u>

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Business-Type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 2,535,400	\$ 454,502	\$ 2,989,902
Cash Paid to Supplies for Goods and Services	(1,629,694)	(454,772)	(2,084,466)
Cash Paid to Employees	(849,493)	-	(849,493)
Net Cash Provided by (Used for) Operating Activities	56,213	(270)	55,943
Cash Flows from Noncapital Financing Activities			
Transfer from General Fund	99,610	-	99,610
Net Cash Provided by (Used for) Noncapital Financing Activities	99,610	-	99,610
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Assets	(124,967)	-	(124,967)
Capital Grants	27,028	-	27,028
Loss on Disposal of Asset	37,453	-	37,453
Principal Paid on Notes Payable	(282,667)	-	(282,667)
Interest Paid on Revenue Bonds	(186,678)	-	(186,678)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(529,831)	-	(529,831)
Cash Flows from Investing Activities			
Interest Received	10,287	51	10,338
Net Cash Provided by (Used for) Investing Activities	10,287	51	10,338
Net Increase/Decrease in Cash and Cash Equivalents	(363,721)	(219)	(363,940)
Cash and Cash Equivalents - Beginning	1,880,777	22,138	1,902,915
Cash and Cash Equivalents - Ending	<u>\$ 1,517,056</u>	<u>\$ 21,919</u>	<u>\$ 1,538,975</u>
Reconciliation of Cash and Cash Equivalents			
Cash	\$ 543,594	\$ 21,919	\$ 565,513
Certificates of Deposits	239,444	-	239,444
Restricted Cash	734,018	-	734,018
Total Cash and Cash Equivalents	<u>\$ 1,517,056</u>	<u>\$ 21,919</u>	<u>\$ 1,538,975</u>

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

	Business-Type Activities		
	Enterprise Funds		Total
	Water and Sewer Fund	Sanitation Fund	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	\$ (693,488)	\$ 2,191	\$ (691,297)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Depreciation	571,247	-	571,247
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	2,142	(2,582)	(440)
(Increase) Decrease in Accrued Interest Receivable	(225)	-	(225)
(Increase) Decrease in Due from Other Governments	169,707	-	169,707
(Increase) Decrease in Due from Other Funds	25,461	121	25,582
(Increase) Decrease in Deferred Outflows - Pensions	(50,017)	-	(50,017)
Increase (Decrease) in Accounts Payable	(25,574)	-	(25,574)
Increase (Decrease) in Accrued Liabilities	834	-	834
Increase (Decrease) in Customer Water Deposits	6,345	-	6,345
Increase (Decrease) in Due to Other Funds	(7,630)	-	(7,630)
Increase (Decrease) in Compensated Absences	14,935	-	14,935
Increase (Decrease) in Net Pension Liability	62,547	-	62,547
Increase (Decrease) in Deferred Inflows - Pensions	(20,071)	-	(20,071)
Total Adjustments	749,701	(2,461)	747,240
Net Cash Provided by (Used for) Operating Activities	<u>\$ 56,213</u>	<u>\$ (270)</u>	<u>\$ 55,943</u>
Noncash Capital Financing Activities			
Contributions of Capital Assets from Government	<u>\$ 203,910</u>	<u>\$ -</u>	<u>\$ 203,910</u>

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2025

	Private-Purpose Trust Fund
Assets	
Cash and Cash Equivalents	\$ 6,654
Certificates of Deposit	66,715
Interest Receivable	950
Total Assets	\$ 74,319
 Liabilities and Net Position	
 Liabilities	
Accounts Payable	\$ -
Total Liabilities	-
Net Position	
Restricted for Perpetual Care	74,319
Total Net Position	74,319
Total Liabilities and Net Position	\$ 74,319

See accompanying notes which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Private-Purpose Trust Fund
Revenues	
Miscellaneous	\$ 500
Investment Earnings	3,028
Total Revenues	<u>3,528</u>
Expenditures	
Current	
Culture and Recreation	<u>1,700</u>
Total Expenditures	<u>1,700</u>
Net Change in Net Position	1,828
Net Position - Beginning of Year	<u>72,491</u>
Net Position - End of Year	<u><u>\$ 74,319</u></u>

See accompanying notes which are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Accounting Policies

The City of Gray (the City) was incorporated in 1911 under the provision of an Act of the General Assembly of Georgia. The City operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, recreation, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the City's more significant policies applied in the preparation of the accompanying financial statements.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Gray, Georgia (primary government) and its component unit. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationships with the City. In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards Board (GASB) No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statement No. 14 and 34*, the City's relationships with other governments and agencies have been examined. The component unit column in the combined financial statements includes the financial data for the Downtown Development Authority, as of December 31, 2025. The financial information for the component unit is reported in columns separate from the City's financial information to emphasize that it is legally separate from the City.

Downtown Development Authority - The Downtown Development Authority is a public body, corporate and politic, and was created upon the adoption and approval of the Development Authorities Law of the State of Georgia. The Mayor and City Council appoint all members of the Downtown Development Authority. The Downtown Development Authority is audited along with the primary government financial statements and separate financial statements are not prepared.

A joint venture has the following characteristics:

1. It is a legal entity that results from a contractual arrangement.
2. It is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control.
3. Participants retain an ongoing financial interest or an ongoing financial responsibility.

Under Georgia law, the City, in conjunction with other cities and counties in the middle Georgia area, is a member of the Middle Georgia Regional Commission (the RC) 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 RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC.

(1) Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Separate financial statements may be obtained from:

Middle Georgia Regional Commission
175-C Emery Highway
Macon, GA 31217

Government-Wide and Fund Financial Statements

The government-wide financial statements (statement of net position and statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as programs 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. Internally dedicated resources are reported as general revenues rather than program revenues.

(1) Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. The activities of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City reports the following major governmental funds:

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

2021 SPLOST Fund - The 2021 SPLOST Fund is used to account for SPLOST proceeds and various projects associated with the 2021 SPLOST.

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund is used to account for the providing of water and sewer services to the citizens of the City.

Sanitation Fund - The Sanitation Fund is used to account for trash services provided to the citizens of the City.

(1) Summary of Significant Accounting Policies (Continued)

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

Receivables

Due from other governments represents funds to be received from other local governments, state grant-in-aid, state contracts, or federal funds. No allowance is deemed necessary for these receivables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables have been reduced to their estimated net realizable value and are shown net of an allowance for doubtful accounts. Estimated uncollectible amounts are based on historical experience rates.

Restricted Assets

Certain assets of the enterprise funds are classified as restricted assets because their use is restricted by bond covenants.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventories

Inventories of expendable supplies held for consumption are not considered material and are recorded as expenditures, or expenses, as appropriate, when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired subsequent to January 1, 2004) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

(1) Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Building	10 Years
Water and Sewer System	10 - 50 Years
Furniture and Equipment	5 - 10 Years
Vehicles	5 Years
Infrastructure	2 Years

Compensated Absences

Accumulated unpaid sick leave costs are not vested and are not accrued in any fund, but are recognized as expenditures or expenses, when paid. Accumulated unpaid vacation costs and compensatory time are accrued when incurred in the proprietary funds. The City does not budget for compensated absences in the governmental funds. All accumulated unpaid vacation costs and compensatory time (for funds other than proprietary) are reflected in the governmental activities at December 31, 2025 and amount to \$222,097.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period or periods and so will not be recognized as an outflow of resources (expense / expenditures) until then. The City has one item that qualifies for reporting in this category in the government-wide financial statements. The deferred outflow of resources related to the pension plans. This amount is deferred and will be recognized as a reduction of the net pension liability in future years.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arise under a modified accrual basis of accounting that qualifies for reporting in this category. This first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second is recognized in the government-wide financial statements and is the deferred inflow of resources relative to the differences between expected and actual experience and the net difference between projected and actual earnings on the pension plan investments. This amount is deferred and will be recognized as a reduction of pension expense in future years.

(1) Summary of Significant Accounting Policies (Continued)

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Equity

In the financial statements, governmental funds report the following classifications of fund balance in accordance with Governmental Accounting Standards Board Statement No. 54:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - amounts are restricted when constraints have been placed on the use of resources by (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City Council approves committed resources through a motion and vote during the voting session of City Council meetings.

Assigned - amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The intent is expressed by the City Council.

Unassigned - amounts that have not been assigned to other funds and that are not restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance.

Flow Assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

The City does not have a formal minimum fund balance policy. The following is a summary of the fund balance classifications as of December 31, 2025:

Fund Balances	General Fund	2021 SPLOST	Nonmajor Governmental	Total
Restricted				
Law Enforcement	\$ -	\$ -	\$ 10,274	\$ 10,274
Tourism	-	-	892	892
Capital Outlay	-	1,079,768	-	1,079,768
Assigned				
Law Enforcement	2,417	-	-	2,417
Fire Department	6,414	-	-	6,414
Capital Outlay	-	-	76,393	76,393
Unassigned	5,009,333	-	-	5,009,333
Total Fund Balances	<u>\$ 5,018,164</u>	<u>\$ 1,079,768</u>	<u>\$ 87,559</u>	<u>\$ 6,185,491</u>

(1) Summary of Significant Accounting Policies (Continued)

Risk Management

The City is exposed to various risks of loss related to torts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage in the current year. Commercial insurance premiums totaled \$129,167 during the current year.

The City has obtained commercial insurance for workers compensation claims. The limits of the coverage are \$1,000,000 for each employee claim. Commercial insurance premiums for workers compensation insurance totaled \$44,660 during the current year. Settled claims in the past three years have not exceeded the coverage.

(2) Budgets and Budgetary Accounting

Budget Process

An annual operating budget is prepared for the General Fund and Special Revenue Funds. Budgets are prepared for Capital Projects Funds on a project-length basis, which usually covers two or more fiscal years. Prior to November, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

After a review by the Mayor and Council, public hearings are conducted. Prior to December 31, the budget is legally enacted through passage of an ordinance.

The City Clerk is delegated the authority, upon the direction of and approval by the Mayor and Council to transfer sums from one department to another. No increase in the overall budget for the City may be made without the approval of the Mayor and Council and amendment to the budget.

The legal level of budgetary control is the department level. All annual appropriations lapse at year end.

All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The statements of revenues, expenditures, and changes in fund balances - budget and actual have been prepared on the basis described above.

(3) Deposits and Investments

Credit Risk

State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law (Georgia Fund 1); repurchase agreements; and obligations of other political subdivisions of the State of Georgia. At December 31, 2025, the City's only investments were in certificates of deposit.

At December 31, 2025, the City's certificates of deposit were as follows:

Investment	Maturity	Amount
Certificates of Deposit - General Fund	1 - 6 months	\$ 608,322
	7 - 12 months	363,169
	12 - 24 months	115,970
Certificates of Deposit - Water and Sewer Fund	1 - 6 months	80,838
	7 - 12 months	27,222
	12 - 24 months	131,383
		<u>\$ 1,326,904</u>

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.

Custodial Credit Risk - Deposits

The custodial credit risk of deposits is the risk that in the event of the failure of a bank, the government will not be able to recover deposits. The City's bank balances of deposits as of December 31, 2025 are entirely insured or collateralized with securities held by the City's agent in the City's name. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

(4) Property Taxes

State law requires that property taxes be based on assessed value, which is 40 percent of market value. All real and personal property (including motor vehicles) are valued as of January 1 of each year and must be returned for tax purposes by March 1. With the exception of motor vehicles and the property of public utilities, which are valued by the State Revenue Department, all assessments are made by a Joint Board of Tax Assessors of Jones County.

Upon completion of all assessments and tax returns, the information is turned over to the Jones County Tax Commissioner for compilation of the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. The Commissioner has the option to withhold certain state funding if the mandated 40 percent level is not reached.

For most vehicles purchased after March 1, 2013, motor vehicle taxes are due upon the transfer of title and based off the fair value of the vehicle. For vehicles not subject to title ad valorem tax, the Tax Commissioner sends annual tax notices due by the owner's birthday.

(4) Property Taxes (Continued)

The property tax calendar is as follows:

	Real / Personal Property
Assessment Date	January 1, 2025
Levy Date	August 30, 2025
Due Date and Collection Date	December 31, 2025
Lien Date	May 1, 2026

(5) Other Receivables

Receivables at December 31, 2025 consist of the following:

	General Fund	Water and Sewer Fund	Sanitation Fund	Nonmajor Governmental Funds	Total
Receivables					
Taxes	\$ 176,680	\$ -	\$ -	\$ -	\$ 176,680
Accounts	-	216,711	54,190	1,539	272,440
Accrued Interest	15,824	4,959	-	-	20,783
Gross Receivables	192,504	221,670	54,190	1,539	469,903
Allowances for Uncollectibles	(15,244)	(49,655)	(16,059)	-	(80,958)
Net Receivables	<u>\$ 177,260</u>	<u>\$ 172,015</u>	<u>\$ 38,131</u>	<u>\$ 1,539</u>	<u>\$ 388,945</u>

(6) Due From Other Governments

Amounts due from other governments at December 31, 2025 are as follows:

Fund	Federal	State	Other	Total
General	\$ -	\$ 88,966	\$ 11,220	\$ 100,186
2021 SPLOST	-	63,566	-	63,566
Total	<u>\$ -</u>	<u>\$ 152,532</u>	<u>\$ 11,220</u>	<u>\$ 163,752</u>

(7) Interfund Receivables, Payables, And Transfers

The composition of interfund balances and transfers as of December 31, 2025 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 43,284
	Sanitation Fund	39,013
	Nonmajor Governmental Fund	175
Sanitation Fund	Water and Sewer Fund	9,304
Total		<u>\$ 91,776</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are as follows:

<u>Transfer Out</u>	<u>Transfer In</u> <u>Water and</u> <u>Sewer Fund</u>	<u>Total</u>
General Fund	\$ 99,610	\$ 99,610
Total	<u>\$ 99,610</u>	<u>\$ 99,610</u>

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching fund for various grant programs.

(8) Capital Assets

Capital asset activity for the year ended December 31, 2025 was as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deductions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 1,053,040	\$ -	\$ -	\$ 1,053,040
Total Capital Assets Not Being Depreciated	1,053,040	-	-	1,053,040
Capital Assets Being Depreciated				
Infrastructure	2,339,024	6,459	-	2,345,483
Buildings	842,008	-	-	842,008
Equipment	681,058	31,506	(41,509)	671,055
Vehicles	1,977,188	244,435	-	2,221,623
Intangible Right-To-Use Asset	116,900	-	-	116,900
Total Capital Assets Being Depreciated	5,956,178	282,400	(41,509)	6,197,069
Accumulated Depreciation				
Infrastructure	(1,685,765)	(117,274)	-	(1,803,039)
Buildings	(387,182)	(19,418)	-	(406,600)
Equipment	(502,538)	(36,640)	41,509	(497,669)
Vehicles	(1,297,376)	(141,856)	-	(1,439,232)
Intangible Right-To-Use Asset	(35,719)	(35,719)	-	(71,438)
Total Accumulated Depreciation	(3,908,580)	(350,907)	41,509	(4,217,978)
Total Capital Assets Being Depreciated, Net	2,047,598	(68,507)	-	1,979,091
Governmental Capital Assets, Net	\$ 3,100,638	\$ (68,507)	\$ -	\$ 3,032,131

(8) Capital Assets (Continued)**Primary Government (Continued)**

Capital asset activity for the year ended December 31, 2025, was as follows:

Business-Type Activities	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 34,414	\$ 51,166	\$ -	\$ -	\$ 85,580
Water Rights	313,683	-	-	-	313,683
Construction in Progress	99,508	28,440	(37,453)	-	90,495
Total Capital Assets Not Being Depreciated	447,605	79,606	(37,453)	-	489,758
Capital Assets Being Depreciated					
Sewer System	14,594,648	59,270	-	-	14,653,918
Water System	6,353,406	-	-	-	6,353,406
Wastewater Treatment Plant	2,624,190	-	-	-	2,624,190
Building	41,526	-	-	-	41,526
Equipment	471,518	54,000	-	-	525,518
Storm Drainage Improvements	442,693	136,000	-	-	578,693
Vehicles	229,637	-	-	-	229,637
Total Capital Assets Being Depreciated	24,757,618	249,270	-	-	25,006,888
Accumulated Depreciation					
Sewer System	(1,939,974)	(308,074)	-	-	(2,248,048)
Water System	(4,086,984)	(169,478)	-	-	(4,256,462)
Wastewater Treatment Plant	(1,906,879)	(40,618)	-	-	(1,947,497)
Building	(41,526)	-	-	-	(41,526)
Equipment	(374,178)	(25,418)	-	-	(399,596)
Storm Drainage Improvements	(113,697)	(22,138)	-	-	(135,835)
Vehicles	(224,116)	(5,521)	-	-	(229,637)
Total Accumulated Depreciation	(8,687,354)	(571,247)	-	-	(9,258,601)
Total Capital Assets Being Depreciated, Net	16,070,264	(321,977)	-	-	15,748,287
Business-Type Activities Capital Assets, Net	\$ 16,517,869	\$ (242,371)	\$ (37,453)	\$ -	16,238,045
Less Related Long-Term Debt Outstanding					<u>(10,118,101)</u>
Net Investment in Capital Assets					<u>\$ 6,119,944</u>

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

Governmental Activities

General Government	\$ 22,259
Public Safety	175,706
Public Works	152,942
Total	<u>\$ 350,907</u>

Business-Type Activities

Water and Sewer	\$ 571,247
Total	<u>\$ 571,247</u>

(8) Capital Assets (Continued)

Activity for the Downtown Development Authority for the year ended December 31, 2025, was as follows:

Discretely Presented Component Unit	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 1,021,421	\$ -	\$ -	\$ -	\$ 1,021,421
Construction in Progress	-	-	-	-	-
Total Capital Assets Not Being Depreciated	1,021,421	-	-	-	1,021,421
Capital Assets Being Depreciated					
Land Improvements	118,980	-	-	-	118,980
Buildings	652,775	179,375	-	-	832,150
Equipment	18,451	10,740	-	-	29,191
Total Capital Assets Being Depreciated	790,206	190,115	-	-	980,321
Accumulated Depreciation					
Land Improvements	(17,847)	(5,949)	-	-	(23,796)
Buildings	(53,743)	(14,848)	-	-	(68,591)
Equipment	(7,380)	(4,048)	-	-	(11,428)
Total Accumulated Depreciation	(78,970)	(24,845)	-	-	(103,815)
Total Capital Assets Being Depreciated, Net	711,236	165,270	-	-	876,506
Discretely Presented Component Unit Capital Assets, Net	\$ 1,732,657	\$ 165,270	\$ -	\$ -	1,897,927
				Less Related Long-Term Debt Outstanding	(135,173)
				Net Investment in Capital Assets	\$ 1,762,754

(9) Long-Term Debt

Proprietary Funds

Loans Payable

2016 GEFA Loan Payable DW 16-002

In 2016, the City entered into a contract with the Georgia Environmental Facilities Authority for a Drinking Water State Revolving Loan Fund grant / loan to provide financing for improvements to the water system. The City may draw down funds up to \$810,135, of which 40 percent or \$324,054 is forgivable. The total amount the City drew down on this loan was \$374,798. Monthly payments of \$1,729, including interest at 1.03 percent began in September 2017 and will end in August 2037. Total interest paid for 2025 was \$2,450.

Cash requirements to maturity for this loan are as follows:

Year	Principal	Interest	Total
2026	\$ 18,484	\$ 2,261	\$ 20,745
2027	18,675	2,070	20,745
2028	18,868	1,876	20,744
2029	19,063	1,690	20,753
2030	19,261	1,484	20,745
2031-2035	99,335	4,387	103,722
2036-2037	34,264	310	34,574
	<u>\$ 227,950</u>	<u>\$ 14,078</u>	<u>\$ 242,028</u>

(9) Long-Term Debt (Continued)

Proprietary Funds (Continued)

Loans Payable (Continued)

2018 GEFA Loan Payable CW 2016039

In 2018, the City entered into a contract with the Georgia Environmental Facilities Authority for a Clean Water State Revolving Loan Fund grant / loan to provide financing for improvements to the sewer system. The City may draw down funds up to \$711,000, of which 25 percent or \$177,750 is forgivable. The total amount the City has drawn down on this loan was \$325,345. Monthly payments of \$1,480, including interest at .89 percent began in May 2020 and will end in April 2040. Total interest paid for 2025 was \$2,202.

Cash requirements to maturity for this loan are as follows:

Year	Principal	Interest	Total
2026	\$ 15,701	\$ 2,063	\$ 17,764
2027	15,841	1,922	17,763
2028	15,983	1,781	17,764
2029	16,126	1,638	17,764
2030	16,270	1,494	17,764
2031-2035	83,557	5,263	88,820
2036-2040	75,485	1,493	76,978
	<u>\$ 238,963</u>	<u>\$ 15,654</u>	<u>\$ 254,617</u>

2020 GEFA Loan Payable CW 2020017

In 2021, the City entered into a contract with the Georgia Environmental Facilities Authority for a Clean Water State Revolving Loan Fund to provide financing for the upgrading of the Wolf Creek Water Pollution Control Plant and related appurtenances. The City may draw down funds up to \$9,900,000. The total amount the City has drawn down on this loan as of December 31, 2024 is \$9,900,000. Total interest paid for 2025 was \$182,026.

Cash requirements to maturity for this loan are as follows:

Year	Principal	Interest	Total
2026	\$ 253,479	\$ 177,359	\$ 430,838
2027	258,234	172,604	430,838
2028	263,079	167,759	430,838
2029	268,014	162,824	430,838
2030	273,042	157,796	430,838
2031-2035	1,443,988	710,200	2,154,188
2036-2040	1,584,607	569,581	2,154,188
2041-2045	1,738,921	415,267	2,154,188
2046-2050	1,908,262	245,926	2,154,188
2051-5054	1,659,562	63,786	1,723,348
	<u>\$ 9,651,188</u>	<u>\$ 2,843,102</u>	<u>\$ 12,494,290</u>

(9) Long-Term Debt (Continued)

Proprietary Funds (Continued)

Restricted Assets

The balance of the restricted asset accounts in the Water and Sewer Enterprise Fund as of December 31, 2025, is \$734,018.

Changes in Long-Term Liabilities

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

	Balance	Additions	Reductions	Balance	One Year
Governmental Activities					
Net Pension Liability	\$ 1,009,224	\$ 116,158	\$ -	\$ 1,125,382	\$ -
Compensated Absences	96,073	126,024	-	222,097	190,911
Governmental Activities Long-Term Liabilities	<u>\$ 1,105,297</u>	<u>\$ 242,182</u>	<u>\$ -</u>	<u>\$ 1,347,479</u>	<u>\$ 190,911</u>
Business-Type Activities					
2016 GEFA Loan - DW16002	\$ 246,244	\$ -	\$ (18,294)	\$ 227,950	\$ 18,484
2018 GEFA Loan - CW2016039	254,525	-	(15,562)	238,963	15,701
2020 GEFA Loan - CW2020017	9,900,000	-	(248,812)	9,651,188	253,479
Net Pension Liability	543,428	62,547	-	605,975	-
Compensated Absences	21,634	14,935	-	36,569	36,569
Business-Type Activities Long-Term Liabilities	<u>\$ 10,965,831</u>	<u>\$ 77,482</u>	<u>\$ (282,668)</u>	<u>\$ 10,760,645</u>	<u>\$ 324,233</u>

For the governmental activities, compensated absences and net pension liability are generally liquidated by the general fund and for the business-type activities, compensated absences and net pension liability are liquidated by the Water and Sewer Fund.

The change in compensated absences is a net change.

Downtown Development Authority – Discretely Presented Component Unit

In 2025, the City entered into a finance purchase option contract with Morton Johnson Scholarship c/o Patsy Childs for the purchase of 104 Eatonton Highway property. The finance purchase option is for \$150,000. The term of the option is for 12 months beginning on June 1, 2025 and ending on May 31, 2026. The City is expected to pay \$1,500 per month, with a balloon payment of \$133,500 during the twelfth month.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Downtown Development Authority Finance Purchase Option	\$ -	\$ 145,883	\$ (10,710)	\$ 135,173	\$ 135,173
Downtown Development Authority Long-Term Liabilities	<u>\$ -</u>	<u>\$ 145,883</u>	<u>\$ (10,710)</u>	<u>\$ 135,173</u>	<u>\$ 135,173</u>

(10) Employee Retirement Plans

Georgia Municipal Employees Benefit System

Plan Description

The City contributes to the Georgia Municipal Employees Benefit System (the system), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association. The City of Gray Retirement Plan is a defined benefit plan that provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Public Retirement Systems Standard Law (Georgia Code Section 47-20-10) assigned the authority to establish and amend the plan to the City of Gray. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Georgia Municipal Employees Benefit System, 201 Pryor Street S.W., Atlanta, Georgia 30303.

Benefits Provided

The GMEBS Plan provides retirement, disability and death benefits to plan members and beneficiaries. Effective January 1, 2017, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits.

Plan Membership

As of July 1, 2025, the date of the most recent actuarial valuation report, pension plan membership consisted of the following:

Retirees and Beneficiaries Currently Receiving Benefits	12
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	21
Current Active Employees	26
Nonvested Benefits	<u>10</u>
Total Membership in the Plan	<u><u>69</u></u>

Contributions

The plan members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate is 19.33 percent of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

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

At December 31, 2025, the City reported a net pension liability. The net pension liability was measured as of March 31, 2025. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2025. An expected total pension liability as of December 31, 2025 was determined using standard roll-forward techniques.

(10) Employee Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2025, the City recognized pension expense relative to GMEBS in the amount of \$285,136. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 159,623	\$ (3,580)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	43,498	-
Employer Contributions Subsequent to the Measurement Date	255,570	-
	<u>\$ 458,691</u>	<u>\$ (3,580)</u>

City contributions subsequent to the measurement date of March 31, 2025 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year-End	Amount
2026	\$ 109,506
2027	63,383
2028	16,433
2029	10,219

Actuarial Assumptions - The total pension liability as of December 31, 2025, was determined by an actuarial valuation as of July 1, 2025 using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increase:	2.25% plus service-based merit increases
Cost of Living Adjustments:	N/A
Investment Rate of Return:	7.35%, Ongoing basis, based on long-term expected rate of return pension plan investments.

Mortality Rates

- Healthy Retirees and Beneficiaries: Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.
- Disabled Participants: Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.
- Active Participants, Terminated Vested Participants, and Deferred Beneficiaries: Sex-distinct Pri-2012 head-count weighted Employee Mortality Table.
- Plan Termination Basis (All Lives): 1994 Group Annuity Reserving Unisex Table.

The mortality tables (other than the one used for the plan termination basis) are adjusted from 2012 to future years using sex-distinct generational projection under scale SSA2019-2D to reflect expected mortality improvement.

(10) Employee Retirement Plans (Continued)***Net Pension Liability***

Changes in net pension liability for the year are as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2024	\$ 3,645,390	\$ 2,092,738	\$ 1,552,652
Service Cost	91,117	-	91,117
Interest	271,703	-	271,703
Difference Between Expected and Actual Experience	157,741	-	157,741
Contributions - Employer	-	244,694	(244,694)
Net Investment Income	-	108,003	(108,003)
Benefit Payments	(104,793)	(104,793)	-
Administrative Expense	-	(10,841)	10,841
Net Changes	415,768	237,063	178,705
Balance at December 31, 2025	\$ 4,061,158	\$ 2,329,801	\$ 1,731,357

The City's net pension liability is recorded in the government-wide statement of net position in the amounts of \$1,125,382 for governmental-activities and \$605,975 for business-type activities.

The long-term expected rate of return on pension plan investments was determined using a 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2025 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	6.60%
International Equity	20%	7.03%
Real Estate	10%	3.40%
Global Fixed Income	5%	3.70%
Domestic Fixed Income	20%	2.70%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.375 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the actuarially determined contribution rates. 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 periods of projected benefit payments to determine the total pension liability.

(10) Employee Retirement Plans (Continued)

Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's net pension liability 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%)
Sensitivity of the Net Pension Liability to Changes in the Discount Rate	\$ 2,306,031	\$ 1,731,357	\$ 1,252,788

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report which is publicly available at www.gmanet.com.

(11) Contingent Liabilities

Litigation

During the course of normal operations of the City, various claims and lawsuits arise. The City attorney has advised that there are no potential liabilities that will impair the City's financial position as of the date of this audit report.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAY, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS

Total Pension Liability	2025	2024	2023
Service Cost	\$ 91,117	\$ 81,571	\$ 65,460
Interest on Total Pension Liability	271,703	254,482	198,253
Difference Between Expected and Actual Experience	157,741	(7,160)	128,006
Benefit Payments, Including Refunds of Employee Contributions	(104,793)	(105,070)	(96,601)
Other	-	-	455,430
Net Change in Total Pension Liability	415,768	223,823	750,548
Total Pension Liability - Beginning	3,645,390	3,421,567	2,671,019
Total Pension Liability - Ending	\$ 4,061,158	\$ 3,645,390	\$ 3,421,567
Plan Fiduciary Net Position			
Contributions - Employer	\$ 244,694	\$ 216,629	\$ 186,904
Net Investment Income	108,003	294,913	(113,179)
Benefit Payments, Including Refunds of Member Contributions	(104,793)	(105,070)	(96,601)
Administrative Expenses	(10,841)	(9,053)	(12,846)
Net Change in Plan Fiduciary Net Position	237,063	397,419	(35,722)
Plan Fiduciary Net Position - Beginning	2,092,738	1,695,319	1,731,041
Plan Fiduciary Net Position - Ending	\$ 2,329,801	\$ 2,092,738	\$ 1,695,319
City's Net Pension Liability (Asset) - Ending	\$ 1,731,357	\$ 1,552,652	\$ 1,726,248
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.37%	57.41%	49.55%
Covered-Employee Payroll	1,676,250	1,569,108	1,434,511
Net Pension Liability as a Percentage of Covered-Employee Payroll	103.29%	98.95%	120.34%

See accompanying notes to the required supplementary information which are an integral part of the financial statements.

CITY OF GRAY, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS
(CONTINUED)

2022	2021	2020	2019	2018	2017	2016
\$ 62,271	\$ 56,291	\$ 40,288	\$ 40,286	\$ 41,554	\$ 37,831	\$ 41,553
182,088	155,120	114,211	99,637	87,298	85,512	79,822
46,581	197,851	78,842	94,886	49,519	(66,619)	(14,131)
(53,293)	(45,832)	(44,690)	(36,287)	(33,553)	(33,821)	(33,821)
-	-	376,420	-	18,332	-	-
237,647	363,430	565,071	198,522	163,150	22,903	73,423
2,433,372	2,069,942	1,504,871	1,306,349	1,143,199	1,120,296	1,046,873
\$ 2,671,019	\$ 2,433,372	\$ 2,069,942	\$ 1,504,871	\$ 1,306,349	\$ 1,143,199	\$ 1,120,296
\$ 160,058	\$ 104,104	\$ 79,221	\$ 66,990	\$ 69,433	\$ 74,129	\$ 75,298
93,207	469,758	(78,791)	37,562	111,517	97,753	2,776
(53,293)	(45,832)	(44,690)	(36,287)	(33,553)	(33,821)	(33,821)
(10,227)	(9,973)	(12,975)	(10,528)	(10,333)	(10,618)	(7,666)
189,745	518,057	(57,235)	57,737	137,064	127,443	36,587
1,541,296	1,023,239	1,080,474	1,022,737	885,673	758,230	721,643
\$ 1,731,041	\$ 1,541,296	\$ 1,023,239	\$ 1,080,474	\$ 1,022,737	\$ 885,673	\$ 758,230
\$ 939,978	\$ 892,076	\$ 1,046,703	\$ 424,397	\$ 283,612	\$ 257,526	\$ 362,066
64.81%	63.34%	49.43%	71.80%	78.29%	77.47%	67.68%
1,380,489	1,342,475	1,167,082	1,139,991	1,100,149	1,049,773	1,000,466
68.09%	66.45%	89.69%	37.23%	25.78%	24.53%	36.19%

See accompanying notes to the required supplementary information which are an integral part of the financial statements.

CITY OF GRAY, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025
SCHEDULE OF CITY CONTRIBUTIONS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contributions	*	\$ 290,370	\$ 192,049	\$ 182,323	\$ 152,637	\$ 87,926	\$ 73,653	\$ 64,769	\$ 70,988	\$ 75,176
Contributions in Relation to the Actuarially Determined Contribution	*	241,975	192,049	184,473	152,637	87,926	75,653	64,769	70,988	75,176
Contribution Deficiency (Excess)	*	\$ 48,395	\$ -	\$ (2,150)	\$ -	\$ -	\$ (2,000)	\$ -	\$ -	\$ -
City's Covered-Employee Payroll	N/A	\$1,569,108	\$1,434,511	\$1,380,489	\$1,180,487	\$1,167,082	\$1,139,991	\$1,067,035	\$1,017,020	\$1,000,466
Contributions as a Percentage of Covered-Employee Payroll	N/A	15.42%	13.39%	13.36%	12.93%	7.53%	6.64%	6.07%	6.98%	7.51%

* 2025 information will be determined after fiscal year end and will be included in the 2026 valuation report.

See accompanying notes to the required supplementary information which are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2025

Changes of Assumptions

There were no changes in plan provisions in the valuation and there were no changes in methods or assumptions in the valuation.

Valuation date	The actuarially determined contribution rate was determined as of July 1, 2025, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the year ending December 31, 2026.
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Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost method:	Entry age normal
Amortization Method:	Closed level dollar for the remaining unfunded liability
Remaining Amortization Period:	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years.
Asset Valuation Method:	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10 percent of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20 percent of market value.
Net Investment Rate of Return:	7.375 percent
Projected Salary Increases:	2.25 percent plus service-based merit increases
Cost of Living Adjustments:	N/A
Retirement Age:	Ages 55-59 rate of 10 percent, age 60 rate of 20 percent, age 61 rate of 25 percent, age 62 rate of 35 percent, age 63 rate of 40 percent, age 64 rate of 45 percent, age 65 rate of 50 percent, ages 66-71 rate of 25 percent and age 72 and over rate of 100 percent.
Mortality	Healthy retirees and beneficiaries – Sex-distinct Pri-2012 head count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25 Disabled participants – Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25 Active participants, terminated vested participants, and deferred beneficiaries – Sex-distinct Pri-2012 head-count weighted Employee Mortality Table Plan termination basis (all lives) – 1994 Group Annuity Reserving Unisex Table The mortality tables (other than the one used for the plan termination basis) are projected generationally from 2012 to future years using 60% of the sex-distinct improvement rates under the 2019 OASDI Trustees Report used for the intermediate alternative.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for the specified purposes other than debt service or capital projects.

Law Enforcement Confiscation Fund - This fund accounts for condemned funds restricted for Law enforcement expenditures.

Public Safety VR Grant Fund - This fund accounts for the proceeds and expenditures related to the Public Safety and Community Violence Reduction Project.

Hotel / Motel Fund - This fund accounts for the hotel/motel taxes collected and expenditures relative to tourism.

2022 CHIP Grant Fund - This fund accounts for the proceeds and expenditures related to the 2022 CHIP Grant Project.

American Rescue Plan Fund - This fund accounts for the American Rescue Plan grants received and expenditures relative to the grant.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Improvements Fund - This fund is used to account for the purchase or construction of major capital facilities or equipment for the City.

**CITY OF GRAY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025**

	Special Revenue Funds					Capital Project Fund	Total Nonmajor Governmental Funds
	Law Enforcement Confiscation Fund	Public Safety VR Grant Fund	Hotel / Motel Fund	2022 CHIP Grant Fund	American Rescue Plan Fund	Capital Improvements Fund	
Assets							
Cash and Cash Equivalents	\$ 10,244	\$ 69	\$ 1,033	\$ 36	\$ -	\$ 76,393	\$ 87,775
Accounts Receivable	-	-	1,539	-	-	-	1,539
Total Assets	\$ 10,244	\$ 69	\$ 2,572	\$ 36	\$ -	\$ 76,393	\$ 89,314
Liabilities							
Accounts Payable	\$ -	\$ -	\$ 1,580	\$ -	\$ -	\$ -	\$ 1,580
Due to Other Funds	-	39	100	36	-	-	175
Total Liabilities	-	39	1,680	36	-	-	1,755
Fund Balances							
Restricted	10,244	30	892	-	-	-	11,166
Assigned	-	-	-	-	-	76,393	76,393
Total Fund Balances	10,244	30	892	-	-	76,393	87,559
Total Liabilities and Fund Balances	\$ 10,244	\$ 69	\$ 2,572	\$ 36	\$ -	\$ 76,393	\$ 89,314

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

	Special Revenue Funds					Capital Project Fund	Total Nonmajor Governmental Funds
	Law Enforcement Confiscation Fund	Public Safety VR Grant Fund	Hotel / Motel Fund	2022 CHIP Grant Fund	American Rescue Plan Fund	Capital Improvements Fund	
Revenues							
Taxes	\$ -	\$ -	\$ 15,368	\$ -	\$ -	\$ -	\$ 15,368
Intergovernmental	-	4,901	-	164,875	5,857	-	175,633
Fines and Forfeitures	70	-	-	-	-	-	70
Investment Earnings	19	2	-	-	5	114	140
Total Revenues	89	4,903	15,368	164,875	5,862	114	191,211
Expenditures							
Current							
General Government	-	-	15,363	-	-	-	15,363
Public Safety	2,500	4,900	-	-	-	-	7,400
Housing Development	-	-	-	164,875	-	-	164,875
Capital Outlay	-	-	-	-	11,212	-	11,212
Total Expenditures	2,500	4,900	15,363	164,875	11,212	-	198,850
Net Change in Fund Balances	(2,411)	3	5	-	(5,350)	114	(7,639)
Fund Balances - Beginning of Year	12,655	27	887	-	5,350	76,279	95,198
Fund Balances - End of Year	\$ 10,244	\$ 30	\$ 892	\$ -	\$ -	\$ 76,393	\$ 87,559

**CITY OF GRAY, GEORGIA
LAW ENFORCEMENT CONFISCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Fines and Forfeitures	\$ 10,000	\$ 70	\$ (9,930)
Investment Earnings	-	19	19
Total Revenues	<u>10,000</u>	<u>89</u>	<u>(9,911)</u>
Expenditures			
Current			
Public Safety	<u>10,000</u>	<u>2,500</u>	<u>7,500</u>
Total Expenditures	<u>10,000</u>	<u>2,500</u>	<u>7,500</u>
Net Change in Fund Balance	-	(2,411)	(2,411)
Fund Balance - Beginning of Year	<u>12,655</u>	<u>12,655</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 12,655</u>	<u>\$ 10,244</u>	<u>\$ (2,411)</u>

**CITY OF GRAY, GEORGIA
PUBLIC SAFETY VR GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 4,901	\$ 4,901	\$ -
Investment Earnings	-	2	2
Total Revenues	4,901	4,903	2
Expenditures			
Current			
Public Safety	4,901	4,900	1
Total Expenditures	4,901	4,900	1
Net Change in Fund Balance	-	3	3
Fund Balance - Beginning of Year	27	27	-
Fund Balance - End of Year	\$ 27	\$ 30	\$ 3

**CITY OF GRAY, GEORGIA
HOTEL / MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 15,363	\$ 15,368	\$ 5
Total Revenues	<u>15,363</u>	<u>15,368</u>	<u>5</u>
Expenditures			
Current			
General Government	15,363	15,363	-
Total Expenditures	<u>15,363</u>	<u>15,363</u>	<u>-</u>
Net Change in Fund Balance	-	5	5
Fund Balance - Beginning of Year	<u>887</u>	<u>887</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 887</u>	<u>\$ 892</u>	<u>\$ 5</u>

CITY OF GRAY, GEORGIA
2022 CHIP GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 164,875	\$ 164,875	\$ -
Total Revenues	164,875	164,875	-
Expenditures			
Current			
Housing and Development	164,875	164,875	-
Total Expenditures	164,875	164,875	-
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of Year	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -

**CITY OF GRAY, GEORGIA
AMERICAN RESCUE PLAN FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 155,000	\$ 5,857	\$ (149,143)
Interest Earnings	-	5	5
Total Revenues	155,000	5,862	(149,138)
Expenditures			
Current			
Public Safety	143,788	-	143,788
Capital Outlay	11,212	11,212	-
Total Expenditures	155,000	11,212	143,788
Net Change in Fund Balance	-	(5,350)	(5,350)
Fund Balance - Beginning of Year	4,877	5,350	473
Fund Balance - End of Year	\$ 4,877	\$ -	\$ (4,877)

CITY OF GRAY, GEORGIA
SCHEDULES OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEARS ENDED DECEMBER 31, 2025

	Original Estimated Cost	Expenditures			Total
		Prior Years	Current Year		
2021 SPLOST					
Water and Sewer System Improvements	\$ 1,612,800	\$ 568,195	\$ 268,008	\$	836,203
Police Vehicles	428,400	254,340	174,794		429,134
Street Improvements	226,800	184,758	15,815		200,573
Fire Equipment, Vehicles, and Facilities	138,600	65,061	16,306		81,367
Public Works Vehicles and Equipment	113,400	62,647	102,016		164,663
Total 2021 SPLOST	\$ 2,520,000	\$ 1,135,001	\$ 576,939	\$	1,711,940

CITY OF GRAY, GEORGIA
BALANCE SHEET
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY
DECEMBER 31, 2025

Assets	
Cash and Cash Equivalents	\$ 47,585
Accounts Receivable	2,425
Total Assets	\$ 50,010
Liabilities	
Security Deposit	\$ 5,400
Total Liabilities	5,400
Fund Balances	
Assigned	30,000
Unassigned	14,610
Total Fund Balances	44,610
Total Liabilities and Fund Balances	\$ 50,010

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balances - Downtown Development Authority	\$ 44,610
 Capital Assets	
Cost of the Assets	2,001,742
Accumulated Depreciation	(103,815)
 Long-Term Liabilities	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued by governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.	
Long-term liabilities at year-end consist of the following:	
Finance Purchase Option	(135,173)
Net Position of Downtown Development Authority	\$ 1,807,364

CITY OF GRAY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2025

Revenues	
Intergovernmental	\$ 20,000
Rental Income	143,035
Donations	3,710
Total Revenues	166,745
Expenditures	
Current	
Housing and Development	202,031
Debt Service	
Principal	10,710
Interest	2,790
Capital Outlay	190,115
Total Expenditures	405,646
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	(238,901)
Other Financing Sources (Uses)	
Proceeds from Issuance of Debt	145,883
Total Other Financing Sources (Uses)	145,883
Net Change in Fund Balance	(93,018)
Fund Balance - Beginning of Year	137,628
Fund Balance - End of Year	\$ 44,610

CITY OF GRAY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2025

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance - Downtown Development Authority	\$	(93,018)
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Capital Assets

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Total Capital Outlays		190,115
Total Depreciation		(24,845)

Long-Term Liabilities

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustments for these items are as follows:

Finance Purchase Option Issued		(145,883)
Principal Paid on Finance Purchase Option		10,710

Change in Net Position of Downtown Development Authority	\$	(62,921)
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GOVERNMENTAL REPORT

May 15, 2026

**INDEPENDENT AUDITOR'S 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***

Mayor and City Council
City of Gray, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Gray, Georgia** (the City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 15, 2026.

Report on 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 (internal control) as a basis for designing 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 City'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.

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. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. 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*.

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 results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mc Nair, Mc Lemoire, Middlebrooks & Co., LLC
McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

CITY OF GRAY, GEORGIA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

There was not an audit of major federal award programs for the year ended December 31, 2025 due to the total amount expended being less than \$1,000,000.

Section II - Financial Statement Findings

Findings noted on the Independent Auditor's 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*:

None Reported