CITY OF WATKINSVILLE, GEORGIA

Annual Financial Report

For the fiscal year ended June 30, 2023

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CITY OF WATKINSVILLE, GEORGIA
ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2023

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Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Watkinsville, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Watkinsville, Georgia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Watkinsville, Georgia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Watkinsville, Georgia, as of June 30, 2023, and the respective changes in the financial position and the budgetary comparisons of the General Fund and American Rescue Plan Act Special Revenue Fund for the year then ended in conformity 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 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 City of Watkinsville, Georgia and to meet our 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Watkinsville, Georgia'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 generally accepted auditing standards 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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 City of Watkinsville, Georgia'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Watkinsville, Georgia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 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 City of Watkinsville, Georgia's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2023, on our consideration of City of Watkinsville, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and not to provide an opinion on the 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 City of Watkinsville, Georgia's internal control over financial reporting and compliance.

Rushton, LLC

Gainesville, Georgia
November 3, 2023

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MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF WATKINSVILLE, GEORGIA

Management's Discussion and Analysis provides an objective and easily readable analysis of the City's financial activities. The analysis provides summary financial information for the City of Watkinsville and should be read in conjunction with the Government's financial statements. This fiscal year's Management Discussion and Analysis includes comparative data from the previous year.

The City of Watkinsville utilizes only government funds; there are no proprietary or business type activities. The organization of the City is compact and streamlined whereby there is a City Manager, City Clerk/Finance Director/Human Resources Director, Municipal Court Clerk/Deputy City Clerk, Administrative Assistant, Downtown Development Director, 7 members of the police department, 3 members of the public works department and 1 member of code enforcement for a total of 16 employees involved in the full-time activities of the City.

The City of Watkinsville does not maintain either water or sewerage requirements, but relies on the county for these services.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year 2023 by $10,437,495 (total net position). Of this amount, $3,689,114 was unrestricted net position, a decrease of $223,307 from fiscal year 2022, and is available for use to meet the City's ongoing obligations for its citizens and creditors.

- The City's total net position decreased by $356,053 during this fiscal year resulting from governmental activities.

- At the end of the current fiscal year, the City's total governmental fund balances amounted to $5,309,505, a decrease of $402,911 from fiscal year 2022.

- At the end of the current fiscal year, the fund balance for the General Fund was $3,765,744, a decrease of $177,570 from fiscal year 2022.

- ❖ The City decreased fund balance of the General Fund in the current fiscal year while increasing it in the prior fiscal year. While revenues increased during the current fiscal year, expenditures increased by a greater margin. The most significant increases in revenues were fines, fees, and forfeitures and interest. The most significant increases in expenditures were increased General Administration expenditures for capital outlay, increased Police expenditures for personal services, and increased Building Inspection expenditures for contract services.

- ❖ The City has invested $5,244,374 in capital assets (net of accumulated depreciation/amortization). This is an increase of $115,916 from the prior fiscal year. Capital assets include land, construction in progress, site improvements, buildings, equipment, vehicles, and intangible right-to-use assets. Major capital asset purchases during the current fiscal year included the following:

    - Purchase of police department vehicle and equipment
    - Sidewalks and street improvements
    - New City signage
    - Rocket Field upgrades

    Additional information on the City's capital assets can be found in Note 9 in the Notes to the Financial Statements.

CITY OF WATKINSVILLE
NET POSITION

	FY 2023 GOVERNMENTAL ACTIVITIES	FY 2022 GOVERNMENTAL ACTIVITIES
ASSETS:		
Current Assets	$ 6,859,301	$ 6,158,524
Capital Assets	5,244,374	5,128,458
TOTAL ASSETS	12,103,675	11,286,982
LIABILITIES:		
Current Liabilities	1,628,219	488,052
Noncurrent Liabilities	37,961	5,382
TOTAL LIABILITIES	1,666,180	493,434
NET POSITION:		
Net Investment in Capital Assets	5,204,620	5,112,025
Restricted for:		
Cemetery	32,545	30,902
Law Enforcement	14,647	5,610
Grant Specifications	30,917	1,789
Capital Projects	1,465,652	1,730,801
Unrestricted	3,689,114	3,912,421
TOTAL NET POSITION	$ 10,437,495	$ 10,793,548

CITY OF WATKINSVILLE
CHANGES IN NET POSITION

REVENUES:	FY 2023 GOVERNMENTAL ACTIVITIES	FY 2022 GOVERNMENTAL ACTIVITIES
Program Revenues		
Charges for services	$ 478,601	$ 244,431
Operating grants and contributions	41,147	286,970
Capital grants and contributions	1,315,921	1,010,809
General Revenues		
Property taxes	525,564	432,177
Franchise taxes	234,195	229,777
Sales taxes	953,425	854,636
Other taxes	362,560	355,600
Investment earnings	160,703	18,978
Miscellaneous	37,518	46,922
Total Revenues	4,109,634	3,480,300
EXPENSES:		
General government	849,990	536,581
Judicial	119,306	95,604
Public safety	1,007,347	760,404
Public works	920,824	951,623
Culture and recreation	1,262,732	127,203
Housing and development	305,476	152,313
Interest on long-term debt	12	0
Total Expenses	4,465,687	2,623,728
Increase in net position	(356,053)	856,572
Net position - beginning	10,793,548	9,936,976
Net position - ending	$ 10,437,495	$ 10,793,548

Revenues: Sales taxes of $953,425 accounts for 23% of revenue.
Property taxes of $525,564 accounts for only 13% of revenue.
Intergovernmental revenues from SPLOST of $1,002,442 accounts for 24% of revenue.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the City of Watkinsville's basic financial statements. The City's basic financial statements include the government-wide financial statements, fund financial statements and notes to the financial statements as well as supplemental information and other schedules.

Government Wide Financial Statements

The government wide financial statements are reported on the accrual basis of accounting and are designed to provide readers with an overview of the City's finances in a manner similar to commercial enterprises. The government wide statements have an "economic resources" measurement focus. This focus is broader than the focus of the fund level statements, which have a financial resources focus. The government wide statements report all assets and liabilities, irrespective of whether the asset or liability represents a current financial resource or a claim on a financial resource. The government wide statements provide a more complete representation of the City's finances than the fund level statements, which are reported on the modified accrual basis and only report current financial resources and current claims on those resources.

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

The statement of activities presents information showing how the City's net position changed during the fiscal year. Revenues and expenses are reported in this statement in a manner to group like items for ease of comparison. The government activities of the City include: general government, judicial, public safety, public works, culture and recreation, and housing and development.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements as well as tracking specific set-aside efforts. All of the City's funds are classified as governmental funds and are divided into the Major funds (General, American Rescue Plan Act, SPLOST II, and SPLOST III

Funds) and Nonmajor funds (Cemetery, Confiscated Assets, Hotel/Motel Tax, SPLOST, and TSPLOST Funds).

The City, with approximately 2,800 residents and an approximate $3,000,000 budget, maintains an ending fund balance in the General Fund in the amount of $3,765,744, which is 128% above the FY 2023 expenditures of $2,946,281.

The SPLOST Fund was preliminarily set up in FY 2009 with expectations to begin receiving revenue during FY 2010. This was the City's first SPLOST referendum. The referendum held on the 17th of March, 2009 allows four areas:

Parks and Recreation	$ 846,000
Transportation	$ 1,305,000
Public Safety Facilities and Equipment	$ 216,000
Water and Sewer	$ 833,000
	$ 3,200,000

Revenues and expenditures from this fund for fiscal year 2023 are as follows:

Beginning Balance	$ 246,453
Revenues	$ 5,278
Expenditures	($ 251,731)
Ending balance as of 6/30/2023	$ 0

The SPLOST II Fund was preliminarily set up in FY 2016 with expectations to begin receiving revenue during FY 2016. The referendum held on the 3rd of June, 2014 allows four areas:

Parks and Recreation	$ 900,000
Transportation	$ 2,200,000
Public Safety Facilities and Equipment	$ 675,000
Water and Sewer	$ 971,500
	$ 4,746,500

Revenues and expenditures from this fund for fiscal year 2023 are as follows:

Beginning Balance	$ 930,332
Revenues	$ 30,116
Expenditures	($ 955,676)
Ending balance as of 6/30/2023	$ 4,772

The SPLOST III Fund was set up in FY 2021 with expectations to begin receiving revenue during FY 2022. The referendum held on the 3rd of November, 2020 allows four areas:

Public Safety Facilities and Equipment	$ 540,000
Recreational, Park, and Greenspace Facilities	$ 1,356,000
Roads, Streets, Bridges, Drainage, and Sidewalks	$ 3,299,144
Multi-Purpose City Facilities, Signage, and Equipment	$ 384,000
	$ 5,579,144

Revenues and expenditures from this fund for fiscal year 2023 are as follows:

Beginning Balance	$ 554,016
Revenues	$ 1,075,111
Expenditures	($ 373,582)
Ending balance as of 6/30/2023	$ 1,255,545

The SPLOST fund is a nonmajor fund and the SPLOST II and SPLOST III funds are major funds. Additional information on the SPLOST expenditures can be found in the Schedule of Projects Financed with Special Purpose Local Option Sales Tax near the end of this report.

The TSPLOST Fund was set up in FY 2023 with expectations to begin receiving revenue during FY 2023. The TSPLOST referendum provides for Sidewalk Construction and Repairs, Multi-Use Trails, Side Paths, Greenways, High Visibility Crossings, Traffic Efficiency Improvements, Road Resurfacing and Rehabilitation, and Investment in Roadway Infrastructure.

Revenues and expenditures from this fund for fiscal year 2023 are as follows:

Beginning Balance	$ 0
Revenues	$ 205,415
Expenditures	($ 80)
Ending balance as of 6/30/2023	$ 205,335

The TSPLOST fund is a nonmajor fund. Additional information on the TSPLOST expenditures can be found in the Schedule of Projects Financed with Transportation Special Purpose Local Option Sales Tax near the end of this report.

Governmental Funds

The City maintains nine individual funds. Information is presented separately in the fund financial statements for Major Funds (General, American Rescue Plan Act, SPLOST II, and SPLOST III).

The City adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison statement for the General Fund and American Rescue Plan Act Special Revenue Fund has been provided to demonstrate compliance with the budgets.

In the General Fund, the City received just under the projected revenues and was able to stay in line with final projected expenditures. Both the original budget and amended budget required the use of fund balance.

Licenses and permits fell significantly below budgeted expectations. However, interest revenue and other revenues exceeded budgeted expectations. Expenditures slightly decreased in the current year. Budget amendments were required in the current fiscal year, mostly due to capital projects. The most significant increases in expenditures were increased General Administration expenditures for capital outlay, increased Police expenditures for personal services, and increased Building Inspection expenditures for contract services.

Notes to the Financial Statements

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

The notes also provide information about the City's background accounting policies, significant account balances and activities, obligations, commitments and contingencies. The notes include the City's budgetary process including the step-by-step involvement of the City Manager, the Mayor and Council.

The City's liquid assets are invested wholly in local bank accounts and are fully collateralized. (Note 3 applies)

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information, including the combining statements for the nonmajor governmental funds and budgetary comparison schedules for the City's nonmajor special revenue funds.

Summary and Overview

The City's net position decreased by $356,053. The City's total governmental funds fund balance decreased by $402,911. The General Fund ending fund balance decreased $177,570. The City has two new funds in the current fiscal year, the Hotel/Motel Tax Special Revenue Fund to account for revenues and expenditures of Hotel/Motel Tax and the TSPLOST Fund to account for capital projects financed through the 2022 TSPLOST.

While managing expenditures and increased capital projects, the City Council worked very well together and maintained a vibrant town in the current fiscal year. Property and franchise held somewhat steady, while sales taxes increased.

All in all, the future looks bright due to cooperation, planning, conservative spending and a strong economy.

BASIC FINANCIAL STATEMENTS

CITY OF WATKINSVILLE, GEORGIA
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 6,581,873
Receivables (net)	
Taxes	124,392
Intergovernmental	153,036
Total current assets	6,859,301
Noncurrent assets	
Capital assets	
Intangible right-to-use assets (net)	76,992
Non-depreciable capital assets	1,141,532
Depreciable capital assets (net)	4,025,850
Total noncurrent assets	5,244,374
Total assets	12,103,675
LIABILITIES	
Current liabilities	
Accounts payable	706,829
Accrued salaries	28,141
Other payroll liabilities	21,899
Unearned revenue	791,367
Compensated absences	70,371
Subscription liabilities	9,612
Total current liabilities	1,628,219
Noncurrent liabilities	
Compensated absences	7,819
Subscription liabilities	30,142
Total noncurrent liabilities	37,961
Total liabilities	1,666,180
NET POSITION	
Net investment in capital assets	5,204,620
Restricted for:	
Cemetery	32,545
Law enforcement	14,647
Grant specifications	30,917
Capital projects	1,465,652
Unrestricted	3,689,114
Total net position	$ 10,437,495

CITY OF WATKINSVILLE, GEORGIA
STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities					
General Government	$ 849,990	$ 55,115	$ 40,907	$ 68,996	$ (684,972)
Judicial	119,306	0	0	0	(119,306)
Public Safety	1,007,347	273,041	0	103,655	(630,651)
Public Works	920,824	150,445	240	884,736	114,597
Culture and Recreation	1,262,732	0	0	258,534	(1,004,198)
Housing and Development	305,476	0	0	0	(305,476)
Interest on long-term debt	12	0	0	0	(12)
Total governmental activities	4,465,687	478,601	41,147	1,315,921	(2,630,018)

General revenues	
Taxes	
Property	525,564
Franchise	234,195
Sales	953,425
Occupational	83,848
Insurance premium	240,666
Other	38,046
Interest and investment earnings	160,703
Other	37,518
Total general revenues	2,273,965
Change in net position	(356,053)
Net position, July 1	10,793,548
Net position, June 30	$ 10,437,495

CITY OF WATKINSVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General	American Rescue Plan Act	SPLOST II	SPLOST III	Nonmajor Governmental Funds	Totals
ASSETS						
Cash and cash equivalents	$ 4,034,213	$ 831,156	$ 346,943	$ 1,172,329	$ 197,232	$ 6,581,873
Receivables (net)						
Taxes	122,834	0	0	0	1,558	124,392
Intergovernmental	0	0	0	83,216	69,820	153,036
Due from other funds	16,283	0	0	0	0	16,283
Total assets	$ 4,173,330	$ 831,156	$ 346,943	$ 1,255,545	$ 268,610	$ 6,875,584
LIABILITIES						
Accounts payable	$ 364,858	$ 0	$ 341,971	$ 0	$ 0	$ 706,829
Accrued salaries	21,641	6,500	0	0	0	28,141
Other payroll liabilities	19,527	2,372	0	0	0	21,899
Due to other funds	0	0	200	0	16,083	16,283
Unearned revenue	0	791,367	0	0	0	791,367
Total liabilities	406,026	800,239	342,171	0	16,083	1,564,519
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	1,560	0	0	0	0	1,560
FUND BALANCES						
Restricted for:						
Cemetery	0	0	0	0	32,545	32,545
Law enforcement	0	0	0	0	14,647	14,647
Grant specifications	0	30,917	0	0	0	30,917
Capital projects	0	0	4,772	1,255,545	205,335	1,465,652
Assigned to capital projects	820,711	0	0	0	0	820,711
Unassigned	2,945,033	0	0	0	0	2,945,033
Total fund balances	3,765,744	30,917	4,772	1,255,545	252,527	5,309,505
Total liabilities, deferred inflows of resources, and fund balances	$ 4,173,330	$ 831,156	$ 346,943	$ 1,255,545	$ 268,610	$ 6,875,584

See accompanying notes to the financial statements.

CITY OF WATKINSVILLE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2023

Total fund balance - total governmental funds		$ 5,309,505
Amounts reported for governmental activities in the statement of net position are different because:		
Some assets are not financial resources and, therefore, are not reported in the funds. These are:		
Capital assets, net of accumulated depreciation		5,244,374
Accumulated depreciation		
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds. These are:		
Property taxes		1,560
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These are:		
Compensated absences	$ (78,190)	
Accumulated depreciation	(39,754)	(117,944)
Net position of the governmental activities		$ 10,437,495

CITY OF WATKINSVILLE, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2023

	General	American Rescue Plan Act	SPLOST II	SPLOST III	Nonmajor Governmental Funds	Totals
REVENUES						
Taxes	$ 2,112,395	$ 0	$ 0	$ 0	$ 23,183	$ 2,135,578
Licenses and permits	150,445	0	0	0	0	150,445
Fines, fees, and forfeitures	264,060	0	0	0	8,746	272,806
Charges for services	452	0	0	0	0	452
Intergovernmental	0	40,907	0	1,046,191	205,406	1,292,504
Interest	129,866	29,129	30,116	28,920	6,995	225,026
Contributions	0	0	0	0	240	240
Other	37,518	0	0	0	0	37,518
Total revenues	2,694,736	70,036	30,116	1,075,111	244,570	4,114,569
EXPENDITURES						
Current						
General Government	888,356	7,000	0	0	0	895,356
Judicial	121,316	0	0	0	0	121,316
Public Safety	944,903	33,372	0	0	0	978,275
Public Works	568,493	0	0	0	0	568,493
Culture and Recreation	111,277	0	0	0	0	111,277
Housing and Development	301,436	0	0	0	0	301,436
Capital outlay	0	0	955,676	373,582	251,811	1,581,069
Debt service	10,500	0	0	0	0	10,500
Total expenditures	2,946,281	40,372	955,676	373,582	251,811	4,567,722
Excess (deficiency) of revenues over (under) expenditures	(251,545)	29,664	(925,560)	701,529	(7,241)	(453,153)
Other financing sources (uses)						
Transfers in	23,733	0	0	0	0	23,733
Transfers out	0	(536)	0	0	(23,197)	(23,733)
Proceeds from issuance of debt	50,242	0	0	0	0	50,242
Total other financing sources (uses)	73,975	(536)	0	0	(23,197)	50,242
Net change in fund balance	(177,570)	29,128	(925,560)	701,529	(30,438)	(402,911)
Fund balances, July 1	3,943,314	1,789	930,332	554,016	282,965	5,712,416
Fund balances, June 30	$ 3,765,744	$ 30,917	$ 4,772	$ 1,255,545	$ 252,527	$ 5,309,505

See accompanying notes to the financial statements.

CITY OF WATKINSVILLE, GEORGIA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2023

Net change in fund balances - total governmental funds		$ (402,911)
Amounts reported for governmental activities in the statement of activities are different because:		
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.		
Capital outlays	$ 350,868	
Depreciation	(234,952)	115,916
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable property taxes.		(4,935)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.		
Net change in compensated absences		(24,369)
The issuance of long-term debt provides current financial resources for governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Rapayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Subscription proceeds	(50,242)	
Subscription principal payments	10,488	(39,754)
Change in net position of governmental activities		$ (356,053)

CITY OF WATKINSVILLE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended June 30, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 2,002,285	$ 2,072,285	$ 2,112,395	$ 40,110
Licenses and permits	281,027	281,027	150,445	(130,582)
Fines, fees, and forfeitures	112,125	264,000	264,060	60
Charges for services	100	100	452	352
Interest	20,400	117,476	129,866	12,390
Other	3,500	3,500	37,518	34,018
Total revenues	2,419,437	2,738,388	2,694,736	(43,652)
EXPENDITURES				
Current				
General Government				
Governing Body	12,600	13,000	12,915	85
Mayor	9,700	12,100	12,067	33
General Administration	449,277	809,400	809,388	12
General Building and Plant	38,294	54,000	53,986	14
Judicial				
Municipal Court	109,811	121,400	121,316	84
Public Safety				
Police	883,137	935,500	935,467	33
Fire	14,000	14,000	9,436	4,564
Public Works				
Highways and Streets	527,017	526,914	516,048	10,866
Street Lighting	56,500	56,500	52,445	4,055
Cemetery	2,000	2,000	0	2,000
Culture & Recreation				
Recreation	7,500	7,500	0	7,500
Parks	82,448	82,448	81,277	1,171
Library	30,000	30,000	30,000	0
Housing and Development				
Building Inspection	198,444	198,444	160,443	38,001
Tourism	53,029	63,028	52,387	10,641
Code Enforcement	86,270	88,700	88,606	94
Debt Service				
General Government				
General Administration	0	10,500	10,500	0
Total expenditures	2,560,027	3,025,434	2,946,281	79,153
Excess (deficiency) of revenues over (under) expenditures	(140,590)	(287,046)	(251,545)	35,501
Other financing sources (uses)				
Transfers in	6,730	18,051	23,733	5,682
Proceeds from issuance of debt	0	50,242	50,242	0
Total other financing sources (uses)	6,730	68,293	73,975	5,682
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(133,860)	(218,753)	(177,570)	41,183
Fund balances, July 1	133,860	218,753	3,943,314	3,724,561
Fund balances, June 30	$ 0	$ 0	$ 3,765,744	$ 3,765,744

CITY OF WATKINSVILLE, GEORGIA
AMERICAN RESCUE PLAN ACT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended June 30, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 0	$ 40,000	$ 40,907	$ 907
Interest	0	1,000	29,129	28,129
Total revenues	0	41,000	70,036	29,036
EXPENDITURES				
Current				
General Government				
General Administration	0	7,000	7,000	0
Public Safety				
Police	0	33,400	33,372	28
Total expenditures	0	40,400	40,372	28
Excess (deficiency) of revenues over (under) expenditures	0	600	29,664	29,064
Other financing sources (uses)				
Transfers out	0	(600)	(536)	64
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	29,128	29,128
Fund balances, July 1	0	0	1,789	1,789
Fund balances, June 30	$ 0	$ 0	$ 30,917	$ 30,917

See accompanying notes to the financial statements.

CITY OF WATKINSVILLE, GEORGIA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

	Municipal Court Custodial Fund
ASSETS	
Cash and cash equivalents	$ 136,685
LIABILITIES	
Due to other agencies	70,393
NET POSITION	
Restricted for individuals, organizations, and other governments	$ 66,292

CITY OF WATKINSVILLE, GEORGIA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the fiscal year ended June 30, 2023

	Municipal Court Custodial Fund
ADDITIONS	
Fines and forfeitures collected for other governments	$ 154,033
DEDUCTIONS	
Fines and forfeitures distributed to other governments	110,203
Change in net position	43,830
Net position, July 1	22,462
Net position, June 30	$ 66,292

See accompanying notes to the financial statements.

1. Description of Government Unit

The City of Watkinsville, originally known as “Big Springs”, was formally named Watkinsville in 1802 and incorporated in 1806. It was the county seat of Clarke County, which included Oconee County, until 1871 when the county seat for Clarke County was moved to Athens. In 1875, Oconee County was created and Watkinsville was established as the county seat.

The financial statements of the City of Watkinsville, Georgia (the 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.

2. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business- type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

Standards published by the Governmental Accounting Standards Board (GASB) define the financial reporting entity as (a) the primary government, (b) organizations for which the primary government is financially responsible, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

2. Summary of Significant Accounting Policies

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The City reports no business-type activities or component units.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. As noted earlier, the City reports no proprietary or fiduciary funds.

The City reports the following major governmental funds:

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

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

Special Purpose Local Option Sales Tax II Capital Projects Fund - This fund is used to account for capital projects financed through the 2015 Special Purpose Local Option Sales Tax.

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Special Purpose Local Option Sales Tax III Capital Projects Fund - This fund is used to account for capital projects financed through the 2021 Special Purpose Local Option Sales Tax.

Governmental Fund Types

Special Revenue Funds – This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Capital Projects Funds – This fund type is used to account for financial resources to be used for the acquisition or construction of capital assets (other than those financed by the proprietary or fiduciary funds).

Fiduciary Fund Types

Custodial Funds – Custodial Funds are fiduciary in nature and do not present results of operations. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held for others.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 all eligibility requirements imposed by the provider have been met.

The 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Revenues and Expenditures/Expenses

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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting

The City follows the following procedures in establishing budgetary data reflected in the financial statements:

- The City Manager and Mayor prepare the budget collaboratively, conduct proposed use hearings, and submit the proposed budget to Council.
- The City Clerk advertises the public hearings and Council conducts proposed use hearings.
- Public hearings are held to obtain taxpayers' comments.
- The budget is legally enacted through the passage of a resolution no later than June 30 of the preceding year.
- All revisions to the budget must be submitted to the City Council for approval.
- The budget is prepared and adopted on a basis consistent with generally accepted accounting principles.
- Budgetary appropriations lapse at the end of the fiscal year.
- The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the department level.

The City does not use the encumbrance system of accounting.

H. Cash and Investments

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

2. Summary of Significant Accounting Policies (continued)

I. Property Taxes Receivable

Taxes receivable represents the past year's delinquent real property taxes. An amount equal to the difference between year-end taxes receivable collected within sixty days after year end and the total year-end collectable taxes receivable has been recorded as deferred inflows of resources.

J. Intergovernmental Receivables

Receivables for state and federal grants are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items. Prepaid items in the governmental funds are recorded as expenditures when consumed.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the fiscal year ended June 30, 2003. For entities the size of the City of Watkinsville, retroactive reporting of infrastructure assets was not required.

The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

2. Summary of Significant Accounting Policies (continued)

L. Capital Assets, continued

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are reported at acquisition value.

The City has recorded intangible right-to-use assets as a result of implementing GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The assets are initially measured at an amount equal to the initial measurement of the related lease or subscription liability plus any payments made prior to the lease or subscription term, less lease or subscription incentives, and plus ancillary charges necessary to place the lease or subscription into service. The intangible right-to-use assets are amortized on a straight-line basis over the shorter of the estimated useful life of the underlying asset or life of the related lease or subscription.

Depreciation/amortization is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life in Years	Capitalization Threshold
Site improvements	15-99	$ 1
Buildings and improvements	20-50	5,000
Heavy machinery and vehicles	3-15	5,000
Equipment, furniture, and fixtures	5-10	5,000
Computer equipment	5-7	5,000
Intangible right-to-use assets		
Software	5-10	5,000

2. Summary of Significant Accounting Policies (continued)

M. Deferred Outflows/Inflows of Resources

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

N. Net Position Flow Assumption

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

2. Summary of Significant Accounting Policies (continued)

O. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

P. Restricted Assets and Restricted Net Position

Restricted net position is equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

Q. Fund Balances – Governmental Funds

The City of Watkinsville implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at the end of the current fiscal year by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

2. Summary of Significant Accounting Policies (continued)

Q. Fund Balances – Governmental Funds, continued

Committed – includes amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council. An ordinance or resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 120 days of fiscal year-end.

Assigned – includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Through resolution, the City Council has authorized the City Clerk to assign fund balances. Equity amounts reported in special revenue funds, capital project funds, debt service funds, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

R. Compensation for Future Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual vacation. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. It is the City's policy to permit employees to accumulate vacation benefits of up to 360 hours per year.

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City's investment policy requires that all deposits be federally insured or fully collateralized.

Interest Rate Risk

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

Credit Risk

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of any corporation of the United States government, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign currency risk

The City has no investments denominated in a foreign currency.

4. Taxes Receivable

Taxes receivable at the end of the current fiscal year consist of the following:

Major Funds	
General Fund	
Local Option Sales Tax	$ 74,642
Franchise Tax	18,007
Title Ad Valorem Tax	20,635
Property Tax, Net	5,114
Alcohol Excise Tax	4,155
Other taxes	281
Nonmajor Funds	
Hotel/Motel Tax Special Revenue Fund	
Hotel/Motel Tax	1,558
	$ 124,392

5. Intergovernmental Receivables

Intergovernmental receivables at the end of the current fiscal year consist of the following:

Major Funds	
SPLOST III Capital Projects Fund	$ 83,216
Nonmajor Funds	
TSPLOST Capital Projects Fund	69,820
	$ 153,036

6. Property Taxes

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for fiscal year 2023, based upon the assessments as of January 1, 2022, were levied August 2, 2022, billed on September 14, 2022, and due on November 15, 2022.

7. Interfund Receivables and Payables

A summary of interfund receivables and payables at the end of the current fiscal year is as follows:

Receivable Fund	Payable Fund	Amount
General	SPLOST II	$ 200
	Nonmajor Governmental	16,083
		$ 16,283

The balances reported as Due to/Due from represent loans between borrower funds and the General Fund. These balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between the funds are made.

8. Interfund Transfers

A summary of interfund transfers for the current fiscal year is as follows:

Transfer Out Fund	Transfer In Fund	Amount
American Rescue Plan Act	General	$ 536
Nonmajor Governmental	General	23,197
		$ 23,733

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and 2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. Capital Assets

Capital asset activity for the primary government for the current fiscal year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Non-depreciable assets				
Land	$ 897,261	$ 0	$ 0	$ 897,261
Construction in progress	43,427	200,844	0	244,271
Total non-depreciable assets	940,688	200,844	0	1,141,532
Depreciable/amortizable assets				
Site improvements	4,144,192	0	0	4,144,192
Buildings	599,865	0	0	599,865
Equipment	248,879	49,724	0	298,603
Vehicles	332,759	23,308	0	356,067
Intangible right-to-use assets				
Software	0	76,992	0	76,992
Total depreciable/amortizable assets	5,325,695	150,024	0	5,475,719
Accumulated depreciation/amortization				
Site improvements	(490,287)	(148,524)	0	(638,811)
Buildings	(308,274)	(11,567)	0	(319,841)
Equipment	(114,455)	(33,818)	0	(148,273)
Vehicles	(224,909)	(41,043)	0	(265,952)
Intangible right-to-use assets				
Software	0	0	0	0
Total accumulated depreciation/amortization	(1,137,925)	(234,952)	0	(1,372,877)
Total depreciable/amortizable assets, net	4,187,770	(84,928)	0	4,102,842
Governmental activities capital assets, net	$ 5,128,458	$ 115,916	$ 0	$ 5,244,374

Depreciation/amortization expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 11,712
Public Safety	53,773
Public Works	56,387
Culture and Recreation	113,080
Total depreciation/amortization expense for governmental activities	$ 234,952

10. Long-Term Liabilities

Subscription Liabilities

In June 2023, the City entered into a subscription-based information technology arrangement (SBITA) with a vendor for software. The subscription requires 5 annual payments of $10,500 beginning June 25, 2023. The subscription liability was measured at a discount rate of 2.212%. As a result of the subscription and additional ancillary costs to place the software in service, the City has recorded an intangible right-to-use asset of $76,992, with related accumulated amortization of $0, at the end of the current fiscal year. Amortization on the asset totaled $0 for the current fiscal year.

The following is a schedule of the future minimum subscription payments together with the present value of the net minimum subscription payments at the end of the current fiscal year:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 9,612	$ 888	$ 10,500
2025	9,826	674	10,500
2026	10,046	454	10,500
2027	10,270	230	10,500
Totals	$ 39,754	$ 2,246	$ 42,000

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the City for the current fiscal year:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	$ 53,821	$ 97,707	$ 73,338	$ 78,190	$ 70,371
Subscription liabilities	0	50,242	10,488	39,754	9,612
Total governmental activities	$ 53,821	$ 147,949	$ 83,826	$ 117,944	$ 79,983

10. Long-Term Liabilities (continued)

Changes in Long-Term Liabilities, continued

In prior years, long-term liabilities, such as compensated absences, of the governmental activities were liquidated in the General Fund. The total interest incurred and charged to expense for the current fiscal year was $12.

11. Net Investment in Capital Assets

The net investment in capital assets reported on the government-wide statement of net position is calculated as follows at the end of the current fiscal year:

	Governmental Activities
Intangible right-to-use assets, net	$ 76,992
Non-depreciable capital assets	1,141,532
Depreciable capital assets, net	4,025,850
Subscription liabilities	(39,754)
Net investment in capital assets	$ 5,204,620

12. Retirement Benefits

SIMPLE IRA

The City has established a Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA), which is a defined contribution plan, under Section 408 of the Internal Revenue Code. The plan is administered by the Variable Annuity Life Insurance Company (VALIC). The Council has the authority to amend both the plan and the contribution requirements, so long as they follow the guidelines as prescribed by Section 408 of the Internal Revenue Code. The City has elected to contribute to the participating employees' SIMPLE IRAs a matching contribution equal to the employees' salary reduction contributions up to a limit of 3% of the employees' compensation for the year. The City contributed $12,881 and plan members contributed $24,850 during the current fiscal year.

Deferred Compensation Plan

The City previously offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is no longer offered to its employees and only one employee has funds remaining in the plan.

Other Plans

In addition to the plans above, various City employees are covered under the Peace Officers' Annuity and Benefit Fund of Georgia. Further information regarding this plan can be obtained from the plan's annual report. This plan is immaterial to the financial statements.

13. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance. The City has elected to manage its risk financing activities through the purchase of commercial insurance with a deductible of $1,000.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

There have been no insurance settlements exceeding insurance coverage for any of the past three fiscal years.

14. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Northeast Georgia Regional Commission (RC) and is required to pay annual dues thereto. Membership in a regional commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the regional commissions in Georgia. The regional commission Board membership includes the chief elected official in each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a regional commission. A copy of the RC financial statements can be obtained from the Northeast Georgia Regional Commission, 305 Research Drive, Athens, Georgia, 30601.

15. Commitments and Contingencies

Commitments

The City has active construction projects at the end of the current fiscal year. At the end of the current fiscal year, the City's commitments with contractors totaled $237,856.

15. Commitments and Contingencies (continued)

Contingencies

The City has committed to participate in a project with the Oconee County Board of Commissioners for the redesign of Highway 53 and Durham Street for a total of $100,000. The City paid Oconee County $15,000 in fiscal year 2005 and $28,333 in 2006 and 2007. During the current fiscal year, the City made the final payment of $28,333.

The City receives grant funds for various programs. Expenditures from these grants are subject to audit and the City is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of City officials, no material refunds will be required as a result of expenditures disallowed by the grantors.

16. New Accounting Pronouncements

The City implemented GASB Statement No. 91, *Conduit Debt*, effective for the City's current fiscal year. The requirements of this statement are effective for periods beginning after December 15, 2021. The implementation of this new standard had no impact on the City's net position.

The City implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the City's current fiscal year. The requirements of this statement are effective for periods beginning after June 15, 2022. The implementation of this new standard had no impact on the City's net position.

The City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the City's current fiscal year. The requirements of this statement are effective for periods beginning after June 15, 2022. The implementation of this new standard had no impact on the City's net position.

The City implemented GASB Statement No. 99, *Omnibus 2022*, effective for the City's current fiscal year. The requirements of this statement are effective for periods beginning after June 15, 2022. The implementation of this new standard had no impact on the City's net position.

17. Transportation Expenditures

Amounts expended on transportation include transportation maintenance and operation costs and correspond with classifications and subclassifications specified in the local government uniform chart of accounts under subsection (e) of Code Section 36-81-3 within section 4200, including noncapital expenditures within sections 4210-4290.

Total General Fund expenditures within these categories totaled $568,493 for the current fiscal year.

18. Subsequent Events

In September 2023, the City entered into a promissory note with the Georgia Environmental Finance Authority (GEFA) for the purchase of real property. The note allows for up to $3,550,000 of borrowing.

COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Cemetery Fund – This fund is used to account for contributions received restricted for the maintenance of the City cemetery.

Confiscated Assets Fund – This fund is used to account for the cash or property received from drug confiscations restricted for law enforcement.

Hotel/Motel Tax Fund – This fund is used to account for hotel/motel tax collections and expenditures.

CAPITAL PROJECTS FUNDS

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

Special Purpose Local Option Sales Tax Fund – This fund is used to account for the capital projects financed through the 2009 Special Purpose Local Option Sales Tax.

Transportation Special Purpose Local Option Sales Tax Fund – This fund is used to account for the capital projects financed through the 2022 Transportation Special Purpose Local Option Sales Tax.

CITY OF WATKINSVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Cemetery	Confiscated Assets	Hotel/Motel Tax	SPLOST	TSPLOST	
ASSETS						
Cash and cash equivalents	$ 43,945	$ 14,647	$ 3,125	$ 0	$ 135,515	$ 197,232
Taxes receivable	0	0	1,558	0	0	1,558
Intergovernmental receivables	0	0	0	0	69,820	69,820
Total assets	$ 43,945	$ 14,647	$ 4,683	$ 0	$ 205,335	$ 268,610
LIABILITIES						
Due to other funds	$ 11,400	$ 0	$ 4,683	$ 0	$ 0	$ 16,083
FUND BALANCES						
Restricted for:						
Cemetery	32,545	0	0	0	0	32,545
Law enforcement	0	14,647	0	0	0	14,647
Capital projects	0	0	0	0	205,335	205,335
Total fund balances	32,545	14,647	0	0	205,335	252,527
Total liabilities and fund balances	$ 43,945	$ 14,647	$ 4,683	$ 0	$ 205,335	$ 268,610

CITY OF WATKINSVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2023

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Cemetery	Confiscated Assets	Hotel/Motel Tax	SPLOST	TSPLOST	
REVENUES						
Taxes	$ 0	$ 0	$ 23,183	$ 0	$ 0	$ 23,183
Fines, fees, and forfeitures	0	8,746	0	0	0	8,746
Intergovernmental	0	0	0	0	205,406	205,406
Interest	1,403	291	14	5,278	9	6,995
Contributions	240	0	0	0	0	240
Total revenues	1,643	9,037	23,197	5,278	205,415	244,570
EXPENDITURES						
Capital outlay	0	0	0	251,731	80	251,811
Total expenditures	0	0	0	251,731	80	251,811
Excess (deficiency) of revenues over (under) expenditures	1,643	9,037	23,197	(246,453)	205,335	(7,241)
Other financing sources (uses)						
Transfers out	0	0	(23,197)	0	0	(23,197)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,643	9,037	0	(246,453)	205,335	(30,438)
Fund balances, July 1	30,902	5,610	0	246,453	0	282,965
Fund balances, June 30	$ 32,545	$ 14,647	$ 0	$ 0	$ 205,335	$ 252,527

CITY OF WATKINSVILLE, GEORGIA
CEMETERY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2023

	Final Budget	Actual	Variance
REVENUES			
Interest	$ 0	$ 1,403	$ 1,403
Contributions	0	240	240
Total revenues	0	1,643	1,643
EXPENDITURES	0	0	0
Excess (deficiency) of revenues over (under) expenditures	0	1,643	1,643
Fund balances, July 1	0	30,902	30,902
Fund balances, June 30	$ 0	$ 32,545	$ 32,545

CITY OF WATKINSVILLE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2023

	Final Budget	Actual	Variance
REVENUES			
Fines, fees, and forfeitures	$ 0	$ 8,746	$ 8,746
Interest	0	291	291
Total revenues	0	9,037	9,037
EXPENDITURES	0	0	0
Excess (deficiency) of revenues over (under) expenditures	0	9,037	9,037
Fund balances, July 1	0	5,610	5,610
Fund balances, June 30	$ 0	$ 14,647	$ 14,647

CITY OF WATKINSVILLE, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2023

	Final Budget	Actual	Variance
REVENUES			
Taxes	$ 23,183	$ 23,183	$ 0
Interest	14	14	0
Total revenues	23,197	23,197	0
EXPENDITURES	0	0	0
Excess (deficiency) of revenues over (under) expenditures	23,197	23,197	0
Other financing sources (uses)			
Transfers in (out)			
General Fund	(23,197)	(23,197)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	0
Fund balances, July 1	0	0	0
Fund balances, June 30	$ 0	$ 0	$ 0

OTHER REPORTING SECTION

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

Honorable Mayor and Members
of the City Council
City of Watkinsville, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Watkinsville, Georgia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Watkinsville, Georgia's basic financial statements and have issued our report thereon dated November 3, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Watkinsville, Georgia'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 City of Watkinsville, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Watkinsville, Georgia'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies:

. **2023-001**

Condition: City personnel may require additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, future changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the external auditor. This does not indicate that the finance staff is not trained to perform the daily accounting functions, but that the City has elected as a cost benefit to

outsource this expertise to their auditors. As required, we have indicated this as a significant deficiency in our letter on Internal Control and Compliance.

Criteria: Effective internal control requires that the City accept responsibility and understanding of the audited financial report.

Effect: Failure to understand the financial statements may lead to material misstatements.

Cause: The City's employees are unable to prepare the City's financial statements because they lack the required training and experience in the application of generally accepted accounting principles.

Recommendation: City personnel should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements.

Management Response: Management concurs with this finding. The finance team will continue to seek training in the application of generally accepted accounting principles and in the preparation of the City's financial statements. Until such time it is financially feasible for the finance team to prepare the City's financial statements, the City will continue to rely on the independent auditor to prepare them.

2023-002

Condition: The City lacks sufficient controls and procedures regarding year-end close to ensure timely and accurate financial reporting. This included material adjustments during the audit process.

Criteria: Internal controls should be in place to ensure the City can perform timely and accurate year-end close procedures for the City to be able to produce its annual financial statements timely.

Effect: Failure to properly design and implement internal controls over year-end close procedures may lead to financial statements that are materially misstated and lead to delays in financial reporting.

Cause: Various posting and classification errors led to account balances not agreeing to subsidiary ledgers.

Recommendation: We recommend the City continue to implement and/or strengthen internal controls over the year-end closeout procedures. We also recommend management reconcile account balances monthly to the subsidiary ledgers to ensure proper and timely recording.

Management Response: Management concurs with this finding and will ensure that proper internal controls over the year-end close procedures are designed and implemented. Also, management will ensure that account balances are reconciled monthly to the subsidiary ledgers. This action was taken immediately upon receipt of the comment from our auditors.

2023-003

Condition: While performing audit procedures on occupational tax receipts, we noted instances where deposits were not made timely. We noted 4 of 20 (20%) receipts tested were held for more than seven days before depositing.

Criteria: Proper internal controls require that cash receipts be deposited and transactions recorded in a timely manner.

Effect: Failure to deposit cash receipts in a timely manner exposes the City to a greater risk of loss due to fraud.

Cause: Staff is not depositing receipts at least once per week.

Recommendation: At a minimum, deposits should be made weekly.

Management Response: Management concurs with this finding. Management plans to establish policies and procedures to ensure that deposits are made timely.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Watkinsville, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*:

2023-004

Condition: While performing audit procedures on municipal court disbursements, we noted fines from license plate readers that were due to others but were not paid out to agencies as required by State of Georgia code.

Criteria: State of Georgia Code requires that all courts pay out monies due to others in a timely manner.

Effect: Failure to make required payouts of monies being held by the Court will place the City in violation of state law.

Cause: Court personnel did not perform payouts timely.

Recommendation: As required by the State of Georgia, payouts to agencies should be made on a monthly basis.

Management Response: City personnel were not aware of the specific requirements to pay out fines received from license plate readers. Upon determination of the correct amounts and entities to pay, the City paid all amounts due and will pay all future amounts due. This action was taken when the City became aware of the requirements.

City of Watkinsville, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on City of Watkinsville, Georgia's response to the findings identified in our audit and described previously. City of Watkinsville, Georgia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City of Watkinsville, Georgia'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.

Rushton, LLC

Gainesville, Georgia
November 3, 2023

STATE REPORTING SECTION

This section contains additional reports required by the State of Georgia.

CITY OF WATKINSVILLE, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the fiscal year ended June 30, 2023

Project	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2009 Referendum					
Parks and Recreation	$ 846,000	$ 846,000	$ 1,017,236	$ 0	$ 1,017,236
Transportation	1,305,000	1,305,000	857,575	0	857,575
Public Safety Facilities and Equipment	216,000	216,000	121,713	0	121,713
Water and Sewer	833,000	833,000	483,082	251,731	734,813
Total	$ 3,200,000	$ 3,200,000	$ 2,479,606	$ 251,731	$ 2,731,337
2015 Referendum					
Parks and Recreation	$ 900,000	$ 900,000	$ 544,792	$ 955,157	$ 1,499,949
Transportation	2,200,000	2,200,000	1,971,735	519	1,972,254
Public Safety Facilities and Equipment	675,000	675,000	534,051	0	534,051
Water and Sewer	971,500	971,500	35,026	0	35,026
Total	$ 4,746,500	$ 4,746,500	$ 3,085,604	$ 955,676	$ 4,041,280
2021 Referendum					
Public Safety Facilities and Equipment	$ 540,000	$ 540,000	$ 34,830	$ 15,000	$ 49,830
Recreational, Park, and Greenspace Facilities	1,356,000	1,356,000	10,790	266,362	277,152
Roads, Streets, Bridges, Drainage, and Sidewalks	3,299,144	3,386,261	82,598	41,888	124,486
Multi-Purpose City Facilities, Signage, and Equipment	384,000	384,000	12,605	50,332	62,937
Total	$ 5,579,144	$ 5,666,261	$ 140,823	$ 373,582	$ 514,405

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

CITY OF WATKINSVILLE, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
TRANSPORTATION SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the fiscal year ended June 30, 2023

Project	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2022 Referendum					
Sidewalk Construction and Repairs, Multi-Use Trails, Side Paths, Greenways, High Visibility Crossings	$ 2,482,515	$ 2,482,515	$ 0	$ 80	$ 80
Traffic Efficiency Improvements	1,379,175	1,379,175	0	0	0
Road Resurfacing and Rehabilitation and Investment in Roadway Infrastructure	1,655,010	1,655,010	0	0	0
Total	$ 5,516,700	$ 5,516,700	$ 0	$ 80	$ 80

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

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