CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Leesburg, Georgia (the "City")**, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Leesburg, Georgia's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leesburg, Georgia as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Leesburg, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2014, on our consideration of the City of Leesburg, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 of Leesburg, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Albany, Georgia
September 13, 2014

CITY OF LEESBURG, GEORGIA

STATEMENT OF NET POSITION

JUNE 30, 2013

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 457,845	$ 1,903,877	$ 2,361,722
Investments	131,952	141,189	273,141
Taxes receivable	12,172	-	12,172
Accounts receivable, net of allowances	66,454	117,353	183,807
Due from other governments	34,231	-	34,231
Internal balances	(671)	671	-
Prepaid expenses	750	-	750
Capital assets:			
Nondepreciable	105,840	1,409,998	1,515,838
Depreciable, net of accumulated depreciation	1,233,143	7,568,620	8,801,763
Total assets	2,041,716	11,141,708	13,183,424
LIABILITIES			
Accounts payable	112,259	67,666	179,925
Accrued liabilities	30,263	5,158	35,421
Customer deposits payable	-	126,655	126,655
Notes payable due within one year	-	78,235	78,235
Notes payable due in more than one year	-	912,054	912,054
Compensated absences due within one year	37,064	-	37,064
Compensated absences due in more than one year	4,118	-	4,118
Total liabilities	183,704	1,189,768	1,373,472
NET POSITION			
Net investment in capital assets	1,338,983	7,988,329	9,327,312
Restricted for:			
Capital projects	31,024	-	31,024
Public safety	5,378	-	5,378
Unrestricted	482,627	1,963,611	2,446,238
Total net position	$ 1,858,012	$ 9,951,940	$ 11,809,952

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

CITY OF LEESBURG, GEORGIA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions
Primary government:			
Governmental activities:			
General government	$ 299,424	$ 24,201	$ -
Judicial	67,624	-	-
Public safety	761,571	189,070	-
Public works	876,870	434,460	172,400
Total governmental activities	2,005,489	647,731	172,400
Business-type activities:			
Water and sewer	814,109	918,232	737,443
Total business-type activities	814,109	918,232	737,443
Total primary government	$ 2,819,598	$ 1,565,963	$ 909,843

General revenues:
- Property taxes
- Sales taxes
- Selective sales and use taxes
- Business taxes
- Insurance premium tax
- Other taxes
- Unrestricted investment earnings
- Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year, as restated

Net position, end of year

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	**Business-type Activities**	**Total**
$ (275,223)	$ -	$ (275,223)
(67,624)	-	(67,624)
(572,501)	-	(572,501)
(270,010)	-	(270,010)
(1,185,358)	-	(1,185,358)
-	841,566	841,566
-	841,566	841,566
(1,185,358)	841,566	(343,792)
528,124	-	528,124
529,023	-	529,023
59,881	-	59,881
23,427	-	23,427
144,279	-	144,279
7,541	-	7,541
1,140	9,212	10,352
(68,412)	-	(68,412)
56,396	(56,396)	-
1,281,399	(47,184)	1,234,215
96,041	794,382	890,423
1,761,971	9,157,558	10,919,529
$ 1,858,012	$ 9,951,940	$ 11,809,952

CITY OF LEESBURG, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2013

ASSETS	General	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	$ 421,443	$ 36,402	$ 457,845
Investments	131,952	-	131,952
Taxes receivable, net	12,172	-	12,172
Accounts receivable	66,454	-	66,454
Due from other governments	34,231	-	34,231
Prepaid expenditures	750	-	750
Total assets	$ 667,002	$ 36,402	$ 703,404
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 112,259	$ -	$ 112,259
Accrued liabilities	30,263	-	30,263
Due to other funds	671	-	671
Total liabilities	143,193	-	143,193
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - property taxes	11,744	-	11,744
Total deferred inflow of resources	11,744	-	11,744
FUND BALANCES			
Nonspendable:			
Prepaid expenditures	750	-	750
Restricted for:			
Capital projects	-	31,024	31,024
Public safety	-	5,378	5,378
Unassigned	511,315	-	511,315
Total fund balances	512,065	36,402	548,467
Total liabilities, deferred inflow of resources, and fund balances	$ 667,002	$ 36,402	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,338,983
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	11,744
Compensated absences are not due and payable in the current period and are therefore not reported in the funds.	(41,182)
Net position of governmental activities	$ 1,858,012

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

CITY OF LEESBURG, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Other Governmental Funds	Totals Governmental Funds
Revenues			
Property taxes	$ 516,380	$ -	$ 516,380
Sales taxes	529,023	-	529,023
Selective sales and use taxes	59,881	-	59,881
Business taxes	23,427	-	23,427
Insurance premium taxes	144,279	-	144,279
Other taxes	7,541	-	7,541
Licenses and permits	20,845	-	20,845
Intergovernmental	141,781	30,594	172,375
Charges for services	434,514	-	434,514
Fines and forfeitures	181,406	7,664	189,070
Interest revenue	1,140	25	1,165
Other revenues	3,302	-	3,302
Total revenues	2,063,519	38,283	2,101,802
Expenditures			
Current:			
General government	287,033	-	287,033
Judicial	67,624	-	67,624
Public safety	788,473	3,273	791,746
Public works	839,114	-	839,114
Total expenditures	1,982,244	3,273	1,985,517
Excess of revenues over expenditures	81,275	35,010	116,285
Other financing sources (uses)			
Transfers in	56,396	987	57,383
Transfers out	(987)	-	(987)
Total other financing sources (uses)	55,409	987	56,396
Net change in fund balances	136,684	35,997	172,681
Fund balances, beginning of year, as restated	375,381	405	375,786
Fund balances, end of year	$ 512,065	$ 36,402	$ 548,467

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

CITY OF LEESBURG, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	172,681
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(9,181)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals and donations) is to decrease net position.		(68,412)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		11,744
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(10,791)
Net change in net position - governmental activities	$	96,041

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

CITY OF LEESBURG, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Property taxes	$ 502,084	$ 502,084	$ 516,380	$ 14,296
Sales taxes	554,205	554,205	529,023	(25,182)
Selective sales and use taxes	56,756	56,756	59,881	3,125
Business taxes	46,000	46,000	23,427	(22,573)
Insurance premium taxes	120,000	120,000	144,279	24,279
Other taxes	-	-	7,541	7,541
Licenses and permits	-	-	20,845	20,845
Intergovernmental	48,968	48,968	141,781	92,813
Charges for services	391,302	391,302	434,514	43,212
Fines and forfeitures	131,257	131,257	181,406	50,149
Interest revenue	-	-	1,140	1,140
Other revenues	401,441	401,441	3,302	(398,139)
Total revenues	2,252,013	2,252,013	2,063,519	(188,494)
Expenditures:				
Current:				
General government:				
Administration	567,244	567,244	287,033	280,211
Total general government	567,244	567,244	287,033	280,211
Judicial:				
Municipal court	59,400	59,400	67,624	(8,224)
Total judicial	59,400	59,400	67,624	(8,224)
Public safety:				
Police	737,897	737,897	788,473	(50,576)
Total public safety	737,897	737,897	788,473	(50,576)
Public works:				
Sanitation	378,543	378,543	403,890	(25,347)
Maintenance department	508,929	508,929	435,224	73,705
Total public works	887,472	887,472	839,114	48,358
Total expenditures	2,252,013	2,252,013	1,982,244	269,769
Excess of revenues over expenditures	-	-	81,275	81,275
Other financing sources (uses)				
Transfers in	-	-	56,396	56,396
Transfers out	-	-	(987)	(987)
Total other financing sources (uses)	-	-	55,409	55,409
Net change in fund balances	-	-	136,684	136,684
Fund balances, beginning of year, as restated	375,381	375,381	375,381	-
Fund balances, end of year	$ 375,381	$ 375,381	$ 512,065	$ 136,684

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

CITY OF LEESBURG, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2013

	Water and Sewer Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,903,877
Investments	141,189
Accounts receivable	117,353
Due from other funds	671
Total current assets	2,163,090
NONCURRENT ASSETS	
Capital assets:	
Nondepreciable	1,409,998
Depreciable, net of accumulated depreciation	7,568,620
Total noncurrent assets	8,978,618
Total assets	11,141,708
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	67,666
Accrued liabilities	5,158
Customer deposits payable	126,655
Notes payable, current portion	78,235
Total current liabilities	277,714
NONCURRENT LIABILITIES	
Notes payable, net of current portion	912,054
Total long-term liabilities	912,054
Total liabilities	1,189,768
NET POSITION	
Net investment in capital assets	7,988,329
Unrestricted	1,963,611
Total net position	$ 9,951,940

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

CITY OF LEESBURG, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	$ 918,232
Total operating revenues	918,232
OPERATING EXPENSES	
Personal services	128,620
Costs of operations	293,590
Supplies	125,872
Depreciation	239,971
Total operating expenses	788,053
Operating income	130,179
NONOPERATING REVENUES (EXPENSES)	
Interest income	9,212
Interest expense	(26,056)
Total nonoperating revenues (expenses)	(16,844)
Income before contributions and transfers	113,335
CAPITAL CONTRIBUTIONS	737,443
TRANSFERS OUT	(56,396)
Change in net position	794,382
NET POSITION, beginning of year, as restated	9,157,558
NET POSITION, end of year	$ 9,951,940

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

CITY OF LEESBURG, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 910,059
Payments to suppliers	(583,901)
Payments to employees	(128,620)
Net cash provided by operating activities	197,538
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(56,396)
Net cash used in noncapital financing activities	(56,396)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(875,467)
Intergovernmental revenues	737,443
Proceeds from notes payable	181,130
Principal paid on notes payable	(61,838)
Interest paid	(25,758)
Net cash used in capital and related financing activities	(44,490)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(417)
Interest received	9,212
Net cash provided by investing activities	8,795
Change in cash and cash equivalents	105,447
Cash and cash equivalents:	
Beginning of year, as restated	1,798,430
End of year	$ 1,903,877
Classified as:	
Cash and cash equivalents	$ 1,903,877

(Continued)

CITY OF LEESBURG, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 130,179
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	239,971
Changes in assets and liabilities:	
Increase in accounts receivable	(21,251)
Increase in due from other funds	(671)
Decrease in accounts payable	(164,439)
Increase in customer deposits	13,749
Net cash provided by operating activities	$ 197,538

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Leesburg, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. The Financial Reporting Entity

The City was incorporated in 1898 and operates under a Board – Manager form of government. The City Manager is the head of the administrative branch of government. As such, he is responsible for the day-to-day operations of city government. The legislative authority of the City is vested in the Mayor and six (6) Council members with an appointed City Manager. The City provides the following services and operations as authorized by its charter: public safety (police); public works; general administrative services; and public utilities (water and sewer). As required by generally accepted accounting principles, the financial statements of the reporting entity include the accounts of all City operations and all activities of the City.

Based on criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity" as amended by GASB 39 "Determining Whether Certain Organizations are Component Units" and GASBS No. 61 "The Financial Reporting Entity", the City was determined to have no component units as of June 30, 2013.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) reports information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

The City reports the following major governmental funds:

The ***General fund*** is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The ***Water and Sewer fund*** accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund types:

The ***special revenue funds*** account for revenue sources that are legally restricted for expenditures of specific purposes.

The **capital projects fund** is used to account for the acquisition or construction of capital facilities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services provided. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Statutes authorize the City to invest in obligations of the United States and of its agencies and instrumentalities, bonds of the State of Georgia and its agencies, instrumentalities and political subdivisions, certificates of deposit of national or state banks that are fully insured or collateralized by United States obligations, repurchase agreements and Georgia Fund 1, the Local Government Investment Pool.

Cash deposits are reported at carrying amount, which reasonably estimates fair value.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” in the fund financial statements. Short-term interfund loans are classified as “interfund receivables/payables”. Long-term interfund loans are classified as advances.

F. Grants from Other Governments

Federal and state governmental units represent an important source of supplementary funding used to finance housing, business development employment, construction programs, capital asset additions and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in both governmental and proprietary funds. Grant contributions in the proprietary funds, which are for the purpose of construction activities, land easement, or capital asset acquisitions, are recorded as capital contributions within the statement of revenues and expenses. For all funds, a grant receivable is recorded when the City has a right to receive the related grant amounts.

G. Capital Assets

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended June 30, 2013, no interest was capitalized.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 60 years
Infrastructure	10 - 50 years
Equipment and vehicles	5 - 20 years
Plant	50 years
Water and sewer system	30 years

H. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. Therefore, all sick pay is expensed when incurred. The City does allow for employees to accumulate earned but unused vacation time with such time being fully vested when earned. For the City's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net 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 does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net 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 fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies 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 and other receivables, and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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 assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance 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 may modify or rescind the commitment.

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

- ***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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

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 represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. 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 position are available.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this $9,181 difference are as follows:

Capital outlay	$	86,472
Depreciation expense		(95,653)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(9,181)

NOTE 3. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

The City followed these procedures in establishing the budgetary data reflected in the financial statements for the fiscal year ended June 30, 2013:

1. The City Clerk and Budget Committee prepares a proposed operating budget for the year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the City offices to obtain taxpayer comments.
3. After the public hearing, the City Council legally enacts the budget through passage of a resolution.
4. The budget is employed as a management control device during the year.
5. Formal budgetary integration is employed as a management control device during the year for all the governmental funds and the enterprise funds. Budgets for the enterprise funds are prepared for planning and control purposes only.
6. Any revisions to increase expenditures must be approved by the City Council.
7. Budgets for the governmental funds and the enterprise funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

A. Budgets and Budgetary Accounting (Continued)

Budget amounts are as originally adopted or as amended by the City Council.

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the City.

C. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2013, the following departments had excesses of actual expenditures over appropriations, which were funded by available fund balance:

	Excess
General Fund	
Municipal court	$ 8,224
Police	50,576
Sanitation	25,347

NOTE 4. DEPOSITS AND INVESTMENTS

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

At June 30, 2013, the City had the following investments:

Investments	Maturities	Fair Value
Certificates of Deposit	10 month weighted average	$ 273,141

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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

Custodial credit risk – deposits. The City does not have a formal custodial credit risk policy. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2013, $32,441 of City deposits were exposed to custodial risk as uninsured and uncollateralized as defined by GASB pronouncements.

NOTE 5. RECEIVABLES

Receivables as of June 30, 2013, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Total
Receivables:			
Taxes	$ 12,172	$ -	$ 12,172
Accounts	92,912	164,745	257,657
Gross receivables	105,084	164,745	269,829
Less: allowance for uncollectibles	(26,458)	(47,392)	(73,850)
Net total receivables	$ 78,626	$ 117,353	$ 195,979

Property taxes. Property taxes were levied by the City on October 10, 2012 (Levy Date) based upon property values assessed as of January 1. The billings were mailed on October 20, 2012 and payable on or before December 20, 2012. The net receivables collected during the year ended June 30, 2013, and collected by August 31, 2013, are recognized as revenues in the year ended June 30, 2013. Net receivables estimated to be collected subsequent to August 31, 2013 are recorded as revenue when received. Taxes not paid by January 1 are subject to property tax liens. Property tax revenues are recognized when levied to the extent they result in current receivables.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	$ 105,840	$ -	$ -	$ -	$ 105,840
Construction in progress	10,300	-	(10,300)	-	-
Total capital assets, not being depreciated	116,140	-	(10,300)	-	105,840
Capital assets, being depreciated:					
Buildings and improvements	883,527	-	(33,300)	-	850,227
Equipment and vehicles	697,058	86,472	(226,630)	-	556,900
Infrastructure	549,724	-	-	-	549,724
Total capital assets, being depreciated	2,130,309	86,472	(259,930)	-	1,956,851
Less accumulated depreciation for:					
Buildings and improvements	(259,079)	(17,055)	5,273	-	(270,861)
Equipment and vehicles	(557,051)	(64,855)	196,545	-	(425,361)
Infrastructure	(13,743)	(13,743)	-	-	(27,486)
Total accumulated depreciation	(829,873)	(95,653)	201,818	-	(723,708)
Total capital assets, being depreciated, net	1,300,436	(9,181)	(58,112)	-	1,233,143
Governmental activities capital assets, net	$ 1,416,576	$ (9,181)	$ (68,412)	$ -	$ 1,338,983

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	$ 12,927	$ -	$ -	$ -	$ 12,927
Construction in progress	521,604	875,467	-	-	1,397,071
Total capital assets, not being depreciated	534,531	875,467	-	-	1,409,998
Capital assets, being depreciated:					
Buildings and improvements	619,003	-	-	-	619,003
Equipment and vehicles	150,340	-	-	-	150,340
Plant	6,276,459	-	-	-	6,276,459
Water and sewer system	3,295,824	-	-	-	3,295,824
Total capital assets, being depreciated	10,341,626	-	-	-	10,341,626
Less accumulated depreciation for:					
Buildings and improvements	(454,880)	(9,325)	-	-	(464,205)
Equipment and vehicles	(60,509)	(7,720)	-	-	(68,229)
Plant	(104,608)	(125,529)	-	-	(230,137)
Water and sewer system	(1,913,038)	(97,397)	-	-	(2,010,435)
Total accumulated depreciation	(2,533,035)	(239,971)	-	-	(2,773,006)
Total capital assets, being depreciated, net	7,808,591	(239,971)	-	-	7,568,620
Business-type activities capital assets, net	$ 8,343,122	$ 635,496	$ -	$ -	$ 8,978,618

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 21,909
Public safety	37,517
Public works	36,227
Total depreciation expense - governmental activities	$ 95,653
Business - type activities	
Water and sewer	$ 239,971
Total depreciation expense - business - type activities	$ 239,971

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended June 30, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Governmental activities:					
Compensated absences	$ 30,391	$ 67,692	$ (56,901)	$ 41,182	$ 37,064
Governmental activity long-term liabilities	$ 30,391	$ 67,692	$ (56,901)	$ 41,182	$ 37,064
Business-type activities:					
Notes payable	$ 870,997	$ 181,130	$ (61,838)	$ 990,289	$ 78,235
Business-type activity long-term liabilities	$ 870,997	$ 181,130	$ (61,838)	$ 990,289	$ 78,235

Compensated absences are generally liquidated by the General Fund.

Notes Payable. The City has incurred debt to the Georgia Environmental Facilities Authority (GEFA) for landfill improvements. These notes are as follows at June 30, 2013:

Purpose	Original Amount	Interest Rate	Due Date	Balance at June 30, 2013
Water and sewer system	$ 844,657	4.24%	2021	$ 414,234
Water and sewer system	249,166	0.00%	2021	108,610
Water and sewer system	469,036	2.00%	2033	467,445
				990,289
			Less current maturities	(78,235)
				$ 912,054

The notes payable debt service requirements to maturity, including interest are as follows:

Fiscal Year Payable	Total	Principal	Interest
2014	$ 104,247	$ 78,235	$ 26,012
2015	104,247	80,613	23,634
2016	104,247	83,060	21,187
2017	104,247	85,675	18,572
2018	104,247	88,324	15,923
2019-2023	360,324	318,453	41,871
2024-2028	142,366	122,704	19,662
2029-2033	139,992	133,225	6,767
	$ 1,163,917	$ 990,289	$ 173,628

NOTE 8. PENSION PLAN

A. Defined Contribution Plan

The City of Leesburg, Georgia maintains a defined contribution pension plan, the City of Leesburg Deferred Compensation Plan (“the Deferred Compensation Plan"), which was adopted by the City Council to provide permit employees to defer a portion of their salary until future years. The plan was created in accordance with Internal Revenue Code Section 457. The plan is administered by Nationwide Retirement Solutions. At June 30, 2013, there were 10 active participants. The City contributes $20 per month to the plan for each participating employee. Participation in the plan is not mandatory. Plan provisions and contribution requirements are established by and may be amended by the City Council. For the year ended June 30, 2013, County employees contributed $2,400.

B. Defined Benefit Plan

Plan Description

The City’s defined benefit pension plan, City of Leesburg Retirement Plan, provides retirement, disability, and death benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the City’s noncontributory defined benefit pension plan after completion of one year of service. Benefits vest after five years of service, and participants become eligible to retire at age 65 with 5 years of participation in the plan.

The City of Leesburg is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Board of Trustees of the System. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to:

Georgia Municipal Association
The Burgess Building
201 Pryor Street, SW
Atlanta, GA 30303-3606
Telephone: (404) 688-0472

As of January 1, 2013, the date of the most recent actuarial valuation, there were 29 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	3
Vested terminated employees not yet receiving benefits	7
Active employees	19
Total	29

NOTE 8. PENSION PLAN (CONTINUED)

B. Defined Benefit Plan (Continued)

Funding Policy

The City is required to contribute an actuarially determined amount monthly to the Plan's trust. The contribution amount is determined using the actuarial methods and assumption approved by the Board of Trustees, and must satisfy the minimum contribution requirements as set forth in the State of Georgia statutes. Plan participants do not contribute to the plan.

Annual Pension Cost

The City's annual pension cost for the last three years are as follows:

Fiscal Year Ended	Actuarially Required Contribution (ARC)	Actual Pension Contribution	Percentage of ARC Contributed	Net Pension (Obligation) Asset
6/30/2011	$ 58,625	$ 58,625	100 %	$ -
6/30/2012	60,241	60,241	100	-
6/30/2013	68,942	68,942	100	-

Plan Funded Status

As of the most recent valuation date, January 1, 2013, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / Surplus AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	$ 837,434	$ 785,103	$ (52,331)	106.67 %	$ 654,481	- %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net position is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2013.

NOTE 8. PENSION PLAN (CONTINUED)

B. Defined Benefit Plan (Continued)

Actuarial Valuation Information

The City's actuarial valuation information is as follows:

Basis of Valuation	
Current Valuation Date	January 1, 2013
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	N/A
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 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.
Actuarial Assumptions:	
Annual Return on Invested Plan Assets	7.75%
Expected Annual Inflation	0.00%
Projected Annual Salary Increases	3.50% plus age and service based merit increases

NOTE 9. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Water & Sewer Fund	General Fund	$ 671

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

NOTE 9. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Interfund transfers:

	Transfers Out		
Transfers In	General Fund	Water and Sewer Fund	Total
General Fund	$ -	$ 56,396	$ 56,396
Nonmajor Governmental Funds	987	-	987
Total	$ 987	$ 56,396	$ 57,383

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

NOTE 10. JOINT VENTURES

Southern Georgia Regional Commission

Under Georgia law, the City, in conjunction with other cities and counties in the southwest Georgia area, is a member of the Southwest Georgia Regional Commission (RC) and is required to pay annual dues thereto. During its fiscal year ended June 30, 2013, the City paid $2,896 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from: Southern Georgia Regional Commission, 327 W. Savannah St., Valdosta, Georgia 30601.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in a number of legal matters, which either have or could result in litigation. The nature of the lawsuits varies considerably. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

NOTE 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grant Contingencies

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance. The Georgia Municipal Association administers the risk pool.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the Workers' Compensation Law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverages.

NOTE 13. PRIOR PERIOD ADJUSTMENTS/RESTATEMENTS

The City has determined that a restatement of beginning net position of governmental activities is required to reflect corrections in the June 30, 2012 financial report. These restatements are as follows:

Governmental activities net position, as previously reported	$	1,871,218
Adjustment needed to record compensated absences		(30,391)
Adjustment needed to properly state net pension asset		(147,071)
Individual fund level prior period adjustments discussed below		68,215
Governmental activities net position, as restated	$	1,761,971

NOTE 13. PRIOR PERIOD ADJUSTMENTS/RESTATEMENTS (CONTINUED)

The City has determined that a restatement of General Fund assets and fund balance is required to record accounts receivable and amounts due from other governments in the correct period. The restatement within the General Fund resulted in an increase to fund balance of $68,215.

The City has determined that a restatement of beginning net position of business-type activities is required to reflect corrections in the June 30, 2012 financial report. These restatements are as follows:

Business-type activities net position, as previously reported	$	9,128,198
Individual fund level prior period adjustments discussed below		29,360
Business-type activities net position, as restated	$	9,157,558

The City has determined that a restatement of Water and Sewer Fund assets and net position is required to record accounts receivable in the correct period. The restatement within the Water and Sewer Fund resulted in an increase to fund balance of $29,360.

To further explain the above restatements, the following thoughts are provided:

Adjustment of Compensated Absences. The City noted that compensated absences should be recorded as an obligation of the City in the government-wide governmental activities. The error caused an understatement of the liabilities and an overstatement of net position of the governmental activities. The City determined that an adjustment of $30,391 was necessary to appropriately reflect the liabilities and net position of the governmental activities as of June 30, 2012.

Adjustment of Net Pension Asset. The City noted an error related to the reporting of net pension assets in the governmental activities. This error resulted in an overstatement of assets and net position in the government-wide governmental activities. The restatement properly decreases assets and net position by $147,071 at June 30, 2012.

Adjustment of Accounts Receivable. The City identified accounts receivable in the General Fund and Water and Sewer System Fund that were not included in the prior year. The City elected to record a restatement relative to the June 30, 2012 financial report to include accounts receivable of $17,155 and $29,360 in the General Fund and Water and Sewer System Fund, respectively.

Adjustment of Due From Other Governments. The County noted an error related to amounts due from other governments in the General Fund. These errors caused an understatement of prior year revenue and an understatement of amounts due from other governments. The City determined an adjustment of $51,060 to increase due from other governments was necessary to appropriately reflect receivables and revenues of the General Fund as of June 30, 2012.

CITY OF LEESBURG, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

City of Leesburg's Employee's Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
09/01/08	$ 581,533	$ 720,678	$ 139,145	80.7 %	$ 550,114	25.3 %
10/01/09	604,950	786,741	181,791	76.9	715,193	25.4
01/01/10	637,293	800,635	163,342	79.6	734,474	22.2
01/01/11	691,541	842,427	150,886	82.1	704,464	21.4
01/01/12	769,090	916,161	147,071	83.9	688,685	21.4
01/01/13	837,434	785,103	(52,331)	106.7	654,481	-

The assumptions used in the preparation of the above schedule are disclosed in Note 8 to the financial statements.

CITY OF LEESBURG, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The **Confiscated Asset Fund** accounts for confiscated assets awarded to the Police Department to be spent on law enforcement at the discretion of the Police Chief.

CAPITAL PROJECTS FUND

The **Sales Tax Fund** is used to account for projects financed by a special purpose sales and use tax.

CITY OF LEESBURG, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue Fund	Capital Projects Fund	
ASSETS	**Confiscated Asset Fund**	**Sales Tax Fund**	**Totals**
Cash and cash equivalents	$ 5,378	$ 31,024	$ 36,402
Total assets	$ 5,378	$ 31,024	$ 36,402
FUND BALANCES			
Restricted for:			
Capital projects	$ -	$ 31,024	$ 31,024
Public safety	5,378	-	5,378
Total fund balances	5,378	31,024	36,402
Total liabilities and fund balances	$ 5,378	$ 31,024	$ 36,402

CITY OF LEESBURG, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Special Revenue Fund	Capital Projects Fund	
	Confiscated Asset Fund	Sales Tax Fund	Totals
Revenues:			
Fines and forfeitures	$ 7,664	$ -	$ 7,664
Intergovernmental	-	30,594	30,594
Interest revenue	-	25	25
Total revenues	7,664	30,619	38,283
Expenditures:			
Public safety	3,273	-	3,273
Total expenditures	3,273	-	3,273
Excess of revenues over expenditures	4,391	30,619	35,010
Other financing sources			
Transfers in	987	-	987
Total other financing sources	987	-	987
Net change in fund balances	5,378	30,619	35,997
Fund balances, beginning of year	-	405	405
Fund balances, end of year	$ 5,378	$ 31,024	$ 36,402

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Project Description	Original Costs	Estimated Costs	Expenditures		
			Prior Years	Current Year	Total
Wastewater Treatment Plant	$ 5,000,000	$ 5,183,178	$ 5,183,178	$ -	$ 5,183,178

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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
Leesburg, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Leesburg, Georgia (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Leesburg, Georgia's basic financial statements and have issued our report thereon dated September 13, 2014. Our report also includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 responses, 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 deficiency described in the accompany schedule of findings and responses as item 2013-2 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Leesburg, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2013-3

The City of Leesburg, Georgia's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Albany, Georgia
September 13, 2014

CITY OF LEESBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	_X_ yes ____ no
Significant deficiencies identified not considered to be material weaknesses?	_X_ yes ____ none reported
Noncompliance material to financial statements noted?	_X_ yes ____ no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2013 due to the total amount expended being less than $500,000

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2013 - 1. Segregation of Duties

Criteria: Internal controls should be in place that provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: For the fiscal year ending June 30, 2013, we noted a lack of proper segregation of duties within the City Finance Department.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures, specifically the same person preparing the deposit is also reconciling the completed deposit to the daily receipt report and the employee that is involved in the cash receipt function is also involved in the accounts receivable function.

Effect: Failure to properly segregate duties between recording, distribution and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

Recommendation: The duties of recording, distribution and reconciliation of accounts should be segregated between employees.

Views of Responsible Officials and Planned Corrective Action: We concur. We will work with staff to segregate duties and apply compensating controls to the extent possible.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013 - 2. Management of Accounts Receivable

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. As a part of these processes, the County should review all revenue transactions to determine reporting in the proper period.

Condition: The City did not properly record intergovernmental receivables in the General Fund and unbilled accounts receivable in the General Fund and Water and Sewer Fund as of June 30, 2012.

Context: We addressed this matter with City officials and they were able to determine the amount of unbilled accounts receivable that should be recorded in the funds as of June 30, 2012.

Effect: Prior period adjustments to increase unbilled accounts receivable in the amount of $17,155, increase intergovernmental receivables $51,060, and increase fund balance in the amount of $68,215 were required to be reported within the General Fund as of June 30, 2012. A prior period adjustment to increase unbilled accounts receivable in the amount of $29,360 and increase net position in the same amount was required to be reported in the Water and Sewer Fund as of June 30, 2012.

Cause: The City did not review and reconcile all revenue transactions in the prior year to determine reporting in the proper period.

Recommendation: We recommend the City establish procedures to review and reconcile all revenue transactions after year-end to determine reporting in the proper period.

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to review and reconcile all revenue transactions after year-end to determine reporting in the proper period.

2013 - 3. Undercollateralization of County Deposits

Criteria: The Official Code of Georgia (OCGA) Section 45-8-12 (c) requires all depositories of public funds to pledge securities of not less than 110% of the deposited public funds.

Condition: For the year ended June 30, 2013, the City's deposits held at one financial institution were undercollateralized.

Context: See Criteria above.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013 - 3. Undercollateralization of County Deposits (Continued)

Effect: City accounts were not adequately collateralized at one financial institution, allowing for the possibility of loss of assets if the financial institution were to become insolvent.

Cause: The financial institution has not appropriately collateralized all County deposits as of June 30, 2013.

Recommendation: We recommend the County periodically review a listing of all accounts opened under the County's federal identification number to determine that all are properly coded as public deposits. Additionally, the County should request from the financial institutions holding County deposits, a monthly pledging report to determine that each financial institution has pledged securities of not less than 110% of the deposited funds as required by Georgia law.

Views of Responsible Officials and Planned Corrective Action: We concur. This collateralization issue will be resolved for FY 2014. We will begin monitoring the pledging of collateral on a regular basis.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable.

CITY OF LEESBURG, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

2012 - 1. Budget Process

Criteria: State budget statutes require the adoption of an annual budget for special revenue funds.

Condition: The City of Leesburg was in violation of State budget statutes for the year ended June 30, 2012 because the City did not adopt a budget for the CDBG Grant Fund.

Auditee Response/Status: Resolved.

2012 - 2. Expenditure Review Process

Criteria: Expenditures should be reviewed and approved by an appropriate level of management.

Condition: The City does not have adequate policies or procedures in place regarding expenditures and purchases. The City does not properly utilize its purchase order system.

Auditee Response/Status: Resolved.

2012 - 3. Segregation of Duties

Criteria: Internal controls should be in place that provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: For the fiscal year ending June 30, 2012, we noted a lack of proper segregation of duties within the City Finance Department.

Auditee Response/Status: Unresolved – See current year financial audit finding 2013-1.