



# CITY OF REIDSVILLE, GEORGIA **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2023

City of Reidsville Georgia

Friendship City USA

prepared by CKH CPAs & Advisors, LLC

**CITY OF REIDSVILLE, GEORGIA  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members  
of the City Council  
City of Reidsville, Georgia

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Reidsville, Georgia (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Reidsville, Georgia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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Member: AICPA, GSCPA

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Schedule of the Changes in the City's Net Pension Liability and Related Ratios, the Schedule of City Contributions, the budgetary comparison schedules for the General Fund and ARPA Grant Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedules of projects paid with special sales tax proceeds and projects constructed with proceeds from transportation special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, the schedules of projects constructed with proceeds from transportation special purpose local option sales tax, and the schedule of expenditure of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated April 4, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

*CKH CPAs and Advisors, LLC*

CKH CPA's and Advisors, LLC  
Atlanta, Georgia  
April 4, 2024



**CITY OF REIDSVILLE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>
Current Assets:				
Cash and cash equivalents	\$ 1,306,072	\$ 40,023	\$ 1,346,095	\$ 56,974
Receivables:				
Taxes	143,943	-	143,943	-
Accounts	16,238	109,984	126,222	-
Intergovernmental	38,160	-	38,160	-
Internal balances	876,382	(876,382)	-	-
Lease	15,295	-	15,295	-
Restricted Assets:				
Cash and cash equivalents	-	275,480	275,480	-
Capital assets:				
Land	335,058	410,942	746,000	-
Buildings	1,493,564	454,109	1,947,673	-
Water and sewer system	-	11,791,542	11,791,542	-
Machinery and equipment	2,318,952	417,862	2,736,814	-
Infrastructure and improvements	4,504,845	-	4,504,845	-
Less accumulated depreciation	(4,940,632)	(9,768,251)	(14,708,883)	-
<b>Total assets</b>	<b>6,107,877</b>	<b>2,855,309</b>	<b>8,963,186</b>	<b>56,974</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Resources related to pensions	111,119	32,260	143,379	-
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	307,919	6,678	314,597	-
Accrued payroll liabilities	8,349	2,755	11,104	-
Customer deposits	-	78,075	78,075	-
Accrued interest payable	6,682	11,722	18,404	-
Unearned revenue	349,120	-	349,120	-
Compensated absences payable	4,675	2,601	7,276	-
Notes payable	112,865	-	112,865	-
Financed purchases payable	-	200,000	200,000	-
Revenue bonds payable	-	143,212	143,212	-
Long-Term Liabilities:				
Compensated absences payable	18,699	10,404	29,103	-
Net pension liability	291,289	81,400	372,689	-
Notes payable	483,140	-	483,140	-
Revenue bonds payable	-	2,557,190	2,557,190	-
<b>Total Liabilities</b>	<b>1,582,738</b>	<b>3,094,037</b>	<b>4,676,775</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Resources related to pensions	19,530	6,715	26,245	-
Leases	15,220	-	15,220	-
	<b>34,750</b>	<b>6,715</b>	<b>41,465</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	3,115,782	405,802	3,521,584	-
Restricted for:				
Capital projects	414,667	-	414,667	-
Committed	-	275,480	275,480	-
Unrestricted	1,071,059	(894,465)	176,594	56,974
<b>Total net position</b>	<b>\$ 4,601,508</b>	<b>\$ (213,183)</b>	<b>\$ 4,388,325</b>	<b>\$ 56,974</b>

The accompanying notes are an integral part of these financial statements.



**CITY OF REIDSVILLE, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	General	American Rescue Plan Act Fund	Special Sales Tax Capital Projects Fund	T-SPLOST Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 645,264	\$ 349,124	\$ 184,464	\$ 127,220	\$ 1,306,072
Receivables:					
Taxes	143,943	-	-	-	143,943
Intergovernmental	-	-	34,200	3,960	38,160
Accounts	16,238	-	-	-	16,238
Lease	15,295	-	-	-	15,295
Due from other funds	876,729	-	-	65,170	941,899
<b>TOTAL ASSETS</b>	<b>1,697,469</b>	<b>349,124</b>	<b>218,664</b>	<b>196,350</b>	<b>2,461,607</b>
<b>LIABILITIES</b>					
Accounts payable	307,919	-	-	-	307,919
Accrued payroll liabilities	8,349	-	-	-	8,349
Unearned revenue	-	349,124	-	-	349,124
Due to other funds	65,170	-	347	-	65,517
<b>TOTAL LIABILITIES</b>	<b>381,438</b>	<b>349,124</b>	<b>347</b>	<b>-</b>	<b>730,909</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	130,964	-	-	-	130,964
Leases, inflows	15,220	-	-	-	15,220
	146,184	-	-	-	146,184
<b>FUND BALANCES</b>					
Restricted	-	-	218,317	196,350	414,667
Assigned	-	-	-	-	-
Unassigned	1,169,847	-	-	-	1,169,847
<b>TOTAL FUND BALANCES</b>	<b>1,169,847</b>	<b>-</b>	<b>218,317</b>	<b>196,350</b>	<b>1,584,514</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,697,469</b>	<b>\$ 349,124</b>	<b>\$ 218,664</b>	<b>\$ 196,350</b>	<b>\$ 2,461,607</b>

The accompanying notes are an integral part of these financial statements.



**CITY OF REIDSVILLE, GEORGIA  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023**

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

Total Governmental Fund Balances		\$ 1,584,514
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost	8,652,419	
Less accumulated depreciation	(4,940,632)	3,711,787
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		130,964
The City's net pension obligation is not reported in the governmental funds but is in the statement of net position.		
		(291,289)
The City's accrued interest on notes payable is not reported in the governmental funds but is in the statement of net position.		
		(6,682)
Deferred outflows and deferred inflows related to pensions are not reported in the governmental funds:		
Deferred outflows of resources	111,119	
Deferred inflows of resources	(19,530)	91,589
Liabilities, including 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:		
Notes payable	(596,005)	
Accrued interest on notes payable	-	
Compensated absences	(23,374)	(619,379)
Net Position Of Governmental Activities		\$ 4,601,508

**The accompanying notes are an integral part of these financial statements.**

**CITY OF REIDSVILLE, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General	American Rescue Plan Act Fund	Special Sales Tax Capital Projects Fund	T-SPLOST Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 1,181,192	\$ -	\$ -	\$ -	\$ 1,181,192
Licenses and permits	106,963	-	-	-	106,963
Intergovernmental	451,072	493,870	254,684	349,436	1,549,062
Charges for services	194,197	-	-	-	194,197
Fines and forfeitures	69,905	-	-	-	69,905
Rental income	15,221	-	-	-	15,221
Interest	902	-	97	-	999
Income from Land Easement	224,194	-	-	-	224,194
Other revenue	-	-	-	-	-
Total revenues	<u>2,243,646</u>	<u>493,870</u>	<u>254,781</u>	<u>349,436</u>	<u>3,341,733</u>
<b>Expenditures:</b>					
Current:					
General government	609,353	-	-	-	609,353
Public safety	731,413	-	-	-	731,413
Public works	293,291	-	-	-	293,291
Recreation	216,142	-	-	-	216,142
Community services	13,295	-	-	-	13,295
Airport	416,707	-	-	-	416,707
Capital outlay	-	-	225,132	196,372	421,504
Debt service:					
Principal	43,664	-	58,150	-	101,814
Interest	16,104	-	8,303	-	24,407
Total expenditures	<u>2,305,969</u>	<u>-</u>	<u>291,585</u>	<u>196,372</u>	<u>2,793,926</u>
REVENUES OVER (UNDER) EXPENDITURES	(62,323)	493,870	(36,804)	153,064	547,807
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	148,045	-	-	-	148,045
Transfers out	-	(493,870)	-	-	(493,870)
Total other financing sources (uses)	<u>148,045</u>	<u>(493,870)</u>	<u>-</u>	<u>-</u>	<u>(345,825)</u>
NET CHANGE IN FUND BALANCES	85,722	-	(36,804)	153,064	201,982
<b>FUND BALANCES, JULY 1, 2022</b>	<u>1,084,125</u>	<u>-</u>	<u>255,121</u>	<u>43,286</u>	<u>1,382,532</u>
<b>FUND BALANCES, JUNE 30, 2023</b>	<u>\$ 1,169,847</u>	<u>\$ -</u>	<u>\$ 218,317</u>	<u>\$ 196,350</u>	<u>\$ 1,584,514</u>

The accompanying notes are an integral part of these 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, 2023**

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

Net Changes in Fund Balances - Total Governmental Funds	\$	201,982
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the difference between the capitalized capital outlay and the depreciation expense in the current period.</p>		
Depreciation expense	(380,081)	
Capital outlay	162,400	(217,681)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
Unavailable revenue as at June 30, 2023	130,964	
Unavailable revenue as at June 30, 2022	(122,221)	8,743
<p>Other financing sources from the issuance of debt are reported on the fund level operating statement but are reported as a liability on the government-wide financial statements.</p>		
		(6,682)
<p>Repayment of principal on notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		101,814
<p>The change in the net pension liability and pension related deferred outflows and deferred inflows is reported on the government-wide statement of activities but not in the governmental funds.</p>		
		(87,926)
<p>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.</p>		
Compensated absences payable as at June 30, 2023	(23,374)	
Compensated absences payable as at June 30, 2022	17,923	(5,451)
Change in Net Position of Governmental Activities	\$	(5,201)

**The accompanying notes are an integral part of these financial statements.**

**CITY OF REIDSVILLE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	<b>Water, Sewer &amp; Sanitation Fund</b>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 40,023
Accounts receivable	109,984
Total Current Assets	150,007
Noncurrent Assets	
Restricted Assets - Cash and cash equivalents	275,480
Capital Assets	
Land	410,942
Buildings	454,109
Water and sewer system	11,791,542
Machinery and equipment	417,862
Less accumulated depreciation	(9,768,251)
Total Capital Assets	3,306,204
Total Noncurrent Assets	3,581,684
Total Assets	3,731,691
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Resources related to pensions	32,260
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	6,678
Accrued interest payable	11,722
Accrued payroll liabilities	2,755
Customer deposits	78,075
Compensated absences payable	2,601
Financed purchases payable	200,000
Revenue bonds payable	143,212
Due to other funds	876,382
Total current liabilities	1,321,425
Long-term Liabilities	
Compensated absences payable	10,404
Net pension liability	81,400
Revenue bonds payable	2,557,190
Total Long-term Liabilities	2,648,994
Total Liabilities	3,970,419
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Resources related to pensions	6,715
<b>NET POSITION</b>	
Net investment in capital assets	405,802
Unrestricted	(618,985)
<b>Total Net Position</b>	<b>\$ (213,183)</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF REIDSVILLE, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Water, Sewer &amp; Sanitation Fund</b>
<b>OPERATING REVENUES</b>	
Water and sewer sales	\$ 827,441
Sanitation fees	320,429
Tap and connection fees	8,965
Late charges	29,055
Other income	11,820
Total operating revenues	1,197,710
<b>OPERATING EXPENSES</b>	
Salaries	202,077
Payroll taxes	21,717
Employee benefits/Uniforms	55,107
Utilities	132,999
Postage	6,224
Computer support	9,842
Contracted services	1,730
Sanitation	386,355
Chemicals	7,869
Professional services	18,411
Insurance	16,979
Materials and supplies	42,756
Gasoline, oil, etc.	77,894
Repairs and maintenance	146,290
Equipment rental	73,070
Depreciation	304,921
Other	12,801
Total operating expenses	1,482,042
<b>OPERATING INCOME</b>	(284,332)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	127
Interest expense	(143,471)
Gain (loss) on disposal of capital assets	-
Total nonoperating revenue (expense)	(143,344)
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(427,676)
Transfers in	345,825
<b>CHANGE IN NET POSITION</b>	(81,851)
<b>NET POSITION, JULY 1, 2022</b>	(131,332)
<b>NET POSITION, JUNE 30, 2023</b>	\$ (213,183)

The accompanying notes are an integral part of these financial statements.

**CITY OF REIDSVILLE, GEORGIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Water, Sewer &amp; Sanitation Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,325,398
Cash payments to employees for salaries and benefits	(319,541)
Cash payments for goods and services	(933,620)
Net cash provided by operating activities	72,237
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Advances from (to) other funds	76,641
Transfers in	345,825
Net cash provided by noncapital financing activities	422,466
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(411,469)
Issuance of long-term loan	200,000
Principal payments on revenue bonds payable	(136,117)
Interest payments	(143,471)
Net cash used by capital and related financing activities	(491,057)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	127
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	
	3,773
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2022</b>	36,250
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2023</b>	40,023
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	(284,332)
Adjustments:	
Depreciation	304,921
(Increase) decrease in operating assets and deferred outflows of resources:	
Accounts receivable	92,688
Deferred outflows related to pensions	5,132
Increase (decrease) in operating liabilities and deferred inflows of resources:	
Accounts payable	(1,096)
Accrued expenses	(7,483)
Customer deposits	696
Compensated absences payable	(2,217)
Net pension liability	(78,933)
Deferred inflows related to pensions	42,861
Net cash provided by operating activities	\$ 72,237

The accompanying notes are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF REIDSVILLE, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2023**

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The City of Reidsville (the 'City') 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), public works, 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 does not follow subsequent private-sector guidance for its Proprietary funds.

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

**1-A. Reporting Entity**

**Discretely Presented Component Units**

The Reidsville Downtown Development Authority (the "DDA") has been included as a discretely presented component unit in the accompanying financial statements. Separate financial statements for the Reidsville Downtown Development Authority are not prepared. There are no differences between the fund level and government-wide reporting for the DDA; therefore, fund level statements have not been presented.

**Related Organization**

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 (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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.



## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.

The following are the City's major governmental funds:

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

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

**T-SPLOST Capital Projects Fund** – This fund accounts for the regional transportation special purpose local option sales tax proceeds received for transportation purposes within the County, as well as amounts received under the Transportation Investment Act ("TIA").

**American Rescue Plan Act** – This fund accounts for all Local Fiscal Recovery funds received by the City through the American Rescue Plan Act of 2021.

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

#### 1-C. Measurement Focus

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

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

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

**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.

**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
- 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.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interfund Balances**

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

**Consumable Inventories**

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2023, 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.

**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

**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. 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.

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

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

**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”.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 three items that qualify for reporting in this category. 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 reports deferred amounts related to leases at the fund level and government-wide level financial statements for governmental and business-type activities. 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.

## NOTES TO THE FINANCIAL STATEMENTS

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### 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, sewer and sanitation. 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 nonoperating 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.

#### **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.

#### **Leases**

**Lessee** - The City of Reidsville recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements for noncancellable leases of equipment. The City of Reidsville recognizes lease liabilities with an initial individual value of \$15,000 or more.

At the commencement of a lease, the City of Reidsville initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (continued)

Key estimates and judgments related to leases include how the City of Reidsville determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City of Reidsville uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City of Reidsville generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City of Reidsville is reasonably certain to exercise.

The City of Reidsville monitors changes in circumstances that would require a remeasurement of a lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The City of Reidsville had no lease liabilities or right-to-use leased assets to report at June 30, 2023.

**Lessor** - The City of Reidsville is a lessor for a noncancellable lease of property. The City of Reidsville recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund level financial statements.

At the commencement of a lease, the City of Reidsville initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City of Reidsville determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City of Reidsville uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City of Reidsville monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

#### Subscription-based Information Technology Arrangements

The City is a lessee for IT software subscriptions. The City recognizes a subscription liability and a subscription asset in the government-wide financial statements. The City recognizes Subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the subscription liability at the present value of payments expected to be paid during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the useful life of the asset or the subscription term. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments:

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The subscription term includes the noncancellable period of the lease. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option prices that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription liabilities and will remeasure the subscription assets and liabilities if certain changes occur that are expected to significantly affect the amount of the subscription liabilities.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

## NOTES TO THE FINANCIAL STATEMENTS

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### **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.

### **Implementation of GASB 87**

The City has implemented GASB Statement 87, "Leases." The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

### **Budgets**

Annual appropriated budgets are adopted for all funds, except capital project funds, which have project length budgets. The governmental fund budgets are adopted on a budgetary basis. Enterprise fund budgets are adopted on a budgetary basis, which includes the inflows from the issuance of debt as financing sources and related outflows as capital expenses. All appropriations lapse at fiscal year end.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

The City adopts an annual operating budget for the general fund, special revenue 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.

All unexpended annual appropriations lapse at year-end.

#### Excess of Expenditures over Appropriations

For the year ended June 30, 2023, expenditures exceeded appropriations for the following departments within the general fund:

General government	\$	241,225
Recreation		197,935
Community services		13,295
Airport		416,702

These over expenditures were funded primarily by excess revenues and other financing sources over amounts budgeted.

#### 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, 2023, the carrying amount of the City's deposits (checking and certificates of deposit) was \$1,629,456 and the bank balance was \$1,353,976. Of the bank balance, \$500,685 was covered by federal depository insurance, and \$853,291 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

### NOTE 3 PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed on or about October 20th of each year and are payable within sixty days. The City bills and collects its own property taxes. Property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For the year ended June 30, 2023, property taxes were levied on December 1, 2022, and were due February 15, 2023.

### NOTE 4 RECEIVABLES

Receivables at June 30, 2023, consisted of taxes, interest, accounts (billings for user charges) and intergovernmental receivables arising from grants.

Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability. The allowance for uncollectible accounts netted against receivables at June 30, 2023 for the water and sewer fund totaled \$25,000.



**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 INTERFUND BALANCES AND TRANSFERS**

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 876,382
T-SPLOST Fund	General Fund	65,170
General Fund	Special Sales Tax Fund	347
		<u>\$ 941,899</u>

Interfund balances at June 30, 2023 represent charges for services or reimbursable expenses. For the year ended June 30, 2023, the American Rescue Plan Act fund transferred \$345,825 to the water and sewer fund for operations and \$148,045 to the general fund for operations.

**NOTE 6 FUND BALANCES – GOVERNMENTAL FUNDS**

As of June 30, 2023, fund balances are composed of the following:

	General Fund	Special Sales Tax Capital Projects Fund	T-SPLOST Capital Projects Fund	Total Governmental Funds
Restricted:				
Road projects	\$ -	\$ -	\$ 196,350	\$ 196,350
Recreation	-	-	-	-
Capital projects	-	218,317	-	218,317
Assigned:				
Unassigned	1,169,847	-	-	1,169,847
Total fund balances	<u>\$ 1,169,847</u>	<u>\$ 218,317</u>	<u>\$ 196,350</u>	<u>\$ 1,584,514</u>

**NOTE 7 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance 7/1/2022	Additions	Transfers	Deductions	Balance 6/30/2023
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 335,058	\$ -	\$ -	\$ -	\$ 335,058
Construction in progress	287,413	-	(287,413)	-	287,413
Total capital assets not being depreciated:	<u>622,471</u>	<u>-</u>	<u>(287,413)</u>	<u>-</u>	<u>622,471</u>
Capital assets being depreciated:					
Buildings	1,493,564	-	-	-	1,493,564
Improvements other than buildings	2,121,683	162,400	-	-	2,284,083
Machinery and equipment	2,318,952	-	-	-	2,318,952
Infrastructure	1,933,349	-	287,413	-	1,933,349
Total capital assets being depreciated:	<u>7,867,548</u>	<u>162,400</u>	<u>287,413</u>	<u>-</u>	<u>8,029,948</u>
Total capital assets	<u>8,490,019</u>	<u>162,400</u>	<u>-</u>	<u>-</u>	<u>8,652,419</u>
Accumulated depreciated:					
Buildings	997,328	44,655	-	-	1,041,983
Improvements other than buildings	1,330,269	66,003	-	-	1,396,272
Machinery and equipment	1,605,401	172,755	-	-	1,778,156
Infrastructure	627,553	96,667	-	-	724,220
Total accumulated depreciation	<u>\$ 4,560,551</u>	<u>\$ 380,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,940,631</u>
Governmental activities capital assets, net	<u>\$ 3,929,468</u>	<u>\$ (217,680)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,711,788</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7 CAPITAL ASSETS (CONTINUED)**

Governmental activities depreciation expense:

General government	\$ 80,405
Public safety	107,967
Public works	160,848
Recreation	30,860
Total governmental activities depreciation expense	<u>\$ 380,080</u>

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

	Balance 7/1/2022	Additions	Deductions	Balance 6/30/2023
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 410,942	\$ -	\$ -	\$ 410,942
Total capital assets not being depreciated:	<u>410,942</u>	<u>-</u>	<u>-</u>	<u>410,942</u>
<b>Capital assets being depreciated:</b>				
Water and sewer system	11,778,594	11,469	-	11,790,063
Buildings	48,609	400,000	-	448,609
Machinery and equipment	423,362	-	-	423,362
Total capital assets being depreciated:	<u>12,250,565</u>	<u>411,469</u>	<u>-</u>	<u>12,662,034</u>
Total capital assets	<u>12,661,507</u>	<u>411,469</u>	<u>-</u>	<u>13,072,976</u>
<b>Accumulated depreciated:</b>				
Water and sewer system	9,088,755	286,117	-	9,374,872
Buildings	35,568	4,526	-	40,094
Machinery and equipment	339,007	14,278	-	353,285
Total accumulated depreciation	<u>9,463,330</u>	<u>304,921</u>	<u>-</u>	<u>9,768,251</u>
Business-type activities capital assets, net	<u>\$ 3,198,177</u>	<u>\$ 106,548</u>	<u>\$ -</u>	<u>\$ 3,304,725</u>

**NOTE 8 LEASES**

**City as Lessor**

The City, as lessor, has entered into lease agreements involving property. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows recognized during the fiscal year was \$15,600.

The future principal and interest payments expected to maturity are as follows:

Governmental Activities			
Fiscal year	Principal	Interest	Total
2024	<u>\$ 15,295</u>	<u>\$ 305</u>	<u>\$ 15,600</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**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.

The revenue bonds are due in monthly installments of \$22,894, including interest at 5 percent, from April, 1997 to December, 2037.

As of June 30, 2023, annual debt service requirements for the series 1996 revenue bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 143,212	\$ 131,516	\$ 274,728
2025	150,402	124,326	274,728
2026	158,096	116,632	274,728
2027	166,185	108,543	274,728
2028-2032	967,500	406,140	1,373,640
2033-2037	1,115,007	133,187	1,248,194
	<u>\$ 2,700,402</u>	<u>\$ 1,020,344</u>	<u>\$ 3,720,746</u>

**NOTE 10 FINANCED PURCHASES**

The City purchased a building to be used by the public works staff members. The purchase price of the building is \$ 400,000, of which \$200,000 was paid in cash during the 2023 financial year, and the remaining \$200,000 was financed through a promissory note. The interest rate charged is six percent per year.

As of June 30, 2023, annual debt service requirements for the financed purchases are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 200,000	\$ 5,063	\$ 205,063

**NOTE 11 NOTES PAYABLE**

**Governmental Activities**

Notes payable at June 30, 2023 consisted of the following:

<u>Governmental Activities:</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 31, 2023</u>	<u>Due In One Year</u>
City Hall	\$ 261,681	\$ -	\$ (27,750)	\$ 233,931	\$ 28,592
Police Vehicles	80,115	-	(18,219)	61,896	18,219
Fire Tanker	274,585	-	(15,915)	258,670	24,547
Street Sweeper	81,438	-	(39,931)	41,507	41,507
Total for governmental activities	<u>\$ 697,819</u>	<u>\$ -</u>	<u>\$ (101,814)</u>	<u>\$ 596,005</u>	<u>\$ 112,865</u>

Note payable to Georgia Municipal Association (GMA) for the purchase of the new City Hall building, assigned to Sharon Cheney, payable in monthly installments of \$2,935, including interest at 3% through December 1, 2030.

Note payable to Ford Municipal Finance for police vehicles, payable in annual installments of \$23,306, including interest at 6.35% through October 26, 2025.

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 11 NOTES PAYABLE (CONTINUED)**

Note payable to Community First National Bank for a fire tanker vehicle, payable in annual installments of \$24,547, including interest at 3.10% through September 10, 2035.

Note payable to Tymco, Inc. for a street sweeper, payable in annual installments of \$43,147, including interest at 3.95% through December 1, 2023.

As of June 30, 2023, annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 105,890	\$ 20,330	\$ 126,220
2025	66,999	16,074	83,073
2026	69,735	13,337	83,072
2027	49,294	10,473	59,767
2028-2032	213,153	29,917	243,070
2033-2036	90,934	7,255	98,189
	<u>\$ 596,005</u>	<u>\$ 97,386</u>	<u>\$ 693,391</u>

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

The notes payable will be paid from the General Fund and Special Sales Tax Capital Projects Fund for governmental activities. 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**

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.

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 13 EMPLOYEE RETIREMENT PLAN (CONTINUED)**

Benefits Provided

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

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.

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

Employees Covered by Benefit Terms

At January 1, 2023, the most recent actuarial valuation, there were 42 participants as follows:

Active participants	11
Retirees and beneficiaries	14
Vested former employees	17
	<u>42</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 \$42,320. 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023.

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 13 EMPLOYEE RETIREMENT PLAN (CONTINUED)**

Actuarial Assumptions

The total pension liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to June 30, 2019.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected</u>
Domestic equity	45%	6.40%
International equity	20%	6.80%
Domestic fixed income	20%	0.40%
Real estate	10%	3.90%
Global fixed income	5%	0.46%
	<u>100%</u>	

Discount Rate

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

<u>Changes in the Net Pension Liability</u>	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance, September 30, 2021	\$ 1,308,126	\$ 1,238,689	\$ 69,437
Changes for the year:			
Service cost	16,373	-	16,373
Interest	95,177	-	95,177
Contributions from the employer	-	29,955	(29,955)
Net investment income	-	(197,024)	197,024
Difference between expected and actual experience	17,283	-	17,283
Benefit payments, including refunds of employee contributions	(67,938)	(67,938)	-
Administrative expenses	-	(7,350)	7,350
Net Changes	60,895	(242,357)	303,252
Balance, September 30, 2022	<u>\$ 1,369,021</u>	<u>\$ 996,332</u>	<u>\$ 372,689</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 13 EMPLOYEE RETIREMENT PLAN (CONTINUED)**

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

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

	1% Decrease (6,375%)	Current Discount Rate (7,375%)	1% Increase (8,375%)
City's net pension liability	\$ 527,977	\$ 372,689	\$ 240,656

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

For the year ended June 30, 2023, the City recognized pension expense of \$61,967. At June 30, 2023, 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	\$ 52,245	\$ -
Differences in expected and actual experience	20,159	(26,245)
Effects of changes in assumptions	-	-
Net differences between projected and actual net investment income	70,975	-
	\$ 143,379	\$ (26,245)

City contributions subsequent to the measurement date of \$52,245 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	
2024	\$ 12,282
2025	24,459
2026	23,052
2027	57,341
	\$ 117,134

**NOTE 14 COMMITMENTS AND CONTINGENT LIABILITIES**

As of June 30, 2023, 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.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 16 JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the seventeen county East Middle Georgia area, is a member of the Heart of Georgia Altamaha Regional Commission (RC) and is required to pay annual dues thereto. During the year ended June 30, 2023, the City paid \$2,515 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-33 which provides for the organizational structure of the RC in Georgia. The RC Regional Council membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

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



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF REIDSVILLE, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
RETIREMENT PLAN  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total pension liability</b>					
Service cost	\$ 16,373	\$ 20,890	\$ 21,068	\$ 21,947	\$ 15,864
Interest	95,177	97,773	93,487	85,175	83,301
Differences between expected and actual experience	17,283	(78,735)	20,499	106,225	(17,837)
Changes of assumptions	-	-	-	(6,256)	-
Benefit payments, including refunds of member contributions	(67,938)	(73,297)	(80,227)	(68,281)	(56,568)
<b>Net change in total pension liability</b>	<u>60,895</u>	<u>(33,369)</u>	<u>54,827</u>	<u>138,810</u>	<u>24,760</u>
<b>Total pension liability - beginning</b>	<u>1,308,126</u>	<u>1,341,495</u>	<u>1,286,668</u>	<u>1,147,858</u>	<u>1,123,098</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 1,369,021</u>	<u>\$ 1,308,126</u>	<u>\$ 1,341,495</u>	<u>\$ 1,286,668</u>	<u>\$ 1,147,858</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 29,955	\$ 57,877	\$ 23,486	\$ 39,183	\$ 48,294
Net investment income (loss)	(197,024)	245,540	92,278	28,600	91,060
Benefit payments, including refunds of member contributions	(67,938)	(73,297)	(80,227)	(68,281)	(56,568)
Administrative expenses	(7,350)	(7,661)	(7,458)	(6,906)	(7,520)
<b>Net change in plan fiduciary net position</b>	<u>(242,357)</u>	<u>222,459</u>	<u>28,079</u>	<u>(7,404)</u>	<u>75,266</u>
<b>Plan fiduciary net position - beginning</b>	<u>1,238,689</u>	<u>1,016,230</u>	<u>988,151</u>	<u>995,555</u>	<u>920,289</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 996,332</u>	<u>\$ 1,238,689</u>	<u>\$ 1,016,230</u>	<u>\$ 988,151</u>	<u>\$ 995,555</u>
<b>City's net pension liability - ending (a) - (b)</b>	<u>\$ 372,689</u>	<u>\$ 69,437</u>	<u>\$ 325,265</u>	<u>\$ 298,517</u>	<u>\$ 152,303</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	72.78%	94.69%	75.75%	76.80%	86.73%
<b>Covered payroll</b>	\$ 716,290	\$ 447,294	\$ 590,660	\$ 590,660	\$ 481,892
<b>City's net pension liability as a percentage of covered payroll</b>	52.03%	15.52%	55.07%	50.54%	31.61%

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**CITY OF REIDSVILLE, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION**

**RETIREMENT PLAN  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS**

CONTINUED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>				
Service cost	\$ 18,785	\$ 17,307	\$ 20,509	\$ 17,991
Interest	85,186	81,851	78,204	75,587
Differences between expected and actual experience	(70,975)	228	7,260	4,783
Changes of assumptions	18,183	-	-	(3,788)
Benefit payments, including refunds of member contributions	(54,509)	(58,212)	(59,602)	(62,020)
<b>Net change in total pension liability</b>	<u>(3,330)</u>	<u>41,174</u>	<u>46,371</u>	<u>32,553</u>
<b>Total pension liability - beginning</b>	<u>1,126,428</u>	<u>1,085,254</u>	<u>1,038,883</u>	<u>1,006,330</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 1,123,098</u></u>	<u><u>\$ 1,126,428</u></u>	<u><u>\$ 1,085,254</u></u>	<u><u>\$ 1,038,883</u></u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 63,798	\$ 47,660	\$ 48,536	\$ 53,380
Net investment income (loss)	120,091	81,419	8,796	76,577
Benefit payments, including refunds of member contributions	(54,509)	(58,212)	(59,602)	(62,020)
Administrative expenses	(8,072)	(4,410)	(4,813)	(3,869)
<b>Net change in plan fiduciary net position</b>	<u>121,308</u>	<u>66,457</u>	<u>(7,083)</u>	<u>64,068</u>
<b>Plan fiduciary net position - beginning</b>	<u>798,981</u>	<u>732,524</u>	<u>739,607</u>	<u>675,539</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 920,289</u></u>	<u><u>\$ 798,981</u></u>	<u><u>\$ 732,524</u></u>	<u><u>\$ 739,607</u></u>
<b>City's net pension liability - ending (a) - (b)</b>	<u><u>\$ 202,809</u></u>	<u><u>\$ 327,447</u></u>	<u><u>\$ 352,730</u></u>	<u><u>\$ 299,276</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	81.94%	70.93%	67.50%	71.19%
<b>Covered payroll</b>	\$ 454,726	\$ 538,764	\$ 454,034	\$ 521,734
<b>City's net pension liability as a percentage of covered payroll</b>	44.60%	60.78%	77.69%	57.36%

**Notes to the Schedule:**

- (i) The schedule will present 10 years of information once it is accumulated.
- (ii) Changes of assumptions - There were no changes in assumptions in the last two fiscal years.
- (iii) Benefit changes - There were no changes in benefit provisions in the last two fiscal years.

**CITY OF REIDSVILLE, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
RETIREMENT PLAN  
SCHEDULE OF CITY CONTRIBUTIONS**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Actuarially determined contribution	\$ -	\$ 65,551	\$ 57,877	\$ 44,791	\$ 46,116
Contributions in relation to the actuarially determined contribution	-	36,320	48,231	37,328	46,869
Contribution deficiency (excess)	\$ -	\$ 29,231	\$ 9,646	\$ 7,463	\$ (753)
Covered payroll	\$ -	\$ 447,294	\$ 590,660	\$ 590,660	\$ 481,892
City's net pension liability as a percentage of covered payroll	0%	8%	8%	6%	10%
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	
Actuarially determined contribution	\$ 55,147	\$ 54,344	\$ 51,993	\$ 53,160	
Contributions in relation to the actuarially determined contribution	59,609	49,619	52,090	48,730	
Contribution deficiency (excess)	\$ (4,462)	\$ 4,725	\$ (97)	\$ 4,430	
Covered payroll	\$ 454,726	\$ 538,764	\$ 454,034	\$ 521,734	
City's net pension liability as a percentage of covered payroll	13%	9%	11%	9%	

\*2023 information will be determined after fiscal year end and will be included in the 2024 valuation report.

**Notes to the schedule:**

**Valuation Date** The actuarially determined contribution rate was determined as of January 1, 2022, 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, 2023.

Methods and assumptions used to determine contribution rates:

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

Actuarial Assumptions:

Net Investment Rate of Return 7.375%  
Projected Salary Increases 2.25% plus service based merit increases  
Cost of Living Adjustments N/A

Retirement Age Employees - 5% at ages 55 to 59, 7% at age 60 and 61, 20% at age 62, 10% at age 63 and 64, 35% at age 65, 25% at ages 66 to 71, and 100% at ages 72 and older.

Mortality Rates:

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

**CITY OF REIDSVILLE, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes				
Property	\$ 369,168	\$ 369,168	\$ 362,469	\$ (6,699)
Sales	-	-	246,212	246,212
Franchise	157,782	157,782	163,850	6,068
Insurance premium	250,000	250,000	200,432	(49,568)
Alcoholic beverage	78,170	78,170	77,324	(846)
Other	104,882	104,882	130,899	26,017
Licenses and permits	54,133	54,133	106,963	52,830
Intergovernmental	-	-	451,072	451,072
Charges for services	60,837	60,837	194,197	133,360
Rental income	16,322	16,322	15,221	(1,101)
Income from Land Easement	232,704	232,704	224,194	(8,510)
Fines and forfeitures	-	-	69,905	69,905
Interest	1,000	1,000	902	(98)
<b>Total revenues</b>	<b>1,324,998</b>	<b>1,324,998</b>	<b>2,243,640</b>	<b>918,642</b>
<b>Expenditures:</b>				
Current:				
General government	368,128	368,128	609,353	(241,225)
Public safety	797,744	797,744	731,413	66,331
Public works	345,654	345,654	293,291	52,363
Recreation	18,207	18,207	216,142	(197,935)
Community services	-	-	13,295	(13,295)
Airport	-	-	416,702	(416,702)
Debt service:				
Principal	-	-	43,664	(43,664)
Interest	-	-	16,104	(16,104)
<b>Total expenditures</b>	<b>1,529,733</b>	<b>1,529,733</b>	<b>2,305,964</b>	<b>(776,231)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(204,735)</b>	<b>(204,735)</b>	<b>(62,324)</b>	<b>142,411</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	148,046	148,046
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>148,046</b>	<b>148,046</b>
<b>Net change in fund balances (budgetary basis)</b>	<b>(204,735)</b>	<b>(204,735)</b>	<b>85,722</b>	<b>290,457</b>
<b>Fund balances, beginning</b>			<b>1,084,125</b>	
<b>Fund balances, end of year</b>			<b>\$ 1,169,847</b>	

Refer to Note 2 to the financial statements for budgetary differences noted.

CITY OF REIDSVILLE, GEORGIA  
 ARPA GRANT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 362,252	\$ 362,252	\$ 493,870	\$ 131,618
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Total expenditures	-	-	-	-
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 362,252	 362,252	 493,870	 131,618
<b>Other financing sources (uses):</b>				
Transfers out	(362,252)	(362,252)	(493,870)	(131,618)
 <b>Net change in fund balances (budgetary basis)</b>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b>Fund balances, beginning</b>			 <u>-</u>	
<b>Fund balances, end of year</b>			 <u>\$ -</u>	

Refer to Note 2 to the financial statements for budgetary differences noted.

**SUPPLEMENTARY INFORMATION**

**CITY OF REIDSVILLE, GEORGIA  
SCHEDULE OF PROJECTS PAID  
WITH SPECIAL SALES TAX PROCEEDS  
FOR THE YEAR ENDED JUNE 30, 2023**

2014 Special Sales Tax Projects	Original Estimated Cost	Current Estimated Cost	Expenditures		Total	Estimated Percentage of Completion
			Prior Years	Current Year		
Building improvements and equipment - Administrative	\$ 38,220	\$ 175,464	\$ 175,464	\$ -	\$ 175,464	100%
Building improvements - Police/Fire	-	64,014	64,014	-	64,014	100%
Vehicles and equipment - Police	343,979	168,541	168,541	-	168,541	100%
Vehicles and equipment - Fire	129,948	34,191	34,191	-	34,191	100%
Street improvements and equipment	122,304	357,234	357,234	-	357,234	100%
Water and sewer improvements and equipment	129,948	65,436	65,436	-	65,436	100%
Recreation projects and equipment	155,520	242,298	173,098	69,200	242,298	100%
Cemetery improvements	-	6,710	6,710	-	6,710	100%
	<u>\$ 919,919</u>	<u>\$ 1,113,888</u>	<u>\$ 1,044,688</u>	<u>\$ 69,200</u>	<u>\$ 1,113,888</u>	<u>100.0%</u>

2020 Special Sales Tax Projects	Original Estimated Cost	Current Estimated Cost	Expenditures		Total	Estimated Percentage of Completion
			Prior Years	Current Year		
Building improvements and equipment - Administrative	\$ -	\$ 4,390	\$ -	\$ 4,390	\$ 4,390	100.0%
Building improvements - Police/Fire	-	-	-	-	-	0.0%
Vehicles and equipment - Police	24,189	47,494	24,189	23,305	47,494	100.0%
Vehicles and equipment - Fire	-	44,834	-	44,834	44,834	100.0%
Street improvements and equipment	75,000	75,000	75,000	-	75,000	100.0%
Water and sewer improvements and equipment	-	43,147	-	43,147	43,147	100.0%
Recreation projects and equipment	-	106,707	-	106,709	106,709	100.0%
Cemetery improvements	5,900	5,900	5,900	-	5,900	100.0%
	<u>\$ 105,089</u>	<u>\$ 327,472</u>	<u>\$ 105,089</u>	<u>\$ 222,385</u>	<u>\$ 327,474</u>	<u>100.0%</u>

Total current year expenditures \$ 291,585

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

Total Special sales tax fund expenditures per Statement of Revenues, Expenditures and Changes  
in Fund Balances

Total current year expenditures per above \$ 291,585



**CITY OF REIDSVILLE, GEORGIA  
SCHEDULE OF PROJECTS CONSTRUCTED WITH PROCEEDS FROM  
TRANSPORTATION SPECIAL PURPOSE LOCAL OPTION SALES TAX (TSPLOST)  
FOR THE YEAR ENDED JUNE 30, 2023**

Projects	Original Estimated Cost	Current Estimated Cost	Expenditures		Total	Estimated Percentage of Completion
			Prior Years	Current Year		
<b>TSPLOST TIER 1</b>						
TIA Band 3 - Road Resurfacing Project	\$ 375,075	\$ 375,075	\$ 207,429	\$ 142,275	\$ 349,704	93.2%
Concrete Work (paving and surface repairs)	-	7,883	-	7,883	7,883	100.0%
Bowder Circle	-	46,213	-	46,213	46,213	100.0%
	<u>\$ 375,075</u>	<u>\$ 429,171</u>	<u>\$ 207,429</u>	<u>\$ 196,371</u>	<u>\$ 403,800</u>	<u>94.1%</u>

**COMPONENT UNIT**

CITY OF REIDSVILLE, GEORGIA  
STATEMENT OF NET POSITION  
COMPONENT UNIT - REIDSVILLE DOWNTOWN DEVELOPMENT AUTHORITY  
JUNE 30, 2023

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<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	56,974
Total Assets	56,974
 <b>NET POSITION</b>	
Unrestricted	
<b>Total Net Position</b>	56,974

CITY OF REIDSVILLE, GEORGIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
COMPONENT UNIT - REIDSVILLE DOWNTOWN DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2023

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<b>Other Income</b>	
Gain on sale of property	56,400
Total Income	56,400
Net change in fund balances	56,400
<b>Fund balance, beginning of year</b>	574
<b>Fund balance, end of year</b>	56,974

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members  
of the City Council  
City of Reidsville, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Reidsville, Georgia's (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated April 4, 2024.

***Report on Internal Control over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in 2023-4 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in 2023-1 to 2023-3 and 2023-5 to 2023-9 to be significant deficiencies.

**2023-1 Approved timesheets:** We noted that not all timesheets were signed by department heads, which brings to

question whether time were appropriately approved, and can result in unauthorized overtime paid.

City Response: Agreed, additional oversight will be exercised going forward. The staff member responsible for processing the payroll should require a signature on the timesheet before proceeding with the payroll run.

**2023-2 Records of account:** Debt schedules and fixed asset registers are not maintained which can result in inaccurate management of debt and a lack of overview over fixed assets. As a result, the City may fall non-compliant with any debt covenants in place, or assets can be misappropriated by staff due to the lack of oversight.

City Response: Agreed, this was not done due to a lack of staff members. A new staff member will be appointed, who will be responsible for ensuring that the debt schedules and fixed asset register are kept up to date.

**2023-3 Filing and securing of accounting records:** During the audit, additional time were spent searching for invoices, contracts, and agreements due to the disorganized filing system which resulted in misplaced documents (e.g., invoices, agreements). In addition, the accounting records and supporting documents were not kept in a secure location.

City Response: Agreed, we will implement a filing plan, and will make a greater effort to keep all of the invoices from the same vendor in one folder, irrespective from which fund the invoice is paid. We will also store all of the documents in one room and add a coded lock to the door to make sure that the paperwork is secured and only accessed by authorized staff members.

**2023-4 Payment approvals:** During the course of the audit, it was identified that some checks and withdrawals were not endorsed by two signatures.

City Response: Agreed, all forms of payment will be endorsed by two signatures going forward.

**2023-5 Incomplete and inaccurate accounting records:** The lack of review and oversight resulted in accounting errors, break-down in control over bank reconciliations and incomplete month end closing procedures.

City Response: Agreed, with additional resources in finance, we will bring the books up to date. The finance team will implement new processes with the assistance of the new staff member who has a strong accounting background. The work will also be more regularly reviewed to ensure that all postings have been correctly made.

**2023-6 Accurate account of open invoices:** We noted duplicate payments to the same vendor or months where no payments were made, resulting in overdue accounts, and mismanagement of cash resources. No accurate schedule or report is maintained to reconcile invoices received with payments made to vendors.

City Response: We will perform a monthly self-audit to review the open invoices recorded in accounts payable. Invoices are now brought to the Mayor for approval, and is stamped with the date of receipt. We will implement bi-monthly finance meetings to discuss the open invoices and other finance matters.

**2023-7 Monitoring of revenues:** We noted there were insufficient monitoring over expected revenue to be received, as well as a missing binder for one of the sales taxes received. This may result in the City not collecting all revenue, as there is no report to confirm the revenue that should be received and following up with relevant authorities.

City Response: Agreed, we are taking more action by appointing a code enforcement officer, to review existing licenses and matching with the City records. We will create binders / schedules which shows every month when and the type of income that is received. This will be reviewed quarterly to ensure completeness to the accounting records.

**2023-8 Procurement process:** A new building was acquired for the water sewer fund due to health-related risks associated with the existing location. During our review of the supporting documents, it was identified that insufficient consideration is given to finding the best prices and value for the City.

City Response: Going forward, appraisals of the property will be performed before the purchase, and a minimum of two (2) options will be presented to the council for approval.



### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described below.

**2023-9 Volunteer payments:** During the course of the audit, it was identified that some payments to volunteer fire fighters exceeded the threshold that requires the issuance of forms 1099, non-employee payments.

City Response: Going forward, the necessary forms will be issued as required.

**2023-10 Budget amendments and monitoring:** It was identified that no budget amendments were made or approved by the Council for expenditures exceeding the amounts previously approved. It was further identified that in some instances funds were expended for purposes outside of what restrictions allow for, in example SPLOST and TSPLOST money.

City Response: With support from the new finance staff member, more controls will be put in place to monitor the spending, as well as increasing the on-the-job training for all staff members to ensure that they have the knowledge to know for what purpose the funds may be used for.

### **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.

*CKH CPAs and Advisors, LLC*

CKH CPA's and Advisors, LLC  
Atlanta, Georgia  
April 4, 2024

