CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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FINANCIAL SECTION

MAULDIN & JENKINS

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, 2017, 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, 2017, 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 Changes in the City's Net Pension Liability and Related Ratios (on page 39) and the Schedule of City Contributions (on page 40) 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 schedules 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 federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules of expenditures of special purpose local option sales tax proceeds and the schedule of expenditures of federal awards 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 schedules of expenditures of special purpose local option sales tax proceeds and the schedule of expenditures of federal awards 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 January 18, 2018, 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
January 18, 2018

CITY OF LEESBURG, GEORGIA

STATEMENT OF NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 885,777	$ 2,351,916	$ 3,237,693
Investments	132,984	142,293	275,277
Taxes receivable	24,337	-	24,337
Accounts receivable, net of allowances	82,091	152,818	234,909
Due from other governments	77,405	-	77,405
Internal balances	289,561	(289,561)	-
Prepaid expenses	26,637	28,857	55,494
Capital assets:			
Nondepreciable	553,593	39,936	593,529
Depreciable, net of accumulated depreciation	1,638,161	10,985,949	12,624,110
Total assets	3,710,546	13,412,208	17,122,754
DEFERRED OUTFLOWS OF RESOURCES			
Contributions subsequent to the measurement date	37,282	12,335	49,617
Differences between expected and actual experience	72,752	24,071	96,823
Total deferred outflows of resources	110,034	36,406	146,440
LIABILITIES			
Accounts payable	71,501	62,671	134,172
Accrued liabilities	47,243	5,563	52,806
Retainage payable	-	35,499	35,499
Due to other governments	3,149	-	3,149
Customer deposits payable	-	172,281	172,281
Notes payable due within one year	106,513	148,709	255,222
Notes payable due in more than one year	135,605	2,601,754	2,737,359
Compensated absences due within one year	36,513	7,203	43,716
Compensated absences due in more than one year	19,660	3,878	23,538
Net pension liability	250,651	82,932	333,583
Total liabilities	670,835	3,120,490	3,791,325
DEFERRED INFLOWS OF RESOURCES			
Pension assumption changes	5,406	1,788	7,194
Net difference between projected and actual earnings on pension plan investments	1,000	330	1,330
Total deferred inflows of resources	6,406	2,118	8,524
NET POSITION			
Net investment in capital assets	1,949,636	8,275,422	10,225,058
Restricted for:			
Capital projects	634,762	-	634,762
Public safety	1,797	-	1,797
Unrestricted	557,144	2,050,584	2,607,728
Total net position	$ 3,143,339	$ 10,326,006	$ 13,469,345

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, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions
Primary government:			
Governmental activities:			
General government	$ 396,226	$ 9,436	$ -
Judicial	74,058	-	-
Public safety	797,018	198,212	-
Public works	912,158	469,948	620,913
Housing and development	-	-	-
Interest on long-term debt	5,379	-	-
Total governmental activities	2,184,839	677,596	620,913
Business-type activities:			
Water and sewer	1,060,470	981,548	412,963
Total business-type activities	1,060,470	981,548	412,963
Total primary government	$ 3,245,309	$ 1,659,144	$ 1,033,876
General revenues:			
Property taxes			
Franchise fees			
Sales taxes			
Selective sales and use taxes			
Business taxes			
Insurance premium tax			
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
$ (386,790)	$ -	$ (386,790)
(74,058)	-	(74,058)
(536,838)	-	(536,838)
178,703	-	178,703
1,970	-	1,970
(5,379)	-	(5,379)
(822,392)	-	(822,392)
-	334,041	334,041
-	334,041	334,041
(822,392)	334,041	(488,351)
451,057	-	451,057
168,844	-	168,844
427,214	-	427,214
67,742	-	67,742
33,879	-	33,879
180,751	-	180,751
2,224	5,579	7,803
64,186	(64,186)	-
1,395,897	(58,607)	1,337,290
573,505	275,434	848,939
2,569,834	10,050,572	12,620,406
$ 3,143,339	$ 10,326,006	$ 13,469,345

CITY OF LEESBURG, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

ASSETS	General	Sales Tax Fund	Nonmajor Governmental Fund Confiscated Asset Fund	Totals Governmental Funds
Cash and cash equivalents	$ 276,729	$ 607,251	$ 1,797	$ 885,777
Investments	132,984	-	-	132,984
Taxes receivable, net	24,337	-	-	24,337
Accounts receivable	82,091	-	-	82,091
Due from other funds	289,561	-	-	289,561
Due from other governments	44,207	33,198	-	77,405
Prepaid expenditures	26,637	-	-	26,637
Total assets	$ 876,546	$ 640,449	$ 1,797	$ 1,518,792
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 65,814	$ 5,687	$ -	$ 71,501
Accrued liabilities	47,243	-	-	47,243
Due to other governments	3,149	-	-	3,149
Total liabilities	116,206	5,687	-	121,893
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	23,210	-	-	23,210
Total deferred inflows of resources	23,210	-	-	23,210
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	26,637	-	-	26,637
Restricted for:				
Capital projects	-	634,762	-	634,762
Public safety	-	-	1,797	1,797
Unassigned	710,493	-	-	710,493
Total fund balances	737,130	634,762	1,797	1,373,689
Total liabilities, deferred inflows of resources, and fund balances	$ 876,546	$ 640,449	$ 1,797	

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.	2,191,754
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	23,210
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds.	110,034
Certain liabilities are not due and payable in the current period and are, therefore, not reported in the funds.	(298,291)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(250,651)
Deferred inflows of resources related to pension assumption changes are not available to pay for current period expenditures and, therefore, are not reported in the funds.	(6,406)
Net position of governmental activities	$ 3,143,339

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, 2017

	General	Sales Tax Fund	Nonmajor Governmental Fund Confiscated Asset Fund	Totals Governmental Funds
Revenues				
Property taxes	$ 430,314	$ -	$ -	$ 430,314
Franchise fees	168,844	-	-	168,844
Sales taxes	427,214	-	-	427,214
Selective sales and use taxes	67,742	-	-	67,742
Business taxes	33,879	-	-	33,879
Insurance premium taxes	180,751	-	-	180,751
Licenses and permits	7,090	-	-	7,090
Intergovernmental	63,938	619,518	-	683,456
Charges for services	471,984	-	-	471,984
Fines and forfeitures	196,236	-	-	196,236
Interest revenue	2,224	1,395	-	3,619
Other revenues	2,286	-	-	2,286
Total revenues	2,052,502	620,913	-	2,673,415
Expenditures				
Current:				
General government	351,016	-	-	351,016
Judicial	74,058	-	-	74,058
Public safety	770,563	-	-	770,563
Public works	838,570	-	-	838,570
Capital outlay	-	434,922	-	434,922
Debt service:				
Principal	-	104,831	-	104,831
Interest	-	5,379	-	5,379
Total expenditures	2,034,207	545,132	-	2,579,339
Excess of revenues over expenditures	18,295	75,781	-	94,076
Other financing sources				
Transfers in	64,186	-	-	64,186
Total other financing sources	64,186	-	-	64,186
Net change in fund balances	82,481	75,781	-	158,262
Fund balances, beginning of year	654,649	558,981	1,797	1,215,427
Fund balances, end of year	$ 737,130	$ 634,762	$ 1,797	$ 1,373,689

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, 2017

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	158,262
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.		304,946
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		20,743
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 payment on notes payable.		104,831
Some expenses 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.		(15,277)
Net change in net position - governmental activities	$	573,505

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, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Property taxes	$ 433,236	$ 433,236	$ 430,314	$ (2,922)
Franchise fees	168,000	168,000	168,844	844
Sales taxes	430,000	430,000	427,214	(2,786)
Selective sales and use taxes	61,500	61,500	67,742	6,242
Business taxes	26,000	26,000	33,879	7,879
Insurance premium taxes	176,244	176,244	180,751	4,507
Licenses and permits	18,000	18,000	7,090	(10,910)
Intergovernmental	74,000	74,000	63,938	(10,062)
Charges for services	500,000	500,000	471,984	(28,016)
Fines and forfeitures	140,000	140,000	196,236	56,236
Interest revenue	-	-	2,224	2,224
Other revenues	-	-	2,286	2,286
Total revenues	2,026,980	2,026,980	2,052,502	25,522
Expenditures:				
Current:				
General government:				
Administration	399,796	399,796	351,016	48,780
Total general government	399,796	399,796	351,016	48,780
Judicial:				
Municipal court	294,784	294,784	74,058	220,726
Total judicial	294,784	294,784	74,058	220,726
Public safety:				
Police	784,484	784,484	770,563	13,921
Total public safety	784,484	784,484	770,563	13,921
Public works:				
Sanitation	417,700	417,700	412,943	4,757
Maintenance department	437,018	437,018	418,579	18,439
Code enforcement	7,384	7,384	7,048	336
Total public works	862,102	862,102	838,570	23,532
Total expenditures	2,341,166	2,341,166	2,034,207	306,959
Excess (deficiency) of revenues over expenditures	(314,186)	(314,186)	18,295	332,481
Other financing sources				
Transfers in	64,186	64,186	64,186	-
Total other financing sources	64,186	64,186	64,186	-
Net change in fund balances	(250,000)	(250,000)	82,481	332,481
Fund balances, beginning of year	654,649	654,649	654,649	-
Fund balances, end of year	$ 404,649	$ 404,649	$ 737,130	$ 332,481

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

CITY OF LEESBURG, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2017

	Water and Sewer Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 2,351,916
Investments	142,293
Accounts receivable	152,818
Prepaid expenses	28,857
Total current assets	2,675,884
NONCURRENT ASSETS	
Capital assets:	
Nondepreciable	39,936
Depreciable, net of accumulated depreciation	10,985,949
Total noncurrent assets	11,025,885
Total assets	13,701,769
DEFERRED OUTFLOWS OF RESOURCES	
Contributions subsequent to the measurement date	12,335
Differences between expected and actual experience	24,071
Total deferred outflows of resources	36,406
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	62,671
Retainage payable	35,499
Accrued liabilities	5,563
Due to other funds	289,561
Customer deposits payable	172,281
Compensated absences, current portion	3,878
Notes payable, current portion	148,709
Total current liabilities	718,162
NONCURRENT LIABILITIES	
Compensated absences, net of current portion	7,203
Notes payable, net of current portion	2,601,754
Net pension liability	82,932
Total long-term liabilities	2,691,889
Total liabilities	3,410,051
DEFERRED INFLOWS OF RESOURCES	
Pension assumption changes	1,788
Net difference between projected and actual earnings on pension plan investments	330
Total deferred inflows of resources	2,118
NET POSITION	
Net investment in capital assets	8,275,422
Unrestricted	2,050,584
Total net position	$ 10,326,006

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, 2017

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	$ 981,548
Total operating revenues	981,548
OPERATING EXPENSES	
Personal services	311,121
Costs of operations	320,333
Supplies	93,884
Depreciation	317,142
Total operating expenses	1,042,480
Operating loss	(60,932)
NONOPERATING REVENUES (EXPENSES)	
Interest income	5,579
Interest expense	(17,990)
Total nonoperating revenues (expenses)	(12,411)
Loss before contributions and transfers	(73,343)
CAPITAL CONTRIBUTIONS	
Intergovernmental - capital grants	141,106
Capital contributions	271,857
	412,963
TRANSFERS OUT	(64,186)
Change in net position	275,434
NET POSITION, beginning of year	10,050,572
NET POSITION, end of year	$ 10,326,006

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, 2017

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,857,847
Payments to suppliers	(824,687)
Payments to employees	(296,559)
Net cash provided by operating activities	736,601
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(64,186)
Net cash used in noncapital financing activities	(64,186)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(924,319)
Intergovernmental revenues	141,106
Proceeds from notes payable	749,230
Principal paid on notes payable	(85,675)
Interest paid	(16,543)
Net cash used in capital and related financing activities	(136,201)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	5,579
Net cash provided by investing activities	5,579
Change in cash and cash equivalents	541,793
Cash and cash equivalents:	
Beginning of year	1,810,123
End of year	$ 2,351,916
Classified as:	
Cash and cash equivalents	$ 2,351,916

(Continued)

CITY OF LEESBURG, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Water and Sewer Fund
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (60,932)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	317,142
Changes in assets and liabilities:	
Decrease in accounts receivable	441,323
Decrease in due from other funds	91,886
Decrease in prepaids and other assets	7,081
Decrease in due from other governments	17,090
Increase in subsequent pension contributions	(6,083)
Increase in investment experience differences	(5,915)
Decrease in investment earning differences	6,645
Decrease in accounts payable	(317,543)
Decrease in retainage payable	(100,008)
Increase in accrued liabilities	1,467
Increase in customer deposits	36,439
Increase in due to other funds	289,561
Decrease in compensated absences	(494)
Decrease in pension assumption changes	(154)
Increase in net pension liability	19,096
Net cash provided by operating activities	$ 736,601
Noncash capital and related financing activities	
Contributions of capital assets from SPLOST Fund	$ 9,200
Federal loan subsidy	262,657
	$ 271,857

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 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 GASB No. 61 "The Financial Reporting Entity", the City was determined to have no component units as of June 30, 2017.

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 type:

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, 2017, $23,938 of 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 has two items that qualify for reporting in this category that are related to changes in its net pension liability. Any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources. Additionally, experience gains or losses result from periodic studies by the City's actuary, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members.

In addition to liabilities, the balance sheet and 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, arising 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 not received within 60 days after year end. 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)

J. Deferred Outflows/Inflows of Resources (Continued)

Additionally, the City has two items that qualify for reporting in this category related to the City's Retirement Plan which are reported in the government-wide and proprietary fund statements of net position. Changes in actuarial assumptions, which adjust the net pension liability, are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Also, the differences between projected investment return on pension investments and actual return on those investments is deferred and amortized against pension expense over a five year period, resulting in recognition as a deferred inflow of resources.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

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

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

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities 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 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City of Leesburg Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 difference are as follows:

Notes payable	$	(242,118)
Compensated absences		(56,173)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position of governmental activities*	$	(298,291)

Another element of that reconciliation explains that "deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds". The details of this difference are as follows:

Differences between expected and actual experience	$	72,752
County contributions subsequent to the measurement date		37,282
Net adjustment to increase fund balance - total governmental funds to arrive at *net position - governmental activities*	$	110,034

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

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 difference are as follows:

Capital outlay	$	407,016
Depreciation expense		(102,070)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	304,946

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this difference are as follows:

Compensated absences	$	(6,341)
Change in pension and related deferred inflows and outflows of resources		(8,936)
Net adjustment to decrease *net changes in fund balance - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(15,277)

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, 2017:

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.

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.

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.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2017, the City had the following investments:

Investments	Maturities	Fair Value
Certificates of deposit	4 month weighted average	$ 275,277

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, 2017, the City had no uncollateralized deposits as defined by GASB pronouncements.

Fair Value Measurements. The City categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. At June 30, 2017, the City had no investments requiring disclosure within the fair value hierarchy.

NOTE 5. RECEIVABLES

Receivables as of June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Total
Receivables:			
Taxes	$ 24,337	$ -	$ 24,337
Accounts	99,929	196,516	296,445
Gross receivables	124,266	196,516	320,782
Less: allowance for uncollectibles	(17,838)	(43,698)	(61,536)
Net total receivables	$ 106,428	$ 152,818	$ 259,246

NOTE 5. RECEIVABLES (CONTINUED)

Property taxes. Property taxes were levied by the City on October 10, 2016 (Levy Date) based upon property values assessed as of January 1. The billings were mailed on October 20, 2016, and payable on or before December 20, 2016. The net receivables collected during the year ended June 30, 2017, and collected by August 31, 2017, are recognized as revenues in the year ended June 30, 2017. Net receivables estimated to be collected subsequent to August 31, 2017, 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, 2017, 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	52,959	394,794	-	-	447,753
Total capital assets, not being depreciated	158,799	394,794	-	-	553,593
Capital assets, being depreciated:					
Buildings and improvements	1,448,062	-	-	-	1,448,062
Equipment and vehicles	784,698	12,222	-	-	796,920
Infrastructure	549,724	-	-	-	549,724
Total capital assets, being depreciated	2,782,484	12,222	-	-	2,794,706
Less accumulated depreciation for:					
Buildings and improvements	(332,914)	(27,481)	-	-	(360,395)
Equipment and vehicles	(611,831)	(60,846)	-	-	(672,677)
Infrastructure	(109,730)	(13,743)	-	-	(123,473)
Total accumulated depreciation	(1,054,475)	(102,070)	-	-	(1,156,545)
Total capital assets, being depreciated, net	1,728,009	(89,848)	-	-	1,638,161
Governmental activities capital assets, net	$ 1,886,808	$ 304,946	$ -	$ -	$ 2,191,754

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	1,778,557	1,194,728	-	(2,946,276)	27,009
Total capital assets, not being depreciated	1,791,484	1,194,728	-	(2,946,276)	39,936
Capital assets, being depreciated:					
Buildings and improvements	619,003	-	-	-	619,003
Equipment and vehicles	516,433	-	-	-	516,433
Plant	6,276,459	-	-	-	6,276,459
Water and sewer system	4,688,395	-	-	2,946,276	7,634,671
Total capital assets, being depreciated	12,100,290	-	-	2,946,276	15,046,566
Less accumulated depreciation for:					
Buildings and improvements	(606,725)	(125,529)	-	-	(732,254)
Equipment and vehicles	(492,185)	(9,326)	-	-	(501,511)
Plant	(213,508)	(50,087)	-	-	(263,595)
Water and sewer system	(2,431,057)	(132,200)	-	-	(2,563,257)
Total accumulated depreciation	(3,743,475)	(317,142)	-	-	(4,060,617)
Total capital assets, being depreciated, net	8,356,815	(317,142)	-	2,946,276	10,985,949
Business-type activities capital assets, net	$ 10,148,299	$ 877,586	$ -	$ -	$ 11,025,885

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

Governmental activities:	
General government	$ 22,372
Public safety	33,401
Public works	46,297
Total depreciation expense - governmental activities	$ 102,070
Business - type activities	
Water and sewer	$ 317,142
Total depreciation expense - business - type activities	$ 317,142

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Governmental activities:					
Notes payable	$ 346,949	$ -	$ (104,831)	$ 242,118	$ 106,513
Compensated absences	49,832	40,380	(34,039)	56,173	36,513
Net pension liability	251,460	127,398	(128,207)	250,651	-
Governmental activity long-term liabilities	$ 648,241	$ 167,778	$ (267,077)	$ 548,942	$ 143,026
Business-type activities:					
Notes payable	$ 2,086,908	$ 749,230	$ (85,675)	$ 2,750,463	$ 148,709
Compensated absences	11,575	30,106	(30,600)	11,081	7,203
Net pension liability	63,836	41,543	(22,447)	82,932	-
Business-type activity long-term liabilities	$ 2,162,319	$ 820,879	$ (138,722)	$ 2,844,476	$ 155,912

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, 2017:

Purpose	Original Amount	Interest Rate	Due Date	Balance at June 30, 2017
Public works building	$ 625,000	1.80%	2020	$ 242,118
			Less current maturities	(106,513)
				$ 135,605

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

Fiscal Year Payable	Total	Principal	Interest
2018	$ 110,211	$ 106,513	$ 3,698
2019	110,211	108,470	1,741
2020	27,261	27,135	126
	$ 247,683	$ 242,118	$ 5,565

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, 2017:

Purpose	Original Amount	Interest Rate	Due Date	Balance at June 30, 2017
Water and sewer system	$ 844,657	4.24%	2021	$ 217,355
Water and sewer system	249,166	0.00%	2022	57,500
Water and sewer system	469,036	2.00%	2033	387,873
Water and sewer system	934,469	1.40%	2037	939,469
Water and sewer system	516,964	2.03%	2038	516,963
Water and sewer system	631,303	1.70%	2039	631,303
				2,750,463
		Less current maturities		(148,709)
				$ 2,601,754

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

Fiscal Year Payable	Total	Principal	Interest
2018	$ 187,755	$ 148,709	$ 39,046
2019	189,601	154,240	35,361
2020	189,600	158,148	31,452
2021	173,851	146,452	27,399
2022	120,214	95,310	24,904
2023-2027	569,137	468,237	100,900
2028-2032	569,137	510,267	58,870
2033-2038	452,870	435,159	17,711
2039	2,643	2,638	5
	$ 2,454,808	$ 2,119,160	$ 335,648

The above schedule does not include a note payable of $631,303, which is still in the draw down phase.

NOTE 8. PENSION PLAN

Plan Description

The City, as authorized by the City Council, has established a non-contributory defined benefit pension plan (The City of Leesburg Retirement Plan), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive between 1% and 1.75% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City Council, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As of January 1, 2017, the date of the most recent actuarial valuation, there were 36 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	8
Vested terminated employees not yet receiving benefits	8
Active employees	20
Total	36

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. City contributions to the Plan were $60,601 for the year ended June 30, 2017.

NOTE 8. PENSION PLAN (CONTINUED)

Net Pension Liability of the City

Effective July 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of September 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2016 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2016.

Actuarial assumptions. The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% - 8.75%, including inflation
Investment rate of return	7.75 %, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - June 30, 2014.

Cost of living adjustments were assumed to be 3.00% although the Plan allowance for annual cost of living adjustment is variable, as established by the City Council, in an amount not to exceed 4%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the table on the following page.

NOTE 8. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Asset class	Target Allocation	Long-term expected real rate of return*
Domestic equity	45%	6.75 %
International equity	20%	7.45
Real estate	10%	4.55
Global fixed income	5%	3.30
Domestic fixed income	20%	1.75
Cash	0%	
Total	100%	

* Rates show are net of the 3.25% assumed rate of inflation

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended June 30, 2017, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning balances	$ 1,284,305	$ 969,009	$ 315,296
Changes for the year:			
Service cost	36,388	-	36,388
Interest	97,152	-	97,152
Differences between expected and actual experience	31,436	-	31,436
Contributions - employer	-	43,488	(43,488)
Net investment income	-	107,166	(107,166)
Benefit payments, including refunds of employee contributions	(61,460)	(61,460)	-
Administrative expense	-	(3,965)	3,965
Ending balances	$ 1,387,821	$ 1,054,238	$ 333,583

NOTE 8. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	$ 523,583	$ 333,583	$ 174,923

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 a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2016, and the current sharing pattern of costs between employer and employee.

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

For the year ended June 30, 2017, the City recognized pension expense of $84,750. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 96,823	$ -
Assumption changes	-	7,194
Net difference between projected and actual earnings on pension plan investments	-	1,330
Contributions subsequent to the measurement date	49,617	-
Total	$ 146,440	$ 8,524

NOTE 8. PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

City contributions subsequent to the measurement date of $49,617 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 21,489
2019	21,489
2020	27,943
2021	12,140
2022	5,238
	$ 88,299

NOTE 9. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2017, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	$ 289,561

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	Water and Sewer Fund	Total
General Fund	$ 64,186	$ 64,186
Total	$ 64,186	$ 64,186

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, 2017, the City paid $3,281 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (O.C.G.A.), 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. O.C.G.A. 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.

NOTE 12. RISK MANAGEMENT (CONTINUED)

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 City 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.

CITY OF LEESBURG, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2017	2016	2015
Total pension liability			
Service cost	**$ 36,388**	$ 32,263	$ 28,400
Interest on total pension liability	**97,152**	85,907	79,636
Differences between expected and actual experience	**31,436**	80,911	33,378
Changes in assumptions	**-**	-	(14,388)
Changes of benefit terms	**-**	-	-
Benefit payments, including refunds of employee contributions	**(61,460)**	(46,499)	(45,725)
Net change in total pension liability	**103,516**	152,582	81,301
Total pension liability - beginning	**1,284,305**	1,131,723	1,050,422
Total pension liability - ending (a)	**$ 1,387,821**	$ 1,284,305	$ 1,131,723
Plan fiduciary net position			
Contributions - employer	**$ 43,488**	$ 41,042	$ 35,218
Net investment income	**107,166**	11,400	100,019
Benefit payments, including refunds of employee contributions	**(61,460)**	(46,499)	(45,725)
Administrative expense	**(3,965)**	(4,192)	(3,376)
Other	**-**	-	-
Net change in plan fiduciary net position	**85,229**	1,751	86,136
Plan fiduciary net position - beginning	**969,009**	967,258	881,122
Plan fiduciary net position - ending (b)	**$ 1,054,238**	$ 969,009	$ 967,258
City's net pension liability - ending (a) - (b)	**$ 333,583**	$ 315,296	$ 164,465
Plan fiduciary net position as a percentage of the total pension liability	**75.96%**	75.45%	85.47%
Covered-employee payroll	**$ 922,309**	$ 896,181	$ 831,387
City's net pension liability as a percentage of covered - employee payroll	**36.17%**	35.18%	19.78%

Notes to the schedule

The schedule will present 10 years of information once it is accumulated.

CITY OF LEESBURG, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS

	2017	2016	2015
Actuarially determined contribution	**$ 59,541**	$ 44,752	$ 39,805
Contributions in relation to the actuarially determined contribution	**60,601**	53,872	44,105
Contribution deficiency (excess)	**$ (1,060)**	$ (9,120)	$ (4,300)
Covered-employee payroll	**$ 922,309**	$ 896,181	$ 831,387
Contributions as a percentage of covered-employee payroll	**6.57%**	6.01%	5.30%

Notes to the Schedule

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 14 years
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial Assumptions:	
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%

The schedule will present 10 years of information once it is accumulated.

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX VI PROCEEDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
Public Safety Capital Projects and Equipment	$ 75,000	$ 75,000	$ 67,719	$ -	$ 67,719
Public Facilities, Renovations, and Construction	1,375,000	1,375,000	875,231	418,886	1,294,117
Water and Sewer Projects	750,000	750,000	-	9,200	9,200
Roads, Streets, and Bridges	350,000	350,000	55,207	6,836	62,043
Stormwater Projects	100,000	100,000	-	-	-
Total	$ 2,650,000	$ 2,650,000	$ 998,157	$ 434,922	$ 1,433,079

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX V PROCEEDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Wastewater Treatment Plant	$ 5,000,000	$ 5,048,736	$ 5,048,736	$ -	$ 5,048,736

Expenditures per above schedules:	
Sales Tax VI	$ 434,922
Sales Tax V	-
	$ 434,922
Expenditures per Statement of Revenues, Expenditures, and Changes in Fund Balance	$ 545,132
Principal and interest on debt obligations	(110,210)
Total SPLOST expenditures	$ 434,922

COMPLIANCE SECTION

MAULDIN & JENKINS

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Leesburg, Georgia (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Leesburg, Georgia's basic financial statements and have issued our report thereon dated January 18, 2018.

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 in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2017-003 through 2017-005 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2017-001 and 2017-002, to be significant deficiencies.

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 that are required to be reported under *Government Auditing Standards*.

The City of Leesburg, Georgia's Responses to Findings

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

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
January 18, 2018

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited City of Leesburg, Georgia's (the "City's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Albany, Georgia
January 18, 2018

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Housing & Urban Development			
Passed through Georgia Department of Community Affairs			
Community Development Block Grants/State's Program	14.228	14p-x-088-2-5679	$ 145,196
Community Development Block Grants/State's Program	14.228	16p-x-088-2-5860	13,000
Total U.S. Department of Housing & Urban Development			158,196
U.S. Environmental Protection Agency			
Passed through the Georgia Environmental Finance Authority			
Capitalization Grant for Drinking Water	66.468	DWSRF15036	327,094
Capitalization Grant for Drinking Water	66.468	DWSRF13014	100,329
Total U.S. Environmental Protection Agency			427,423
U.S. Department of Transportation			
Passed through the Georgia Department of Transportation			
Highway Planning and Construction	20.205	009264	226,620
Total U.S. Department of Transportation			226,620
Total Expenditures of Federal Awards			$ 812,239

CITY OF LEESBURG, GEORGIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Leesburg, Georgia and is presented on the modified accrual basis of accounting in accordance with the requirements of 2 CFR part 200, OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. NON-CASH ASSISTANCE AND LOANS

There were no federal awards expended in the form of noncash assistance during the year. There were also no loans or loan guarantees outstanding at year end.

NOTE 3. DE MINIMIS INDIRECT COST RATE

The City of Leesburg, Georgia did not use the ten percent de minimis indirect cost rate.

CITY OF LEESBURG, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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?	___ Yes _X_ No

Federal Awards

Internal control over financial reporting: Material weaknesses identified?	____ Yes _X_ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes _X_ None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	____Yes _X_ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Environmental Protection Agency
66.468	Capitalization Grants – Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	____ Yes _X_ No

CITY OF LEESBURG, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2017–001. 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, 2017, 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.

2017–002. Reversal of Prior Year Receivables From Other Governments

Criteria: Receivables balances recorded at the end of a fiscal year should be reversed in the subsequent year once the amounts have been collected.

Condition: The City did not reverse receivables due from GEFA (for drawdowns of reimbursements under the GEFA loan programs) or due from the Georgia Department of Community Affairs under the CDBG grant program.

Context: We addressed this matter with City officials and they were able to determine the adjustment needed to reverse the prior year receivable amounts.

Effect: An adjustment to decrease accounts receivable and decrease notes payable for $451,215 and decrease CDBG accounts receivable and decrease CDBG grant revenue by $17,090 were required to be recorded in the Water and Sewer Fund.

Cause: Closeout procedures for accounts receivable did not capture all prior year balances not yet reversed.

Recommendation: We recommend the City strengthen procedures to ensure all amounts received subsequent to year end for receivables of the previous year are properly posted against the receivable account.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures to ensure all subsequent receipts of previously recorded accounts receivable are properly recorded.

2017–003. Unbilled Service Receivables

Criteria: A receivable should be recorded for water and sewer used by customers but not yet billed to those customers as of June 30, 2017.

Condition: The City adjustment of unbilled receivables for water and sewer sales as of June 30, 2017, was incorrect due to inaccurate meter readings.

Context: We addressed this matter with City officials and they were able to determine the adjustment needed to properly reflect the unbilled receivable balance.

Effect: An adjustment to decrease unbilled accounts receivable and decrease water and sewer revenue by $37,621 was required to be recorded in the Water and Sewer Fund.

Cause: Adjustment for unbilled receivables was incorrectly posted due to incorrect meter readings.

Recommendation: We recommend the City strengthen procedures to ensure meter readings are accurately documented so that unbilled receivables at year end are properly recorded.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures to ensure all meter readings are accurately documented.

2017–004. Recording of Drawdowns and Interest Related to GEFA Loans

Criteria: Amounts drawn on GEFA loans should be recorded as an increase to the notes payable balance, unless those amounts are a subsidy, and not required to be repaid by the City. Additionally, interest paid during the construction phase of a project should be recorded as capitalized interest and included in the appropriate construction in progress account.

Condition: The City did not properly record all drawdowns received and interest paid on its GEFA loans.

Context: We addressed this matter with City officials and they were able to determine the adjustment needed to properly reflect drawdowns made and interest paid for GEFA loan activity.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

Effect: Adjustments to decrease notes payable by $272,774, increase capital contributions by $262,657, increase accrued interest payable by $1,467, decrease interest expense by $32,587, and increase the water and sewer system capital asset by $23,938 were required to be recorded in the Water and Sewer Fund.

Cause: Closeout procedures for accounts receivable did not capture all prior year balances not yet reversed.

Recommendation: We recommend the City strengthen procedures to ensure all amounts received subsequent to year end for receivables of the previous year are properly posted against the receivable account.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures to ensure all subsequent receipts of previously recorded accounts receivable are properly recorded.

2017–005. Recording of Capital Contributions From Other Funds

Criteria: When a governmental fund type purchases or constructs capital assets for a proprietary fund, the proprietary fund should record the capital asset and a capital contribution for the amount expended.

Condition: The City did not properly record a capital asset and capital contribution in the Water and Sewer Fund for expenditures of the SPLOST Fund when funds were used as a match for a CDBG construction project.

Context: We addressed this matter with City officials and they were able to determine the adjustment needed to properly record the capital asset (CIP) and capital contribution.

Effect: An adjustment to increase capital contributions and increase capital assets (CIP) by $9,200 was required to be recorded in the Water and Sewer Fund.

Cause: The payment in the SPLOST Fund for the Water and Sewer Fund Project was inadvertently missed during the closeout process.

Recommendation: We recommend the City strengthen procedures to ensure all capital contributions are properly recorded.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures to ensure all capital contributions are properly recorded.

CITY OF LEESBURG, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

CITY OF LEESBURG, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

2016–001. 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, 2016, we noted a lack of proper segregation of duties within the City Finance Department.

Auditee Response/Status: Unresolved. See current year finding 2017-001.

2016–002. Management of Accrued Expenses

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: The City did not properly address the above criteria as of June 30, 2016, as it relates to accrued expenses in the Water and Sewer Fund.

Auditee Response/Status: Unresolved. See current year finding 2017-002.