CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

Page

Table of Contents i

FINANCIAL SECTION

Independent Auditor's Report ..... 1 - 3
Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Position 4
Statement of Activities ..... 5 and 6
Fund Financial Statements:
Balance Sheet – Governmental Funds 7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 8
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities 9
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund 10
Statement of Net Position – Proprietary Funds 11
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds 12
Statement of Cash Flows – Proprietary Funds ..... 13 and 14
Notes to Financial Statements ..... 15 - 36
Required Supplementary Information:
Schedule of Funding Progress 37
Supplementary Information:
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds 38

COMPLIANCE SECTION

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* ..... 39 and 40
Schedule of Findings and Responses ..... 41 and 42
Schedule of Prior Year Findings 43

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, 2014, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leesburg, Georgia as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress (on page 37) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

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 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of special purpose local option sales tax proceeds is the responsibility of management and was 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 schedule of expenditures of special purpose local option sales tax proceeds is 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 December 31, 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
December 31, 2014

CITY OF LEESBURG, GEORGIA

STATEMENT OF NET POSITION

JUNE 30, 2014

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 970,832	$ 1,988,506	$ 2,959,338
Investments	132,343	141,607	273,950
Taxes receivable	20,943	-	20,943
Accounts receivable, net of allowances	67,805	144,940	212,745
Due from other governments	87,404	-	87,404
Internal balances	(63,442)	63,442	-
Capital assets:			
Nondepreciable	238,309	68,132	306,441
Depreciable, net of accumulated depreciation	1,221,598	8,891,598	10,113,196
Total assets	2,675,792	11,298,225	13,974,017
LIABILITIES			
Accounts payable	102,282	41,725	144,007
Accrued liabilities	24,440	4,638	29,078
Customer deposits payable	-	142,305	142,305
Notes payable due within one year	100,851	80,613	181,464
Notes payable due in more than one year	449,865	831,442	1,281,307
Compensated absences due within one year	37,064	-	37,064
Compensated absences due in more than one year	14,909	-	14,909
Total liabilities	729,411	1,100,723	1,830,134
NET POSITION			
Net investment in capital assets	909,191	8,047,675	8,956,866
Restricted for:			
Capital projects	679,236	-	679,236
Public safety	7,527	-	7,527
Unrestricted	350,427	2,149,827	2,500,254
Total net position	$ 1,946,381	$ 10,197,502	$ 12,143,883

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, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions
Primary government:			
Governmental activities:			
General government	$ 448,206	$ 32,446	$ -
Judicial	65,887	-	-
Public safety	834,634	151,158	-
Public works	936,800	494,842	336,982
Housing and development	-	-	-
Interest on long-term debt	8,374	-	-
Total governmental activities	2,293,901	678,446	336,982
Business-type activities:			
Water and sewer	855,759	992,476	199,000
Total business-type activities	855,759	992,476	199,000
Total primary government	$ 3,149,660	$ 1,670,922	$ 535,982

General revenues:
- Property taxes
- Sales taxes
- Selective sales and use taxes
- Business taxes
- Insurance premium tax
- Other taxes
- Unrestricted investment earnings

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

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
$ (415,760)	$ -	$ (415,760)
(65,887)	-	(65,887)
(683,476)	-	(683,476)
(104,976)	-	(104,976)
-	-	-
(8,374)	-	(8,374)
(1,278,473)	-	(1,278,473)
-	335,717	335,717
-	335,717	335,717
(1,278,473)	335,717	(942,756)
535,363	-	535,363
491,720	-	491,720
63,278	-	63,278
25,779	-	25,779
149,507	-	149,507
299	-	299
1,955	8,786	10,741
98,941	(98,941)	-
1,366,842	(90,155)	1,276,687
88,369	245,562	333,931
1,858,012	9,951,940	11,809,952
$ 1,946,381	$ 10,197,502	$ 12,143,883

CITY OF LEESBURG, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2014

ASSETS	General	Sales Tax Fund	Nonmajor Governmental Fund Confiscated Asset Fund	Totals Governmental Funds
Cash and cash equivalents	$ 339,086	$ 624,219	$ 7,527	$ 970,832
Investments	132,343	-	-	132,343
Taxes receivable, net	20,943	-	-	20,943
Accounts receivable	67,805	-	-	67,805
Due from other governments	32,387	55,017	-	87,404
Total assets	$ 592,564	$ 679,236	$ 7,527	$ 1,279,327
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 102,282	$ -	$ -	$ 102,282
Accrued liabilities	24,440	-	-	24,440
Due to other funds	63,442	-	-	63,442
Total liabilities	190,164	-	-	190,164
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	11,859	-	-	11,859
Total deferred inflow of resources	11,859	-	-	11,859
FUND BALANCES				
Restricted for:				
Capital projects	-	679,236	-	679,236
Public safety	-	-	7,527	7,527
Unassigned	390,541	-	-	390,541
Total fund balances	390,541	679,236	7,527	1,077,304
Total liabilities, deferred inflow of resources, and fund balances	$ 592,564	$ 679,236	$ 7,527	

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.	1,459,907
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	11,859
Certain liabilities are not due and payable in the current period and are, therefore, not reported in the funds.	(602,689)
Net position of governmental activities	$ 1,946,381

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, 2014

	General	Sales Tax Fund	Nonmajor Governmental Fund Confiscated Asset Fund	Totals Governmental Funds
Revenues				
Property taxes	$ 535,248	$ -	$ -	$ 535,248
Sales taxes	491,720	-	-	491,720
Selective sales and use taxes	63,278	-	-	63,278
Business taxes	25,779	-	-	25,779
Insurance premium taxes	149,507	-	-	149,507
Other taxes	299	-	-	299
Licenses and permits	17,495	-	-	17,495
Intergovernmental	79,286	257,597	-	336,883
Charges for services	495,650	-	-	495,650
Fines and forfeitures	148,212	-	2,354	150,566
Interest revenue	1,955	99	-	2,054
Other revenues	1,777	-	12,958	14,735
Total revenues	2,010,206	257,696	15,312	2,283,214
Expenditures				
Current:				
General government	411,045	-	-	411,045
Judicial	65,887	-	-	65,887
Public safety	782,409	-	15,620	798,029
Public works	926,120	-	-	926,120
Capital outlay	-	194,579	-	194,579
Debt service:				
Principal	-	74,284	-	74,284
Interest	-	8,374	-	8,374
Total expenditures	2,185,461	277,237	15,620	2,478,318
Excess of expenditures under revenues	(175,255)	(19,541)	(308)	(195,104)
Other financing sources (uses)				
Transfers in	63,185	42,753	2,457	108,395
Transfers out	(9,454)	-	-	(9,454)
Proceeds from note payable	-	625,000	-	625,000
Total other financing sources	53,731	667,753	2,457	723,941
Net change in fund balances	(121,524)	648,212	2,149	528,837
Fund balances, beginning of year	512,065	31,024	5,378	548,467
Fund balances, end of year	$ 390,541	$ 679,236	$ 7,527	$ 1,077,304

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, 2014

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	528,837
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 capital outlays exceeded depreciation in the current period.		120,924
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		115
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(550,716)
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	$	88,369

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, 2014

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Property taxes	$ 554,060	$ 554,060	$ 535,248	$ (18,812)
Sales taxes	429,951	429,951	491,720	61,769
Selective sales and use taxes	61,835	61,835	63,278	1,443
Business taxes	25,000	25,000	25,779	779
Insurance premium taxes	138,000	138,000	149,507	11,507
Other taxes	-	-	299	299
Licenses and permits	19,725	19,725	17,495	(2,230)
Intergovernmental	75,695	75,695	79,286	3,591
Charges for services	474,579	474,579	495,650	21,071
Fines and forfeitures	177,596	177,596	148,212	(29,384)
Interest revenue	-	-	1,955	1,955
Other revenues	200,000	200,000	1,777	(198,223)
Total revenues	2,156,441	2,156,441	2,010,206	(146,235)
Expenditures:				
Current:				
General government:				
Administration	437,131	437,131	411,045	26,086
Total general government	437,131	437,131	411,045	26,086
Judicial:				
Municipal court	65,400	65,400	65,887	(487)
Total judicial	65,400	65,400	65,887	(487)
Public safety:				
Police	704,243	704,243	782,409	(78,166)
Total public safety	704,243	704,243	782,409	(78,166)
Public works:				
Sanitation	403,162	403,162	406,137	(2,975)
Maintenance department	646,505	646,505	519,983	126,522
Total public works	1,049,667	1,049,667	926,120	123,547
Total expenditures	2,256,441	2,256,441	2,185,461	70,980
Excess of expenditures under revenues	(100,000)	(100,000)	(175,255)	(75,255)
Other financing sources (uses)				
Transfers in	100,000	100,000	63,185	(36,815)
Transfers out	-	-	(9,454)	(9,454)
Total other financing sources (uses)	100,000	100,000	53,731	(46,269)
Net change in fund balances	-	-	(121,524)	(121,524)
Fund balances, beginning of year	512,065	512,065	512,065	-
Fund balances, end of year	$ 512,065	$ 512,065	$ 390,541	$ (121,524)

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

CITY OF LEESBURG, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2014

	Water and Sewer Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,988,506
Investments	141,607
Accounts receivable	144,940
Due from other funds	63,442
Total current assets	2,338,495
NONCURRENT ASSETS	
Capital assets:	
Nondepreciable	68,132
Depreciable, net of accumulated depreciation	8,891,598
Total noncurrent assets	8,959,730
Total assets	11,298,225
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	41,725
Accrued liabilities	4,638
Customer deposits payable	142,305
Notes payable, current portion	80,613
Total current liabilities	269,281
NONCURRENT LIABILITIES	
Notes payable, net of current portion	831,442
Total long-term liabilities	831,442
Total liabilities	1,100,723
NET POSITION	
Net investment in capital assets	8,047,675
Unrestricted	2,149,827
Total net position	$ 10,197,502

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, 2014

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	$ 992,476
Total operating revenues	992,476
OPERATING EXPENSES	
Personal services	5,782
Costs of operations	470,179
Supplies	40,915
Depreciation	313,392
Total operating expenses	830,268
Operating income	162,208
NONOPERATING REVENUES (EXPENSES)	
Interest income	8,786
Interest expense	(25,491)
Total nonoperating revenues (expenses)	(16,705)
Income before contributions and transfers	145,503
CAPITAL CONTRIBUTIONS	199,000
TRANSFERS OUT	(98,941)
Change in net position	245,562
NET POSITION, beginning of year	9,951,940
NET POSITION, end of year	$ 10,197,502

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, 2014

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 917,768
Payments to suppliers	(537,035)
Payments to employees	(5,782)
Net cash provided by operating activities	374,951
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(98,941)
Net cash used in noncapital financing activities	(98,941)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(95,504)
Principal paid on notes payable	(78,234)
Interest paid	(26,011)
Net cash used in capital and related financing activities	(199,749)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(418)
Interest received	8,786
Net cash provided by investing activities	8,368
Change in cash and cash equivalents	84,629
Cash and cash equivalents:	
Beginning of year	1,903,877
End of year	$ 1,988,506
Classified as:	
Cash and cash equivalents	$ 1,988,506

(Continued)

CITY OF LEESBURG, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 162,208
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	313,392
Changes in assets and liabilities:	
Increase in accounts receivable	(27,587)
Increase in due from other funds	(62,771)
Decrease in accounts payable	(25,941)
Increase in customer deposits	15,650
Net cash provided by operating activities	$ 374,951
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Capital asset additions contributed from outside sources	$ 199,000

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, 2014.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *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 ***Sales Tax fund*** is used to account for projects financed by a special purpose sales and use tax.

The City reports the following major proprietary fund:

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 fund*** accounts for revenue sources that are legally restricted for expenditures of specific purposes.

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. Any residual balances outstanding between governmental and business-type activities are reported in the government-wide statement of net position as "internal balances."

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, 2014, 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

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 represents 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

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $602,689 difference are as follows:

Notes payable	$	(550,716)
Compensated absences		(51,973)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position of governmental activities*	$	(602,689)

B. 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 $120,924 difference are as follows:

Capital outlay	$	233,750
Depreciation expense		(112,826)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	120,924

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

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

Another element of that reconciliation explains that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $550,716 difference are as follows:

Proceeds from notes payable	$	(625,000)
Principal repayment - notes payable		74,284
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive *at changes in net position of governmental activities*	$	(550,716)

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, 2014:

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, 2014, the following departments had excesses of actual expenditures over appropriations, which were funded by available fund balance:

	Excess
General Fund	
Municipal court	$ 487
Police	78,166
Sanitation	2,975

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, 2014, the City had the following investments:

Investments	Maturities	Fair Value
Certificates of Deposit	10 month weighted average	$ 273,950

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, 2014, the City had no uncollateralized deposits as defined by GASB pronouncements.

NOTE 5. RECEIVABLES

Receivables as of June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Total
Receivables:			
Taxes	$ 20,943	$ -	$ 20,943
Accounts	94,263	192,332	286,595
Gross receivables	115,206	192,332	307,538
Less: allowance for uncollectibles	(26,458)	(47,392)	(73,850)
Net total receivables	$ 88,748	$ 144,940	$ 233,688

Property taxes. Property taxes were levied by the City on October 10, 2013 (Levy Date) based upon property values assessed as of January 1. The billings were mailed on October 20, 2013 and payable on or before December 20, 2013. The net receivables collected during the year ended June 30, 2014, and collected by August 31, 2014, are recognized as revenues in the year ended June 30, 2014. Net receivables estimated to be collected subsequent to August 31, 2014 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, 2014 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	-	132,469	-	-	132,469
Total capital assets, not being depreciated	105,840	132,469	-	-	238,309
Capital assets, being depreciated:					
Buildings and improvements	850,227	-	-	-	850,227
Equipment and vehicles	556,900	101,281	-	-	658,181
Infrastructure	549,724	-	-	-	549,724
Total capital assets, being depreciated	1,956,851	101,281	-	-	2,058,132
Less accumulated depreciation for:					
Buildings and improvements	(270,861)	(17,055)	-	-	(287,916)
Equipment and vehicles	(425,361)	(41,013)	-	-	(466,374)
Infrastructure	(27,486)	(54,758)	-	-	(82,244)
Total accumulated depreciation	(723,708)	(112,826)	-	-	(836,534)
Total capital assets, being depreciated, net	1,233,143	(11,545)	-	-	1,221,598
Governmental activities capital assets, net	$ 1,338,983	$ 120,924	$ -	$ -	$ 1,459,907

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	1,397,071	50,705	-	(1,392,571)	55,205
Total capital assets, not being depreciated	1,409,998	50,705	-	(1,392,571)	68,132
Capital assets, being depreciated:					
Buildings and improvements	619,003	-	-	-	619,003
Equipment and vehicles	150,340	243,799	-	-	394,139
Plant	6,276,459	-	-	-	6,276,459
Water and sewer system	3,295,824	-	-	1,392,571	4,688,395
Total capital assets, being depreciated	10,341,626	243,799	-	1,392,571	11,977,996
Less accumulated depreciation for:					
Buildings and improvements	(464,205)	(9,326)	-	-	(473,531)
Equipment and vehicles	(68,229)	(34,721)	-	-	(102,950)
Plant	(230,137)	-	-	-	(230,137)
Water and sewer system	(2,010,435)	(269,345)	-	-	(2,279,780)
Total accumulated depreciation	(2,773,006)	(313,392)	-	-	(3,086,398)
Total capital assets, being depreciated, net	7,568,620	(69,593)	-	1,392,571	8,891,598
Business-type activities capital assets, net	$ 8,978,618	$ (18,888)	$ -	$ -	$ 8,959,730

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

Governmental activities:	
General government	$ 34,352
Public safety	44,120
Public works	34,354
Total depreciation expense - governmental activities	$ 112,826
Business - type activities	
Water and sewer	$ 313,392
Total depreciation expense - business - type activities	$ 313,392

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended June 30, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Governmental activities:					
Compensated absences	$ 41,182	$ 67,692	$ (56,901)	$ 51,973	$ 37,064
Notes payable	-	625,000	(74,284)	550,716	100,851
Governmental activity long-term liabilities	$ 41,182	$ 692,692	$ (131,185)	$ 602,689	$ 137,915
Business-type activities:					
Notes payable	$ 990,289	$ -	$ (78,234)	$ 912,055	$ 80,613
Business-type activity long-term liabilities	$ 990,289	$ -	$ (78,234)	$ 912,055	$ 80,613

Compensated absences are generally liquidated by the General Fund.

Governmental Activities

Notes Payable. The City has incurred debt to a financial institution for the addition of a public works building. This note payable is as follows at June 30, 2014:

Purpose	Original Amount	Interest Rate	Due Date	Balance at June 30, 2014
Public works building	$ 625,000	1.80%	2020	$ 550,716
			Less current maturities	(100,851)
				$ 449,865

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

Fiscal Year Payable	Total	Principal	Interest
2015	$ 110,211	$ 100,851	$ 9,360
2016	110,211	102,684	7,527
2017	110,211	104,591	5,620
2018	110,211	106,513	3,698
2019	110,211	108,470	1,741
2020	27,733	27,607	126
	$ 578,788	$ 550,716	$ 28,072

NOTE 7. LONG-TERM DEBT (CONTINUED)

Business-type Activities

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, 2014:

Purpose	Original Amount	Interest Rate	Due Date	Balance at June 30, 2014
Water and sewer system	$ 844,657	4.24%	2021	$ 368,078
Water and sewer system	249,166	0.00%	2022	95,833
Water and sewer system	469,036	2.00%	2033	448,144
				912,055
		Less current maturities		(80,613)
				$ 831,442

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

Fiscal Year Payable	Total	Principal	Interest
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	104,247	91,099	13,148
2020-2024	284,550	250,924	33,626
2025-2029	142,367	125,181	17,186
2030-2033	111,520	107,179	4,341
	$ 1,059,672	$ 912,055	$ 147,617

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, 2014, 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, 2014, 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

NOTE 8. PENSION PLAN (CONTINUED)

B. Defined Benefit Plan (Continued)

Plan Description (Continued)

As of January 1, 2014, the date of the most recent actuarial valuation, there were 29 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	5
Vested terminated employees not yet receiving benefits	6
Active employees	18
Total	29

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
6/30/2012	$ 60,241	$ 60,241	100 %	$ -
6/30/2013	68,942	68,942	100	-
6/30/2014	33,689	33,689	100	-

NOTE 8. PENSION PLAN (CONTINUED)

Plan Funded Status

As of the most recent valuation date, January 1, 2014, 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)
1/1/2014	$ 913,235	$ 904,156	$ (9,079)	101.00 %	$ 675,743	- %

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, 2014.

Actuarial Valuation Information

The City's actuarial valuation information is as follows:

Basis of Valuation	
Current Valuation Date	January 1, 2014
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 20% of market value.
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, 2014, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Water & Sewer Fund	General Fund	$ 63,442

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.

Interfund transfers:

	Transfers Out		
Transfers In	General Fund	Water and Sewer Fund	Total
General Fund	$ -	$ 63,185	$ 63,185
Sales Tax Fund	9,454	33,299	42,753
Nonmajor Governmental Funds	-	2,457	2,457
Total	$ 9,454	$ 98,941	$ 108,395

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

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, 2014, the City paid $3,203 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.

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.

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
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	-
01/01/14	913,235	904,156	(9,079)	101.0	675,743	-

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

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Project Description	Original Costs	Estimated Costs	Expenditures		
			Prior Years	Current Year	Total
Wastewater Treatment Plant	$ 5,000,000	$ 5,183,178	$ 5,183,178	$ 194,579	$ 5,377,757

Reconciliation of the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds to the Statement of Revenues, Expenditures and Changes in Fund Balance

Total current year expenditures of special purpose local option sales tax proceeds	$ 194,579
Principal and interest payments on previously reported expenditures	82,658
Total expenditures, per the statement of revenues, expenditures and changes in fund balance	$ 277,237

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, 2014, 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 December 31, 2014.

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.

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. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described as item 2014-001 in the accompanying schedule of findings and responses that we consider 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards.*

The City of Leesburg, Georgia's Responses to Findings

The City of Leesburg, Georgia's response to the finding 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
December 31, 2014

CITY OF LEESBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

There was not an audit of major federal award programs as of June 30, 2014 due to the total amount expended being less than $500,000

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014 - 001. Segregation of Duties

Criteria: Internal controls should be in place to 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 ended June 30, 2014, 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.

CITY OF LEESBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014

2013 - 001. Segregation of Duties

Criteria: Internal controls should be in place to 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 ended June 30, 2013, we noted a lack of proper segregation of duties within the City Finance Department.

Auditee Response/Status: Unresolved – See current year financial audit finding 2014-001.

2013 - 002. 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.

Auditee Response/Status: Resolved.

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.

Auditee Response/Status: Resolved.