

**FOR THE YEAR ENDED JUNE 30, 2017**

**ANNUAL FINANCIAL REPORT**

**CITY OF REIDSVILLE, GEORGIA**

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**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, 2017, 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, 2017, 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.

Statesboro, Georgia  
March 29, 2018

*Lowin, Dal & Foster*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, on our consideration of the City of Reidsville, Georgia's internal control over financial reporting and on our testing of internal control over financial reporting, 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 the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Reidsville, Georgia's internal control over financial reporting and compliance.

#### **Other Reporting Required by Government Auditing Standards**

The comparative fund financial statements and schedule of projects paid with special sales tax proceeds 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 and schedule of projects paid with special sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 and schedule of projects paid with special sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

#### *Other Information*

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.

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 37 and 38 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express and opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express and opinion or provide any assurance.

#### *Required Supplementary Information*

#### **Other Matters**

**CITY OF REIDSVILLE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Governmental	Business-type	Total
	Activities	Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,226,651	\$ 239,995	\$ 1,466,646
Restricted cash and cash equivalents	-	91,176	91,176
Receivables:			
Taxes	149,610	-	149,610
Accounts	35,460	79,447	114,907
Intergovernmental	83,490	-	83,490
Internal balances	676,798	(676,798)	-
Inventories	3,230	765	3,995
Prepaid items	6,127	2,043	8,170
Restricted Assets:			
Cash and cash equivalents	-	294,035	294,035
Capital assets:			
Nondepreciable capital assets	507,454	410,942	918,396
Depreciable capital assets, net	2,819,049	3,324,733	6,143,782
Total Assets	<u>5,507,869</u>	<u>3,766,338</u>	<u>9,274,207</u>
DEFERRED OUTFLOWS OF RESOURCES	59,499	15,929	75,428
Resources related to pensions			
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	156,440	37,002	193,442
Accrued payroll	50,315	-	50,315
Customer deposits	-	91,176	91,176
Accrued interest payable	-	8,441	8,441
Compensated absences payable	2,927	802	3,729
Note payable	23,888	-	23,888
Capital leases payable	33,531	-	33,531
Revenue bonds payable	-	106,063	106,063
Long-Term Liabilities:			
Compensated absences payable (net of current portion)	11,708	3,206	14,914
Net pension obligation	255,481	71,966	327,447
Note payable (net of current portion)	364,450	-	364,450
Capital leases payable (net of current portion)	25,741	-	25,741
Revenue bonds payable (net of current portion)	-	3,317,188	3,317,188
Total Liabilities	<u>924,481</u>	<u>3,635,844</u>	<u>4,560,325</u>
DEFERRED INFLOWS OF RESOURCES	24,046	7,536	31,582
Resources related to pensions			
<b>NET POSITION</b>			
Net investment in capital assets	2,878,893	312,424	3,191,317
Restricted for:			
Debt service	-	294,035	294,035
Capital projects	556,633	-	556,633
Unrestricted	1,183,315	(467,572)	715,743
Total Net Position	<u>\$ 4,618,841</u>	<u>\$ 138,887</u>	<u>\$ 4,757,728</u>

See accompanying notes to the basic financial statements.



**CITY OF REIDSVILLE, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	Non-major Fund - T-SPLST	Capital Projects Fund	Capital Projects Fund	General
<b>ASSETS</b>				
Cash	\$ 98,702	\$ 390,979	\$ 736,970	\$ 1,226,651
Receivables:				
Taxes	-	-	149,610	149,610
Intergovernmental	2,959	25,128	55,403	83,490
Accounts	-	-	35,460	35,460
Due from other funds	179	-	676,798	676,977
Prepaid items	-	-	6,127	6,127
Inventory	-	-	3,230	3,230
<b>TOTAL ASSETS</b>	<u>\$ 101,840</u>	<u>\$ 416,107</u>	<u>\$ 1,663,598</u>	<u>\$ 2,181,545</u>
<b>LIABILITIES</b>				
Accounts payable	-	\$ 61,397	\$ 95,043	\$ 156,440
Accrued payroll	-	-	50,315	50,315
Due to other funds	-	-	179	179
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>61,397</u>	<u>145,537</u>	<u>206,934</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	-	-	98,855	98,855
<b>FUND BALANCES</b>				
Nonspendable	-	-	9,357	9,357
Restricted	\$ 101,840	354,710	100,083	556,633
Assigned	-	-	93,408	93,408
Unassigned	-	-	1,216,358	1,216,358
<b>TOTAL FUND BALANCES</b>	<u>101,840</u>	<u>354,710</u>	<u>1,419,206</u>	<u>1,875,756</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 101,840</u>	<u>\$ 416,107</u>	<u>\$ 1,663,598</u>	<u>\$ 2,181,545</u>

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, 2017**

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

	Total Governmental Fund Balances
	\$ 1,875,756
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Cost	\$ 6,854,566
Less accumulated depreciation	(3,528,063)
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	98,855
The City's net pension obligation is not reported in the governmental funds but is in the statement of net position.	(255,481)
Deferred outflows and deferred inflows related to pensions is not reported in the governmental funds:	
Deferred outflows of revenues	59,499
Deferred inflows of revenues	(24,046)
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	(59,272)
Note payable	(388,338)
Compensated absences	(14,635)
	<u>(462,245)</u>
<b>Net Position Of Governmental Activities</b>	<u><u>\$ 4,618,841</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, 2017**

	Non-major Fund - T-SPLST	Capital Projects Fund	Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 926,361	-	\$ 926,361
Licenses and permits	71,278	-	71,278
Intergovernmental	155,917	\$ 146,386	337,314
Charges for services	344,324	-	344,324
Fines and forfeitures	105,922	-	105,922
Interest	3,605	1,721	5,326
Other	24,140	-	24,140
<b>Total revenues</b>	<b>1,631,547</b>	<b>148,107</b>	<b>1,814,665</b>
<b>EXPENDITURES</b>			
Current:			
General government	205,618	-	205,618
Public safety	704,424	-	704,424
Streets	265,542	-	265,542
Sanitation	229,082	-	229,082
Recreation	150,721	-	150,721
Community services	14,495	-	14,495
Airport	44,043	-	44,043
Capital outlay	-	118,759	118,759
Debt service:			
Principal	38,054	32,726	70,780
Interest	12,340	1,871	14,211
Total expenditures	1,664,319	153,356	1,817,675
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(32,772)</b>	<b>(5,249)</b>	<b>(3,010)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	-	(6,000)	(6,000)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(32,772)</b>	<b>(11,249)</b>	<b>(9,010)</b>
<b>FUND BALANCES, JULY 1, 2016</b>	<b>1,451,978</b>	<b>365,959</b>	<b>1,884,766</b>
<b>FUND BALANCES, JUNE 30, 2017</b>	<b>\$ 1,419,206</b>	<b>\$ 354,710</b>	<b>\$ 1,875,756</b>

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, 2017**

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

Net Changes In Fund Balances - Total Governmental Funds \$ (9,010)

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

Depreciation expense	\$ (286,111)	
Capital outlay	208,708	(77,403)

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 @ 6/30/17	98,855	
Unavailable revenue @ 6/30/16	(76,404)	22,451

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.

70,780

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.

(2,804)

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 @ 6/30/17	(14,635)	
Liability @ 6/30/16	15,484	849

Change In Net Position of Governmental Activities

\$ 4,863

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, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	703,500	\$ 262,746	\$ (440,754)
Sales	180,000	163,810	(16,190)
Franchise	16,300	175,045	158,745
Insurance premium	150,000	162,339	12,339
Alcoholic beverage	61,500	66,513	5,013
Other	98,627	95,908	(2,719)
Licenses and permits	62,000	71,278	9,278
Intergovernmental	42,000	155,917	113,917
Charges for services	343,200	344,324	1,124
Fines and forfeitures	131,500	105,922	(25,578)
Interest	5,000	3,605	(1,395)
Other	13,800	24,140	10,340
Total revenues	<u>1,807,427</u>	<u>1,631,547</u>	<u>(175,880)</u>
<b>EXPENDITURES</b>			
Current:			
General government	244,270	205,618	38,652
Public safety:			
Police	612,895	648,221	(35,326)
Fire	105,350	56,203	49,147
Streets	287,100	265,542	21,558
Sanitation	250,000	229,082	20,918
Recreation	85,400	150,721	(65,321)
Community services	13,380	14,495	(1,115)
Airport	1,500	44,043	(42,543)
Debt service:			
Principal	15,000	38,054	(23,054)
Interest	3,600	12,340	(8,740)
Total expenditures	<u>1,618,495</u>	<u>1,664,319</u>	<u>(45,824)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	188,932	(32,772)	(221,704)
<b>FUND BALANCE, JULY 1, 2016</b>	1,451,978	1,451,978	-
<b>FUND BALANCE, JUNE 30, 2017</b>	<u>\$ 1,640,910</u>	<u>\$ 1,419,206</u>	<u>\$ (221,704)</u>

See accompanying notes to the basic financial statements.

CITY OF REIDSVILLE, GEORGIA  
STATEMENT OF NET POSITION  
WATER AND SEWER FUND  
JUNE 30, 2017

	ASSETS
	Current Assets
	Cash and cash equivalents
	Restricted cash and cash equivalents
	Accounts receivable
	Inventories
	Prepaid insurance
	Total Current Assets
	Noncurrent Assets
	Restricted Assets - Cash and cash equivalents
	Capital Assets
	Land
	Buildings
	Water and sewer system
	Machinery and equipment
	Less accumulated depreciation
	Total Capital Assets
	Total Noncurrent Assets
	Total Assets
\$ 239,995	
91,176	
79,447	
765	
2,043	
413,426	
294,035	
410,942	
48,609	
10,838,263	
322,895	
(7,885,034)	
3,735,675	
4,029,710	
4,443,136	
15,929	
37,002	
8,441	
91,176	
802	
106,063	
676,798	
920,282	
3,206	
71,966	
3,317,188	
3,392,360	
4,312,642	
7,536	
312,424	
294,035	
(467,572)	
\$ 138,887	
NET POSITION	
Net investment in capital assets	
Restricted for debt service	
Unrestricted	
Total Net Position	
DEFERRED INFLOWS OF RESOURCES	
Resources related to pensions	
Long-term Liabilities	
Compensated absences payable (net of current portion)	
Net pension obligation	
Revenue bonds payable (net of current portion)	
Total Long-term Liabilities	
Total Liabilities	
DEFERRED OUTFLOWS OF RESOURCES	
Resources related to pensions	
LIABILITIES	
Current Liabilities	
Accounts payable	
Accrued interest payable	
Customer deposits	
Compensated absences payable - Current	
Revenue bonds payable - Current	
Due to general fund	
Total Current Liabilities	

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, 2017**

	OPERATING REVENUES
	Water and sewer sales
	Tap and connection fees
	Late charges
	Rental income
	Other income
	Total operating revenues
	742,165
	-----
	\$ 688,935
	-----
	2,160
	26,746
	23,262
	1,062
	-----
	152,197
	Salaries
	Payroll taxes
	Employee benefits/Uniforms
	Retirement
	Utilities
	Postage
	Computer support
	Contracted services
	Chemicals
	Advertising
	Professional services
	Insurance
	Materials and supplies
	Gasoline, oil, etc.
	Repairs and maintenance
	Telephone
	Travel
	Depreciation
	Other
	Total operating expenses
	(234,233)
	-----
	3,008
	Interest income
	Interest expense
	Total nonoperating revenue (expense)
	(173,676)
	-----
	(170,668)
	-----
	(404,901)
	LOSSES BEFORE TRANSFERS
	TRANSFERS IN
	6,000
	-----
	(398,901)
	CHANGE IN NET POSITION
	NET POSITION, JULY 1, 2016
	537,788
	-----
	\$ 138,887
	-----
	NET POSITION, JUNE 30, 2017

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, 2017**

	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b> Cash received from customers Cash payments to employees for salaries and benefits Cash payments for goods and services Net cash provided by operating activities
730,084 (232,965) (294,851) 202,268	\$ (232,965) (294,851) 202,268
	<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b> Advances from (to) other funds
45,439	45,439
	<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> Purchases of capital assets Transfers in from capital projects fund Principal payments on revenue bonds payable Interest payments Net cash used by capital and related financing activities
(13,902) 6,000 (100,804) (173,924) (282,630)	(13,902) 6,000 (100,804) (173,924) (282,630)
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b> Interest received
3,008	3,008
	<b>NET DECREASE IN CASH</b> CASH AND CASH EQUIVALENTS, JULY 1, 2016 CASH AND CASH EQUIVALENTS, JUNE 30, 2017
(31,915) 657,121	(31,915) 657,121
	<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> Operating loss Adjustments: Depreciation (Increase) decrease in operating assets and deferred outflows of resources: Accounts receivable Inventories Prepaid insurance Deferred outflows related to pensions Increase (decrease) in operating liabilities and deferred inflows of resources: Accounts payable Customer deposits Compensated absences payable Net pension obligation Deferred inflows related to pensions Net cash provided by operating activities
(234,233) \$ 421,661 (11,125) (765) 4,889 3,658 22,595 (956) (740) (6,357) 3,641 202,268	(234,233) \$ 421,661 (11,125) (765) 4,889 3,658 22,595 (956) (740) (6,357) 3,641 202,268

See accompanying notes to the basic financial statements.

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.



**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.

**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.

**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.

**I-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.

**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.

**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.

**Intertund 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, 2017, 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:

Description	Estimated Lives
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

**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.

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.

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.



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, 2017, expenditures exceeded appropriations for the following departments within the general fund:

Police	\$ 35,326
Recreation	65,321
Community services	1,115
Airport	42,543
Debt service	31,794

These overexpenditures were funded primarily by under expenditures in other departments and 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, 2017, the carrying amount of the City's deposits (checking and certificates of deposit) was \$1,851,857 and the bank balance was \$1,976,279. Of the bank balance, \$381,869 was covered by federal depository insurance, and \$1,594,410 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 20<sup>th</sup> 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, 2017, property taxes were levied on October 20, 2016, and were due December 31, 2016.

**NOTE 5 – RECEIVABLES**

Receivables at June 30, 2017, 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 accounts receivable at June 30, 2017 for the water and sewer fund totaled \$1,000 and \$2,000 for the general fund.

**CITY OF REIDSVILLE, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 – INTERFUND BALANCES AND TRANSFERS**

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 676,798
T-SPLST Fund	General Fund	179
		<u>\$ 676,977</u>

Interfund balances at June 30, 2017 represent charges for services or reimbursable expenses. The City expects to repay all interfund balances within one year.

For the year ended June 30, 2017, the SPLST fund transferred \$6,000 to the water and sewer fund for equipment purchases.

**NOTE 7 – FUND BALANCES – GOVERNMENTAL FUNDS**

As of June 30, 2017, fund balances are composed of the following:

Nonspendable:	General Fund	Special Sales Tax Capital Projects Fund	T-SPLST Capital Projects Fund	Total Governmental Funds
Prepaid items	\$ 6,127	-	-	\$ 6,127
Inventory	3,230	-	-	3,230
Restricted:				
Road projects	100,083	-	\$ 101,840	201,923
Capital projects	-	\$ 354,710	-	354,710
Assigned:				
Fire department	60,482	-	-	60,482
Recreation	23,986	-	-	23,986
Police	8,940	-	-	8,940
Unassigned	1,216,358	-	-	1,216,358
<b>Total fund balances</b>	<b>\$ 1,419,206</b>	<b>\$ 354,710</b>	<b>\$ 101,840</b>	<b>\$ 1,875,756</b>

CITY OF REIDSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance 07/01/16 as restated	Additions	Deductions	Balance 06/30/17
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 335,058	-	\$ -	\$ 335,058
Construction in progress	82,900	\$ 89,496	-	172,396
Total capital assets not being depreciated:	417,958	89,496	-	507,454
Capital assets being depreciated:				
Buildings	1,403,975	31,187	-	1,435,162
Improvements other than buildings	1,830,660	-	-	1,830,660
Machinery and equipment	1,718,315	48,556	-	1,766,871
Infrastructure	1,274,950	39,469	-	1,314,419
Total capital assets being depreciated	6,227,900	119,212	-	6,347,112
Total capital assets	6,645,858	208,708	-	6,854,566
Accumulated depreciation:				
Buildings	721,966	45,560	-	767,526
Improvements other than buildings	990,975	50,200	-	1,041,175
Machinery and equipment	1,367,746	126,603	-	1,494,349
Infrastructure	161,265	63,748	-	225,013
Total accumulated depreciation	3,241,952	286,111	-	3,528,063
Governmental activities capital assets, net	\$ 3,403,906	\$ (77,403)	\$ -	\$ 3,326,503
Governmental activities depreciation expense:				
General government	\$ 42,187			
Public safety	82,652			
Streets	91,672			
Recreation	35,661			
Airport	33,939			
Total governmental activities depreciation expense	\$ 286,111			

**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 07/01/16	Additions	Deductions	Balance 06/30/17
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 410,942	-	\$ -	\$ 410,942
Capital assets being depreciated:				
Water and sewer system	10,838,263	-	-	10,838,263
Buildings	48,609	-	-	48,609
Machinery and equipment	308,993	\$ 13,902	-	322,895
Total capital assets being depreciated	11,195,865	13,902	-	11,209,767
Total capital assets	11,606,807	13,902	-	11,620,709
Accumulated depreciation:				
Water and sewer system	7,179,555	402,231	-	7,581,786
Buildings	28,410	1,193	-	29,603
Machinery and equipment	255,408	18,237	-	273,645
Total accumulated depreciation	7,463,373	421,661	-	7,885,034
Business-type activities capital assets, net	\$ 4,143,434	\$ (407,759)	\$ -	\$ 3,735,675

**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.

**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, 2017, annual debt service requirements for the series 1996 revenue bonds are as follows:

Year Ending	Principal	Interest	Total
2018	\$ 106,063	\$ 168,665	\$ 274,728
2019	111,490	163,238	274,728
2020	117,194	157,534	274,728
2021	123,190	151,538	274,728
2022	129,492	145,236	274,728
2023-2027	753,882	619,758	1,373,640
2028-2032	967,500	406,140	1,373,640
2033-2037	1,114,440	131,405	1,245,845
	<u>\$ 3,423,251</u>	<u>\$ 1,943,514</u>	<u>\$ 5,366,765</u>

**NOTE 10 – CAPITAL LEASES**

The City has entered into a lease agreement as lessee for financing recreation department lighting costing \$222,500. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has 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 \$75,403 at June 30, 2017.

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, 2017:

Year ending June 30	2018	2019
Total minimum lease payments	34,598	25,948
Less amount representing interest		1,274
Present value of future minimum lease payments	<u>\$ 59,272</u>	

**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, 2017, annual debt service requirements for the note payable are as follows:

Year ending	June 30	Principal	Interest	Total
2018	\$ 23,888	\$ 11,331	\$ 35,219	\$ 35,219
2019	24,615	10,604	35,219	35,219
2020	25,363	9,855	35,218	35,218
2021	26,135	9,084	35,219	35,219
2022	26,930	8,289	35,219	35,219
2023-2027	147,444	28,654	176,098	176,098
2028-2031	113,963	6,371	120,334	120,334
	\$ 388,338	\$ 84,188	\$ 472,526	\$ 472,526

**NOTE 12 – CHANGES IN LONG-TERM DEBT**

Governmental Activities	July 1, 2016	Additions	Reductions	June 30, 2017	Outstanding Amounts Due in One Year
Compensated absences	\$ 15,484	\$ -	\$ 849	\$ 14,635	\$ 2,927
Note payable	412,166	-	23,828	388,338	23,888
Capital leases payable	106,224	-	46,952	59,272	33,531
<b>Total Governmental Activities</b>	<b>\$ 533,874</b>	<b>\$ -</b>	<b>\$ 71,629</b>	<b>\$ 462,245</b>	<b>\$ 60,346</b>
Business-Type Activities	\$ 4,748	\$ -	\$ 740	\$ 4,008	\$ 802
Compensated absences	3,524,055	-	100,804	3,423,251	106,063
Revenue bonds payable	\$ 3,528,803	\$ -	\$ 101,544	\$ 3,427,259	\$ 106,865
<b>Total Business-Type Activities</b>	<b>\$ 3,528,803</b>	<b>\$ -</b>	<b>\$ 101,544</b>	<b>\$ 3,427,259</b>	<b>\$ 106,865</b>

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.

**NOTE 13 – EMPLOYEE RETIREMENT PLAN**

**CITY OF REIDSVILLE, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS**

**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 1/12<sup>th</sup> 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.



**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. 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, 2017, the most recent actuarial valuation, there were 46 participants as follows:

Active participants	26
Retirees and beneficiaries	14
Vested former employees	10
	<u>50</u>

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 \$42,329. 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	5.15 percent, average, including inflation
Investment rate of return	7.75 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to June 30, 2014.

**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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.75%
International equity	20%	7.45%
Global fixed income	5%	3.30%
Domestic fixed income	20%	1.75%
Real estate	10%	4.55%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 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

	(a)	(b)	(c) = (a)-(b)
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance, September 30, 2015	\$ 1,085,254	\$ 732,524	\$ 352,730
Changes for the year:			
Service cost	17,307	-	17,307
Interest	81,851	-	81,851
Contributions from the employer	-	47,660	(47,660)
Net investment income	-	81,419	(81,419)
Difference between expected and actual experience	228	-	228
Benefit payments, including refunds of employee contributions	(58,212)	(58,212)	-
Administrative expenses	-	(4,410)	4,410
Net Changes	41,174	66,457	(25,283)
Balance, September 30, 2016	\$ 1,126,428	\$ 798,981	\$ 327,447

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 7.75 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 (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
City's net pension liability	\$ 470,277	\$ 327,447	\$ 207,658
	(6.75%)	(7.75%)	(8.75%)

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

For the year ended June 30, 2017, the City recognized pension expense of \$49,032. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions after measurement date	\$ 40,954	-
Differences in expected and actual experience	5,728	-
Effects of changes in assumptions	-	\$ (1,516)
Net differences between projected and actual net investment income	28,746	(30,066)
	\$ 75,428	\$ (31,582)

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

Year ending	June 30
2017	\$ 42,609
2018	1,655
2019	4,582
2020	(5,000)
	\$ 43,846

NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2017 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 Alabama Regional Commission (RC) and is required to pay annual dues thereto. During the year ended June 30, 2017, the City paid \$3,243 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 Alabama Regional Commission  
5405 Oak Street  
Eastman, Georgia 31023

**NOTE 17 – RELATED PARTY TRANSACTIONS**

In October, 2015, the City entered into an installment sales agreement for the purchase of the new city hall building and land with Sharon Cheney, spouse of the city attorney at that time, for \$425,000. Total payments under the agreement for the year ended June 30, 2017 were \$35,220.

**NOTE 18 – SUBSEQUENT EVENTS**

Subsequent to June 30, 2017, the City was subject to an investigation by the United States Department of Labor Wage & Hour Division. The City cooperated in the investigation, which has been concluded. The City's self audit, which was confirmed by the Wage & Hour investigation, determined that the City owed \$60,300 in unpaid back overtime to various officers of the City of Reidsville Police Department. \$48,249 is the estimated amount that was related to periods prior to June 30, 2017 and has been recorded as a liability in the June 30, 2017 financial statements.

**NOTE 18 – SUBSEQUENT EVENTS (Continued)**

Management has evaluated subsequent events through March 29, 2018, 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, 2017**

	2017 (1)	2016 (1)	2015 (1)
<b>Total pension liability</b>	\$ 17,307	\$ 20,509	\$ 17,991
Service cost	81,851	78,204	75,587
Interest	228	7,260	4,783
Differences between expected and actual experience	-	-	(3,788)
Changes of assumptions	(58,212)	(59,602)	(62,020)
<b>Net change in total pension liability</b>	41,174	46,371	32,553
<b>Total pension liability—beginning</b>	\$ 1,085,254	\$ 1,038,883	\$ 1,006,330
<b>Total pension liability—ending (a)</b>	\$ 1,126,428	\$ 1,085,254	\$ 1,038,883
<b>Plan fiduciary net position</b>	\$ 47,660	\$ 48,536	\$ 53,380
Contributions—employer	81,419	8,796	76,577
Net investment income	(58,212)	(59,602)	(62,020)
Benefit payments, including refunds of employee contributions	(4,410)	(4,813)	(3,869)
Administrative expense	66,457	(7,083)	64,068
<b>Net change in plan fiduciary net position</b>	732,524	739,607	675,539
<b>Plan fiduciary net position—beginning</b>	\$ 798,981	\$ 732,524	\$ 739,607
<b>Plan fiduciary net position—ending (b)</b>	\$ 327,447	\$ 352,730	\$ 299,276
<b>Net pension liability—ending (a)-(b)</b>	70.93%	67.50%	71.19%
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	538,764	454,034	521,734
<b>Covered-employee payroll</b>	60.78%	77.69%	57.36%
<b>Net pension liability as a percentage of covered-employee payroll</b>			

(1) Only fiscal years 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*

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

*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, 2017**

	2017	2016	2015
Actuarially determined contribution	*	\$ 51,993	\$ 53,160
Contributions in relation to the actuarially determined contribution	*	52,090	48,730
Contribution deficiency (excess)	*	\$ (97)	\$ 4,430
Covered-employee payroll	*	454,034	521,734
Contributions as a percentage of covered-employee payroll	*	11.47%	9.34%

\*2017 information will be determined after fiscal year end and will be included in the 2018 valuation report

**Notes to Schedule:**

Valuation Date  
The actuarially determined contribution rate was determined as of January 1, 2017, 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, 2018.

*Methods and assumptions used to determine contribution rates:*

Actuarial Cost Method  
Projected Unit Credit  
Closed level dollar for remaining unfunded liability  
Remaining amortization period varies for the bases, with a net effective amortization period of 10 years  
Asset Valuation Method  
Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% 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 7.75%  
Projected Salary Increases 3.25% 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  
RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

**CITY OF REIDSVILLE, GEORGIA  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS**

	JUNE 30, 2017	JUNE 30, 2016
<b>ASSETS</b>		
Cash	\$ 736,970	\$ 809,678
Receivables:		
Property	106,393	84,449
Franchise	10,084	5,510
Sales	14,155	14,262
Alcoholic beverage	7,017	6,548
Other	11,961	5,180
Intergovernmental	55,403	-
Accounts	35,460	26,098
Inventory	3,230	2,372
Prepaid items	6,127	37,336
Due from other funds	676,798	631,384
<b>TOTAL ASSETS</b>	<b>\$ 1,663,598</b>	<b>\$ 1,622,817</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 95,043	\$ 94,297
Accrued payroll	50,315	-
Due to other funds	179	138
Total liabilities	145,537	94,435
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	98,855	76,404
<b>FUND BALANCE</b>		
Nonspendable	9,357	39,708
Restricted	100,083	42,535
Assigned	93,408	106,747
Unassigned	1,216,358	1,262,988
Total fund balance	1,419,206	1,451,978
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 1,663,598</b>	<b>\$ 1,622,817</b>



CITY OF REIDSVILLE, GEORGIA

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE

YEAR ENDED			
JUNE 30,	JUNE 30,		
2016	2017		
		REVENUES	
		Taxes:	
		Property	
		Sales	
		Franchise	
		Insurance premium	
		Alcoholic beverage	
		Other	
		Licenses and permits	
		Intergovernmental	
		Charges for services	
		Fines and forfeitures	
		Interest	
		Other	
		Total revenues	
		EXPENDITURES	
		Current:	
		General government	
		Public safety	
		Streets	
		Sanitation	
		Recreation	
		Community services	
		Airport	
		Debt service:	
		Principal	
		Interest	
		Total expenditures	
		EXCESS (DEFICIENCY) OF REVENUES OVER	
		(UNDER) EXPENDITURES	
		OTHER FINANCING SOURCES	
		Loan proceeds	
		Transfers in	
		Total other financing sources	
		NET CHANGE IN FUND BALANCE	
		FUND BALANCE, BEGINNING OF YEAR	
		FUND BALANCE, END OF YEAR	

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

	JUNE 30, 2017	JUNE 30, 2016
<b>ASSETS</b>		
Cash	\$ 390,979	\$ 348,550
Intergovernmental receivable	25,128	23,840
<b>TOTAL ASSETS</b>	<u>\$ 416,107</u>	<u>\$ 372,390</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 61,397	\$ 6,431
FUND BALANCE	354,710	365,959
Restricted for capital projects		
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 416,107</u>	<u>\$ 372,390</u>

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

YEAR ENDED		YEAR ENDED	
JUNE 30,		JUNE 30,	
2016		2017	
	REVENUES	\$	\$
	Intergovernmental	146,386	144,712
	Interest	1,721	1,537
	Total revenues	<u>148,107</u>	<u>146,249</u>
	EXPENDITURES		
	Capital outlay:		
	General government	97,761	13,269
	Public safety	20,998	28,996
	Streets	-	21,498
	Recreation	-	19,800
	Debt service:		
	Principal	32,726	31,920
	Interest	1,871	2,678
	Total expenditures	<u>153,356</u>	<u>118,161</u>
	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,249)	28,088
	OTHER FINANCING SOURCES (USES)		
	Transfers out	(6,000)	-
	NET CHANGE IN FUND BALANCE	(11,249)	28,088
	FUND BALANCE, BEGINNING OF YEAR	365,959	337,871
	FUND BALANCE, END OF YEAR	<u>\$ 354,710</u>	<u>\$ 365,959</u>

CITY OF REIDSVILLE, GEORGIA  
 CDBG CAPITAL PROJECTS FUND  
 COMPARATIVE BALANCE SHEETS

	JUNE 30, 2017	JUNE 30, 2016	
ASSETS			
Cash	\$ -	\$ 25	
TOTAL ASSETS	\$ -	\$ 25	
LIABILITIES			
Due to general fund	\$ -	\$ 25	
FUND BALANCE Restricted for capital projects	-	-	
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 25	

**CITY OF REIDSVILLE, GEORGIA**  
**CDBG CAPITAL PROJECTS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**

YEAR ENDED		
JUNE 30,	JUNE 30,	
2016	2016	
276,246	\$ -	REVENUES
		Intergovernmental
		EXPENDITURES
		Capital outlay:
		Streets
276,246	-	NET CHANGE IN FUND BALANCE
-	-	FUND BALANCE, BEGINNING OF YEAR
\$ -	\$ -	FUND BALANCE, END OF YEAR

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

	JUNE 30, 2017	JUNE 30, 2016
<b>ASSETS</b>		
Cash	\$ 98,702	\$ 63,776
Intergovernmental receivable	2,959	2,915
Due from other funds	179	138
<b>TOTAL ASSETS</b>	<b>\$ 101,840</b>	<b>\$ 66,829</b>
<b>FUND BALANCE</b>		
Restricted for street projects	\$ 101,840	\$ 66,829
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 101,840</b>	<b>\$ 66,829</b>

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

YEAR ENDED		YEAR ENDED	
JUNE 30,	2016	JUNE 30,	2017
	\$ 35,509		\$ 35,011
REVENUES			
			Intergovernmental
EXPENDITURES			
			Capital outlay:
			Streets
	47,669		-
EXCESS (DEFICIENCY) OF REVENUES OVER			
	(12,160)		35,011
(UNDER) EXPENDITURES			
	78,989		66,829
FUND BALANCE, BEGINNING OF YEAR			
	\$ 66,829		\$ 101,840
FUND BALANCE, END OF YEAR			

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

	June 30, 2017	June 30, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 239,995	\$ 272,426
Restricted cash and cash equivalents	91,176	92,132
Accounts receivable	79,447	68,322
Inventories	765	-
Prepaid insurance	2,043	6,932
Total current assets	<u>413,426</u>	<u>439,812</u>
Restricted Assets - Cash and cash equivalents	<u>294,035</u>	<u>292,563</u>
<b>Capital Assets</b>		
Land	410,942	410,942
Buildings	48,609	48,609
Water and sewer system	10,838,263	10,838,263
Machinery and equipment	322,895	308,993
Accumulated depreciation	<u>(7,885,034)</u>	<u>(7,463,373)</u>
Total capital assets	<u>3,735,675</u>	<u>4,143,434</u>
Total Assets	<u>4,443,136</u>	<u>4,875,809</u>
Deferred Outflows of Resources		
Resources related to pensions	<u>15,929</u>	<u>19,587</u>



CITY OF REIDSVILLE, GEORGIA

WATER AND SEWER FUND

COMPARATIVE STATEMENTS OF NET POSITION

	June 30, 2017	June 30, 2016
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 37,002	\$ 14,407
Accrued interest payable	8,441	8,689
Customer deposits	91,176	92,132
Compensated absences payable	802	950
Current portion of revenue bonds payable	106,063	100,901
Due to general fund	676,798	631,359
Total current liabilities	920,282	848,438
Long-Term Liabilities		
Compensated absences payable, net of current portion	3,206	3,798
Net pension obligation	71,966	78,323
Revenue bonds payable, net of current portion	3,317,188	3,423,154
Total long-term liabilities	3,392,360	3,505,275
Total liabilities	4,312,642	4,353,713
DEFERRED INFLOWS OF RESOURCES		
Resources related to pensions	7,536	3,895
<b>NET POSITION</b>		
Net investment in capital assets	312,424	619,379
Restricted for debt service	294,035	292,563
Unrestricted	(467,572)	(374,154)
Total net position	\$ 138,887	\$ 537,788

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

YEAR ENDED	
2017	2016
<b>OPERATING REVENUES</b>	<b>OPERATING REVENUES</b>
Water and sewer sales	Water and sewer sales
Tap and connection fees	Tap and connection fees
Late charges	Late charges
Rental income	Rental income
Other	Other
<u>Total operating revenues</u>	<u>Total operating revenues</u>
\$ 688,935	\$ 742,165
<b>OPERATING EXPENSES</b>	<b>OPERATING EXPENSES</b>
Salaries	Salaries
Payroll taxes	Payroll taxes
Employee benefits/Uniforms	Employee benefits/Uniforms
Retirement	Retirement
Utilities	Utilities
Postage	Postage
Computer support	Computer support
Contracted services	Contracted services
Chemicals	Chemicals
Advertising	Advertising
Professional services	Professional services
Insurance	Insurance
Materials and supplies	Materials and supplies
Gasoline, oil, etc.	Gasoline, oil, etc.
Repairs and maintenance	Repairs and maintenance
Telephone	Telephone
Travel	Travel
Depreciation	Depreciation
Other	Other
<u>Total operating expenses</u>	<u>Total operating expenses</u>
(234,233)	(215,217)
<b>OPERATING INCOME (LOSS)</b>	<b>OPERATING INCOME (LOSS)</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>	<b>NONOPERATING REVENUE (EXPENSE)</b>
Gain on sale of capital assets	Gain on sale of capital assets
Interest income	Interest income
Interest expense	Interest expense
Total nonoperating revenue (expense)	Total nonoperating revenue (expense)
(404,901)	(387,393)
<b>LOSS BEFORE TRANSFERS</b>	<b>LOSS BEFORE TRANSFERS</b>
<b>TRANSFERS IN (OUT)</b>	<b>TRANSFERS IN (OUT)</b>
6,000	(18,000)
<b>CHANGE IN NET POSITION</b>	<b>CHANGE IN NET POSITION</b>
537,788	(405,393)
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>NET POSITION, BEGINNING OF YEAR</b>
138,887	943,181
<b>NET POSITION, END OF YEAR</b>	<b>NET POSITION, END OF YEAR</b>
\$ 138,887	\$ 537,788

**CITY OF REIDSVILLE, GEORGIA**  
**SCHEDULE OF PROJECTS PAID**  
**WITH SPECIAL SALES TAX PROCEEDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

2009 and prior Special Sales Tax		2014 Special Sales Tax			
Project	Original Estimated Cost	Current Estimated Cost	Expenditures		Estimated Percentage of Completion
			Prior Years	Year Current	
Debt service on fire truck purchased under capital lease	\$ 49,655	\$ 29,876	\$ 29,876	\$ -	100.0%
Purchase of property - Administrative	20,000	-	-	-	0.0%
Police vehicles	109,840	353,158	353,158	-	100.0%
Animal shelter	41,300	8,260	8,260	-	100.0%
Building improvements - Administrative	4,000	22,800	16,446	\$ 6,354	100.0%
Building improvements - Fire Department	8,000	20,750	20,750	-	100.0%
Building improvements - Recreation	-	72,674	72,674	-	100.0%
Computer hardware and software	9,000	66,295	66,295	-	100.0%
Furniture/equipment purchases - Administrative	-	4,630	4,630	-	100.0%
Vehicle - Administrative	3,500	3,236	3,236	-	100.0%
Vehicle - Water and sewer department	29,000	99,431	99,431	-	100.0%
Vehicle - Fire Department	25,000	22,850	22,850	-	100.0%
Vehicle - Streets	8,000	28,304	28,304	-	100.0%
Vehicle - Recreation	-	21,018	21,018	-	100.0%
Equipment purchases - Streets	2,000	35,182	35,182	-	100.0%
Equipment purchases - Fire	4,000	109,676	88,678	20,998	100.0%
Equipment purchases - Police	-	23,238	23,238	-	100.0%
Property improvements - Recreation	6,500	29,946	29,946	-	100.0%
Building improvements - Water/sewer	3,000	-	-	-	0.0%
Equipment purchases - Water/sewer	2,000	53,513	53,513	-	100.0%
Equipment purchases - Recreation	6,500	27,278	27,278	-	100.0%
Recreation Department debt service	9,000	12,597	12,597	-	100.0%
Recreation department lighting	-	148,157	127,398	20,759	100.0%
Cemetery improvements	-	20,875	20,875	-	100.0%
Entrance signs	-	14,400	14,400	-	100.0%
Street improvements	17,705	71,525	71,525	-	100.0%
Totals	\$ 358,000	\$ 1,299,669	\$ 1,251,558	\$ 48,111	100.0%
Building improvements and equipment - Administrative	\$ 38,220	\$ 91,407	\$ -	\$ 91,407	100.0%
Vehicles and equipment - Police	343,979	343,979	-	-	0.0%
Vehicles and equipment - Fire	129,948	129,948	-	-	0.0%
Street improvements and equipment	122,304	122,304	-	-	0.0%
Water and sewer improvements and equipment	129,948	129,948	-	6,000	4.6%
Recreation projects and equipment	155,520	155,520	17,048	13,838	19.9%
	\$ 919,919	\$ 973,106	\$ 17,048	\$ 111,245	13.2%

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.

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.

**Internal Control Over Financial Reporting**

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, 2017, 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 March 29, 2018.

To the City Council  
City of Reidsville, Georgia

**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**

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

CERTIFIED PUBLIC ACCOUNTANTS  
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WILLIAM BLAKE BLOSER, CPA  
JEFFANY D. JENKINS, CPA, CGMA  
RICHARD N. DEAL II, CPA

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

**2017-3 Payroll Liability Accounts**

general ledger. 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

before posting to the ledger. ensure proper posting of daily activity and to ensure that transactions are balanced journal entries to correct. The City Clerk should review the daily posting journal to was duplicated. As noted in 2017-1, this required additional research and adjusting ledger. We also noted an instance in which the posting of payroll to the general ledger We noted some instances in which transactions failed to post properly to the general

**2017-2 Transaction Posting**

ledger. City Response: We concur with this finding and will review our bank reconciliations to identify and correct discrepancies between the reconciliations and the general

be corrected in the period they occur. ledger. Unresolved differences may require greater time to research. All items should order to ensure that all activity appears reasonable and properly agrees to the general Clerk should monitor the process and assist in resolving any unreconciled items in by someone independent of the cash receipts and disbursements process. The City manner. We recommend that the cash reconciliations be handled on a monthly basis June 30, 2017. Unreconciled amounts should be researched and resolved in a timely incomplete. Adjusting journal entries were required to properly state cash balances at Based on our tests of cash balances, we noted that monthly bank reconciliations were

**2017-1 Inaccurate Bank Reconciliations**

deficiency. 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 2017-7 to be a significant

2017-1 through 2017-6 to be material weaknesses. or detected and corrected on a timely basis. We consider the deficiencies described below as possibility that a material misstatement of the entity's financial statements will not be prevented, deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable prevent, or detect and correct, misstatements on a timely basis. A material weakness is a management or employees, in the normal course of performing their assigned functions, to A deficiency in internal control exists when the design or operation of a control does not allow

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.

**2017-4 Intertund Balances not reconciled**

Intertund receivables/payables between the general fund and water and sewer funds did not balance on the June 30, 2017 trial balances provided for the annual audit. Intertund receivables/payables should be reconciled on a monthly basis.

City Response: We concur with this finding and we will implement procedures to make sure intertund receivables/payables are reconciled on a monthly basis.

**2017-5 Customer Accounts Receivable and Customer Deposits**

At June 30, 2017, the detail for customer accounts receivable and customer deposits for utility billing did not agree to the related general ledger account balances. The accounts receivable detail and customer deposits detail should be reconciled to the general ledger on a monthly basis.

City Response: We agree that the customer accounts receivable detail and customer deposits detail should be reconciled to the general ledger each month. The City Clerk will be responsible for performing this task each month

**2017-6 Recording of Year End Accruals for the Financial Statements**

The City's procedures to make sure 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.

**2017-7 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.

*Kevin, Dale & Foster*

Statesboro, Georgia  
March 29, 2018