Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Battle Ground

For the period January 1, 2025 through December 31, 2025

Published July 2, 2026

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Office of the Washington State Auditor
Pat McCarthy

July 2, 2026

City Council
City of Battle Ground
Battle Ground, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Battle Ground's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Battle Ground
January 1, 2025 through December 31, 2025

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of the City of Battle Ground are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

ALN	Program or Cluster Title
21.027	COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $1,000,000.

The City qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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*

City of Battle Ground
January 1, 2025 through December 31, 2025

City Council
City of Battle Ground
Battle Ground, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Battle Ground, 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 June 24, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

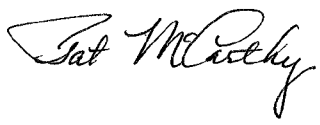
REPORT ON COMPLIANCE AND OTHER MATTERS

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. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

June 24, 2026

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Battle Ground
January 1, 2025 through December 31, 2025

City Council
City of Battle Ground
Battle Ground, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Battle Ground, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2025. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance 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 opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also

serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

June 24, 2026

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Battle Ground
January 1, 2025 through December 31, 2025

City Council
City of Battle Ground
Battle Ground, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Battle Ground, 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 financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Battle Ground, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Street funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- 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; and
- 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 and required supplementary information listed in the financial section of our report 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 June 24, 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 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.



Pat McCarthy, State Auditor

Olympia, WA

June 24, 2026

FINANCIAL SECTION

City of Battle Ground
January 1, 2025 through December 31, 2025

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2025

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2025
Statement of Activities – 2025
Governmental Funds Balance Sheet – 2025
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2025
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – 2025
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund – 2025
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Street Fund – 2025
Statement of Net Position – Proprietary Funds – 2025
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2025
Statement of Cash Flows – Proprietary Funds – 2025
Statement of Fiduciary Net Position – Fiduciary Funds – 2025
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2025
Notes to Financial Statements – 2025

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 OPEB – 2025
Schedule of Proportionate Share of Net Pension Liability (Asset) – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2025
Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2025
Notes to Required Supplemental Information – Pension – 2024

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2025
Notes to the Schedule of Expenditures of Federal Awards – 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) is a narrative overview and analysis of the financial activities of the City of Battle Ground for the fiscal year ended December 31, 2025. This information should be read in conjunction with the basic financial statements and notes to the financial statements that follow. The discussion and analysis include comparative data for 2024.

2025 FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows by $254.8 million (*net position*), a $16.9 million, 7.1 percent, increase from 2024. Of the City's $254.8 million net position amount, $80.3 million represents unrestricted net position of which $27.4 million is unrestricted net position of the governmental activities and $52.8 million is unrestricted net position of the business-type activities. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

- Net investment in capital assets accounts for 59.4 percent of total net position, with a value of $151.3 million, an increase of $10.3 million over 2024.

- The City's total governmental funds reported combined ending fund balances of $49.5 million, an increase of $4.7 million over 2024. Of the total $19.4 million of restricted fund balance, $18.8 million is restricted for capital purposes. Remaining fund balances include $3.3 million assigned to LEOFF 1, parks, insurance reserve, and streets; and $26.9 million is unassigned to the general fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serve as an introduction to the City's basic financial statements and is intended to assist users in interpreting the basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements present the City's financial condition in a manner similar to private sector statements. These statements distinguish functions of the City that are primarily supported by taxes and intergovernmental revenues ("governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities").

Governmental activities of the City include a full range of local government services provided to the public, such as law enforcement and public safety, road construction and maintenance, community planning and development, parks and recreation facilities, and other community services. These activities are primarily supported by taxes, licenses and permits, fines and forfeitures, and charges for general governmental services.

Business-type activities of the City are mainly supported by user fees and charges. The business-type activities of the City include storm water drainage, water, and sewer utilities and internal services for fleet administration and technology.

Statement of Net Position

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

Statement of Activities

This statement presents information designed on how the City's net position changed during the fiscal year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. Revenue generated by the specific functions (charges for services, grants, and contributions) is compared to expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general funding sources for support. All changes in net position are reported using the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of the timing of related cash flows. Items such as, but not limited to, uncollected taxes, unpaid vendor invoices for goods or services received during the year and earned but unused vacation leave are included in the statement of activities as revenue and expenses, even though no cash has changed hands.

Fund Financial Statements

A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions, or limitations. The City, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. All the City's funds are divided into three categories: governmental funds, proprietary funds, or fiduciary funds.

Governmental Funds

Governmental funds represent most of the City's basic services such as public safety, parks, streets and many other general administrative type services. The City maintains thirteen individual governmental funds. The general fund is a major fund and, for reporting purposes, includes the general, parks, insurance reserve, LEOFF I, and economic stabilization funds. Major funds for the City include the real estate excise tax fund, street fund, and capital projects fund. Financial data for the remaining governmental funds are combined into a single, aggregated presentation. These other nonmajor governmental funds include special revenue funds, capital project funds, and debt service fund.

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

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

The City maintains budgetary controls over its operating funds through council adoption of the budget. Budgets are adopted at the fund level for all funds in accordance with state law. Budgetary comparison schedules are presented in this report following the combining statements of other governmental funds.

Proprietary Funds

Proprietary funds account for business-type activities. Business-type activities provide specific goods or services to a group of customers paid for by fees charged to those customers. The City has two types of proprietary fund: enterprise funds and internal service funds. Enterprise funds account for goods and services provided to citizens

and the community. Internal service funds account for goods and services provided internally to various City departments. The same basis of accounting is used for proprietary funds in both the government-wide statements and the individual fund statements.

Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. Fund statements provide more detail than is reported in the government-wide statements. The City uses enterprise funds to account for storm drainage, water, and sewer utilities.

Internal service funds report activities that provide supplies and services for City programs. Internal service funds account for fleet administration and technology. Given that these services benefit governmental operations more than business-type functions, internal service funds are included within governmental activities in the government-wide financial statements.

Fiduciary Fund

Fiduciary funds account for financial transactions which are not derived from the City's own source revenues and the City does not have administrative involvement. The Fiduciary Fund for the City accounts for the City's court remittances to the Washington State Administrative Office of the Courts and Clark County. It also accounts for the funds for the Washington State Department of Revenue and Department of Licensing, leasehold excise tax on property rentals, use tax on invoices in which sales tax was not charged, state building code fees, and state gun permit fees for concealed weapon licenses.

Notes to the Financial Statements

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

Other Information

This report also presents certain required supplementary information regarding pension related data and postemployment medical benefits to uniformed personnel hired before October 1, 1977. Required supplementary information is located immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The *Statement of Net Position* can serve as a useful indicator of the City's financial position. The City's total net position was $254.8 million at December 31, 2025 as compared to $237.9 million at December 31, 2024. The following is a condensed version of the *Government-wide Statement of Net Position*.

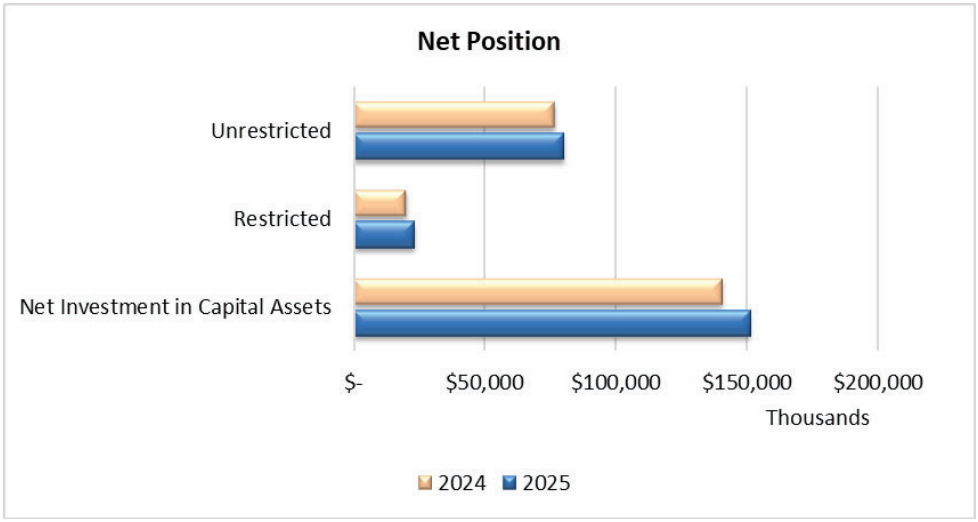
Net position						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	$ 57,044,925	$ 55,292,036	54,133,290	50,913,205	$ 111,178,215	$ 106,205,241
Capital assets (net of depr)	81,393,787	75,675,945	78,830,771	75,450,832	160,224,558	151,126,777
Total assets	138,438,712	130,967,981	132,964,061	126,364,037	271,402,773	257,332,018
Total Deferred Outflow of Resources	3,435,117	3,115,279	492,050	488,199	3,927,167	3,603,478
Liabilities						
Long-term liabilities outstanding	5,496,991	5,912,171	6,333,065	6,929,398	11,830,056	12,841,569
Other liabilities	6,203,843	7,158,259	1,286,394	1,751,718	7,490,237	8,909,977
Total liabilities	11,700,834	13,070,430	7,619,459	8,681,116	19,320,293	21,751,546
Total Deferred Inflow of Resources	1,079,333	1,147,863	100,908	115,874	1,180,241	1,263,737
Net position						
Net investment in capital assets	78,980,020	72,975,678	72,316,751	68,054,893	151,296,771	141,030,571
Restricted	22,624,522	19,695,941	578,632	552,512	23,203,154	20,248,453
Unrestricted	27,489,120	27,193,348	52,840,361	49,447,841	80,329,481	76,641,189
Total net position	$129,093,662	$119,864,967	$125,735,744	$118,055,246	$ 254,829,406	$ 237,920,213

The largest portion of the City's net position is its net investment in capital assets. This category makes up 59.4 percent of the City's total net position and though the City uses these capital assets to provide services to its citizens, these assets are not available for future spending.

Restricted net position makes up 9.1 percent of the total net position and represents the resources that are subject to external restrictions on how they may be used. These restrictions include debt covenants, enabling legislation, grant requirements, or other legal or contractual reason which imposes a limit on the use of the assets which is outside the control of the City.

The remaining balance of $80.3 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. Although this amount is unrestricted, a significant portion has been reserved or set aside for various purposes. The increase of $3.6 million in unrestricted fund balance comes from $4.2 million in unrestricted investment earnings; increase of $1.0 million in governmental charges for services; utility rate increases approximately $836,878, and an increase of $1.1 million in taxes; these increases were offset by two large capital asset disposal in streets and sewer. The City completed its SR503 pathway in 2025 and turned the asset over to the Washington State Department of Transportation, disposal of $1.4 million. The City also reached full sewer capacity for its intangible asset and was disposed of $2.2 million.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

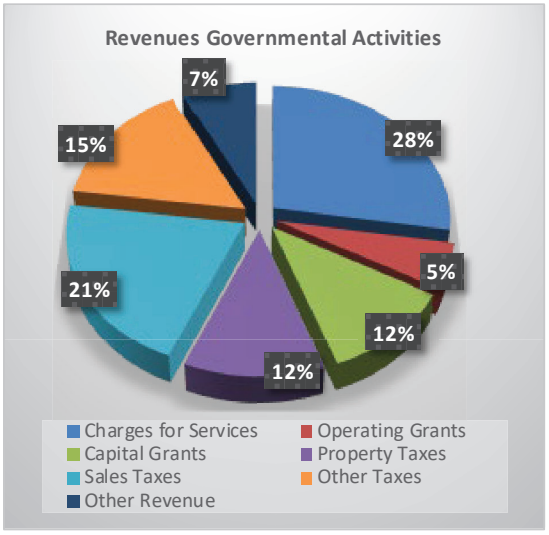


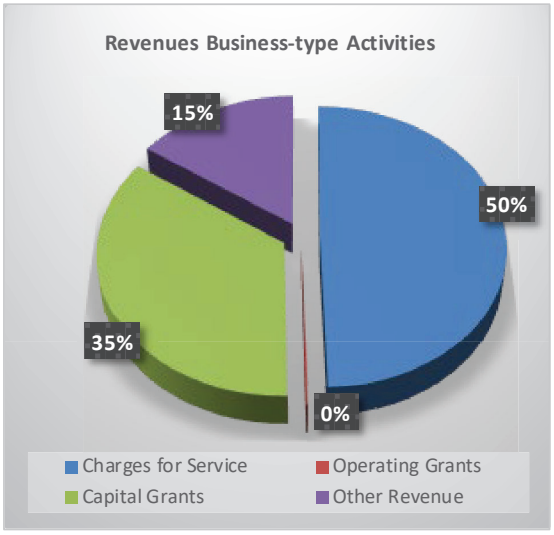
Statement of Activities

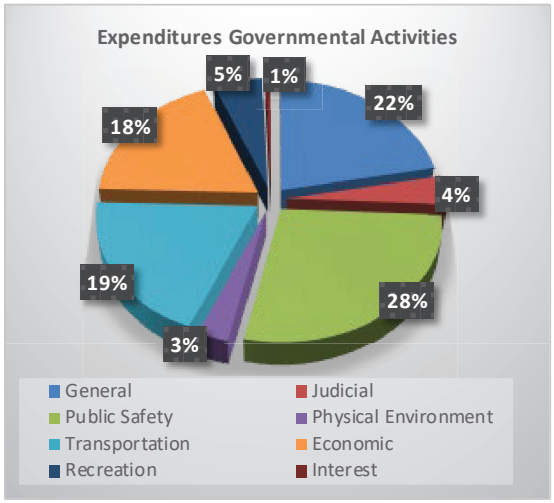
The *Statement of Activities* reports the change in net position for the fiscal year. At December 31, 2025, total ending net position increased by $16.9 million, or 7.1 percent. Business-type funds increased by $7.7 million, or 6.5 percent, primarily due to infrastructure contributions by developers. Net position of governmental activities increased by $9.2 million, or 7.7 percent, due to federal/state capital grant funding, building activity remaining strong, and expenditures coming under budget across all funds.

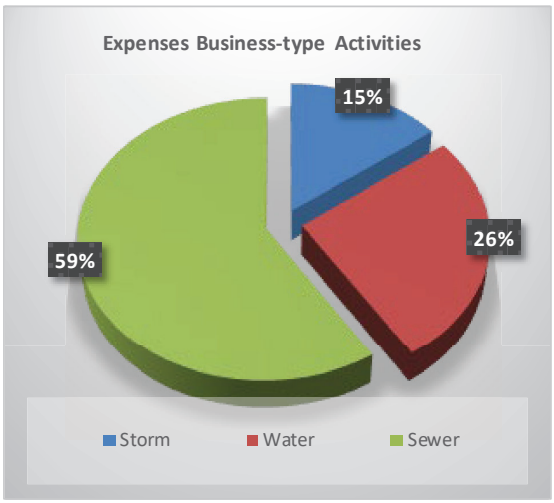
The full statement is a tabular depiction of the relationship of revenues and expenses for the City's governmental activities and proprietary funds. The graphs that follow illustrate the sources of revenue and the balance of governmental versus business type expenses for 2025.

Statement of Activities						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for Services	$ 9,991,286	$ 9,640,794	$ 13,182,997	$ 12,346,119	$ 23,174,283	$ 21,986,913
Operating Grants	1,966,452	1,930,051	50,141	109,089	2,016,593	2,039,140
Capital Grants	4,155,731	6,911,797	9,328,398	10,547,552	13,484,129	17,459,349
General Revenue						
Property Taxes	4,285,380	4,119,354	-	-	4,285,380	4,119,354
Sales Taxes	7,530,712	7,126,007	-	-	7,530,712	7,126,007
Other Taxes	5,582,746	5,023,127	-	-	5,582,746	5,023,127
Interest Income	2,163,089	2,287,715	2,058,719	2,209,165	4,221,808	4,496,880
Other Revenues	508,620	651,060	3,441	4,988	512,061	656,048
Transfers	-	-	2,033,426	2,093,136	2,033,426	2,093,136
Total Revenues	36,184,016	37,689,905	26,657,122	27,310,049	62,841,138	64,999,954
Expenses						
General Government	3,889,481	3,937,553	-	-	3,889,481	3,937,553
Judicial	1,020,857	903,485	-	-	1,020,857	903,485
Public Safety	7,468,831	7,184,633	-	-	7,468,831	7,184,633
Physical Environment	768,393	697,684	-	-	768,393	697,684
Transportation	5,169,877	3,732,077	-	-	5,169,877	3,732,077
Economic Environment	4,995,959	5,305,097	-	-	4,995,959	5,305,097
Culture and Recreation	1,445,947	1,720,145	-	-	1,445,947	1,720,145
Storm Drainage	-	-	2,784,369	2,530,491	2,784,369	2,530,491
Water	-	-	4,995,121	4,507,703	4,995,121	4,507,703
Sewer	-	-	11,197,134	8,137,188	11,197,134	8,137,188
Interest Expense	162,550	185,380	-	-	162,550	185,380
Transfers	2,033,426	2,093,136	-	-	2,033,426	2,093,136
Total Expenses	26,955,321	25,759,190	18,976,624	15,175,382	45,931,945	40,934,572
Change in Net Position	9,228,695	11,930,715	7,680,498	12,134,667	16,909,193	24,065,382
Net Position - beginning	119,864,967	108,124,301	118,055,246	105,949,209	237,920,213	214,073,510
Change in accounting principle	-	(190,049)	-	(28,630)	-	(218,679)
Net Position - ending	$129,093,662	$119,864,967	$125,735,744	$118,055,246	$ 254,829,406	$ 237,920,213









Governmental Activity Analysis

Taxes are the main source of revenue that support governmental activities. The three major tax sources are property tax, sales and use tax, and utility taxes.

Property tax is a fairly stable source of revenue for the City. However, property tax growth is dependent upon new construction and annexations since Initiative 747 limits tax increases to the lesser of the implicit price deflator or one percent. The City's property tax rate decreased slightly from $1.02 (2024) to $1.00 (2025) of assessed valuations due to increasing assessed valuations, 6.2 percent increase from 2024 to 2025. The tax levy for 2025 tax collections increased $166,026 over the 2024 levy primarily due to new construction, $157,376. Remaining increase is due to the City Council taking the full 1 percent allowed. 2025 property tax collections were $4,285,380.

The sales tax rate in the City is 8.6 percent on all retail sales. Total retail sales and use tax collected increased 5.7 percent in 2025 in comparison to 2024 due to an increase in construction and retail activity in the City. In 2025, sales and use tax revenue was $7,530,712.

Utility taxes may be levied on the gross operating revenues earned by public and private utilities from operations within the City limits. Legislation limits the tax rate that the City may impose on gas, electric, and telephone utilities to six percent unless a vote of the people authorizes a higher rate. There are no restrictions on the tax rates for water, sewer, and storm water utilities. The 2025 City utility tax rate was 12 percent. These "other taxes" generated $3,524,632 of revenue.

Revenues tied to residential development and home purchases saw an increase in 2025. Fees for building permits, building plan checks, right of way permits, and zoning and subdivision services were $2.7 million as compared to $2.6 million in 2024. Real estate excise tax saw an increase with the change in the economy in 2025 compared to 2024, $2.1 million compared to $1.6 million respectively.

Governmental activities expenses increased $1,196,131 (4.6%) over 2024. The City had increases in expenses due to collective bargaining agreements with built-in salary and benefit adjustments, costs of providing health care, increases in retirement costs, and inflationary increases tied to maintaining current service levels. The City also added three new positions in 2025. In addition, the City had $2.0 million in transfers to the water and sewer funds for the American Rescue Plan Act funded capital projects.

Business-Type Activities Analysis

The financial position of the City's business-type funds consists of the storm drainage, water, and sewer funds. Charges for services are the main source of revenue for these business-type activities. Total business-type charges for service revenues increased $836,878 (6.8%) over 2024. This was primarily due to the number of customers increasing from new customers due to development as well as rate increases for current customers. Rates are indexed per recommendations from internal utility rate studies to determine the appropriate rate based on future capital needs as well as inflationary adjustments for operations.

- The storm drainage fund had an overall increase in net position of $673,199 (2.9%) primarily due to new development capital contributions, rate increase, and new accounts due to development.

- The water fund had an overall increase in net position of $4.1 million (11.4%) primarily due to rate increase and new development capital contributions.

- The sewer fund had an overall increase in net position of $2.6 million (4.6%) primarily due to rate increase, new development capital contributions and new accounts due to development.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds Analysis

As noted earlier, the City of Battle Ground uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City's governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unassigned fund balance may serve as a useful measure of the City's net resources available for discretionary use as these resources represent the portion of fund balance which has not yet been limited as to use for a

particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for specific purposes by City council.

At December 31, 2025, the City's governmental funds reported combined fund balances of $49.5 million, an increase of $4.7 million over 2024. $26.9 million of this amount constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either: restricted for specific purposes in the amount of $19.4 million; or assigned for specific purposes in the amount of $3.3 million.

The general fund is the chief operating fund of the City. At the end of the fiscal year, unassigned fund balance of the general fund was $26,920,017, while total governmental fund balance increased to $49,549,083. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represents approximately 100.8% of total general fund expenditures, while total fund balance represents approximately 109.1% of that same amount.

Statement of Governmental Fund Balances

	2025	2024	$ Change
General Fund			
Restricted	211,292	206,675	4,617
Committed	-	-	-
Assigned	1,743,802	2,364,087	(620,285)
Unassigned	26,920,017	24,328,170	2,591,847
Total General Fund	$ 28,875,111	$ 26,898,932	$ 1,976,179
All Other Governmental Funds			
Restricted	19,154,165	16,474,997	2,679,168
Assigned	1,541,790	1,481,616	60,174
Unassigned	(21,983)	-	(21,983)
Total All Other Governmental Funds	$ 20,673,972	$ 17,956,613	$ 2,717,359
Total Governmental Fund Balance	$ 49,549,083	$ 44,855,545	$ 4,693,538

The $4.7 million increase to the governmental fund balance is due to several factors. Of this increase, $1.5 million, 31.1 percent of fund balance increase, comes from real estate excise tax collections exceeding use of the restricted funds. Park and transportation impact fees collected exceeded use of the restricted source by $728,670, 15.5 percent of fund balance increase. Interest earnings for all governmental funds brought in $2.1 million, 44.9 percent of the fund balance increase, which was not anticipated for 2025 due to the high interest earning rates.

For the General Fund, the increase of $2.0 million from 2024 is due to development activity exceeding expectations by $1.1 million, 56.9 percent of the fund balance increase. Interest earnings exceeded expectations by $797,482, 40.3 percent of the fund balance increase. General Fund expenses were $26.5 million compared to $26.7 million in 2024, 0.1 percent decrease. The decrease is related to the general fund transferring out less funds to the street fund for preservation than the prior year.

Real Estate Excise Tax Fund saw an increase in total tax collected from home sales bringing in $2.1 million compared to $1.6 million in 2024. These funds are used to support City capital projects and total transfers out to the Capital Project Fund were $587,810 to pay for the City's HVAC replacement project at the Community Center.

The Street Fund is supported heavily by the General Fund with a transfer of $2.1 million to support operations and the pavement preservation program. The City also collects a Transportation Benefit District sales tax of 0.1% which brought in revenues of $696,398 which is an increase from 2024 of 5.9 percent. Total expenses for the Street Fund were $3.3 million same as in 2024, $3.3 million.

The Capital Project Fund is where the City tracks its governmental capital projects for governmental activities. Projects are funded by state and federal grants (intergovernmental) in addition to local funds such as impact fees and the general fund. The City expended $4.4 million on multiple capital projects as compared to $3.5 million in 2024. These projects were funded 14.2 percent by intergovernmental revenues and 85.8 percent local funds.

Business-Type Funds Analysis

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements for business-type activities, although in more detail. Internal service funds, although proprietary, are not included within business-type activities.

Proprietary funds are those funds that account for government operations where the intent is for the costs to be primarily paid for by user charges. Enterprise funds are those funds that provide services primarily to external users, and internal service funds provide their services primarily within the City, or to other governmental units. The City has three business-type funds, all of which are enterprise funds.

The water fund and the sewer fund are the two largest enterprise funds of the City. The water fund accounts for 32.1%, the sewer fund 48.4%, and the storm drainage fund 19.5% of the total net position for enterprise funds. The water fund had total net position at year-end of $39.8 million, the sewer fund $59.9 million, and the storm drainage fund $24.0 million. The utility funds each showed an operating loss, primarily for depreciation expense. After capital contributions and interest earnings, the storm drainage, sewer, and water funds reported an increase in net position.

Total water fund operating revenues for 2025 were $4.1 million which is an increase of $263,684 from 2024, due to rate increase as well as new system connections. Total operating expenses were $5.0 million as compared to $4.7 million in 2024. This increase is primarily due to an increase in the amount of water purchased for distribution.

Total sewer fund operating revenues for 2025 were $7.1 million as compared to $6.6 million in 2024, an increase of $454,935. The increase is due to rate increase as well as new customers as new homes are built in the City. Total operating expenses were $8.9 million as compared to $8.2 million in 2024. This increase is primarily due to an increase in contracted wastewater treatment with the Discover Clean Water Alliance.

Total storm drainage operating revenues for 2025 were $2.1 million which was a $118,259 increase from 2024. The increase is due to rate increase as well as new customers as new homes are built in the City. Total operating expenses were $2.9 million for 2025 as compared to $2.7 million in 2024. This increase is due to an increase in contracted professional services related to the storm drainage system plan.

Statement of Proprietary Fund Net Position								
	Business-type Activities Enterprise Funds						Governmental Activities	
	Storm Drainage		Water		Sewer		Internal Service	
	2025	2024	2025	2024	2025	2024	2025	2024
Net Position								
Net Investment in Capital Assets	19,443,362	18,820,207	24,168,794	20,794,163	28,704,595	28,440,523	3,376,737	1,813,040
Restricted (Pension)	101,582	88,581	103,987	94,337	75,285	71,816	-	-
Restricted (Debt Service)	-	-	-	-	297,778	297,778	-	-
Unrestricted	4,484,829	4,447,786	15,523,604	14,826,273	30,826,769	28,462,395	866,541	1,881,047
Total Net Position	$ 24,029,773	$ 23,356,574	$ 39,796,385	$ 35,714,773	$ 59,904,427	$ 57,272,512	$ 4,243,278	$ 3,694,087

GENERAL FUND BUDGETARY HIGHLIGHTS

The City appropriated funds through the adoption of the 2025 annual budget. Budget amendments are made throughout each year of the annual budget as needed and approved by ordinance action by City council. The following table shows the changes between the original and the final biennial general fund budget (does not include parks and reserve funds), and the variances between the final budget to actual revenues and expenditures:

	Original 2025 budget	Final 2025 Budget	Change Increase (Decrease)	Actual at 12/31/2025	Variance Positive (Negative)	Percentage of Actual to Budget
Revenues:						
Taxes	$ 13,921,217	$ 13,921,217	$ -	$ 14,295,372	$ 374,155	103%
License and permits	1,422,795	1,422,795	-	2,415,410	992,615	170%
Intergovernmental	5,540,890	5,810,083	269,193	3,961,668	(1,848,415)	68%
Charges for services	5,072,196	6,072,196	1,000,000	6,053,602	(18,594)	100%
Other revenues	718,164	753,164	35,000	1,514,221	761,057	201%
Total revenues	26,675,262	27,979,455	1,304,193	28,240,273	260,818	101%
Expenditures:						
General government	5,415,893	5,846,158	430,265	5,267,592	578,566	90%
Judicial	1,041,361	1,153,361	112,000	1,045,543	107,818	91%
Security/Persons and property	7,914,846	7,981,279	66,433	7,577,035	404,244	95%
Physical Environment	1,071,381	1,071,381	-	786,323	285,058	73%
Economic Environment	4,837,606	5,771,173	933,567	5,004,341	766,832	87%
All other expenditures	6,954,900	8,763,900	1,809,000	6,375,527	2,388,373	73%
Total Expenditures	27,235,987	30,587,252	3,351,265	26,056,361	4,530,891	85%

Increases in appropriations were related to Kiwanis Park Improvements, school impact fee remittances, police storage facility, senior center furniture, legal services, senior center remodel, grant pass through to Vancouver Housing Authority, building lighting audit, street feasibility study, and increased judicial expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, including construction in progress, totals $160.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, infrastructural improvements, intangible assets, machinery and equipment, park facilities, and construction in progress. Capital assets are affected by various additions and deletions, and by depreciation. Additions are from the purchase and/or construction of capital assets, current year work in process expenses, or from developer contributions. Deletions are from the sale or loss of a capital asset. The table below reflects an increase in net capital assets of $9,097,781 million in 2025.

	Governmental Activities		Business-Type Activities		Total Activities	
	2025	2024	2025	2024	2025	2024
Land	$ 16,612,870	$ 16,204,607	$ 4,915,257	$ 4,778,681	$ 21,528,127	$ 20,983,288
Construction in progress	6,741,062	6,519,873	9,947,354	4,075,084	16,688,416	10,594,957
Buildings	8,177,535	8,434,581	1,213,875	1,205,629	9,391,410	9,640,210
Machinery and equipment	4,339,565	2,554,948	406,420	355,845	4,745,985	2,910,793
Infrastructure	45,055,634	41,421,729	62,316,523	61,650,081	107,372,157	103,071,810
Improvements other than buildings	415,872	488,905	14,798	16,442	430,670	505,347
Intangible assets	51,249	51,302	16,544	3,369,070	67,793	3,420,372
Total	$ 81,393,787	$ 75,675,945	$ 78,830,771	$ 75,450,832	$ 160,224,558	$ 151,126,777

Major capital events during the 2025 fiscal year included the following:

- Replacement of police and public works vehicles
- Replacement of HVAC for the community center
- Security camera projects at the police department and skate park
- Kiwanis Park Improvements
- Senior Center Remodel
- 92nd Avenue Sewer Pump Station
- Water Reservoir construction
- Park play structures

Additional information on the City's capital assets is located in Note 4 in the notes to the financial statement in this report.

Long-term Debt

At December 31, 2025, the City had total long-term debt outstanding of $7,813,003. Of this amount, $2,000,000 is general obligation debt. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City's remaining capacity for non-voted long-term general obligation debt is approximately $69.7 million. Standard and Poor's increased the City's rating to "AA" for its general obligation debt in October 2021 citing strong budgetary flexibility and management.

At December 31, 2025 there were outstanding USDA sewer revenue bonds of $4,572,527 and water revenue bonds of $1,172,681 were also outstanding at year end.

The table below is a comparison of the summary for outstanding debt at December 31, 2024 and 2025.

Outstanding Debt

	Governmental Activities		Business-Type Activies		Total Activities	
	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 2,000,000	$ 2,360,000	$ -	$ -	$ 2,000,000	$ 2,360,000
Government loans	-	-	-	-	-	-
Revenue bonds	-	-	5,745,208	6,317,904	5,745,208	6,317,904
Leases	20,622	34,198	-	-	20,622	34,198
SBITA	30,627	17,104	16,546	32,658	47,173	49,762
Total	$ 2,051,249	$ 2,411,302	$ 5,761,754	$ 6,350,562	$ 7,813,003	$ 8,761,864

Additional information on the City's long-term debt is located in Note 8 in the notes to the financial statement in this report.

ECONOMIC OUTLOOK AND FUTURE CONDITIONS

The City serves City residents as well as a greater trade area of about 105,059 people. For the period 2016-2025, the population of Battle Ground increased 16.0 percent, from 19,640 to 22,790 citizens. Residential and commercial development saw a slight increase in 2025, higher than anticipated with the national economic outlook with higher mortgage interest rates. With the higher mortgage rates comes higher interest earnings rates for the City's investments. In 2025 the City continued to receive higher interest rates, average of 4.4%. As the City moves forward, it is challenged to be fiscally sustainable to offer a level of service sufficient to address the rising population. This includes road preservation, public safety, aging infrastructure, utility capacity requirements, as well as recreational opportunities. To address these challenges, the City initiated an on-going visioning process involving community engagement several years ago to be strategic in the future to address the needs of the City.

The City's adopted financial policies continue to guide financial operations and the 2025 budget process. With a backlog of deferred maintenance, compliance with constantly changing statewide legislative and regulatory mandates, and increased operational costs, a shorter budget cycle and longer planning horizon provides a better opportunity for focusing on core services identified by City council and responding to market and economic factors. The 2025 budget reflected a conservative outlook due to regional national economic concerns due to the 2020 pandemic. Retail sales have continued to grow as consumers changed their shopping habits, opting to have food and items shipped to their home.

On July 18, 2022, City Council adopted an ordinance for a one-tenth of one percent (0.1%) sales and use tax to fund the Battle Ground Transportation Benefit District (TBD). The sales and use tax took effect on January 1, 2023. This sales tax enabled the City to continue to fund the City's road preservation efforts by Battle Ground citizens sharing the costs with customers coming into Battle Ground to shop and drive on the roads. This revenue stream brought in $696,398 in 2025 to help fund the City's $1.7 million pavement preservation program. The remaining funds came from the City's general fund, $1.0 million.

Due to the continued development within the City of residential and commercial properties, the City is projecting an increase in property tax base and sales and use tax revenues to remain strong.

The City has made increasing efforts to find opportunities for cost savings, has maintained conservation and sustainability initiatives, has leveraged partnerships with other agencies, and has invested in technology to improve delivery of core services.

Requests for Information

This financial report provides a general overview of City of Battle Ground's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, address to the Finance Department, City of Battle Ground, 109 SW 1st Street, Suite 217, Battle Ground, WA, 98604.

CITY OF BATTLE GROUND
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-type Activities	Total Primary Government
Assets			
Cash and Cash Equivalents	$ 29,628,229	$ 44,070,309	$ 73,698,538
Investments	2,578,342	4,841,344	7,419,686
Receivables	2,648,381	2,045,782	4,694,163
Internal Balances	(2,005,159)	2,005,159	-
Restricted Assets			
Cash and Cash Equivalents	18,971,568	297,778	19,269,346
Investments	1,899,439	-	1,899,439
Receivables	621,291	-	621,291
Net Pension Asset	2,702,834	280,854	2,983,688
Capital Assets (not being depreciated)			
Land	16,612,870	4,915,257	21,528,127
Construction Work in Progress	6,741,062	9,947,354	16,688,416
Capital Assets (net of accumulated depreciation and amortization)			
Buildings	8,177,535	1,213,875	9,391,410
Improvements Other than Buildings	415,872	14,798	430,670
Intangible Assets	51,249	16,544	67,793
Machinery and Equipment	4,339,565	406,420	4,745,985
Infrastructure	45,055,634	62,316,523	107,372,157
Other Asset	-	592,064	592,064
Total Assets	138,438,712	132,964,061	271,402,773
Deferred Outflows of Resources			
Related to Pensions	3,393,802	350,107	3,743,909
Related to OPEB	41,315	-	41,315
Related to Asset Retirement Obligations	-	141,943	141,943
Total Deferred Outflows of Resources	3,435,117	492,050	3,927,167
Liabilities			
Accounts Payable	1,348,310	1,008,196	2,356,506
Other Current Liabilities	1,689,887	117,371	1,807,258
Accounts Payable and Other current liabilities-Payable from Restricted Assets	331,591	-	331,591
Accrued Interest Payable	11,667	64,785	76,452
Customer Deposits	41,807	-	41,807
Development Fee Credits	1,541,562	96,042	1,637,604
Unearned Revenue from Restricted Assets	1,239,019	-	1,239,019
Noncurrent Liabilities			
Due within One Year	1,214,022	568,816	1,782,838
Total OPEB Liability	82,629	-	82,629
Due in More than One Year	2,434,532	5,482,076	7,916,608
Net Pension Liability	291,782	67,068	358,850
Total OPEB Liability	1,474,026	-	1,474,026
Asset Retirement Obligation	-	215,105	215,105
Total Liabilities	11,700,834	7,619,459	19,320,293
Deferred Inflows of Resources			
Related to Leases	170,510	-	170,510
Related to Pensions	908,823	100,908	1,009,731
Total Deferred Inflows of Resources	1,079,333	100,908	1,180,241
Net Position			
Net Investment in Capital Assets	78,980,020	72,316,751	151,296,771
Restricted for			
Capital	18,847,721	-	18,847,721
Public Safety	767,523	-	767,523
Pension	2,702,834	280,854	2,983,688
Debt Service	-	297,778	297,778
Drug Investigation	12,858	-	12,858
Tourist Promotion	293,586	-	293,586
Unrestricted	27,489,120	52,840,361	80,329,481
Total Net Position	$ 129,093,662	$ 125,735,744	$ 254,829,406

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

CITY OF BATTLE GROUND
Statement of Activities
For the year ended December 31, 2025

			Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Indirect Allocation**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business -type Activities**	**Total**
PRIMARY GOVERNMENT								
Governmental Activities:								
General Government	$ 5,234,196	$(1,344,715)	$ 146,380	$ -	$ 2,031,617	(1,711,484)	$ -	$ (1,711,484)
Judicial	1,020,857	-	390,099	84,856	-	(545,902)	-	(545,902)
Public Safety	7,468,831	-	322,110	413,274	-	(6,733,447)	-	(6,733,447)
Physical Environment	768,393	-	11,939	-	-	(756,454)	-	(756,454)
Transportation	5,169,877	-	6,460	489,968	2,124,114	(2,549,335)	-	(2,549,335)
Economic Environment	4,995,959	-	8,870,012	967,511	-	4,841,564	-	4,841,564
Culture and Recreation	1,445,947	-	244,286	10,843	-	(1,190,818)	-	(1,190,818)
Interest Expense	162,550	-	-	-	-	(162,550)	-	(162,550)
TOTAL GOVERNMENTAL ACTIVITIES	26,266,610	(1,344,715)	9,991,286	1,966,452	4,155,731	(8,808,426)	-	(8,808,426)
Business Type Activities:								
Storm Drainage	2,407,886	376,483	2,068,611	50,141	1,255,566	-	589,949	589,949
Water	4,517,464	477,657	4,061,052	-	2,468,044	-	1,533,975	1,533,975
Sewer	10,706,559	490,575	7,053,334	-	5,604,788	-	1,460,988	1,460,988
TOTAL BUSINESS-TYPE ACTIVITIES	17,631,909	1,344,715	13,182,997	50,141	9,328,398	-	3,584,912	3,584,912
Total Primary Government	$ 43,898,519	$ -	$ 23,174,283	$ 2,016,593	$ 13,484,129	$ (8,808,426)	$ 3,584,912	$ (5,223,514)
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes						4,285,380	-	4,285,380
Sales and Use Taxes						7,530,712	-	7,530,712
Business and Occupation Taxes						3,524,632	-	3,524,632
Excise Taxes						2,058,114	-	2,058,114
Grants and Contributions not Restricted to Specific Programs						424,242	-	424,242
Unrestricted Investment Earnings						2,163,089	2,058,719	4,221,808
Gain on Sale of Capital Assets						55,219	3,441	58,660
Miscellaneous						29,159	-	29,159
Transfers						(2,033,426)	2,033,426	-
Total General Revenues						18,037,121	4,095,586	22,132,707
Change in Net Position						9,228,695	7,680,498	16,909,193
Net Position - Beginning						119,864,967	118,055,246	237,920,213
Net Position - Ending						$ 129,093,662	$ 125,735,744	$ 254,829,406

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

CITY OF BATTLE GROUND
Governmental Funds
Balance Sheet
December 31, 2025

	General Fund	Real Estate Excise Tax	Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	$ 27,701,827	$ 10,099,739	$ 2,566,243	$ 253,153	$ 7,168,365	47,789,327
Investments	2,200,724	1,110,941	288,469	-	788,498	4,388,632
Property Taxes Receivables	62,963	-	-	-	-	62,963
Utility Tax Receivable	193,897	-	-	-	-	193,897
Accounts Receivable	2,473,834	172	191,360	47,621	14,160	2,727,147
Lease Receivable	170,510	-	-	-	-	170,510
Interest Receivable	3,750	1,770	479	-	1,390	7,389
Municipal Court Receivable	107,362	-	-	-	-	107,362
Total Assets	32,914,867	11,212,622	3,046,551	300,774	7,972,413	55,447,227
Liabilities						
Accounts Payable	913,021	-	340,010	292,253	30,870	1,576,154
Other Accrued Liabilities	525,136	-	1,164,751	8,468	-	1,698,355
Unearned Revenues	1,239,019	-	-	-	-	1,239,019
Customer Deposits	41,807	-	-	-	-	41,807
Total Liabilities	2,718,983	-	1,504,761	300,721	30,870	4,555,335
Deferred Inflows of Resources						
Unavailable revenue - taxes	336,477	-	-	-	-	336,477
Unavailable revenue - municipal court	107,362	-	-	-	-	107,362
Unavailable revenue - grants	131,500	-	-	22,036	-	153,536
Unavailable revenue - settlement	556,230	-	-	-	-	556,230
Unavailable revenue - local payments	18,694	-	-	-	-	18,694
Deferred Inflows for Leases	170,510	-		-	-	170,510
Total Deferred Inflows of Resources	1,320,773	-	-	22,036	-	1,342,809
Fund Balances						
Restricted for:						
Capital	-	11,212,622	-	-	7,635,099	18,847,721
Public Safety	211,292	-	-	-	-	211,292
Drug Investigation	-	-	-	-	12,858	12,858
Tourist Promotion	-	-	-	-	293,586	293,586
Assigned to:						
LEOFF 1	484,288	-	-	-	-	484,288
Parks	1,086,957	-	-	-	-	1,086,957
Insurance Reserve	172,557	-	-	-	-	172,557
Street	-	-	1,541,790	-	-	1,541,790
Unassigned	26,920,017	-	-	(21,983)	-	26,898,034
Total Fund Balances	28,875,111	11,212,622	1,541,790	(21,983)	7,941,543	$ 49,549,083
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 32,914,867	$ 11,212,622	$ 3,046,551	$ 300,774	$ 7,972,413	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (excludes internal service funds)	77,955,253
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds (see note 2A)	6,401,427
Long-term liabilities that are not due and payable in the current period and are not reported in the funds (see note 2A)	(7,050,220)
Net position of internal service funds - governmental activities (see note 2A)	2,238,119
Net position of governmental activities	$ 129,093,662

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

CITY OF BATTLE GROUND
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2025

	General Fund	Real Estate Excise Tax	Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	$ 4,288,681	$ -	$ -	$ -	$ -	$ 4,288,681
Sales and Use Taxes	6,834,314	-	696,398	-	-	7,530,712
Other Taxes	3,172,377	2,050,298	-	-	78,479	5,301,154
License and Permits	2,415,410	-	-	-		2,415,410
Intergovernmental	3,961,668	-	420,798	631,357		5,013,823
Charges for Services	5,882,328	-	253,899	-	2,570,052	8,706,279
Fines and Forfeits	185,328	-	-	-	282	185,610
Interest Earnings	1,154,190	455,774	131,531	-	367,545	2,109,040
Rents and Royalties	379,972	-	6,462	-		386,434
Contributions/Donations	17,847	-	-	-	68,957	86,804
Miscellaneous	91,638	-	213	-	-	91,851
Total Revenues	28,383,753	2,506,072	1,509,301	631,357	3,085,315	36,115,798
Expenditures						
Current						
General Government	5,316,094	-	-	-	-	5,316,094
Judicial	1,045,543	-	-	-	-	1,045,543
Security/Persons and Property	7,577,035	-	-	-	-	7,577,035
Physical Environment	786,323	-	-	-	-	786,323
Transportation	-	-	3,269,996	-	-	3,269,996
Economic Environment	5,004,341	-	-	-	50,050	5,054,391
Culture and Recreation	1,165,038	-	-	-	-	1,165,038
Capital Expenditures						
General Government	26,532	-	-	39,269	-	65,801
Security/Persons and Property	-	-	-	55,473		55,473
Culture and Recreation	157,785	-	-	2,228,914	-	2,386,699
Transportation	-	-	25,351	2,119,620	-	2,144,971
Debt Service						
Principal Retirement	37,405	-	5,371	-	360,000	402,776
Interest/Fiscal Charges	1,633	-	292	-	162,500	164,425
Total Expenditures	21,117,729	-	3,301,010	4,443,276	572,550	29,434,565
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,266,024	2,506,072	(1,791,709)	(3,811,919)	2,512,765	6,681,233
Other Financing Sources (Uses)						
Proceeds of SBITA	42,721	-	-	-	-	42,721
Sale of Capital Assets	-	-	3,010	-	-	3,010
Transfers In	4,392	-	2,102,772	3,813,226	477,251	6,397,641
Transfers Out	(5,336,958)	(587,810)	(253,899)	(23,708)	(2,228,692)	(8,431,067)
Total Other Financing Sources and Uses	(5,289,845)	(587,810)	1,851,883	3,789,518	(1,751,441)	(1,987,695)
Net Change in Fund Balance	1,976,179	1,918,262	60,174	(22,401)	761,324	4,693,538
Fund Balance at Beginning of Year	26,898,932	9,294,360	1,481,616	418	7,180,219	44,855,545
Fund Balance at End of Year	$ 28,875,111	$ 11,212,622	$ 1,541,790	$ (21,983)	$ 7,941,543	$ 49,549,083

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

CITY OF BATTLE GROUND

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
Year Ended December 31, 2025

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

Net changes in fund balance - total governmental funds:	$	4,693,538
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.		2,821,769
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, transfers, trade-ins, and donations) is to increase net position.		(1,351,449)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,664,015
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		402,774
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		742,629
Internal service funds are used by management to charge the costs of vehicle and technology replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		255,419
Change in Net Position of Governmental Activities	$	9,228,695

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

CITY OF BATTLE GROUND
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended December 31, 2025

	Budget Amounts			
	Original 2025	Final 2025	Actual Year-To-Date Thru 12/31/25	Variance Thru 12/31/25
Revenues				
Property Taxes	$ 4,315,277	$ 4,315,277	$ 4,288,681	$ (26,596)
Sales and Use Taxes	6,519,001	6,519,001	6,834,314	315,313
Other Taxes	3,086,939	3,086,939	3,172,377	85,438
License and Permits	1,422,795	1,422,795	2,415,410	992,615
Intergovernmental	5,540,890	5,810,083	3,961,668	(1,848,415)
Charges for Services	5,072,196	6,072,196	6,053,602	(18,594)
Fines and Forfeits	140,352	140,352	185,328	44,976
Interest Earnings	350,000	350,000	1,056,627	706,627
Rents and Royalties	182,012	182,012	143,162	(38,850)
Contributions/Donations	10,000	45,000	16,215	(28,785)
Miscellaneous	35,800	35,800	82,427	46,627
Total Revenues	26,675,262	27,979,455	28,209,811	230,356
Expenditures				
Current				
General Government	5,415,893	5,846,158	5,267,592	578,566
Judicial	1,041,361	1,153,361	1,045,543	107,818
Security/Persons and Property	7,914,846	7,981,279	7,577,035	404,244
Physical Environment	1,071,381	1,071,381	786,323	285,058
Economic Environment	4,837,606	5,771,173	5,004,341	766,832
Capitalized Expenditures	-	-	26,532	(26,532)
Debt Service				
Principal Retirement	-	-	30,832	(30,832)
Interest/Fiscal Charges	-	-	1,205	(1,205)
Total Expenditures	20,281,087	21,823,352	19,739,403	2,083,949
Excess (Deficiency) of Revenues Over (under) Expenditures	6,394,175	6,156,103	8,470,408	2,314,305
Other Financing Sources (Uses)				
Proceeds of SBITA	-	-	26,532	26,532
Transfers In	-	-	3,930	3,930
Transfers Out	(6,954,900)	(8,763,900)	(6,316,958)	2,446,942
Total Other Financing Sources and Uses	(6,954,900)	(8,763,900)	(6,286,496)	2,477,404
Net Change in Fund Balance	(560,725)	(2,607,797)	2,183,912	4,791,709
Fund Balance at Beginning of Year	18,502,363	18,502,363	24,534,845	6,032,482
Fund Balance at End of Year	$ 17,941,638	$ 15,894,566	$ 26,718,757	$ 10,824,191
Adjustment to generally accepted accounting principles (GAAP) basis:				
Parks Fund budgeted as separate fund			$ 1,086,957	
Insurance Reserve Fund budgeted as separate fund			172,557	
LEOFF I Reserve Fund budgeted as separate fund			484,287	
Economic Stabilization Fund budgeted as separate fund			412,553	
Fund Balance GAAP basis:			$ 28,875,111	

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

CITY OF BATTLE GROUND
Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Street Fund
For the Fiscal Year Ended December 31, 2025

	Budget Amounts			
	Original 2025	Final 2025	Actual Year-To-Date Thru 12/31/25	Variance Thru 12/31/25
Revenues				
Sales and Use Taxes	$ 674,735	$ 674,735	$ 696,398	$ 21,663
Intergovernmental	435,676	435,676	420,798	(14,878)
Charges for Services	656,887	656,887	253,899	(402,988)
Interest Earnings	76,500	76,500	131,531	55,031
Rents and Royalties	4,200	4,200	6,462	2,262
Miscellaneous	-	-	213	213
Total Revenues	1,847,998	1,847,998	1,509,301	(338,697)
Expenditures				
Current:				
Transportation	3,086,491	3,286,491	3,269,996	16,495
Capitalized Expenditures	29,750	29,750	25,351	4,399
Debt service:				
Principal Retirement	-	-	5,371	(5,371)
Interest/Fiscal Charges	-	-	292	(292)
Total Expenditures	3,116,241	3,316,241	3,301,010	15,231
Excess (Deficiency) of Revenues Over (under) Expenditures	(1,268,243)	(1,468,243)	(1,791,709)	(323,466)
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	3,010	3,010
Transfers In	1,900,000	2,100,000	2,102,772	2,772
Transfers Out	(656,887)	(656,887)	(253,899)	402,988
Total Other Financing Sources and Uses	1,243,113	1,443,113	1,851,883	408,770
Net Change in Fund Balance	(25,130)	(25,130)	60,174	85,304
Fund balance at beginning of year	127,993	127,993	1,481,616	1,353,623
Fund balance at end of year	$ 102,863	$ 102,863	$ 1,541,790	$ 1,438,927

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

CITY OF BATTLE GROUND
Proprietary Funds
Statement of Net Position
December 31, 2025

	Business-type Activities				Governmental Activities
	Storm Drainage	Water	Sewer	Total Enterprise Funds	Internal Service Funds
Assets					
Current Assets					
Cash and Cash Equivalents	$ 3,831,101	$ 13,088,959	$ 27,150,249	$ 44,070,309	$ 810,470
Investments	419,258	1,437,464	2,984,622	4,841,344	89,149
Receivables (net)					
Accounts	205,772	441,107	998,340	1,645,219	-
Interest	863	2,804	5,197	8,864	404
Grants	152,652	239,047	-	391,699	-
Total Current Assets	4,609,646	15,209,381	31,138,408	50,957,435	900,023
Noncurrent Assets					
Restricted Cash and Cash Equivalents	-	-	297,778	297,778	-
Net Pension Asset	101,582	103,987	75,285	280,854	-
Property, Plant and Equipment (Net)	19,515,213	25,801,407	33,514,151	78,830,771	3,438,534
Other Asset	-	592,064	-	592,064	-
Total Noncurrent Assets	19,616,795	26,497,458	33,887,214	80,001,467	3,438,534
Total Assets	24,226,441	41,706,839	65,025,622	130,958,902	4,338,557
Deferred Outflows of Resources					
Deferred Outflows Related to Pensions	126,630	129,628	93,849	350,107	-
Deferred Outflows Related to Asset Retirement Obligations	-	141,943	-	141,943	-
Total Deferred Outflows	126,630	271,571	93,849	492,050	-
Liabilities					
Current Liabilities					
Accounts Payable	125,599	581,750	300,847	1,008,196	95,279
Accrued Interest Payable	-	5,567	59,218	64,785	-
Other Accrued Liabilities	38,730	44,476	34,165	117,371	-
Compensated Absences	47,371	53,134	55,303	155,808	-
SBITA Payable	5,515	5,515	5,515	16,545	
Unearned Revenues	-	932	95,110	96,042	-
Bonds, Notes and Loans Payable	-	234,656	161,807	396,463	-
Total Current Liabilities	217,215	926,030	711,965	1,855,210	95,279
Noncurrent Liabilities					
Bonds, Notes and Loan Payable	-	938,025	4,410,720	5,348,745	-
Compensated Absences	45,327	40,672	47,332	133,331	-
Net Pension Liability	24,258	24,832	17,978	67,068	-
Asset Retirement Obligation	-	215,105	-	215,105	-
Total Noncurrent Liabilities	69,585	1,218,634	4,476,030	5,764,249	-
Total Liabilities	286,800	2,144,664	5,187,995	7,619,459	95,279
Deferred Inflows of Resources					
Deferred Inflows Related to Pensions	36,498	37,361	27,049	100,908	-
Net Position					
Net Investment in Capital Assets	19,443,362	24,168,794	28,704,595	72,316,751	3,376,737
Restricted for Pension	101,582	103,987	75,285	280,854	-
Restricted for Debt Service	-	-	297,778	297,778	-
Unrestricted	4,484,829	15,523,604	30,826,769	50,835,202	866,541
Total Net Position	$ 24,029,773	$ 39,796,385	$ 59,904,427	$ 123,730,585	$ 4,243,278
Adjustment to report cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time (See Note 2C)				2,005,159	
Net position of business-type activities				$ 125,735,744	

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

CITY OF BATTLE GROUND
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended December 31, 2025

	Business-type Activities				Governmental Activities
	Storm Drainage	Water	Sewer	Total Enterprise Funds	Internal Service Funds
Operating Revenues					
Charge for Services	$ 2,066,789	$ 4,057,411	$ 6,909,438	$ 13,033,638	$ 849,356
Miscellaneous	1,822	3,641	143,896	149,359	-
Total Operating Revenues	2,068,611	4,061,052	7,053,334	13,182,997	849,356
Operating Expenses					
Personnel Services	867,991	814,948	649,616	2,332,555	-
Equipment and Supplies	67,011	231,706	104,712	403,429	97,922
Professional Services	424,264	369,024	294,695	1,087,983	-
Utilities	2,132	1,452,694	119,245	1,574,071	-
Repairs and Maintenance	432,497	300,141	298,847	1,031,485	-
Taxes	44,339	215,341	169,676	429,356	-
Intergovernmental services	-	-	4,368,013	4,368,013	-
Insurance	54,424	83,101	129,155	266,680	-
Allocated expenses	376,483	477,657	490,575	1,344,715	-
Other	103,657	70,613	105,817	280,087	-
Depreciation/amortization	524,651	1,027,109	2,192,804	3,744,564	308,501
Total Operating Expenses	2,897,449	5,042,334	8,923,155	16,862,938	406,423
Operating Income (loss)	(828,838)	(981,282)	(1,869,821)	(3,679,941)	442,933
Nonoperating Revenues (Expenses)					
Interest Earnings	191,375	608,489	1,258,855	2,058,719	54,049
State and Federal Grants	50,141	-	-	50,141	-
Interest and Fiscal Charges	(295)	(42,008)	(140,886)	(183,189)	-
Gain (loss) on Sale of Capital Assets	3,441	-	(2,224,269)	(2,220,828)	52,209
Total Nonoperating Revenues (Expenses)	244,662	566,481	(1,106,300)	(295,157)	106,258
Income (Loss) before Contributions, Special Items, and Transfers	(584,176)	(414,801)	(2,976,121)	(3,975,098)	549,191
Capital Contributions	1,255,566	2,468,044	5,604,788	9,328,398	-
Transfers In	1,809	2,028,369	3,248	2,033,426	-
Change in Net Position	673,199	4,081,612	2,631,915	7,386,726	549,191
Total Net Position at Beginning of Year	23,356,574	$ 35,714,773	$ 57,272,512	$ 116,343,859	$ 3,694,087
Total Net Position at End of Year	$ 24,029,773	$ 39,796,385	$ 59,904,427	$ 123,730,585	$ 4,243,278

Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds	293,772
Changes in net position of business-type activities	$ 7,680,498

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

CITY OF BATTLE GROUND
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2025

	Business-type Activities				Governmental Activities
	Storm Drainage	Water	Sewer	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:					
Cash received from Customers	$ 2,054,936	$ 3,993,327	$ 6,956,510	$ 13,004,773	$ -
Receipts from vehicle interfund charges	-	-	-	-	690,000
Receipts from technology interfund charges	-	-	-	-	159,356
Cash payments to Suppliers	(994,271)	(2,393,562)	(6,265,940)	(9,653,773)	(2,914)
Cash payments to Employees	(881,179)	(841,893)	(660,759)	(2,383,831)	-
Cash payments for Interfund Services Received	(480,037)	(543,981)	(595,367)	(1,619,385)	-
Net Cash Provided by Operating Activities	(300,551)	213,891	(565,556)	(652,216)	846,442
Cash Flows from Noncapital Financing Activities:					
Proceeds from Operating Grant	94,219	-	-	94,219	-
Transfers from other funds	1,809	-	-	1,809	
Net Cash Provided (Used) by Noncapital Financing Activities	96,028	-	-	96,028	-
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(238,306)	(4,001,494)	(3,075,101)	(7,314,901)	(2,013,643)
Proceeds from Other Financing Sources restricted for Capital (Transfers)	-	2,028,369	3,248	2,031,617	-
Proceeds from Sale of Capital Assets	3,438	-	-	3,438	131,856
Proceeds from Capital Grant	37,273	948,370	2,000,000	2,985,643	-
Principal Paid on SBITA	(5,371)	(5,371)	(5,371)	(16,113)	-
Interest Paid on SBITA	(292)	(292)	(292)	(876)	-
Principal Paid on Current Debt	-	(220,077)	(352,618)	(572,695)	-
Interest Paid on Revenue Bonds and Other Long Term Debt	-	(42,760)	(145,161)	(187,921)	-
Capital Contributed-Received in cash	114,234	801,359	4,117,776	5,033,369	-
Net Cash Provided for Capital and Related Financing Activities	(89,024)	(491,896)	2,542,481	1,961,561	(1,881,787)
Cash Flows from Investing Activities:					
Interest on Investments	191,502	606,614	1,259,793	2,057,909	54,077
Purchase of Investments	(177,848)	(609,768)	(1,266,069)	(2,053,685)	(37,817)
Proceeds from Sale of Investments	216,647	666,512	1,112,265	1,995,424	147,208
Net Cash Used by Investing Activities	230,301	663,358	1,105,989	1,999,648	163,468
Net Increase (Decrease) in Cash and Cash Equivalents	(63,246)	385,353	3,082,914	3,405,021	(871,877)
Cash and Cash Equivalents at Beginning of Year	3,894,347	12,703,606	24,365,113	40,963,066	1,682,347
Cash and Cash Equivalents at End of Year	$ 3,831,101	$ 13,088,959	$ 27,448,027	$ 44,368,087	$ 810,470

continued on next page

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

CITY OF BATTLE GROUND
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2025

	Business-type Activities				Governmental Activities
	Storm Drainage	Water	Sewer	Total Enterprise Funds	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:					
Net Operating Income (Loss)	$ (828,838)	$ (981,282)	$ (1,869,821)	$ (3,679,941)	$ 442,933
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operations:					
Depreciation/amortization Expense	524,651	1,027,109	2,192,804	3,744,564	308,501
Loss on abandonment of construction in progress	-	-	3,500	3,500	-
Pension Expense	(35,249)	(30,625)	(16,922)	(82,796)	-
Accrued Employee Leave	21,878	(2,752)	6,219	25,345	-
(Increase) Decrease in Receivables	(13,675)	(67,725)	(96,824)	(178,224)	-
Increase (Decrease) in Current Payables	30,499	262,734	(784,072)	(490,839)	95,008
Increase (Decrease) in Accrued Employee Benefits	183	6,432	(440)	6,175	-
Net Cash Provided by Operating Activities	$ (300,551)	$ 213,891	$ (565,556)	$ (652,216)	$ 846,442
Noncash Investing, Financing and Capital Activities					
Capital Assets Contributed	951,479	479,268	574,376	2,005,123	-
Net Change in Fair Value of Investments	9,840	33,738	70,050	113,628	2,092
Capital Assets Disposed of at loss	-	-	(2,224,269)	(2,224,269)	(79,647)
Capital Asset Obtained through Accounts Payable	(66,336)	(454,417)	(231,514)	(752,267)	(61,797)

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

City of Battle Ground
Statement of Fiduciary Net Position
Fiduciary Funds
As of December 31, 2025

	Custodial Activities
Assets	
Cash and cash equivalents	$ 20,620
Accounts Receivable	549
Total Assets	21,169
Liabilities	
Due to other governments	20,892
Total Liabilities	20,892
Net Position	
Restricted for other governments	278
Total Net Position	$ 277

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

City of Battle Ground

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year ended December 31, 2025

	Custodial Activities
Additions	
Court fees collected for other governments	175,908
Gun fees collected for state	5,285
Use tax collected for state	10,232
Building code fee collected for state	3,359
Leasehold excise tax collected for state	22,018
Total Additions	216,802
Deductions	
Payments of court fees distributed to other governments	175,908
Payments of gun fees to state	5,356
Payments of use tax to state	10,232
Payments of building code fee to state	3,359
Payment of leasehold excise tax to state	22,018
Total Deductions	216,873
Change in net position held for other governments	(71)
Net Position	
Net position as of January 1	348
Net position as of December 31	277

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

CITY OF BATTLE GROUND
Notes to Financial Statements
December 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Battle Ground, Washington (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The City of Battle Ground was incorporated in June 1951. It operates under the laws of the State of Washington applicable to non-charter code cities with a council-manager form of government. City council is composed of seven elected members with one selected to serve as the mayor. The city is a general-purpose government and provides public safety, street construction and maintenance, parks and recreation, judicial administration, planning, economic development, and general administrative services. The city owns and operates water, storm drainage, and sewer utilities.

As required by generally accepted accounting principles, the financial statements present the City of Battle Ground as a primary government. The city does not have any component units.

B. Basis of Presentation - Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all the nonfiduciary activities of the primary government. 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.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to 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. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are instead reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate fund 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.

The City reports the following major governmental funds:

The ***general*** (or current expense) ***fund*** is the City's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. The Parks and Recreation Fund, Insurance Reserve Fund, LEOFF I Reserve Fund, and Economic Stabilization Fund are included in the general fund for financial reporting purposes.

Street fund accounts for transportation repairs and maintenance. Maintenance includes street repairs, striping, walkways, signals, lighting, and landscaping. Revenue sources are from state motor vehicle fuel taxes, grants, and transfers from the city's general fund.

Real Estate Excise Tax fund accounts for real estate excise tax collected and used for the preservation of city assets, including both governmental and enterprise.

Capital projects fund account for financial resources used for the acquisition, construction, and preservation of general governmental capital projects. Major sources of revenue are proceeds from capital grants from other agencies, transfers from the city's impact fee funds and general fund.

The City reports the following major enterprise funds:

The ***storm drainage fund*** provides flood management and water quality protection. Activities include construction and maintenance of public drainage systems, erosion control, and environmental public awareness. System development charges (SDC) assessed on new development are expended to build and expand drainage systems. The storm drainage SDC fund is included with the storm drainage fund for financial reporting purposes.

The ***water fund*** accounts for the city's water utility operations. Activities of the municipal water system include production, treatment, storage, and distribution of domestic water. Utility operations are self-supported through user fees. System development charges (SDC) assessed on new development are expended to build and expand water capacity. The water SDC fund is included in the water fund for financial reporting purposes.

The ***sewer fund*** accounts for the city's sewer utility operations. Sewer operations provide safe and clean collection and disposal of sewage. Utility operations are self-supported through user fees. System development charges (SDC) assessed on new development are expended to build and expand sewer capacity. The sewer SDC fund is included in the sewer fund for financial reporting purposes.

Additionally, the City reports the following fund types:

Debt service fund accounts for and report the resources accumulated and payments made for principal and interest of the general government, except those required to be accounted for in another fund.

Non-major capital project funds account for financial resources used for the preservation of general governmental capital projects. Major sources of revenue are impact fees.

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed for expenditures for specified purposes. Special revenue funds include the drug Investigation fund and the lodging tax fund.

Internal service funds account for financial resources used to fund the acquisition and preservation of fleet and information technology equipment provided to other City departments. Because these services benefit governmental operations more than business-type functions, these funds have been included within governmental activities in the government-wide financial statements.

Fiduciary fund accounts for the financial transactions of the City's court remittances to the Washington State Administrative Office of the Courts and Clark County related to fees collected by the City on their behalf. The city also collects funds for the Washington State Department of Revenue and Department of Licensing; leasehold excise tax on property rentals, use tax on invoices in which sales tax was not charged, and state gun permit fees for concealed weapon licenses. The assets associated with these activities are controlled by the government and not derived from its own source revenues and the City does not have administrative involvement. The amounts collected are due immediately to the State of Washington or Clark County without further action required to be taken.

C. Measurement Focus, Basis of Accounting

1. Government-wide and Governmental Funds

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, due to the nature of the revenues, the city considers Intergovernmental revenues available if they are collected within 90 days of the end of the current fiscal period. For all other revenue classifications, the city considers revenues 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 payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the city.

2. Proprietary and Fiduciary Funds

Proprietary and fiduciary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the funds are charges to customers for sales and services. Operating

expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary information

1. Scope of Budget

The City of Battle Ground prepared an annual budget for 2025 in accordance with the Revised Code of Washington (RCW) Chapter 35A.33. All governmental funds are prepared on a modified accrual basis consistent with generally accepted accounting principles. These budgets are adopted at the fund level and constitute the legal authority for expenditures. Expenditures and other financing uses may not exceed budgeted appropriations at these levels. Any unexpended appropriation balances lapse at the end of the year.

Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

2. Amending the Budget

The City manager is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of a fund must be approved by the City council. When the council determines that it is in the best interest of the City to increase or decrease the appropriations for a particular fund, it may do so by ordinance.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the fiscal year. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the annual budget.

E. Assets, Liabilities, Fund Balance and Net Position

1. Cash and Cash Equivalents

The city considers cash and cash equivalents to be cash on hand, demand deposits, and all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased. In addition, because the Local Government Investment Pool (LGIP) and Clark County Investment Pool are sufficiently liquid to effectively allow for deposit and withdrawal of cash at any time without prior notice or penalty as if it were a demand deposit account, equity in the pool is also deemed to be a cash equivalent.

For purposes of the statement of cash flows, the city's proprietary funds consider all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.

2. Investments

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds. Investments purchased with an original maturity of more than three months are classified as investments. Change in fair value is reported in the *Statement of Revenues, Expenses and Changes in Net Position* as investment earnings.

State statute (RCW 39.59.040) authorizes investments in obligations of the U.S. Treasury, commercial paper, banker's acceptances, certain other government agency obligations, and the

state and county treasurer's investment pool. The City's investment policy does not further limit investment choices. The City's investment policy requires all securities transactions to be conducted on a delivery-versus-payment basis.

3. Receivables
   Taxes receivable consists of property taxes and related interest and penalties (see Note 10). Accrued interest receivable consists of amounts earned on investments and contracts at the end of the year.

   Customer accounts receivable consists of amounts owed by private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Uncollectible amounts are considered immaterial and the direct write-off method is used.

4. Amounts Due to and from Other Funds, Interfund Loans and Advances Receivable
   Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" 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. A separate schedule of interfund activity is furnished in Note 5 – Interfund Transactions.

5. Inventories
   Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories in the proprietary funds are not material and are not recorded.

6. Restricted Assets and Liabilities
   These accounts contain resources for construction and debt service in enterprise funds. Restricted assets for business-type activities are $297,778. This specific debt service reserve requirement for the sewer fund is described in Note 8. Restricted cash and investments for governmental activities are $20,871,007 for grant revenues received in advance, opioid settlement, impact fees, drug investigation, and tourist funds. Restricted receivables, $621,291 is related to restricted fund activity. Accounts payable from these restricted assets are in the amount of $331,591. Unearned revenue for restricted assets, $1,239,019, is for the American Recovery Plan Act funding.

7. Capital Assets
   Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $10,000 ($5,000 for assets acquired with federal financial assistance) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

   Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized. 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:

Asset Category	Useful Life (years)
Buildings	15-63
Infrastructure	10-50
Intangible Assets – Right to use	5
Utility Improvements	20-100
Public Work Equipment	5-20
Vehicles	5-20
Office and Electronic Equipment	5-10

Right-to-use lease equipment and subscription assets are amortized over the life of the associated contract.

See Note 4 - Capital Assets, Depreciation, Amortization for additional information.

8. Leases and Subscription-Based Information Technology Arrangements (SBITA)
Lessee/SBITA: The city recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide and proprietary fund financial statements. The city recognizes lease/SBITA liabilities with an initial, individual value of $10,000 or more.

The lease/SBITA asset is amortized using the straight-line basis over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease/SBITA. Lease/SBITA payments in governmental funds are reported as debt service principal and debt service interest expenditures.

The city uses the interest rate charged by the lessor/vendor as the discount rate. When the interest rate charged by the lessor/vendor is not provided, the city generally uses its incremental borrowing rate as the discount rate.

Lessor: The city recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

The deferred inflow of resources is recognized as revenue over the life of the lease term using the interest method.

The city uses its estimated incremental borrowing rate as the discount rate for leases.

9. Compensated Absences
The city accounts for compensated absences, such as vacation leave, sick leave, and similar benefits. Under this standard, liabilities for compensated absences are recognized when earned by employees and expected to be paid.
Key policies include:

- Accrued liabilities are recognized in the financial statements for amounts attributable to employees' services rendered through the end of the reporting period.

- Liabilities for compensated absences are measured based on pay rates in effect at the reporting date and include applicable salary-related payments.
- The liability is categorized as a current or noncurrent liability based on the timing of expected payments.
- Accrual of sick leave liabilities is based on policies allowing employees to receive payment for unused balances upon termination or retirement, subject to the probability of payment.
- The flow assumption for our calculation is first in first out (FIFO), employees will use the amount already accrued at the end of the year, first.

Eligible employees earn vacation leave, sick leave, and compensatory time in lieu of overtime. Unless otherwise provided by collective bargaining agreement or contract, vacation accruals are capped at 360 hours. Maximum accrual for sick leave is 960 hours.

If unused, compensation is paid upon termination of employment according to the terms of the applicable collective bargaining agreement, personnel rules and regulations, and the employee's length of service. Vacation leave and compensatory time generally qualify for 100 percent payout. Sick leave is limited to 33 percent payout upon retirement.

All leave is accrued when incurred in the government-wide and proprietary fund financial statements. As of December 31, 2025, the city reported compensated absences of $1,597,305 in governmental activities and $289,140 in business-type activities.

10. Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the city includes the net pension asset only.

11. Other Post-employment Benefits

Lifetime full medical coverage is provided to uniformed police personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the *Statement of Net Position*. The actual health care costs are reported as expenditures in the year they are incurred and are paid out of the LEOFF I Fund. See Note 12 – Other Post-employment Benefits for more information.

12. Other Accrued Liabilities

These accounts consist of accrued employee wages and benefits and concurrency mitigation.

13. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issue costs are expensed when incurred. Long-term obligations used to finance proprietary fund operations and payable from revenue of the proprietary funds are accounted for in the applicable fund. See Note 8 – Long-Term Liabilities for more information.

14. Unearned Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met. In the proprietary funds unearned revenue includes developer credits which have not yet been utilized.

15. Customer Deposits

Customer deposits represent facility rental and developer deposits.

16. Fund Balance Classification

Assets and deferred outflows in excess of liabilities and deferred inflows are reported as fund balances, and are segregated into separate classifications indicating the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent.

Nonspendable	Unavailable fund balance due to its form and legally or contractually required to remain intact
Restricted	Fund balance is reported as restricted when constraints placed on the use of resources are either (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	Fund balance can only be used for specific purposes as determined by formal action of City council. City council is the highest level of decision-making authority and can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.
Assigned	Assigned fund balance includes resources intended to be used by the City for specific purposes but are neither restricted nor committed. The City has not established a policy regarding the assignment of funds, so this category of fund balance represents the residual amounts not otherwise reported as nonspendable, restricted, or committed.
Unassigned	This classification represents fund balance not included in other categories. The general fund is the only fund which reports a positive unassigned fund balance.

Flow assumption: When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first. When expenditure is incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's policy to spend committed resources first, then assigned, and unassigned, in that order.

However, prior to the commencement of any project, the flow assumptions are reviewed to ensure that the proper resources are being used.

17. Fund Reserve Goals

The City has financial management guidelines that set reserve goals for selected City funds.

General Fund - City council adopted Resolution 2020-06 which targets an unrestricted fund balance of 90 days of regular general fund operating expenditures. The target level is calculated on the monthly average of total annual budgeted general fund operating expenditures for the ensuing fiscal year. If the fund falls below its minimum level, the City will adjust the budget in subsequent fiscal years to restore the fund balance within three fiscal years.

Economic Stabilization Fund - City council adopted Resolution 2012-08 which created a cumulative reserve fund to maintain resources to provide continuing levels of service when projected revenue collections are not adequate. One-time revenues are placed in the fund and City council determines when to expend funds. This arrangement is disclosed as unassigned fund balance in the general fund – *Governmental Funds Balance Sheet.*

18. Use of Estimates

These financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates and assumptions.

19. Net Position Classification

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the City will fund outlays for a particular purpose from both restrict and unrestricted resources. 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 applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

20. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent 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. Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The *Governmental Fund Balance Sheet* includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the *Government-wide Statement of Net Position.* One element of the reconciliation is "other long-term assets not available to pay for current-period expenditures and, therefore are deferred in the funds." The details of this difference are as follows:

Earned but unavailable revenues	$	1,172,299
Net pension asset		2,702,834
Deferred outflows related to pensions		3,393,802
Deferred outflows related to OPEB		41,315
Deferred inflows related to pensions		(908,823)
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	$	6,401,427

Another element of that reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable	$	(2,000,000)
Accrued interest payable		(11,667)
Leases payable		(20,622)
SBITA Payable		(30,627)
Total OPEB liability		(1,556,655)
Net pension liability		(291,782)
Compensated absences		(1,597,305)
Impact fee credits		(1,541,562)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	$	(7,050,220)

Another element of that reconciliation explains that "internal service funds related to governmental activities." The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. The details of this difference are as follows:

Net position of the internal service funds	$	4,243,278
Less: Internal payable representing charges in excess of cost to business-type activities – prior years		(1,711,387)
Less: Internal payable representing charges in excess of cost to business-type activities – current year		(293,772)
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	$	2,238,119

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balance* includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that "governmental funds report capital outlays as expenditures." However, in the *Statement of Activities* the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital Outlay	$ 4,652,945
Initiation of SBITA	(42,721)
Depreciation expense	(1,745,681)
Amortization expense	(42,774)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	$ 2,821,769

Another element of the reconciliation states, "the net effect of various miscellaneous transactions involving capital assets (ie sales, transfers, trade-ins, and donations) is to increase net position." The details of this difference are as follows:

Disposal of capital assets	$ (1,351,449)
Net adjustment to reduce fund balance – total governmental funds to arrive At changes in net position of governmental activities	$ (1,351,449)

Another element of that reconciliation states, "revenues in the S*tatement of Activities* that do not provide current financial resources are not reported as revenues in the funds." The details of this difference are as follows:

Contribution from developers	$ 2,583,193
Unearned revenue	(1,138,994)
Municipal court revenue - unavailable	748
Miscellaneous revenue - unavailable	4,199
Tax revenues – unavailable	278,292
Settlement – unavailable	(73,687)
Local payments -unavailable	(1,118)
Intergovernmental - unavailable	11,382
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ 1,664,015

Another element of that reconciliation states that the "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The details of these differences are as follows:

Principal repayments:	
General obligation debt	$ 360,000
Principal payment on leases	13,576
Principal payment on SBITA	29,198

Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	$	402,774

Another element of that reconciliation states, "some expenses reported in *the Statement of Activities* do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." These result from year-to-year changes in amounts on the *Statement of Net Position*. The details of this difference are as follows:

Compensated absences	$	(301,805)
Total OPEB liability		234,083
Net pension liability		122,849
Net pension asset		318,482
Deferred outflow of resources – related to pensions		314,226
Deferred inflow of resources – related to pensions		47,307
Deferred outflow of resources – related to OPEB		5,612
Accrued Interest		1,875
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	$	742,629

Another element of the reconciliation states "internal service funds used by management to charge the costs of vehicle and technology replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this difference are as follows:

Change in net position of the internal service funds	$	549,191
Less: gain from charges to business-type activities		(293,772)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	$	255,419

C. Explanation of Certain Differences Between the Proprietary Fund Statement of Net Position and the Government-wide Statement of Net Position

The *Proprietary Fund Statement of Net Position* includes reconciliation between net position – total enterprise funds and net position of business-type activities as reported in the *Government-wide Statement of Net Position.* The description of the sole element of that reconciliation is "adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time." The details of this difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior years	$	1,711,387
Internal receivable representing charges in excess of cost to business-type activities – current year		293,772
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	$	2,005,159

NOTE 3 – DEPOSITS AND INVESTMENTS

A reconciliation of cash, cash equivalents, and investments as shown in the government-wide and fund financial statements is as follows:

Cash and Investments - Adj Bank Statements	
Deposits with Financial Institutions	$ 3,060,463
Cash on Hand	5,550
Local Government Investment Pool	81,939,557
Clark County Investment Pool	7,982,934
Fair Value of Securities Held in Safekeeping	9,319,125
	$102,307,629

Financial Statements	
Cash and Cash Equivalents	$ 73,698,538
Restricted Cash and Cash Equivalents	19,269,346
Investments	7,419,686
Restricted Investments	1,899,439
Fiduciary Funds	20,620
	$102,307,629

	Equivalents, Pooled Investments	Restricted Cash	Restricted Investments
Governmental Funds			
General Fund	$ 28,452,240	$ 1,450,311	$ -
Real Estate Excise Tax Fund	-	10,099,739	1,110,941
Street Fund	2,854,712	-	-
Capital Projects Fund	-	253,153	-
Other Governmental Funds	-	7,168,365	788,498
Proprietary Funds			
Storm Drainage	4,250,359	-	-
Water	14,526,423	-	-
Sewer	30,134,871	297,778	-
Internal Service	899,619	-	-
Fiduciary Funds	20,620	-	-
	$ 81,138,844	$ 19,269,346	$ 1,899,439

Grand Total Cash and Investments by Statements	$ 102,307,629

State and county investment pools are available for use by all City funds. In general, interest earned from pooled deposits and investments is allocated to each fund based on the average earnings and daily cash balance of each fund. Investments in the state and county investment pools are classified as cash equivalents on the financial statements. Investments include securities held in safekeeping.

A. Deposits

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The City's deposits are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The Federal Depository Insurance Commission (FDIC) insures deposits up to $250,000 and the Washington Public Deposit Protection Commission (PDPC) insures deposits over $250,000.

B. Investments

Investments are subject to the following risks:

Credit rate risk

While the city does not have a written credit risk policy, the city invests in securities identified as eligible investments by state statutes. All debt securities in the city's investment portfolio are obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk.

Custodial credit risk

The city's investment policy requires the city to execute custodial agreements with its bank or other custodial agents which are chartered by the United States government or the State of Washington. All investment security transactions are conducted on a delivery-versus-payment (DVP) basis.
A financial institution, designated by the finance director as primary agent to serve as a custodian acting on the city's behalf, holds securities purchased by the city. All transactions are evidenced by safekeeping receipts.

Concentration of credit risk

Safety of the principal is the foremost objective of the city's investment program. All investment securities of the city are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The city's policy requires that the portfolio be structured to diversify investments to reduce the risk of loss by over-concentration of assets in a specific maturity, a specific issuer, or a specific type of security. The city's investment policy states that no more than 90 percent of the total portfolio may be invested in U.S. treasuries or agencies. The state and local investment pools are not limited.

Interest rate risk

In accordance with its investment policy, the city manages exposure to declines in values from interest rates by limiting the weighted average maturity of its investment portfolio to maturities that will fulfill the cash flow needs of the city. The securities in the portfolio are structured in a manner that ensures sufficient cash is available to meet anticipated cash flow needs based on historical information.

The city's investment policy specifies the maximum maturity for security types. Maturities range from one year for commercial paper up to 10 years for U.S. treasuries.

Issuer	Value	Less than 1 Year	2-5 Years
Local Government Investment Pool	81,939,557	81,939,557	-
Clark County Pool	7,982,934	7,982,934	-
Federal Home Loan Bank	981,040		981,040
U.S. Treasury Notes	2,216,597	-	2,216,597
U.S. Treasury Notes	2,151,188	-	2,151,188
U.S. Treasury Notes	2,020,671		2,020,671
U.S. Treasury Notes	1,949,629		1,949,629
	$ 99,241,616	$ 89,922,491	$ 9,319,125

The City's investment policy states the average maturity of the portfolio will not exceed two years. However, the policy includes the state and local government investment pools as investments for calculating the maximum average maturity of investments.

Issuer	Value	Maturity	Average Maturity in Years	% of Portfolio
Local Government Investment Pool	81,939,557	-	0.12	82.6%
Clark County Pool	7,982,934	-	1.55	8.0%
Federal Home Loan Bank	981,040	9/30/2026	4.75	1.0%
U.S. Treasury Notes	2,216,597	1/31/2027	2.67	2.2%
U.S. Treasury Notes	2,151,188	11/30/2027	3.00	2.2%
U.S. Treasury Notes	2,020,671	6/30/2028	3.08	2.0%
U.S. Treasury Notes	1,949,629	6/30/2030	4.66	2.0%
	$ 99,241,616			100%
Portfolio weighted average maturity			0.55	

1. Investments Measured at Amortized Cost

Investments Measured at Amortized Cost	City's Own Investments
Local Government Investment Pool	81,939,557
Total Investments Measured at Amortized Cost Cash Equivalents Statement of Net Position	$ 81,939,557

Investments in the Local Government investment Pool (LGIP)

The city is a participant in the Local Government Investment Pool (LGIP) as authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized costs which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

As of December 31, 2025, the City held $81,939,557 of investments at amortized cost in the LGIP. Average days to maturity of the LGIP was 46 days.

The Office of the State Treasurer prepares a stand-along LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or online at http://www.tre.wa.gov.

2. Investments Measured at Fair Value

The city measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable

Level 3: Unobservable inputs for an asset or liability

Investments by Fair Value Level	Fair Value 12/31/2025	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury Notes	$ 8,338,085	$ -	$ 8,338,085	$ -
Federal Home Loan Bank	981,040	-	981,040	-
Investments by Fair Value Level	$ 9,319,125	$ -	$ 9,319,125	$ -

Investments Not Subject to Catergorization	
Clark County Investment Pool	$ 7,982,934
Total not subject to categorization	7,982,934
Total Investments	$ 17,302,059

Investments in the Clark County Investment Pool (CCIP)

The city is a participant in the Clark County Investment Pool (CCIP), an external investment pool. The city reports its investment in the pool at the fair value amount, which is the same as the value of the pool per share. The responsibility for managing the pool resides with the county treasurer per RCW 36.29.022. Regulatory oversight is provided by the finance committee which, by statute, consists of the county treasurer, the county auditor, and the chair of the Board of County Commissioners. The CCIP does not have a credit rating.

As of December 31, 2025, the city held $7,982,934 of investments at fair value in the CCIP. Weighted average days to maturity of the CCIP was 566 days.

Additional information on the CCIP is at www.clark.wa.gov/treasurer.

Investments with the Federal Home Loan Bank

The city invests with debt securities through US Bank safekeeping. The city holds one security with the Federal Home Loan Bank. The Federal Home Loan had a credit rating of AA+ from Standard and Poor as of December 31, 2025.

Investments with U.S. Treasury

The city invests with debt securities through US Bank safekeeping. The holds four securities with the U.S. Treasury. The U.S. Treasury had a credit rating of AA1 from Moody's as of December 31, 2025.

NOTE 4 - CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION

A. Capital assets activity for the year ended December 31, 2025 is as follows:

	Beginning Balance 01/01/2025	Increases	Decreases	Ending Balance 12/31/2025
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 16,204,607	$ 408,263	-	$ 16,612,870
Construction in progress	6,519,873	3,929,558	3,708,369	6,741,062
Total capital assets, not being depreciated	22,724,480	4,337,821	3,708,369	23,353,932
Capital assets, being depreciated/depleted:				
Buildings	16,099,779	199,000	65,871	16,232,908
Machinery & Equipment	5,682,630	2,256,055	815,878	7,122,807
Infrastructure	117,604,087	4,781,131	1,408,666	120,976,552
Improvements other than buildings	1,448,967	-	-	1,448,967
Total capital assets being depreciated	140,835,463	7,236,186	2,290,415	145,781,234
Less accumulated depreciation for:				
Buildings	7,665,198	441,764	51,589	8,055,373
Machinery & Equipment	3,127,682	391,791	736,231	2,783,242
Infrastructure	76,182,358	1,147,594	1,409,034	75,920,918
Improvements other than buildings	960,062	73,033	-	1,033,095
Total accumulated depreciation	87,935,300	2,054,182	2,196,854	87,792,628
Total capital assets, being depreciated, net	52,900,163	5,182,004	93,561	57,988,606
Right to use assets, being amortized:				
Intangible Asset - leases	67,861	-	-	67,861
Intangible asset - subscription	114,362	42,721	18,170	138,913
Total right to use assets being amortized	182,223	42,721	18,170	206,774
Less accumulated amortization for:				
Right to use assets				
Intangible asset - leases	33,664	13,576	-	47,240
Intangible asset - subscription	97,257	29,198	18,170	108,285
Total accumulated amortization	130,921	42,774	18,170	155,525
Total capital assets, being amortized, net	51,302	(53)	-	51,249
Governmental activities capital assets, net	$ 75,675,945	$ 9,519,772	$ 3,801,930	$ 81,393,787

	Beginning Balance 01/01/2025	Increases	Decreases	Ending Balance 12/31/2025
Business-type Activities				
Capital assets, not being depreciated				
Land	$ 4,778,681	$ 136,576	-	$ 4,915,257
Construction in progress	4,075,084	7,141,496	1,269,226	9,947,354
Total capital assets, not being depreciated	8,853,765	7,278,072	1,269,226	14,862,611
Capital assets, being depreciated/depleted:				
Buildings	1,927,397	56,549	-	1,983,946
Machinery and equipment	1,072,751	96,615	44,452	1,124,914
Infrastructure	100,412,341	3,181,785	8,537	103,585,589
Improvements other than buildings	32,884	-	-	32,884
Intangible assets	18,535,576	-	18,535,576	-
Total capital assets being depreciated	121,980,949	3,334,949	18,588,565	106,727,333
Less accumulated depreciation for:				
Buildings	721,768	48,303	-	770,071
Machinery and equipment	716,908	46,038	44,452	718,494
Infrastructure	38,762,258	2,515,344	8,536	41,269,066
Improvements other than buildings	16,442	1,644	-	18,086
Intangible assets	15,199,162	1,112,135	16,311,297	-
Total accumulated depreciation	55,416,538	3,723,464	16,364,285	42,775,717
Total capital assets, being depreciated, net	66,564,411	(388,515)	2,224,280	63,951,616
Right to use assets, being amortized:				
Intangible asset - subscription	63,627	-	-	63,627
Total right to use assets being amortized	63,627	-	-	63,627
Less accumulated amortization for:				
Right to use assets				
Intangible asset - subscription	30,971	16,112	-	47,083
Total accumulated amortization	30,971	16,112	-	47,083
Total capital assets, being amortized, net	32,656	(16,112)	-	16,544
Business-type activities capital assets, net	$ 75,450,832	$ 6,873,445	$ 3,493,506	$ 78,830,771

Depreciation expense charged to programs of the primary government is as follows:

Governmental Activities	
General Government	$ 409,729
Public Safety	297,159
Physical Environment	11,341
Transportation	1,023,983
Culture and Recreation	354,744
Total Depreciation - Governmental Activities	$ 2,096,956

Business-type Activities	
Storm Drainage	$ 524,651
Water	1,022,121
Sewer	2,192,804
Total Depreciation -Business-Type Activities	$ 3,739,576

A. Capital Construction Commitments

The City has outstanding contractual commitments, which include construction contracts for capital projects currently in progress. Of the commitments listed, the City has funding for all projects from state and federal grants along with fund balance. The City's total outstanding contract obligations are as follows:

Project	Fund	Project to Date	Remaining Commitment
Governmental type construction projects			
Small Cities ATMS	Capital	335,762	5,025
SW 20th Ave Non-Motorized Transportation	Capital	251,499	494,893
Florence Robinson Park Improvements	Capital	-	421,911
Kiwanis Park Bathroom Addition	Capital	319,643	155,032
Acoustic Panels in Event Center	Capital	-	21,347
Business type construction projects			
1.46 MG Reservoir	Water	3,642,169	1,637,044
NE 92ND Ave Pump Station	Sewer	4,105,874	34,494
Total		$ 8,654,947	$ 2,769,746

NOTE 5 – INTERFUND TRANSACTIONS

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These transfers are classified as "other financing sources or uses" in the fund statements. Interfund transfers are used to 1) fund construction and maintenance projects, 2) move certain revenue sources to debt service

funds for principal and interest payments, and 3) move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with laws, regulations, or contracts. There were no significant transfers made during the year that do not occur on a routine basis or that are inconsistent with the activities of the fund making the transfer. The interfund transfer activity for the year is as follows:

		Transfers Out					
		General Fund	Street Fund	Real Estate Excise Tax Fund	Capital Project Fund	Other Governmental Funds	Total Transfers
Transfers In	General Fund	-	-	-	-	4,392	4,392
	Street Fund	2,100,000	-	-	-	2,772	2,102,772
	Capital Projects Fund	1,205,341	253,899	587,810	-	1,766,176	3,813,226
	Other Governmental Funds	-	-	-	23,708	453,543	477,251
	Storm Drainage Fund	-	-	-	-	1,809	1,809
	Water Fund	2,028,369	-	-	-	-	2,028,369
	Sewer Fund	3,248	-	-	-	-	3,248
	Total	**$ 5,336,958**	**$ 253,899**	**$ 587,810**	**$ 23,708**	**$ 2,228,692**	**$ 8,431,067**

NOTE 6 – LEASES

A. City as Lessor

At December 31, 2025, the City had four lease receivables in which it is acting as Lessor. During 2025, the City recognized $33,262 in lease principal payments and $5,547 in lease interest revenue. The City utilizes the interest method to amortize its deferred inflow.

The Governmental Activities has three leases, two for office space at Battle Ground City Hall, and one for city owned ball fields.

City Hall Office Space (3):	Ends: May 1, 2027 June 30, 2028 Setember 30, 2032	Period Payments: Monthly
Ball Fields:	Ends: December 31, 2029	Period Payments: Annual

The City's schedule of future payments included in the measurement of the lease receivable is as follows:

Lease Receivables

	Governmental Activities		
	Principal	Interest	Total Requirements
2026	38,672	4,774	43,446
2027	36,558	3,644	40,202
2028	26,821	2,654	29,475
2029	19,441	1,982	21,423
2030	17,430	1,357	18,787
2031-2032	31,588	964	32,552
	$ 170,510	$ 15,375	$ 185,885

City as Lessee

At December 31, 2025, the City has two leases in which it is acting as the Lessee for office equipment. Refer to Note 4, Capital Assets, for information related to the Right to Use assets accounted for through these leases.

The Governmental Activities has two leases for equipment. The lease information is as follows:

Copiers:	Ends: February 3, 2027 June 2, 2028	Period Payments: Monthly

The City's schedule of future payments included in the measurement of the lease payable is as follows:

Lease Payables

	Governmental Activities		
	Principal	Interest	Total Requirements
2026	13,736	235	13,971
2027	5,076	96	5,172
2028	1,810	10	1,820
	$ 20,622	$ 341	$ 20,963

NOTE 7 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

At January 1, 2025, the City used its SBITA policy to evaluate financial agreements that are potential SBITAs. At December 31, 2025, the City has four SBITA liabilities for human resources software (two), park facility rental software, and public works asset management software. The two human resource software agreements are for a noncancellable term of one and two years. The park facility rental software is for a noncancellable term of three years. The public works asset management software is for a noncancellable term of five years at which point the agreement becomes mutually cancellable thereby the initial 5 years is

what was used in the calculation of the liability. The City's schedule of future payments included in the measurement of the SBITA payables is as follows:

SBITA Payables

Governmental Activities

	Principal	Interest	Total Requirements
2026	21,095	778	21,873
2027	9,532	243	9,775
	$ 30,627	$ 1,021	$ 31,648

Business Type Activities

	Principal	Interest	Total Requirements
2026	16,546	444	16,990
	$ 16,546	$ 444	$ 16,990

Total outflows related to variable payments not included in the SBITA liability were $0 during the fiscal year.

NOTE 8 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The city issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the city. General obligation bonds are either created by 3/5 majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by City council, and financed from general revenues.

The city had $2,000,000 in outstanding direct placement general obligation bonds (non-voted) as of December 31, 2025. The full faith, credit, and resources of the city are pledged for the annual levy and collection of taxes and the prompt payment of the interest and principal of all the direct placement obligation bonds as they become due.

Name of Issue	Governmental Purpose	Amount Issued	Issue Date	Maturity Date	Interest Rate	Outstanding 12/31/2025
2010B LTGO Bonds	Road Improvements	4,280,000	12/8/2010	12/1/2030	6.25%-7.0%	2,000,000
Total LTGO Bonds		$ 4,280,000				$ 2,000,000

The annual debt service requirements to maturity for the direct placement general obligation bonds are as follows:

2010B Scotton Way Recovery Zone Economic Development Bonds				
	Principal	Interest Rate	Interest	Total Requirements
2026	370,000	6.25%	140,000	510,000
2027	385,000	6.25%	114,100	499,100
2028	400,000	6.25%	87,150	487,150
2029	415,000	6.25%	59,150	474,150
2030	430,000	7.00%	30,100	460,100
	$ 2,000,000		$ 430,500	$ 2,430,500

B. Revenue Bonds

Water and/or sewer revenue bonds are issued to finance capital projects. Revenue bonds are created by ordinance and adopted by the city council. The city pledges income derived from the acquired or constructed assets to pay debt service.

Restricted assets in the sewer fund contain an amount equal to the sum of one annual installment of the bond as required by bond indenture. The Sewer Revenue bonds are revenue-secured by the net revenues from the sewer facilities.

In addition to being secured by the full faith and credit obligation of the city, the Water Revenue bonds are also revenue-secured by the revenue from the sanitary sewer disposal system, reduced by the costs of maintenance and operation. Should default occur the Water Revenue bonds will incur an increase in interest of three percentage points. Prepayment of the bonds is in accordance with the specified schedule in the bond agreement.

Direct placement Revenue bonds outstanding at year-end are as follows:

Name of Issue	Purpose	Amount Issued	Issue Date	Maturity Date	Interest Rate	Outstanding 12/31/2025
2012 Revenue Bonds	Sewer Facility	6,909,000	1/25/2012	1/25/2048	3.00%	4,572,527
2015 Revenue Bonds	Water Meters	2,774,409	5/7/2015	5/7/2030	3.26%	1,172,681
		$ 9,683,409				$ 5,745,208

Annual debt service requirements to maturity for these bonds are as follows:

Direct Placement - 2012 Sewer Revenue Bonds			
	Principal	Total Interest	Requirements
2026	161,807	135,971	297,778
2027	166,697	131,081	297,778
2028	171,736	126,042	297,778
2029	176,926	120,852	297,778
2030	182,274	115,504	297,778
2031-2035	997,416	491,474	1,488,890
2036-2040	1,157,541	331,349	1,488,890
2041-2045	1,343,375	145,515	1,488,890
2046	214,755	4,258	219,013
	$ 4,572,527	$ 1,602,046	$ 6,174,573

Direct Placement - 2015 Water Revenue Bonds			
	Principal	Total Interest	Requirements
2026	234,656	35,410	270,066
2027	249,916	27,576	277,492
2028	265,889	19,235	285,124
2029	279,123	10,379	289,502
2030	143,097	1,751	144,848
	$ 1,172,681	$ 94,351	$ 1,267,032

C. Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. As of December 31, 2025, the City has no arbitrage rebate liability.

D. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	$ 2,360,000	$ -	$ (360,000)	$ 2,000,000	$ 370,000
Total bonds payable	2,360,000	-	(360,000)	2,000,000	370,000
Leases	34,198		(13,576)	20,622	13,736
SBITA's payable	17,104	42,721	(29,198)	30,627	21,095
Compensated absences (1)	1,295,500	301,805		1,597,305	809,191
Total OPEB Liability	1,790,738		(234,083)	1,556,655	82,629
Net Pension Liability	414,631	-	(122,849)	291,782	-
Long-term liabilities	$ 5,912,171	$ 344,526	$ (759,706)	$ 5,496,991	$ 1,296,651
Business-type Activities					
SBITA's payable	32,658	-	(16,114)	16,544	16,544
Revenue bonds	6,317,903	-	(572,695)	5,745,208	396,463
Compensated absences (1)	263,793	25,347	-	289,140	155,807
Net Pension Liability	106,001	-	(38,933)	67,068	-
Asset Retirement Obligation	209,043	6,062	-	215,105	-
Long-term liabilities	$ 6,929,398	$ 31,409	$ (627,742)	$ 6,333,065	$ 568,814

(1) The change in the compensated absences is a net change, not an actual increase or decrease in the liability.

For governmental activities, compensated absences, net pension liability, and other post-employment benefit (OPEB) liability are liquidated by operating funds, such as the General Fund and Street Fund.

NOTE 9 – RISK MANAGEMENT

City of Battle Ground is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. As of December 31, 2025, WCIA had a total of 168 members. In the past three years, any settlements have not exceeded insurance coverage.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, with a $1,000 auto deductible and $5,000 property deductible. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are $4 million per occurrence in the self-insured layer, and $16 million in limits above the self-insured layer is provided by reinsurance. Total limits are $20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to $1 million and subject to member deductibles, sublimits, and a $5 million pool aggregate. Premises pollution liability provides Members with a $2 million incident limit and $10 million pool aggregate subject to a $100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to $1,000,000, for all perils other than flood and earthquake, and insured above that to $400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to $250,000 and insured above that to $100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

NOTE 10 – PROPERTY TAXES

The Clark County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities.

Property Tax Calendar	
January 1	Tax is levied and becomes an enforceable lien against properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments is due
May 31	Assessed value of property established for next year's levy at 100 percent of market value
October 31	Second installment is due

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The City may levy up to $3.60 per $1,000 of assessed valuation for general governmental services, subject to limitations by the Washington State Constitution and the Revised Code of Washington 84.55.0410.

The City's regular levy for 2025 collections was $1.00 per $1,000 on an assessed valuation of $4,303,409,422 for a total regular levy of $4,314,073.

NOTE 11 – PENSION PLANS

A. Employee Retirement Systems and Pension Plan

The following table represents the aggregate pension amounts for all plans for the year 2025:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 358,850
Pension assets	2,983,688
Deferred outflows of resources	3,743,909
Deferred inflows of resources	1,009,731
Pension expense/expenditures	(101,895)

State Sponsored Pension Plans
Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)
PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members

were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The PERS 1 and PERS 2/3 employer contribution rates are developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 2/3 employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits

The PERS Plan defined benefit required contribution rates (expressed as a percentage of covered payroll) for fiscal year were as follows:

Employer Contribution Rates				
Time Frame	*Contribution Rate*	*PERS 1 UAAL*	*Administrative Fee*	*Employer*
January – June	6.36%	2.55%	0.20%	9.11%
July – December	5.38%	0.00%	0.20%	5.58%

Employee Contribution Rates	
PERS 1	6.00%

PERS 2	6.36% January – June and 5.38% July - December
PERS 3	Varies: 5% to 15%

The City's actual PERS plan contributions were $85,172 to PERS Plan 1 and $395,480 to PERS Plan 2/3 for the year ended December 31, 2025.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all of the state's full-time, fully compensated, local law enforcement commissioned officers, fire fighters and, as of July 24, 2005, emergency medical technicians.

LEOFF is a cost-sharing, multiple-employer retirement system composed of two separate pension plans for both membership and accounting purposes. Both LEOFF plans are defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest-paid consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include a COLA. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions
Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute 0%, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2025. Employers paid only the administrative expense of 0.20% of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the FAS per year of service (the FAS is based on the highest-paid consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50 – 52, the reduction is 3% for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include a COLA (based on the CPI), capped at 3% annually. LEOFF 2 members are vested after the completion of five years of eligible service.

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The rates are adopted by the LEOFF Plan 2 Retirement Board and are subject to change by the Legislature.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state

contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41%.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for the fiscal year were as follows:

Employer Contribution Rates				
Employer Type	*Time Frame*	*Contribution Rate*	*Admin Fee*	*Employer*
State and Local Governments	January – December	5.12%	0.20%	5.32%
Ports & Universities	January - December	8.53%	0.20%	8.73%

The employee contribution rate was 8.53%.

The City's actual contributions to the plan were $187,190 for the year ended December 31, 2025.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Office of the State Actuary and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2025, the state contributed $106,578,576 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is $115,928.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined by an actuarial valuation completed as of June 30, 2024 with the results rolled forward to June 30, 2025. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2023 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2024 actuarial valuation report.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Change in Assumptions and Methods: OSA improved their modeling of benefits paid to retirees and beneficiaries in their month of death to better match current administrations.

Long-Term Expected Rate of Return

OSA selected a 7% long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025. The inflation component used to create the table is 2.5% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	19%	2.10%
Tangible Assets	8%	4.50%
Real Estate	18%	4.80%
Global Equity	30%	5.60%
Private Equity	25%	8.60%
	100%	

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7%. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' 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 of 7% was used to determine the total liability.

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share* of the net pension liability calculated using the discount rate of 7%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1	605,526	358,850	142,511
PERS 2/3	2,438,506	(1,502,696)	(4,739,522)
LEOFF 1	(176,592)	(197,368)	(215,486)
LEOFF 2	965,398	(1,283,624)	(3,123,258)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

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

The City's proportionate share of the net pension liabilities or assets are as follows:

Plan	Liability or Asset
PERS 1	358,850
PERS 2/3	(1,502,696)
LEOFF 1	(197,368)
LEOFF 2	(1,283,624)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the city. The amount recognized by the city as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the city were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
LEOFF - employer's proportionate share	(197,368)	(1,283,624)
LEOFF - State's proportionate share of the net pension asset associated with the employer	(1,334,993)	(823,865)
Total	(1,532,361)	(2,107,489)

At June 30, the City's proportionate share of the collective net pension liabilities or assets was as follows:

	Proportionate Share 6/30/24	Proportionate Share 6/30/25	Change in Proportion
PERS 1	0.02930%	0.03044%	0.00114%
PERS 2/3	0.03795%	0.03938%	0.00142%
LEOFF 1	0.00605%	0.00623%	0.00018%
LEOFF 2	0.06493%	0.06625%	0.00133%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2025 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2025. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12% of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2025, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

Pension Expense
For the year ended December 31, 2025, the city recognized pension expense as follows:

	Pension Expense
PERS 1	(11,858)
PERS 2/3	(117,329)
LEOFF 1	(28,056)
LEOFF 2	55,349
Total	(101,895)

Deferred Outflows of Resources and Deferred Inflows of Resources
At December 31, 2025, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (24,670)
Contributions subsequent to the measurement date	-	-
Total	$ -	$ (24,670)
PERS 2/3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 1,098,681	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(338,396)
Changes of assumptions	580,735	(41,495)
Changes in proportion and differences between contributions and proportionate share of contributions	10,766	(135,344)
Contributions subsequent to the measurement date	183,050	-
Total	$ 1,873,232	$ (515,235)
LEOFF 1	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (3,760)
Total	$ -	$ (3,760)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,117,437	$ (5,811)
Net difference between projected and actual investment earnings on pension plan investments	-	(182,788)
Changes of assumptions	455,018	(78,046)
Changes in proportion and differences between contributions and proportionate share of contributions	200,010	(199,421)
Contributions subsequent to the measurement date	98,212	-
Total	$ 1,870,677	$ (466,066)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,216,118	$ (5,811)
Net difference between projected and actual investment earnings on pension plan investments	-	(549,614)
Changes of assumptions	1,035,753	(119,541)
Changes in proportion and differences between contributions and proportionate share of contributions	210,776	(334,765)
Contributions subsequent to the measurement date	281,262	-
Total	$ 3,743,909	$ (1,009,731)

Deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2026	$ 23,540	$ 503,345	$ 3,752	$ 286,297
2027	(17,149)	186,223	(2,640)	99,939
2028	(17,808)	180,127	(2,791)	109,348
2029	(13,252)	54,787	(2,081)	139,952
2030	-	170,627	-	203,912
Thereafter	-	79,838	-	466,950

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

Retired LEOFF I Employees Other Postemployment Benefits

The following table represents the aggregate other postemployment benefits other than pension amounts for the City's single employer plan for the year 2025:

Aggregate OPEB amounts – All Plans	
OPEB Liabilities	$ 1,556,655
Deferred Outflows of Resources – OPEB	41,315
OPEB expense/expenditures	(154,723)

Plan Description

The city administers a single-employer Other Post Employment Benefit plan, which provides all health insurance benefits for retired public safety employees who are vested in LEOFF I. All City LEOFF I employees may become eligible for these benefits if they reach normal retirement age while working for the city. The city has used the alternative measurement method.

There are three participants eligible to receive these benefits. There are currently no members actively employed at the city who are not yet receiving LEOFF I medical benefits. The benefits are 100 percent provided by the city in order to meet state statutory requirements under the LEOFF I system and provided pursuant to RCW 41.20 and 41.26, whereby the City pays their medical and dental premiums and out-of-pocket medical costs for life. This plan is closed to new entrants.

At December 31, 2025, the following retirees were covered by the benefit terms:

Active employees	0
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefit payments	0
Total	3

Contributions
The city has authority to establish and amend contribution requirements. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Actuarial Assumptions
The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The city's total LEOFF 1 OPEB liability of $1,556,655 was measured as of June 30, 2025 with a valuation date of June 30, 2025. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The Entry Age Normal actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

Discount rate – Beginning of Measurement year	3.93%
Discount Rate – End of Measurement Year	5.20%
Healthcare Trend Rates	Initial rate ranges from about 6.5%-8.6%, reaching an ultimate rate of approximately 3.8% in 2090
Inflation Rate	2.75%
Post-Retirement Participation Percentage	100%

The source of the discount rate is the Bond Buyer General Obligation 20- Bond Municipal Index.

Mortality rates were based on the Pub S.H-2010 "-1 year Healthy Table" and "0 years Disabled Table" published by the Society of Actuaries. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting mortality using MP-2017 long-term rates. The Age Setback was based on the Blended 50%/50% Healthy/Disabled table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Other assumptions are as follows:

- Each cohort is assumed to be 100% male.
- All retired participants are assumed to be covered by Medicare and premiums are reimbursed.

All other non-healthcare economic and demographic assumptions are consistent with those presented in the 2024 LEOFF 1 OPEB actuarial valuation report.

Sensitivity of the Total OPEB Liability

The table below presents the City's total OPEB liability calculated using the discount rate of 5.20 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.20 percent) or 1-percentage point higher (6.20 percent) than the current rate.

Discount Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 1,717,585	$ 1,556,655	$ 1,417,930

The following table presents the total OPEB liability of the City calculated using the health care cost trend rate of 4.5 percent and long term care rates of 4.75 percent, as well as what the OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage point lower (3.5%, 3.75% long term care trend rate) or 1-percentage point higher (5.5%, 5.75% long term care trend rate) than the current rate.

Health Care Trend Rate Sensitivity		
1% Decrease	Current Health Care Trend Rate	1% Increase
$ 1,421,986	$ 1,556,655	$ 1,709,693

Changes in the Total OPEB Liability

At the measurement date June 30, 2025, the changes in the total OPEB liability are as follows:

Interest Cost	$ 68,832
Changes in assumptions	(223,555)
Benefit payments	(79,360)
Net change in total OPEB liability	(234,083)
Total OPEB liability - beginning	1,790,738
Total OPEB Liability - ending	$ 1,556,655

The City reported ($154,723) as OPEB expense for the calendar year 2025.

At December 31, 2025, the city reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of $41,315. This will be recognized as reduction of the OPEB liability in the period ending December 31, 2026.

NOTE 13 – HEALTH AND WELFARE

The City of Battle Ground is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014, when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2025, 271 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2024, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of $2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on

December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

NOTE 14 – CONTINGENCIES AND LITIGATION

The city has recorded in its financial statements all material liabilities based on available information. In the opinion of management, the City's insurance policies are adequate to pay all known or pending claims.

The city participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

NOTE 15 - RECEIVABLE BALANCES

Amounts are aggregated into a single accounts receivable line for governmental activities on the *Statement of Net Position.* Below is the detail of receivables for the general, non-major governmental funds and internal service funds in the aggregate:

Receivables	General	Real Estate Excise Tax	Streets	Capital Projects	Nonmajor Govern-mental	Internal Service Funds	Total Governmental Activities
Accounts	36,265	-	27	-	-	-	36,292
Property taxes	62,963	-	-	-	-	-	62,963
Sales taxes	1,190,273	-	121,161	-	-	-	1,311,434
Interest	3,750	1,770	479	-	1,390	404	7,793
Motor Vehicle Fuel Tax	-	-	70,172	-	-	-	70,172
Other taxes	675,561	172	-	-	14,160	-	689,893
Municipal court	107,362	-	-	-	-	-	107,362
State shared revenue	45,346	-	-	-	-	-	45,346
State and Federal grants	720,286	-	-	47,621	-	-	767,907
Leases	170,510	-	-	-	-	-	170,510
	$ 3,012,316	$ 1,942	$ 191,839	$ 47,621	$ 15,550	$ 404	$ 3,269,672

NOTE 16 – JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATIONS

Joint Venture

Discovery Clean Water Alliance

The Discovery Clean Water Alliance (Alliance) was formed under the Joint Municipal Utility Services Authority Act, Chapter 39.106 RCW. The purpose of the Alliance is to provide cooperative, environmentally sound, and cost-effective municipal wastewater transmission and treatment to participating members. The four Alliance members, Clark County, Clark Regional Wastewater District, City of Battle Ground, and the City of Ridgefield, signed an Interlocal Formation Agreement (IFA) on September 27, 2012. The Alliance was incorporated with the Washington Secretary of State on January 4, 2013 and was fully operational as of January 1, 2015. The Alliance is governed by a Board of Directors (Board) comprised of one elected official appointed from each of the participating members.

Annual regional service charges are paid by the City of Battle Ground to the Alliance. The City's responsibility for regional asset operating costs is based on actual use of regional services during the previous year (or years) as measured by average annual flow. Responsibility for capital costs is based on agreed-upon allocated capacity. The City paid the Alliance regional service charges of $4,368,013 in 2025.

The Alliance has a separate audit and financial information about the Alliance is on their website at www.discoverycwa.org.

Jointly Governed Organization

Clark Regional Emergency Services Agency (CRESA)

In 1975, CRESA was originally created by agreement under the Interlocal Cooperation Act (RCW 39.34) between the City of Battle Ground, Clark County, and various other cities and political districts. CRESA provides regional 911 dispatch services, a regional 800 MHz and conventional radio system and services, and regional emergency management services in all incorporated and unincorporated areas of Clark County. In prior years, the city did not report an equity interest in CRESA as a joint venture since the City's measurable equity interest was not readily determinable.

On October 24, 2017, the Clark County Council approved an Ordinance and Charter establishing CRESA as a Public Development Authority (PDA) under RCW 35.21.730. Bylaws were approved by the CRESA

administrative board and revised agreements with founding public agencies and customers were drafted. The City of Battle Ground Council approved this revised agreement for services on January 16, 2018. The administrative board is comprised of nine members appointed by the entities receiving services. The city paid CRESA service charges of $394,974 in 2025.

Financial statements for CRESA can be obtained from CRESA, 710 W. 13th Street, Vancouver, Washington 98660.

NOTE 17 - ASSET RETIREMENT OBLIGATION

An Asset Retirement Obligations (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset that has a substantial cost to a government. An ARO is recognized when the liability is incurred and reasonably estimable. Incurrence of a liability requires both an internal obligating event and an external obligating event resulting from normal operations. An internal obligating event includes acquiring or placing a capital asset into operation. An external obligating event requires federal, state, or local laws or regulations, a binding contract, or issuance of a court judgement requiring specific actions to retire an asset.

The city owns, operates, and maintains 9 wells with an average useful life remaining of 35 years that the city currently does not foresee decommissioning into the foreseeable future. However, in the unlikely event that the city were to decommission these wells there are specific decommissioning requirements within the Washington Administrative code (WAC) 173-160-381. The City obtained estimates to support these potential decommissioning costs and has a liability at December 31, 2025, of $215,105 and a Deferred Outflow of $141,943. This liability was increased by 2.9%, the December 2025 construction cost increase from the 2025 liability amount. The obligation will be paid from operating income; no assets have been set aside to fund this obligation.

NOTE 18 – OTHER ASSET

The city entered into an agreement with the Clark Public Utilities (CPU) that will enable CPU to provide additional water supply. The city paid CPU aid to construction charges in the amount of $592,064 for work associated with certain improvements. This payment made by the city will be treated as payments in lieu of the city's future System Development Charges (SDCs) for increased meter capacity. The opportunity to use these in lieu payments for the SDCs on the intertie will expire on January 1, 2030.

NOTE 19 – TAX ABATEMENT

Multifamily Tax Exemption Program

Washington State RCW 84.14 and Battle Ground Municipal Code Chapter 3.45 allow for multiple-family residential building property tax exemptions. The program's purpose is to increase residential opportunities, including affordable housing, in designated urban centers. The City may grant abatements up to eight years for newly constructed or rehabbed residential units, depending on eligibility and City Council approval.

Program eligibility includes:

- Eight-year exemption for projects with 10% of units affordable to households whose monthly housing costs, including utilities, do not exceed 30% of the household's monthly income at the 80% adjusted median income (AMI) level as determined annually by HUD for Clark County with an approved contract with council.

- Twelve-year exemption for projects with 20% of units affordable to households whose monthly housing costs, including utilities, do not exceed 30% of the household's monthly income at the 80% adjusted median income (AMI) level as determined annually by HUD for Clark County with an approved contract with council.

Property owners have three years from the agreement date to obtain an occupancy permit and Certificate of Tax Exemption. Exemptions begin January 1 of the year following the issuance of the Final Certificate of Tax Exemption. The new residential improvements are not added to the tax rolls until the exemption expires. Land and other non-residential improvements remain subject to property taxes.

As of December 31, 2025, the city has entered into two developer agreement for a multi-family housing complex. These project is still in the planning stages, and no tax abatement has occurred as of the date of this report.

NOTE 20 – UNEARNED REVENUE

Developer Credits

Impact fees and system development charges (SDC) are levied at the time of permit issuance. The developer may be entitled to a nonrefundable credit against the applicable fee component for the fair market value of appropriate dedications of land, new construction, or system improvements. If the amount of the calculated credit is greater than the amount of the fee or charge due, the developer may apply the excess credit toward impact fees or SDC assessed on other developments within the same service area. Impact fee credits are disclosed as a governmental activity and SDC credits as business-type activities in the government-wide financial statements.

Impact Fee Credits	At 1/1/25	Additions	Applied	At 12/31/25
Traffic Impact Fees	$379,716	$1,218,968	$ (79,973)	$1,518,711
Park Impact Fees	22,851	-	-	22,851
	$402,567	$1,218,968	$ (79,973)	$1,541,562
System Development Charge Credits	**At 1/1/25**	**Additions**	**Applied**	**At 12/31/25**
Water SDC credits	$ 932	$ -	$ -	932
Sewer SDC credits	226,160	123,110	(254,160)	95,110
	$227,092	$ 123,110	$(254,160)	$ 96,042

Grant Revenue

The city received $5,938,247 for the American Rescue Plan Act of 2021 to date. This federal appropriation was given to state and local governments to offset the long-term impacts of the COVID-19 pandemic. As of December 31, 2025, the City has expended $4,699,228 of these funds leaving $1,239,019 in unexpended grant funds. This grant award was given to the City in advance of expending the funds on allowable costs. These funds are reported as restricted assets, see note 1.

NOTE 21 – ACCOUNTING CHANGES AND CHANGE IN ACCOUNTING PRINCIPLES

During the year ended December 31, 2025, the City refined the measurement of its Compensated absences liability. The change in estimate results from adopting a new measurement methodology that incorporates terminated employee historical leave usage and service life patterns. This change affects the following financial statement line items:

- Governmental activities – Long-term liabilities: Compensated absences
- Business-type activities – Long-term liabilities: Compensated absences
- Governmental activities – Expenses (by function/program to which salary and benefits are allocated)
- Business-type activities – Expenses

With this methodology change, the compensated absences liability is estimated using a method that more accurately reflects sick leave expected to be paid for the estimated service lives of employees. Management believes the new methodology is preferable because it better reflects employee historical experience, producing a closer estimate of expected payouts for sick leave attributable to services already rendered. The change was not required by a GASB pronouncement.

CITY OF BATTLE GROUND
REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS - LEOFF I
LAST EIGHT CALENDAR YEARS
Total OPEB liability

	Interest	Changes of assumptions or other inputs	Benefit payments	Net change in total OPEB liability	Total OPEB liability beginning	Total OPEB liability ending	Covered employee payroll	Total OPEB liability as a percentage of covered employee payroll
2025	$ 68,832	$ (223,555)	$ (79,360)	$ (234,083)	$ 1,790,738	$ 1,556,655	$ 0	N/A
2024	64,269	(1,313)	(65,445)	(2,489)	1,793,227	1,790,738	0	N/A
2023	54,154	236,039	(53,034)	237,159	1,556,068	1,793,227	0	N/A
2022	43,343	(457,110)	(73,194)	(486,961)	2,043,029	1,556,068	0	N/A
2021	43,680	50,501	(54,936)	39,245	2,003,784	2,043,029	0	N/A
2020	55,229	395,359	(49,134)	401,454	1,602,330	2,003,784	0	N/A
2019	65,858	(138,511)	(53,022)	(125,675)	1,728,005	1,602,330	0	N/A
2018	63,170	(69,684)	(59,467)	(65,981)	1,793,986	1,728,005	0	N/A

Notes to schedule

1. Changes of assumptions
Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	3.58%	2022	3.54%
2018	3.87%	2023	3.65%
2019	3.50%	2024	3.93%
2020	2.21%	2025	5.20%
2021	2.16%		

2. The City implemented GASB 75 in 2018, therefore no data is presented before then
Eventually, ten years of data will be presented.

3. All participants in the plan are retired; therefore, there is no covered payroll or service cost

4. There are no assets accumulated in a trust to pay related benefits for the OPEB plan

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 1
As of June 30
Last Ten Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	0.030437%	$ 358,850	$ 6,579,500	5.45%	89.07%
2024	0.029301%	520,631	5,912,882	8.81%	84.05%
2023	0.028092%	641,265	5,041,197	12.72%	80.16%
2022	0.027809%	774,305	4,539,723	17.06%	76.56%
2021	0.028403%	346,867	4,555,972	7.61%	88.74%
2020	0.026675%	941,772	3,883,769	24.25%	68.64%
2019	0.027849%	1,070,893	3,904,329	27.43%	67.12%
2018	0.029068%	1,298,187	3,883,356	33.43%	63.22%
2017	0.028947%	1,373,558	3,656,273	37.57%	61.24%
2016	0.028463%	1,528,597	3,693,562	41.39%	57.03%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 2/3
As of June 30
Last Ten Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	0.039377%	$ (1,502,696)	$ 6,579,500	-22.84%	105.53%
2024	0.037953%	(1,251,148)	5,912,882	-21.16%	105.17%
2023	0.036228%	(1,484,871)	5,041,197	-29.45%	107.02%
2022	0.036265%	(1,344,989)	4,539,723	-29.63%	106.73%
2021	0.036488%	(3,634,792)	4,555,972	-79.78%	120.29%
2020	0.034735%	444,241	3,883,769	11.44%	97.22%
2019	0.035960%	349,294	3,904,329	8.95%	97.77%
2018	0.037318%	637,172	3,883,356	16.41%	95.77%
2017	0.037233%	1,293,669	3,656,273	35.38%	90.97%
2016	0.036471%	1,836,286	3,693,562	49.72%	85.82%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Proportionate Share of the Net Pension Liability (Asset)
LEOFF 1
As of June 30
Last Ten Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	0.006229%	$ (197,368)	$ (1,334,993)	$ (1,532,361)	N/A	N/A	178.02%
2024	0.006050%	(172,055)	(1,163,778)	(1,335,833)	N/A	N/A	168.48%
2023	0.005873%	(174,312)	(1,179,042)	(1,353,354)	N/A	N/A	175.99%
2022	0.005732%	(164,429)	(1,112,193)	(1,276,622)	N/A	N/A	169.62%
2021	0.005579%	(191,112)	(1,292,678)	(1,483,790)	N/A	N/A	187.45%
2020	0.005444%	(102,810)	(695,404)	(798,214)	N/A	N/A	146.88%
2019	0.005327%	(105,294)	(712,206)	(817,500)	N/A	N/A	148.78%
2018	0.005234%	(95,023)	(642,736)	(737,759)	N/A	N/A	144.42%
2017	0.005180%	(78,592)	(531,594)	(610,186)	N/A	N/A	135.96%
2016	0.005107%	(52,617)	(355,898)	(408,515)	N/A	N/A	123.74%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30
Last Ten Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability	TOTAL	Covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered	Plan fiduciary net position as a percentage of the total pension
2025	0.066251%	$ (1,283,624)	$ (823,865)	$ (2,107,489)	$ 3,459,017	-37.11%	108.79%
2024	0.064925%	(1,215,880)	(789,041)	(2,004,921)	3,035,368	-40.06%	109.27%
2023	0.068968%	(1,654,265)	(1,056,397)	(2,710,662)	2,966,264	-55.77%	113.17%
2022	0.070612%	(1,919,021)	(1,243,100)	(3,162,121)	2,791,632	-68.74%	116.09%
2021	0.063264%	(3,674,635)	(2,370,541)	(6,045,176)	2,439,355	-150.64%	142.00%
2020	0.061507%	(1,254,653)	(802,256)	(2,056,909)	2,275,632	-55.13%	115.83%
2019	0.068791%	(1,593,676)	(1,043,644)	(2,637,320)	2,366,778	-67.34%	119.43%
2018	0.069907%	(1,419,264)	(919,416)	(2,338,680)	2,326,869	-60.99%	118.50%
2017	0.067405%	(935,363)	(606,753)	(1,542,116)	2,109,925	-44.33%	113.36%
2016	0.068973%	(401,168)	(261,532)	(662,700)	2,255,979	-17.78%	106.04%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Employer Contributions
PERS 1
For the Year Ending December 31
Last Ten Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2025	$ 85,172	$ (85,172)	$ -	$ 6,742,504	1.26%
2024	175,950	(175,950)	-	6,411,484	2.74%
2023	183,610	(183,610)	-	5,423,618	3.39%
2022	175,770	(175,770)	-	4,678,704	3.76%
2021	191,467	(191,467)	-	4,459,857	4.29%
2020	203,306	(203,306)	-	4,237,877	4.80%
2019	194,124	(194,124)	-	3,925,573	4.95%
2018	198,244	(198,244)	-	3,915,896	5.06%
2017	184,536	(184,536)	-	3,764,693	4.90%
2016	168,403	(168,403)	-	3,530,474	4.77%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Employer Contributions
PERS 2/3
For the Year Ending December 31
Last Ten Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2025	$ 395,480	$ (395,480)	$ -	$ 6,742,504	5.87%
2024	407,771	(407,771)	-	6,411,484	6.36%
2023	344,943	(344,943)	-	5,423,618	6.36%
2022	297,566	(297,566)	-	4,678,704	6.36%
2021	318,620	(318,620)	-	4,459,857	7.14%
2020	335,641	(335,641)	-	4,237,877	7.92%
2019	303,049	(303,049)	-	3,925,573	7.72%
2018	293,681	(293,681)	-	3,915,896	7.50%
2017	258,577	(258,577)	-	3,764,693	6.87%
2016	219,948	(219,948)	-	3,530,474	6.23%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Battle Ground
Schedule of Employer Contributions
LEOFF 2
For the Year Ending December 31
Last Ten Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2025	$ 187,190	$ (187,190)	$ -	$ 3,575,637	5.24%
2024	170,308	(170,308)	-	3,236,581	5.26%
2023	158,451	(158,451)	-	3,021,068	5.24%
2022	153,000	(153,000)	-	2,907,388	5.26%
2021	135,928	(135,928)	-	2,599,558	5.23%
2020	118,396	(118,396)	-	2,276,264	5.20%
2019	124,743	(124,743)	-	2,347,732	5.31%
2018	125,335	(125,335)	-	2,387,329	5.25%
2017	113,887	(113,887)	-	2,207,554	5.16%
2016	106,584	(106,584)	-	2,110,577	5.05%

City of Battle Ground

Notes to Required Supplemental Information - Pension

As of December 31

Last Ten Fiscal Years

Note 1: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 2: Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues.* Covered payroll includes all payroll on which a contribution is based.

Note 3: Change in contribution rate

Rates in effect during the periods covered by the Required Supplemental Information are below:

PERS 1, PERS 2/3

From this Date	Through this Date	Employer Rate	
7/1/2015	6/30/2017	11.18%	
7/1/2017	8/31/2018	12.70%	
9/1/2018	6/30/2019	12.83%	
7/1/2019	8/31/2020	12.86%	
9/1/2020	6/30/2021	12.97%	
7/1/2021	8/31/2022	10.25%	
9/1/2022	6/30/2023	10.39%	
7/1/2023	8/31/2023	9.39%	
9/1/2023	6/30/2024	9.53%	
7/1/2024	8/31/2024	9.03%	
9/1/2024	6/30/2025	9.11%	
7/1/2025	Current	5.58%	*

* Employer contribution rate includes an administrative expense rate of 0.20%

LEOFF 1

From this	Through this	Employer
9/1/2013	8/31/2023	0.18%
9/1/2023	Current	0.20%

* Employer contribution rate includes an administrative expense rate of 0.20%

LEOFF 2

From this Date	Through this Date	Employer Rate
9/1/2013	6/30/2017	5.23%
7/1/2017	6/30/2019	5.43%
7/1/2019	6/30/2021	5.33%
7/1/2021	8/31/2023	5.30%
9/1/2023	Current	5.32% *

* Employer contribution rate includes an administrative expense rate of 0.20%

Effective July 1, 2021, LEOFF employers must pay an additional 3.41% to pick up the state contributions on basis of salary paid for services rendered to non-LEOFF employers.

City of Battle Ground
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	NA	-	2,333	2,333	-	1,2
COMMUNITY ORIENTED POLICING SERVICE, JUSTICE, DEPARTMENT OF	Public Safety Partnership and Community Policing Grants	16.710	15JCOPS-23-GG-01660-TECP	-	13,591	13,591	13,591	1,2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8411	90	-	90	-	1,2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-9681	425,462	-	425,462	-	1,2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-10573	71,800	-	71,800	-	1,2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-11102	18,444	-	18,444	-	1,2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-10985	10,702	-	10,702	-	1,2
			Total ALN 20.205:	**526,498**	**-**	**526,498**	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	PT26-01	37,813	-	37,813	-	1,2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	M5HVE26-01	9,851	-	9,851	-	1,2
			Total Highway Cluster:	**47,664**	**-**	**47,664**	**-**	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-56104-012	-	2,031,617	2,031,617	-	1,2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-96515-020	912,636	-	912,636	-	1,2
			Total ALN 21.027:	**912,636**	**2,031,617**	**2,944,253**	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Drug-Free Communities Support Program Grants	93.276	E6802P1	-	17,924	17,924	-	1,2
			Total Federal Awards Expended:	**1,486,798**	**2,065,465**	**3,552,263**	**13,591**	

The accompanying notes notes are an integral part of this schedule.

CITY OF BATTLE GROUND

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2025

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Battle Ground's fund financial statements. The City uses the modified accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Battle Ground's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – FEDERAL DE MINIMIS INDIRECT COST RATE

The city has not elected to use the 15 percent de minimis indirect cost rate allowed under the Uniform Guidance nor any other indirect cost rate. Expenditures reported are direct expenses to the program.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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