

CITY OF REIDSVILLE, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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LANIER, DEAL & PROCTOR

WILLIAM RUSSELL LANIER, CPA
RICHARD N. DEAL, CPA, CGMA
KAY S. PROCTOR, CPA, CFE, CGMA
WILLIAM BLAKE BLOSER, CPA
TIFFANY D. JENKINS, CPA, CGMA
RICHARD N. DEAL II, CPA

CERTIFIED PUBLIC ACCOUNTANTS
201 SOUTH ZETTEROWER AVENUE
P.O. BOX 505
STATESBORO, GEORGIA 30459
PHONE (912) 489-8756
FAX (912) 489-1243

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
GEORGIA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Reidsville, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Reidsville, Georgia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Reidsville, Georgia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios and the Schedule of Contributions on pages 36 and 37 be presented to supplement the basic financial statements. Such information, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reidsville, Georgia's basic financial statements. The comparative fund financial statements, schedule of projects paid with special sales tax proceeds, source and application of funds schedule, and project cost schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative fund financial statements, schedule of projects paid with special sales tax proceeds, source and application of funds schedule, and project cost schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 comparative fund financial statements, schedule of projects paid with special sales tax proceeds, source and application of funds schedule, and project cost schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2022 on our consideration of the City of Reidsville, Georgia'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 of Reidsville'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 City of Reidsville, Georgia's internal control over financial reporting and compliance.

Janier, Deal + Proctor

Statesboro, Georgia
May 13, 2022

CITY OF REIDSVILLE, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 384,548	\$ 31,760	\$ 416,308
Restricted cash and cash equivalents	-	92,619	92,619
Receivables:			
Taxes	143,136	-	143,136
Accounts	43,013	74,867	117,880
Intergovernmental	42,229	-	42,229
Internal balances	765,816	(765,816)	-
Prepaid items	22,433	5,294	27,727
Restricted Assets:			
Cash and cash equivalents	-	275,041	275,041
Capital assets:			
Nondepreciable capital assets	335,058	476,148	811,206
Depreciable capital assets, net	3,336,722	2,457,583	5,794,305
Total Assets	5,072,955	2,647,496	7,720,451
DEFERRED OUTFLOWS OF RESOURCES			
Resources related to pensions	81,287	21,636	102,923
LIABILITIES			
Current Liabilities:			
Accounts payable	160,127	53,132	213,259
Accrued payroll liabilities	21,617	-	21,617
Customer deposits	-	92,619	92,619
Accrued interest payable	-	7,616	7,616
Compensated absences payable	3,605	2,795	6,400
Note payable	26,135	-	26,135
Capital leases payable	54,462	-	54,462
Revenue bonds payable	-	123,190	123,190
Long-Term Liabilities:			
Compensated absences payable (net of current portion)	14,420	11,179	25,599
Net pension obligation	235,607	62,910	298,517
Note payable (net of current portion)	288,610	-	288,610
Capital lease payable (net of current portion)	157,441	-	157,441
Revenue bonds payable (net of current portion)	-	2,965,637	2,965,637
Total Liabilities	962,024	3,319,078	4,281,102
DEFERRED INFLOWS OF RESOURCES			
Resources related to pensions	28,374	9,082	37,456
NET POSITION			
Net investment in capital assets	3,145,132	(155,096)	2,990,036
Restricted for:			
Debt service	-	275,041	275,041
Capital projects	269,303	-	269,303
Unrestricted	749,409	(778,973)	(29,564)
Total Net Position	\$ 4,163,844	\$ (659,028)	\$ 3,504,816

See accompanying notes to the basic financial statements.

CITY OF REIDSVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Program/Function	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 371,644	\$ 81,105	-	-	\$ (290,539)		\$ (290,539)
Public safety	892,277	253,559	-	-	(638,718)		(638,718)
Streets	521,466	-	-	\$ 276,332	(245,134)		(245,134)
Sanitation	251,078	234,813	-	-	(16,265)		(16,265)
Recreation	169,118	24,033	\$ 20,075	-	(125,010)		(125,010)
Community services	13,380	-	-	-	(13,380)		(13,380)
Airport	75,274	-	-	37,774	(37,500)		(37,500)
Interest	20,914	-	-	-	(20,914)		(20,914)
Total Governmental Activities	2,315,151	593,510	20,075	314,106	(1,387,460)		(1,387,460)
Business-Type Activities:							
Water and Sewer	1,032,023	719,913	-	-	-	\$ (312,110)	(312,110)
Total	\$ 3,347,174	\$ 1,313,423	\$ 20,075	\$ 314,106	(1,387,460)	(312,110)	(1,699,570)
General Revenues							
Property taxes levied for:							
					305,204	-	305,204
					196,302	-	196,302
					198,483	-	198,483
					143,807	-	143,807
					167,083	-	167,083
					21,587	-	21,587
					1,033	2,592	3,625
					37,688	-	37,688
					1,071,187	2,592	1,073,779
					(120,411)	120,411	-
					950,776	123,003	1,073,779
					(436,684)	(189,107)	(625,791)
					4,600,528	(469,921)	4,130,607
					\$ 4,163,844	\$ (659,028)	\$ 3,504,816

See accompanying notes to the basic financial statements.

CITY OF REIDSVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Special Sales Tax Capital Projects Fund	T-SPLOST Capital Projects Fund	Non-major Fund - CDBG Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash	\$ 137,165	\$ 86,619	\$ 160,688	\$ 76	\$ 384,548
Receivables:					
Taxes	143,136	-	-	-	143,136
Intergovernmental	5,729	32,802	3,698	-	42,229
Accounts	43,013	-	-	-	43,013
Due from other funds	765,892	-	22,698	-	788,590
Prepaid items	22,433	-	-	-	22,433
TOTAL ASSETS	\$ 1,117,368	\$ 119,421	\$ 187,084	\$ 76	\$ 1,423,949
LIABILITIES					
Accounts payable	\$ 118,387	\$ 5,140	\$ 36,600	-	\$ 160,127
Accrued payroll liabilities	21,617	-	-	-	21,617
Due to other funds	22,698	-	-	\$ 76	22,774
TOTAL LIABILITIES	162,702	5,140	36,600	76	204,518
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	97,953	-	-	-	97,953
FUND BALANCES					
Nonspendable	22,433	-	-	-	22,433
Restricted	4,538	114,281	150,484	-	269,303
Assigned	138,299	-	-	-	138,299
Unassigned	691,443	-	-	-	691,443
TOTAL FUND BALANCES	856,713	114,281	150,484	-	1,121,478
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,117,368	\$ 119,421	\$ 187,084	\$ 76	\$ 1,423,949

See accompanying notes to the basic financial statements.

CITY OF REIDSVILLE, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:			
Total Governmental Fund Balances		\$	1,121,478
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Cost		\$	8,022,731
Less accumulated depreciation		<u>(4,350,951)</u>	3,671,780
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds:			
Property taxes			97,953
The City's net pension obligation is not reported in the governmental funds but is in the statement of net position.			
			(235,607)
Deferred outflows and deferred inflows related to pensions are not reported in the governmental funds:			
Deferred outflows of resources		81,287	
Deferred inflows of resources		<u>(28,374)</u>	52,913
Liabilities, including capital leases, notes payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds but are reported on the statement of net position:			
Capital leases payable		(211,903)	
Note payable		(314,745)	
Compensated absences		<u>(18,025)</u>	<u>(544,673)</u>
Net Position Of Governmental Activities			<u><u>\$ 4,163,844</u></u>

See accompanying notes to the basic financial statements.

CITY OF REIDSVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General	Special Sales Tax Capital Projects Fund	T-SPLOST Capital Projects Fund	Non-major Fund - CDBG Capital Projects Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 1,000,338	-	-	-	\$ 1,000,338
Licenses and permits	75,445	-	-	-	75,445
Intergovernmental	57,849	\$ 162,468	\$ 40,486	\$ 72,843	333,646
Charges for services	382,814	-	-	-	382,814
Fines and forfeitures	135,251	-	-	-	135,251
Interest	1,033	535	-	-	1,568
Other	37,688	-	-	-	37,688
Total revenues	<u>1,690,418</u>	<u>163,003</u>	<u>40,486</u>	<u>72,843</u>	<u>1,966,750</u>
EXPENDITURES					
Current:					
General government	316,656	-	-	-	316,656
Public safety	797,081	-	-	-	797,081
Streets	355,685	-	-	-	355,685
Sanitation	251,078	-	-	-	251,078
Recreation	141,430	-	-	-	141,430
Community services	13,380	-	-	-	13,380
Airport	41,336	-	-	-	41,336
Capital outlay	-	189,552	2,838	-	192,390
Debt service:					
Principal	42,068	35,549	-	-	77,617
Interest	13,316	7,598	-	-	20,914
Total expenditures	<u>1,972,030</u>	<u>232,699</u>	<u>2,838</u>	<u>-</u>	<u>2,207,567</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(281,612)</u>	<u>(69,696)</u>	<u>37,648</u>	<u>72,843</u>	<u>(240,817)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	95,544	-	-	-	95,544
Transfers out	-	(10,968)	(132,144)	(72,843)	(215,955)
Sale of capital assets	21,587	-	-	-	21,587
Total other financing sources (uses)	<u>117,131</u>	<u>(10,968)</u>	<u>(132,144)</u>	<u>(72,843)</u>	<u>(98,824)</u>
NET CHANGE IN FUND BALANCES	(164,481)	(80,664)	(94,496)	-	(339,641)
FUND BALANCES, JULY 1, 2019	<u>1,021,194</u>	<u>194,945</u>	<u>244,980</u>	<u>-</u>	<u>1,461,119</u>
FUND BALANCES, JUNE 30, 2020	<u>\$ 856,713</u>	<u>\$ 114,281</u>	<u>\$ 150,484</u>	<u>\$ -</u>	<u>\$ 1,121,478</u>

See accompanying notes to the basic financial statements.

CITY OF REIDSVILLE, GEORGIA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020

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

Net Changes In Fund Balances - Total Governmental Funds \$ (339,641)

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 as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.

Depreciation expense	\$ (354,851)	
Capital outlay	<u>193,238</u>	(161,613)

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

Property taxes:		
Unavailable revenue @ 6/30/20	97,953	
Unavailable revenue @ 6/30/19	<u>(87,412)</u>	10,541

Repayment of capital lease and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 77,617

The change in the net pension obligation and pension related deferred outflows and deferred inflows is reported on the government-wide statement of activities but not in the governmental funds. (20,695)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Liability @ 6/30/20	(18,025)	
Liability @ 6/30/19	<u>15,132</u>	<u>(2,893)</u>

Change In Net Position of Governmental Activities \$ (436,684)

See accompanying notes to the basic financial statements.

CITY OF REIDSVILLE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 323,085	\$ 294,663	\$ (28,422)
Sales	180,000	196,302	16,302
Franchise	165,000	143,807	(21,193)
Insurance premium	150,000	198,483	48,483
Alcoholic beverage	95,000	80,585	(14,415)
Other	105,000	86,498	(18,502)
Licenses and permits	110,000	75,445	(34,555)
Intergovernmental	50,000	57,849	7,849
Charges for services	331,750	382,814	51,064
Fines and forfeitures	117,500	135,251	17,751
Interest	1,000	1,033	33
Other	149,600	37,688	(111,912)
Total revenues	<u>1,777,935</u>	<u>1,690,418</u>	<u>(87,517)</u>
EXPENDITURES			
Current:			
General government	271,864	316,656	(44,792)
Public safety:			
Police	702,685	679,008	23,677
Fire	90,970	118,073	(27,103)
Streets	373,190	355,685	17,505
Sanitation	250,000	251,078	(1,078)
Recreation	89,060	141,430	(52,370)
Community services	13,380	13,380	-
Airport	4,100	41,336	(37,236)
Debt service:			
Principal	20,000	42,068	(22,068)
Interest	-	13,316	(13,316)
Total expenditures	<u>1,815,249</u>	<u>1,972,030</u>	<u>(156,781)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(37,314)</u>	<u>(281,612)</u>	<u>(244,298)</u>
OTHER FINANCING SOURCES			
Sale of capital assets	-	21,587	21,587
Transfers in	-	95,544	95,544
Total other financing sources	<u>-</u>	<u>117,131</u>	<u>117,131</u>
NET CHANGE IN FUND BALANCE	<u>(37,314)</u>	<u>(164,481)</u>	<u>(127,167)</u>
FUND BALANCE, JULY 1, 2019	<u>1,021,194</u>	<u>1,021,194</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2020	<u>\$ 983,880</u>	<u>\$ 856,713</u>	<u>\$ (127,167)</u>

See accompanying notes to the basic financial statements.

CITY OF REIDSVILLE, GEORGIA
STATEMENT OF NET POSITION
WATER AND SEWER FUND
JUNE 30, 2020

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 31,760
Restricted cash and cash equivalents	92,619
Accounts receivable	74,867
Prepaid insurance	5,294
Total Current Assets	<u>204,540</u>
Noncurrent Assets	
Restricted Assets - Cash and cash equivalents	<u>275,041</u>
Capital Assets	
Construction in progress	65,206
Land	410,942
Buildings	48,609
Water and sewer system	10,922,553
Machinery and equipment	364,337
Less accumulated depreciation	<u>(8,877,916)</u>
Total Capital Assets	<u>2,933,731</u>
Total Noncurrent Assets	<u>3,208,772</u>
Total Assets	<u>3,413,312</u>
DEFERRED OUTFLOWS OF RESOURCES	
Resources related to pensions	<u>21,636</u>
LIABILITIES	
Current Liabilities	
Accounts payable	53,132
Accrued interest payable	7,616
Customer deposits	92,619
Compensated absences payable - Current	2,795
Revenue bonds payable - Current	123,190
Due to general fund	765,816
Total Current Liabilities	<u>1,045,168</u>
Long-term Liabilities	
Compensated absences payable (net of current portion)	11,179
Net pension obligation	62,910
Revenue bonds payable (net of current portion)	<u>2,965,637</u>
Total Long-term Liabilities	<u>3,039,726</u>
Total Liabilities	<u>4,084,894</u>
DEFERRED INFLOWS OF RESOURCES	
Resources related to pensions	<u>9,082</u>
NET POSITION	
Net investment in capital assets	(155,096)
Restricted for debt service	275,041
Unrestricted	<u>(778,973)</u>
Total Net Position	<u>\$ (659,028)</u>

See accompanying notes to the basic financial statements.

CITY OF REIDSVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES	
Water and sewer sales	\$ 690,238
Tap and connection fees	7,680
Late charges	13,329
Rental income	8,431
Other income	235
Total operating revenues	719,913
OPERATING EXPENSES	
Salaries	174,632
Payroll taxes	12,528
Employee benefits/Uniforms	45,113
Retirement	12,286
Utilities	68,417
Postage	4,689
Contracted services	21,881
Chemicals	2,669
Professional services	30,319
Insurance	4,810
Materials and supplies	3,623
Gasoline, oil, etc.	17,337
Repairs and maintenance	99,353
Travel	887
Telephone	3,428
Equipment rental	60,760
Depreciation	282,267
Bad debts	11,000
Other	18,665
Total operating expenses	874,664
OPERATING LOSS	(154,751)
NONOPERATING REVENUE (EXPENSE)	
Interest income	2,592
Interest expense	(157,359)
Total nonoperating revenue (expense)	(154,767)
LOSS BEFORE TRANSFERS	(309,518)
TRANSFERS IN	120,411
CHANGE IN NET POSITION	(189,107)
NET POSITION, JULY 1, 2019	(469,921)
NET POSITION, JUNE 30, 2020	\$ (659,028)

See accompanying notes to the basic financial statements.

CITY OF REIDSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 731,329
Cash payments to employees for salaries and benefits	(234,723)
Cash payments for goods and services	(317,030)
Net cash provided by operating activities	<u>179,576</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from (to) other funds	<u>(1,097)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(118,764)
Transfers from capital projects funds	120,411
Principal payments on revenue bonds payable	(117,080)
Interest payments	(157,648)
Net cash used by capital and related financing activities	<u>(273,081)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>2,592</u>
NET DECREASE IN CASH	(92,010)
CASH AND CASH EQUIVALENTS, JULY 1, 2019	<u>491,430</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2020	<u>\$ 399,420</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (154,751)
Adjustments:	
Depreciation	282,267
(Increase) decrease in operating assets and deferred outflows of resources:	
Accounts receivable	6,992
Prepaid insurance	(1,510)
Deferred outflows related to pensions	(10,196)
Increase (decrease) in operating liabilities and deferred inflows of resources:	
Accounts payable	31,974
Customer deposits	4,424
Compensated absences payable	3,771
Net pension obligation	33,144
Deferred inflows related to pensions	(16,883)
Net cash provided by operating activities	<u>\$ 179,576</u>

See accompanying notes to the basic financial statements.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

The City of Reidsville was chartered by an act of the General Assembly of the State of Georgia. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, recreation, planning and zoning, community development, and general administrative services. In addition, the City operates a water and sewer system.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise fund at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are described below.

1-A. Reporting Entity

The City has no potential component units that should be considered for inclusion in the reporting entity.

Related Organizations

The Housing Authority of the City of Reidsville, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed by the City of Reidsville, Georgia. The City of Reidsville, Georgia is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Reidsville, Georgia is a related organization and is excluded from the reporting entity.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements – The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, grants and the City's general revenues, from business-type activities, generally financed in whole or part with service charges to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental funds are reported in separate columns.

Fund Accounting – The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are the City's major governmental funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of the State of Georgia.

Special Sales Tax Capital Projects Fund – This fund accounts for the special purpose local option sales tax collected pursuant to a referendum for various capital improvements within the City.

T-SPLOST Capital Projects Fund – This fund accounts for the regional transportation special purpose local option sales tax proceeds received for transportation purposes within the County.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds and internal service funds. The City's only major enterprise fund is the water and sewer fund which accounts for the water and sewer provided to the City's constituents.

1-C. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis in accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues – Non-exchange Transactions – Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E. Assets, Liabilities and Net Position

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits and certificates of deposit as well as short-term investments with a maturity date within three months of the date acquired by the City.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or United States Government agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds." These amounts are eliminated in the governmental and business-type activities columns on the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances on this statement. These amounts are ultimately eliminated from the total column on the statement of net position.

Consumable Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable since this amount is not available for general appropriation.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets – Cash and Cash Equivalents

Restricted cash includes amounts set aside to meet the requirements of applicable bond covenants of the water and sewer revenue bonds.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the City fund financial statements. Capital assets utilized by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position and in the proprietary fund's statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars. The City's infrastructure consists of roads, bridges and water and sewer lines. For roads and bridges, the City will only capitalize infrastructure constructed after June 30, 2003. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land, right-of-ways and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 - 30 years
Improvements other than buildings	15 - 30 years
Machinery and equipment	5 - 10 years
Water and sewer system	25 - 40 years
Infrastructure	15 - 25 years

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At the inception of capital leases at the governmental fund reporting level, expenditures and an “other financing source” of an equal amount are reported at the net present value of future minimum lease payments.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. The proprietary fund reports the total compensated liability at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only “*when due.*”

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of those funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are “due for payment” during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are amortized over the life of the bonds using the effective interest method and bond issuance costs are expensed in the current period.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The City only has one item that qualifies for reporting in this category. It is resources related to pensions reported at the government-wide level for governmental and business-type activities and at the fund level for enterprise funds.

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 City has an 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. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The City also has deferred inflows of resources related to its pension plan reported at the government-wide level for governmental and business-type activities and at the fund level for its proprietary fund.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City Council’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Clerk to assign fund balances.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for services for water and sewer. Operating expenses are necessary costs incurred to provide the water and sewer services and includes administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between governmental and business-type activities are eliminated from the total column.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City adopts an annual operating budget for the general fund and the capital projects funds. The budget resolution reflects the total of each department's appropriation in each fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

During the year, the City Council approved budget revisions.

All unexpended annual appropriations lapse at year-end.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures over Appropriations

For the year ended June 30, 2020, expenditures exceeded appropriations for the following departments within the general fund:

General government	\$	44,792
Fire		27,103
Recreation		52,370
Airport		37,236
Sanitation		1,078
Debt service		35,384

These overexpenditures were funded primarily by use of available fund balance.

NOTE 3 – CASH DEPOSITS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk.

At June 30, 2020, the carrying amount of the City's deposits (checking and certificates of deposit) was \$783,968 and the bank balance was \$875,282. Of the bank balance, \$427,460 was covered by federal depository insurance, and \$447,822 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

NOTE 4 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed on or about October 20th of each year and are payable within sixty days. The City bills and collects its own property taxes. Property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For the year ended June 30, 2020, property taxes were levied on October 23, 2019, and were due December 31, 2019.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2020, consisted of taxes, interest, accounts (billings for user charges) and intergovernmental receivables arising from grants.

Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability. The allowance for uncollectible accounts netted against receivables at June 30, 2020 for the water and sewer fund totaled \$45,000 and \$51,000 for the general fund.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 765,816
T-SPLOST Fund	General Fund	22,698
General Fund	CDBG Fund	76
		<u>\$ 788,590</u>

Interfund balances at June 30, 2020 represent charges for services or reimbursable expenses. The City expects to repay all interfund balances within one year.

For the year ended June 30, 2020, the TSPLOST fund transferred \$95,544 to the general fund for street improvements and \$36,600 to the water and sewer fund for water and sewer improvements in conjunction with street improvements.

For the year ended June 30, 2020, the SPLOST fund transferred \$10,968 to the water and sewer fund for water and sewer improvements.

For the year ended June 30, 2020, the CDBG fund transferred \$72,843 to the water and sewer fund for water and sewer improvements.

NOTE 7 – FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2020, fund balances are composed of the following:

	<u>General Fund</u>	<u>Special Sales Tax Capital Projects Fund</u>	<u>T-SPLOST Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid items	\$ 22,433	-	-	\$ 22,433
Restricted:				
Road projects	4,538	-	\$ 150,484	155,022
Capital projects	-	\$ 114,281	-	114,281
Assigned:				
Fire department	103,685	-	-	103,685
Recreation	28,663	-	-	28,663
Police	5,951	-	-	5,951
Unassigned	691,443	-	-	691,443
Total fund balances	<u>\$ 856,713</u>	<u>\$ 114,281</u>	<u>\$ 150,484</u>	<u>\$ 1,121,478</u>

CITY OF REIDSVILLE, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance 7/1/2019	Additions	Deductions	Balance 6/30/2020
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 335,058	-	-	\$ 335,058
Construction in progress	-	-	-	-
Total capital assets not being depreciated:	<u>335,058</u>	<u>-</u>	<u>-</u>	<u>335,058</u>
Capital assets being depreciated:				
Buildings	1,435,162	-	-	1,435,162
Improvements other than buildings	2,075,793	\$ 47,608	\$ 6,000	2,117,401
Machinery and equipment	2,401,990	145,630	111,070	2,436,550
Infrastructure	1,698,560	-	-	1,698,560
Total capital assets being depreciated	<u>7,611,505</u>	<u>193,238</u>	<u>117,070</u>	<u>7,687,673</u>
Total capital assets	<u>7,946,563</u>	<u>193,238</u>	<u>117,070</u>	<u>8,022,731</u>
Accumulated depreciation:				
Buildings	860,175	45,531	-	905,706
Improvements other than buildings	1,151,427	60,489	6,000	1,205,916
Machinery and equipment	1,728,798	163,904	111,070	1,781,632
Infrastructure	372,770	84,927	-	457,697
Total accumulated depreciation	<u>4,113,170</u>	<u>354,851</u>	<u>117,070</u>	<u>4,350,951</u>
Governmental activities capital assets, net	<u>\$ 3,833,393</u>	<u>\$ (161,613)</u>	<u>\$ -</u>	<u>\$3,671,780</u>

Governmental activities depreciation expense:

General government	\$ 51,418
Public safety	84,633
Streets	152,096
Recreation	32,766
Airport	<u>33,938</u>
Total governmental activities depreciation expense	<u>\$ 354,851</u>

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – CAPITAL ASSETS (Continued)

The following table presents the changes in capital assets for the City’s enterprise fund:

	Balance 7/1/2019	Additions	Deductions	Balance 6/30/2020
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 410,942	-	-	\$ 410,942
Construction in progress	-	\$ 65,206	-	65,206
Total capital assets not being depreciated	<u>410,942</u>	<u>65,206</u>	<u>-</u>	<u>476,148</u>
Capital assets being depreciated:				
Water and sewer system	10,882,913	39,640	-	10,922,553
Buildings	48,609	-	-	48,609
Machinery and equipment	352,637	13,918	\$ 2,218	364,337
Total capital assets being depreciated	<u>11,284,159</u>	<u>53,558</u>	<u>2,218</u>	<u>11,335,499</u>
Total capital assets	<u>11,695,101</u>	<u>118,764</u>	<u>2,218</u>	<u>11,811,647</u>
Accumulated depreciation:				
Water and sewer system	8,266,698	266,917	-	8,533,615
Buildings	31,989	1,193	-	33,182
Machinery and equipment	299,180	14,157	2,218	311,119
Total accumulated depreciation	<u>8,597,867</u>	<u>282,267</u>	<u>2,218</u>	<u>8,877,916</u>
Business-type activities capital assets, net	<u>\$ 3,097,234</u>	<u>\$ (163,503)</u>	<u>\$ -</u>	<u>\$ 2,933,731</u>

NOTE 9 – WATER AND SEWER REVENUE BONDS

Series 1996

In 1997, the City issued \$4,739,800 in City of Reidsville Water and Sewer Revenue Bonds, Series 1996. The bonds were issued to provide funds for upgrading its water and sewer system.

Deposits in the sinking fund are to be made as follows:

There shall be paid from the revenue fund into the debt service account the monthly installment of principal and interest coming due on the bonds.

There shall be paid from the revenue fund into the reserve account an amount equal to 10 percent of said monthly installment of principal and interest coming due on the bonds. Said monthly deposits shall continue to be made until there is established and maintained a debt service reserve sufficient to pay the principal and interest due on the bonds in the next succeeding sinking fund year.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – WATER AND SEWER REVENUE BONDS (Continued)

The revenue bonds are due in monthly installments of \$22,894, including interest at 5 percent, from April, 1997 through December, 2036.

As of June 30, 2020, annual debt service requirements for the series 1996 revenue bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 123,190	\$ 151,538	\$ 274,728
2022	129,492	145,236	274,728
2023	136,117	138,611	274,728
2024	143,081	131,647	274,728
2025	150,402	124,326	274,728
2026-2030	875,612	498,028	1,373,640
2031-2035	1,123,725	249,915	1,373,640
2036-2037	407,208	14,453	421,661
	<u>\$ 3,088,827</u>	<u>\$ 1,453,754</u>	<u>\$ 4,542,581</u>

NOTE 10 – CAPITAL LEASES

The City has entered into a lease agreement as lessee for financing of public safety equipment and a street sweeper totaling \$326,397. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. Amortization of the cost of the leased assets is included in depreciation expense in the government-wide financial statements and accumulated depreciation was \$74,910 at June 30, 2020.

The following is a schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2020:

Year ending June 30	
2021	\$ 63,312
2022	63,312
2023	63,312
2024	43,147
Total minimum lease payments	<u>233,082</u>
Less amount representing interest	<u>21,179</u>
Present value of future minimum lease payments	<u>\$ 211,903</u>

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – NOTE PAYABLE

In October, 2015, the City entered into an installment sales agreement with the Georgia Municipal Association (GMA) for the purchase of the new city hall building and land for \$425,000. The agreement was assigned by GMA to Sharon Cheney. The agreement requires 180 monthly payments of \$2,935 including interest at 3% through December 1, 2030.

As of June 30, 2020, annual debt service requirements for the note payable are as follows:

Year ending June 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 26,135	\$ 9,084	\$ 35,219
2022	26,930	8,289	35,219
2023	27,749	7,470	35,219
2024	28,593	6,626	35,219
2025	29,462	5,757	35,219
2026-2030	161,311	14,784	176,095
2031	14,565	110	14,675
	<u>\$ 314,745</u>	<u>\$ 52,120</u>	<u>\$ 366,865</u>

NOTE 12 – CHANGES IN LONG-TERM DEBT

	Outstanding July 1, 2019	Additions	Reductions	Outstanding June 30, 2020	Amounts Due in One Year
Governmental Activities					
Compensated absences	\$ 15,132	\$ 2,893	-	\$ 18,025	\$ 3,605
Note payable	340,109	-	\$ 25,364	314,745	26,135
Capital leases payable	264,156	-	52,253	211,903	54,462
Total Governmental Activities	<u>\$ 402,652</u>	<u>\$ 2,893</u>	<u>\$ 77,617</u>	<u>\$ 544,673</u>	<u>\$ 84,202</u>
Business-Type Activities					
Compensated absences	\$ 10,203	\$ 3,771	-	\$ 13,974	\$ 2,795
Revenue bonds payable	3,205,907	-	\$ 117,080	3,088,827	123,190
Total Business-Type Activities	<u>\$ 3,324,826</u>	<u>\$ 3,771</u>	<u>\$ 117,080</u>	<u>\$ 3,102,801</u>	<u>\$ 125,985</u>

The capital lease obligations and note payable will be paid from the General Fund and Special Sales Tax Capital Projects Fund. The compensated absences liability will be paid from the General Fund for governmental activities and from the Water and Sewer Fund for business-type activities. Principal and interest payments related to revenue bonds payable for the City's Water and Sewer System are financed from income derived from the operation of the Water and Sewer System.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – EMPLOYEE RETIREMENT PLAN

Plan Description

The City's defined benefit pension plan, the City of Reidsville Retirement Plan (the "Plan"), provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. The City is assigned the authority to establish and amend benefit provisions of the Plan. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information. The report can be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Benefits Provided

The Plan provides retirement benefits to eligible employees of the City. All regular employees meeting the eligibility requirements are covered under the plan. Municipal legal officers are not eligible to participate in the plan. In order to be eligible for participation, regular employees must work a minimum of twenty hours per week for at least five months per year. Regular employees are required to complete one year of continuous, uninterrupted service with the City to qualify for participation in the plan. Participation is mandatory for all eligible employees.

Plan participants are eligible to receive early retirement benefits at the age of fifty-five with the completion of ten years of total credited service. Normal retirement benefits may be received at the age of sixty-five with five years of total credited service.

Normal retirement benefits are calculated based on a flat percentage of 1.25 percent of final average earnings multiplied by years of total credited service as an eligible regular employee. The number of years of total credited service which may be used to calculate the benefit is not limited. Monthly benefits are paid at 1/12th of the calculated amount. The same formula is used for all participants who are regular employees. Final average earnings are the annual average of earnings paid to a participant by the City for the five consecutive years of credited service preceding the participant's most recent termination in which the participant's earnings were the highest. All elected or appointed members of the governing authority eligible to participate will receive \$11 per month of each year of total credited service.

Final average earnings for participants electing to receive early retirement benefits are reduced by a percentage ranging from 6.7 percent to 50 percent depending on the number of years benefits are received prior to normal retirement age.

Disability retirement benefits shall be computed in the same manner as the normal retirement benefit, based upon the participant's accrued benefit as of his disability retirement date. The minimum disability benefit will be no less than 20% of the participant's average monthly earnings for the twelve calendar month period immediately preceding his termination of employment as a result of a disability.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – EMPLOYEE RETIREMENT PLAN (Continued)

In-service death benefits are payable to the participant’s pre-retirement beneficiary, equal to the decreased monthly retirement benefit that would have otherwise been payable to the participant, had he elected a 100% joint and survivor benefit under the plan. In order to be eligible for this benefit, a participant must have 10 years of total credited service. Terminated vested death benefits are payable to the participant’s pre-retirement beneficiary, equal to the decreased monthly retirement benefit that would have otherwise been payable to the participant had he elected a 100% joint and survivor benefit under the plan.

Employees Covered by Benefit Terms

At January 1, 2020, the most recent actuarial valuation, there were 59 participants as follows:

Active participants	28
Retirees and beneficiaries	15
Vested former employees	16
	59

Contributions

The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards is \$46,994. This minimum contribution has been determined as the sum of 1) the normal cost (including administrative expenses), 2) the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability or the 10-year level percentage of payroll amortization of the surplus, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the employer contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable state funding standards.

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	2.25 percent, average, including inflation
Investment rate of return	7.375 percent, net of pension plan investment expenses, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to June 30, 2019.

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – EMPLOYEE RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	6.41%
International equity	20%	6.96%
Global fixed income	5%	3.06%
Domestic fixed income	20%	1.96%
Real estate	10%	4.76%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.375 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (c) = (a)-(b)</u>
Balance, September 30, 2018	\$ 1,147,858	\$ 995,555	\$ 152,303
Changes for the year:			
Service cost	21,947	-	21,947
Interest	85,175	-	85,175
Contributions from the employer	-	39,183	(39,183)
Net investment income	-	28,600	(28,600)
Difference between expected and actual experience	106,225	-	106,225
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(68,281)	(68,281)	-
Administrative expenses	-	(6,906)	6,906
Other changes	(6,256)	-	(6,256)
Net Changes	<u>138,810</u>	<u>(7,404)</u>	<u>146,214</u>
Balance, September 30, 2019	<u>\$ 1,286,668</u>	<u>\$ 988,151</u>	<u>\$ 298,517</u>

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – EMPLOYEE RETIREMENT PLAN (Continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.375 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.375 percent) or one percentage point higher (8.375 percent) than the current rate:

	<u>Discount Rate - 1%</u> <u>(6.375%)</u>	<u>Current Discount Rate</u> <u>(7.375%)</u>	<u>Discount Rate + 1%</u> <u>(8.375%)</u>
City's net pension liability	\$ 452,851	\$ 298,517	\$ 168,702

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

For the year ended June 30, 2020, the City recognized pension expense of \$45,423. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Employer contributions after measurement date	\$ 18,663	-
Differences in expected and actual experience	79,714	\$ (26,662)
Effects of changes in assumptions	4,546	(4,692)
Net differences between projected and actual net investment income	-	(6,102)
	<u>\$ 102,923</u>	<u>\$ (37,456)</u>

City contributions subsequent to the measurement date of \$18,663 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending</u> <u>June 30</u>	
2021	\$ (4,873)
2022	13,325
2023	29,409
2024	<u>8,943</u>
	<u>\$ 46,804</u>

CITY OF REIDSVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2020, there was no pending litigation that would have a material effect on the financial statements.

NOTE 15 – 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; workers' compensation claims; and natural disasters. The City is a member of the Georgia Interlocal Risk Management Agency. This membership allows the City to share liability, crime, motor vehicle and property damage risks.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities – GIRMA establishes and administers one or more group self- insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City of Reidsville retains the first \$1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the \$1,000 deductible.

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

NOTE 16 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the seventeen county East Middle Georgia area, is a member of the Heart of Georgia Altamaha Regional Commission (RC) and is required to pay annual dues thereto. During the year ended June 30, 2020, the City paid \$2,594 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-33 which provides for the organizational structure of the RC in Georgia. The RC Regional Council membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Heart of Georgia Altamaha Regional Commission
5405 Oak Street
Eastman, Georgia 31023

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 13, 2022 the date that the financial statements were available for issue.

CITY OF REIDSVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF REIDSVILLE RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020

	2020 (1)	2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)
Total pension liability						
Service cost	\$ 21,947	\$ 15,864	\$ 18,785	\$ 17,307	\$ 20,509	\$ 17,991
Interest	85,175	83,301	85,186	81,851	78,204	75,587
Differences between expected and actual experience	106,225	(17,837)	(70,975)	228	7,260	4,783
Changes of assumptions	(6,256)	-	18,183	-	-	(3,788)
Benefit payments, including refunds of employee contributions	(68,281)	(56,568)	(54,509)	(58,212)	(59,602)	(62,020)
Net change in total pension liability	138,810	24,760	(3,330)	41,174	46,371	32,553
Total pension liability-beginning	1,147,858	1,123,098	1,126,428	1,085,254	1,038,883	1,006,330
Total pension liability-ending (a)	<u>\$ 1,286,668</u>	<u>\$ 1,147,858</u>	<u>\$ 1,123,098</u>	<u>\$ 1,126,428</u>	<u>\$ 1,085,254</u>	<u>\$ 1,038,883</u>
Plan fiduciary net position						
Contributions-employer	\$ 39,183	\$ 48,294	\$ 63,798	\$ 47,660	\$ 48,536	\$ 53,380
Net investment income	28,600	91,060	120,091	81,419	8,796	76,577
Benefit payments, including refunds of employee contributions	(68,281)	(56,568)	(54,509)	(58,212)	(59,602)	(62,020)
Administrative expense	(6,906)	(7,520)	(8,072)	(4,410)	(4,813)	(3,869)
Net change in plan fiduciary net position	(7,404)	75,266	121,308	66,457	(7,083)	64,068
Plan fiduciary net position-beginning	995,555	920,289	798,981	732,524	739,607	675,539
Plan fiduciary net position-ending (b)	<u>\$ 988,151</u>	<u>\$ 995,555</u>	<u>\$ 920,289</u>	<u>\$ 798,981</u>	<u>\$ 732,524</u>	<u>\$ 739,607</u>
Net pension liability-ending (a)-(b)	<u>\$ 298,517</u>	<u>\$ 152,303</u>	<u>\$ 202,809</u>	<u>\$ 327,447</u>	<u>\$ 352,730</u>	<u>\$ 299,276</u>
Plan fiduciary net position as a percentage of the total pension liability	76.80%	86.73%	81.94%	70.93%	67.50%	71.19%
Covered-employee payroll	590,660	481,892	454,726	538,764	454,034	521,734
Net pension liability as a percentage of covered-employee payroll	50.54%	31.61%	44.60%	60.78%	77.69%	57.36%

(1) Only fiscal years 2020, 2019, 2018, 2017, 2016, and 2015 were available. The City will continue to present information for years available until a full 10-year trend is compiled.

Notes to Schedule:

Changes of assumptions

Amounts reported for the fiscal year ending in 2020 and later reflect the following assumption changes based on an actuarial study conducted in November and December of 2019:

- The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.
- The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.
- The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Employee Mortality Table.
- Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously future mortality improvements were not explicitly projected.
- The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.
- The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.
- Where normal retirement is available to a given participant at age 62, 63, or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% at ages 66 to 71, and 100% at ages 72 and older. In addition, the first year a participant is eligible for normal retirement, the rate is increased by 30%.
- Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.
- Where normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.
- The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.
- The disability rates were changed to 50% of the rates in the prior age-based table.
- The inflation assumption was decreased from 2.75% to 2.25%.
- The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.
- The investment return assumption was decreased from 7.50% to 7.375%.

Benefit changes

There were no changes in benefit provisions in the last two fiscal years.

CITY OF REIDSVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF REIDSVILLE RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	*	\$ 46,116	\$ 55,147	\$ 54,344	\$ 51,993	\$ 53,160
Contributions in relation to the actuarially determined contribution	*	46,869	59,609	49,619	52,090	48,730
Contribution deficiency (excess)	*	\$ (753)	\$ (4,462)	\$ 4,725	\$ (97)	\$ 4,430
Covered-employee payroll	*	481,892	454,726	538,764	454,034	521,734
Contributions as a percentage of covered-employee payroll	*	9.73%	13.11%	9.21%	11.47%	9.34%

*2020 information will be determined after fiscal year end and will be included in the 2021 valuation report

Notes to Schedule:

Valuation Date The actuarially determined contribution rate was determined as of January 1, 2020, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2021.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 11 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return	#####
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Retirement Age	See changes of assumptions in the Notes to Schedule of Changes in the Net Pension Liability.

Mortality Rates:

Healthy retirees and beneficiaries:	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25
Disabled participants:	Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25
Active participants, terminated vested participants, and deferred beneficiaries:	Sex-distinct Pri-2012 head-count weighted Employee Mortality Table
Plan termination basis (all lives):	1994 Group Annuity Reserving Unisex Table

CITY OF REIDSVILLE, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS

	JUNE 30, 2020	JUNE 30, 2019
ASSETS		
Cash	\$ 137,165	\$ 301,012
Receivables:		
Taxes:		
Property	104,632	90,840
Franchise	6,433	7,886
Sales	17,212	14,814
Alcoholic beverage	7,239	6,169
Other	7,620	7,843
Intergovernmental	5,729	-
Accounts	43,013	43,992
Inventory	-	825
Prepaid items	22,433	26,867
Due from other funds	765,892	766,913
TOTAL ASSETS	<u>\$ 1,117,368</u>	<u>\$ 1,267,161</u>
LIABILITIES		
Accounts payable	\$ 118,387	\$ 105,066
Accrued payroll liabilities	21,617	30,791
Due to other funds	22,698	22,698
Total liabilities	<u>162,702</u>	<u>158,555</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	<u>97,953</u>	<u>87,412</u>
FUND BALANCE		
Nonspendable	22,433	27,692
Restricted	4,538	4,538
Assigned	138,299	249,833
Unassigned	691,443	739,131
Total fund balance	<u>856,713</u>	<u>1,021,194</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 1,117,368</u>	<u>\$ 1,267,161</u>

CITY OF REIDSVILLE, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

	YEAR ENDED	
	JUNE 30, 2020	JUNE 30, 2019
REVENUES		
Taxes:		
Property	\$ 294,663	\$ 263,770
Sales	196,302	183,956
Franchise	143,807	147,191
Insurance premium	198,483	186,713
Alcoholic beverage	80,585	72,667
Other	86,498	95,976
Licenses and permits	75,445	71,278
Intergovernmental	57,849	198,885
Charges for services	382,814	402,177
Fines and forfeitures	135,251	91,248
Interest	1,033	1,921
Other	37,688	25,673
Total revenues	<u>1,690,418</u>	<u>1,741,455</u>
EXPENDITURES		
Current:		
General government	316,656	315,957
Public safety	797,081	736,781
Streets	355,685	302,766
Sanitation	251,078	254,775
Recreation	141,430	163,773
Community services	13,380	13,380
Airport	41,336	175,177
Debt service:		
Principal	42,068	87,240
Interest	13,316	11,292
Total expenditures	<u>1,972,030</u>	<u>2,061,141</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(281,612)</u>	<u>(319,686)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from capital lease	-	90,897
Transfers in	95,544	-
Transfers out	-	(60,000)
Sale of capital assets	21,587	1,445
Total other financing sources (uses)	<u>117,131</u>	<u>32,342</u>
NET CHANGE IN FUND BALANCE	(164,481)	(287,344)
FUND BALANCE, BEGINNING OF YEAR	<u>1,021,194</u>	<u>1,308,538</u>
FUND BALANCE, END OF YEAR	<u>\$ 856,713</u>	<u>\$ 1,021,194</u>

CITY OF REIDSVILLE, GEORGIA
SPECIAL SALES TAX CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS

	JUNE 30, 2020	JUNE 30, 2019
ASSETS		
Cash	\$ 86,619	\$ 178,988
Intergovernmental receivable	32,802	27,330
Due from other funds	-	3,342
TOTAL ASSETS	\$ 119,421	\$ 209,660
LIABILITIES		
Accounts payable	\$ 5,140	\$ 14,715
FUND BALANCE		
Restricted for capital projects	114,281	194,945
TOTAL LIABILITIES AND FUND BALANCE	\$ 119,421	\$ 209,660

CITY OF REIDSVILLE, GEORGIA
SPECIAL SALES TAX CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

	YEAR ENDED	
	JUNE 30, 2020	JUNE 30, 2019
REVENUES		
Intergovernmental	\$ 162,468	\$ 164,127
Interest	535	781
Total revenues	<u>163,003</u>	<u>164,908</u>
EXPENDITURES		
Capital outlay:		
General government	636	2,142
Public safety	116,055	7,500
Streets	27,863	413,651
Recreation	44,998	15,570
Debt service:		
Principal	35,549	25,315
Interest	7,598	-
Total expenditures	<u>232,699</u>	<u>464,178</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(69,696)	(299,270)
OTHER FINANCING SOURCES (USES)		
Proceeds from capital lease	-	235,500
Transfers out	(10,968)	(22,877)
Total other financing sources (uses)	<u>(10,968)</u>	<u>212,623</u>
NET CHANGE IN FUND BALANCE	(80,664)	(86,647)
FUND BALANCE, BEGINNING OF YEAR	<u>194,945</u>	<u>281,592</u>
FUND BALANCE, END OF YEAR	<u>\$ 114,281</u>	<u>\$ 194,945</u>

CITY OF REIDSVILLE, GEORGIA
T-SPLOST CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS

	<u>JUNE 30,</u> 2020	<u>JUNE 30,</u> 2019
ASSETS		
Cash	\$ 160,688	\$ 222,846
Intergovernmental receivable	3,698	2,778
Due from other funds	<u>22,698</u>	<u>22,698</u>
TOTAL ASSETS	<u>\$ 187,084</u>	<u>\$ 248,322</u>
 LIABILITIES		
Accounts payable	\$ 36,600	-
Due to other funds	<u>-</u>	<u>\$ 3,342</u>
Total liabilities	36,600	3,342
 FUND BALANCE		
Restricted for street projects	<u>\$ 150,484</u>	<u>244,980</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 187,084</u>	<u>\$ 248,322</u>

CITY OF REIDSVILLE, GEORGIA
T-SPLOST CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

	YEAR ENDED	
	JUNE 30, 2020	JUNE 30, 2019
REVENUES		
Intergovernmental	\$ 40,486	\$ 105,672
EXPENDITURES		
Capital outlay:		
Streets	2,838	57,844
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	37,648	47,828
OTHER FINANCING SOURCES (USES)		
Transfers out	(132,144)	-
NET CHANGE IN FUND BALANCE	(94,496)	47,828
FUND BALANCE, BEGINNING OF YEAR	244,980	197,152
FUND BALANCE, END OF YEAR	\$ 150,484	\$ 244,980

CITY OF REIDSVILLE, GEORGIA
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF NET POSITION

ASSETS	June 30, 2020	June 30, 2019
Current Assets		
Cash and cash equivalents	\$ 31,760	\$ 106,236
Restricted cash and cash equivalents	92,619	88,195
Accounts receivable	74,867	81,859
Inventories	-	344
Prepaid insurance	5,294	3,784
Total current assets	<u>204,540</u>	<u>280,418</u>
Restricted Assets - Cash and cash equivalents	<u>275,041</u>	<u>296,999</u>
Capital Assets		
Construction in progress	65,206	-
Land	410,942	410,942
Buildings	48,609	48,609
Water and sewer system	10,922,553	10,882,913
Machinery and equipment	364,337	352,637
Accumulated depreciation	(8,877,916)	(8,597,867)
Total capital assets	<u>2,933,731</u>	<u>3,097,234</u>
Total Assets	<u>3,413,312</u>	<u>3,674,651</u>
DEFERRED OUTFLOWS OF RESOURCES		
Resources related to pensions	<u>21,636</u>	<u>11,440</u>

CITY OF REIDSVILLE, GEORGIA
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF NET POSITION

	June 30, 2020	June 30, 2019
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 53,132	\$ 21,158
Accrued interest payable	7,616	7,905
Customer deposits	92,619	88,195
Compensated absences payable	2,795	2,041
Current portion of revenue bonds payable	123,190	117,194
Due to general fund	765,816	766,913
Total current liabilities	1,045,168	1,003,406
Long-Term Liabilities		
Compensated absences payable, net of current portion	11,179	8,162
Net pension obligation	62,910	29,766
Revenue bonds payable, net of current portion	2,965,637	3,088,713
Total long-term liabilities	3,039,726	3,126,641
Total liabilities	4,084,894	4,130,047
DEFERRED INFLOWS OF RESOURCES		
Resources related to pensions	9,082	25,965
NET POSITION		
Net investment in capital assets	(155,096)	(108,673)
Restricted for debt service	275,041	296,999
Unrestricted	(778,973)	(658,247)
Total net position	\$ (659,028)	\$ (469,921)

CITY OF REIDSVILLE, GEORGIA
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
WATER AND SEWER FUND

	YEAR ENDED	
	2020	2019
OPERATING REVENUES		
Water and sewer sales	\$ 690,238	\$ 687,584
Tap and connection fees	7,680	6,780
Late charges	13,329	17,837
Rental income	8,431	12,907
Other	235	10,062
Total operating revenues	<u>719,913</u>	<u>735,170</u>
OPERATING EXPENSES		
Salaries	174,632	174,859
Payroll taxes	12,528	12,746
Employee benefits/Uniforms	45,113	41,786
Retirement	12,286	4,974
Utilities	68,417	76,045
Postage	4,689	4,514
Computer support	-	95
Contracted services	21,881	22,000
Chemicals	2,669	2,216
Professional services	30,319	25,641
Insurance	4,810	7,956
Materials and supplies	3,623	23,004
Gasoline, oil, etc.	17,337	32,029
Repairs and maintenance	99,353	44,201
Telephone	3,428	1,131
Engineering	-	77,102
Equipment rental	60,760	64,399
Travel	887	437
Depreciation	282,267	295,162
Bad debts	11,000	19,000
Other	18,665	9,003
Total operating expenses	<u>874,664</u>	<u>938,300</u>
OPERATING INCOME (LOSS)	<u>(154,751)</u>	<u>(203,130)</u>
NONOPERATING REVENUE (EXPENSE)		
Interest income	2,592	3,471
Interest expense	(157,359)	(163,071)
Total nonoperating revenue (expense)	<u>(154,767)</u>	<u>(159,600)</u>
LOSS BEFORE TRANSFERS	(309,518)	(362,730)
TRANSFERS IN (OUT)	<u>120,411</u>	<u>82,877</u>
CHANGE IN NET POSITION	(189,107)	(279,853)
NET POSITION, BEGINNING OF YEAR	<u>(469,921)</u>	<u>(190,068)</u>
NET POSITION, END OF YEAR	<u>\$ (659,028)</u>	<u>\$ (469,921)</u>

CITY OF REIDSVILLE, GEORGIA
SCHEDULE OF PROJECTS PAID
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2020

2014 Special Sales Tax Project	Original Estimated Cost	Current Estimated Cost	Expenditures		Total	Estimated Percentage of Completion
			Prior Years	Current Year		
Building improvements and equipment - Administrative	\$ 38,220	\$ 175,464	\$ 174,828	\$ 636	\$ 175,464	100.0%
Vehicles and equipment - Police	343,979	343,979	60,053	108,488	168,541	49.0%
Vehicles and equipment - Fire	129,948	129,948	10,617	7,567	18,184	14.0%
Street improvements and equipment	122,304	270,395	199,385	71,010	270,395	100.0%
Water and sewer improvements and equipment	129,948	129,948	54,468	10,968	65,436	50.4%
Recreation projects and equipment	155,520	157,651	112,653	44,998	157,651	100.0%
	<u>\$ 919,919</u>	<u>\$ 1,207,385</u>	<u>\$ 612,004</u>	<u>\$ 243,667</u>	<u>\$ 855,671</u>	<u>70.9%</u>

Reconciliation of current year expenditures to Statement of Revenues, Expenditures and Changes in Fund Balances:

Total Special sales tax fund expenditures per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 232,699
Transfers to water and sewer fund	10,968
Total current year expenditures per above	<u>\$ 243,667</u>

CITY OF REIDSVILLE, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT
18p-x-132-2-6023
SOURCE AND APPLICATION OF FUNDS SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020

TOTAL PROGRAM YEAR 2018 FUNDS ALLOCATED TO RECIPIENT	\$ 750,000
LESS: TOTAL PROGRAM YEAR 2018 FUNDS DRAWN BY RECIPIENT	<u>72,843</u>
FUNDS STILL AVAILABLE FROM PROGRAM YEAR 2018 RESOURCES	<u><u>\$ 677,157</u></u>
TOTAL PROGRAM YEAR 2018 FUNDS DRAWN AND RECEIVED BY RECIPIENT	\$ 72,843
LESS: FUNDS APPLIED AND EXPENDED ON PROGRAM YEAR 2018 COSTS	<u>72,843</u>
TOTAL PROGRAM YEAR 2018 FUNDS HELD BY RECIPIENT	<u><u>\$ -</u></u>

CITY OF REIDSVILLE, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT
18p-x-132-2-6023
PROJECT COST SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020

PROGRAM ACTIVITY	ACTIVITY NUMBER	APPROVED BUDGET CDBG FUNDS	CUMULATIVE EXPENDITURES CDBG FUNDS
Contingencies - Unprogrammed Funds	C-022-00	\$ 28,109	-
Engineering - Water/Sewer improvements	T-03J-00	56,891	\$ 42,843
Sewer facilities	P-03J-02	620,000	-
Administration	A-21A-00	45,000	30,000
Total		<u>\$ 750,000</u>	<u>\$ 72,843</u>

LANIER, DEAL & PROCTOR

WILLIAM RUSSELL LANIER, CPA
RICHARD N. DEAL, CPA, CGMA
KAY S. PROCTOR, CPA, CFE, CGMA
WILLIAM BLAKE BLOSER, CPA
TIFFANY D. JENKINS, CPA, CGMA
RICHARD N. DEAL II, CPA

CERTIFIED PUBLIC ACCOUNTANTS
201 SOUTH ZETTEROWER AVENUE
P.O. BOX 505
STATESBORO, GEORGIA 30459
PHONE (912) 489-8756
FAX (912) 489-1243

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

GEORGIA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**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***

To the City Council
City of Reidsville, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Reidsville, Georgia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Reidsville, Georgia's basic financial statements, and have issued our report thereon dated May 13, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Reidsville, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Reidsville, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Reidsville, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described below as 2020-1 through 2020-4 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below as 2020-5 to be a significant deficiency.

2020-1 Transaction Posting

We noted transactions that were not recorded on the computerized accounting system, including transactions in special accounts maintained by other departments. We also noted transactions that were posted to incorrect general ledger accounts. This required additional time to research and adjusting journal entries were needed to properly state these transactions. The Financial Officer should ensure that activity for all City bank accounts is properly posted to the general ledger to accurately reflect the financial information of the City.

City Response: We concur with this finding and will implement procedures including timely bank reconciliations to ensure that all transactions are properly posted to the general ledger using the computerized accounting system.

2020-2 Payroll Liability Accounts

During our audit we noted that payroll liability accounts are not being reviewed and reconciled on a periodic basis. Payroll liability accounts should be reviewed to ensure accuracy and completeness on a monthly or quarterly basis. We recommend the payroll clerk be responsible for this task and that the Financial Officer review the reconciliation of the payroll liability accounts on a periodic basis.

City Response: We concur with this finding and we will implement procedures for the review and reconciliation of payroll liability accounts on at least a quarterly basis.

2020-3 Recording of Year End Accruals for the Financial Statements

The City's internal control procedures to ensure that all year-end accruals, such as receivables, accounts payable, prepaid items, and unearned revenue, are included in the financial statements are inadequate. Many of the adjusting journal entries needed to record these accruals were material to the City's financial statements.

City Response: We concur with this finding and we will implement procedures to make sure all applicable accruals are included in the year-end financial statements.

2020-4 Payroll Tax Liabilities

We noted some payroll tax deposits were not made timely. The City incurred significant penalties and interest as a result of late payroll tax deposits.

City Response: We concur with this finding and we will make efforts to ensure that all payroll tax deposits are made timely in the future.

2020-5 Budget Amendments

As noted in Note 2 to the financial statements, expenditures exceeded appropriations at the legal level of control for some general fund departments.

City Response: The over expenditures were the result of not properly budgeting for certain expenditures and not properly amending the budget during the year. In the future, the City Clerk will be responsible for closely monitoring expenditures and requesting budget amendments as considered necessary.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Reidsville, Georgia'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Reidsville, Georgia's Response to Findings

City of Reidsville, Georgia's response to the findings identified in our audit is described above. City of Reidsville, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Spicer, Deal + Proctor

Statesboro, Georgia
May 13, 2022