CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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FINANCIAL SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, 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's basic financial statements. The schedules of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia Annotated ("O.C.G.A.") §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 schedules of expenditures of special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of special purpose local option sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Leesburg, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Albany, Georgia
December 12, 2019

CITY OF LEESBURG, GEORGIA

STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 783,682	$ 1,571,776	$ 2,355,458
Investments	133,542	144,878	278,420
Taxes receivable	24,945	-	24,945
Accounts receivable, net of allowances	98,519	167,396	265,915
Due from other governments	276,982	-	276,982
Internal balances	163,323	(163,323)	-
Prepaid expenses	46,139	34,939	81,078
Capital assets:			
Nondepreciable	165,423	17,736	183,159
Depreciable, net of accumulated depreciation	2,569,496	11,073,551	13,643,047
Total assets	4,262,051	12,846,953	17,109,004
DEFERRED OUTFLOWS OF RESOURCES			
Contributions subsequent to the measurement date	38,615	14,238	52,853
Differences between expected and actual experience	61,554	22,696	84,250
Assumption changes	8,826	3,254	12,080
Total deferred outflows of resources	108,995	40,188	149,183
LIABILITIES			
Accounts payable	134,112	19,161	153,273
Accrued liabilities	48,701	5,563	54,264
Due to other governments	10,103	-	10,103
Customer deposits payable	-	193,271	193,271
Notes payable due within one year	-	193,236	193,236
Notes payable due in more than one year	-	2,439,414	2,439,414
Compensated absences due within one year	35,143	9,660	44,803
Compensated absences due in more than one year	18,923	5,201	24,124
Net pension liability	200,098	73,782	273,880
Total liabilities	447,080	2,939,288	3,386,368
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience	12,879	4,749	17,628
Pension assumption changes	1,752	646	2,398
Net difference between projected and actual earnings on pension plan investments	51,259	18,900	70,159
Total deferred inflows of resources	65,890	24,295	90,185
NET POSITION			
Net investment in capital assets	2,734,919	8,458,637	11,193,556
Restricted for:			
Capital projects	60,095	-	60,095
Public safety	1,797	-	1,797
Unrestricted	1,061,265	1,464,921	2,526,186
Total net position	$ 3,858,076	$ 9,923,558	$ 13,781,634

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, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions
Primary government:			
Governmental activities:			
General government	$ 480,736	$ 74,779	$ -
Judicial	90,637	-	-
Public safety	996,992	231,761	-
Public works	994,413	505,629	468,498
Recreation	500,270	-	-
Housing and development	9,685	-	-
Interest on long-term debt	1,264	-	-
Total governmental activities	3,073,997	812,169	468,498
Business-type activities:			
Water and sewer	1,178,920	974,136	516,184
Total business-type activities	1,178,920	974,136	516,184
Total primary government	$ 4,252,917	$ 1,786,305	$ 984,682

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**
$ (251,654)	$ -	$ (251,654)
(90,637)	-	(90,637)
(607,410)	-	(607,410)
(20,286)	-	(20,286)
(500,270)	-	(500,270)
(7,715)	-	(7,715)
(1,264)	-	(1,264)
(1,479,236)	-	(1,479,236)
-	311,400	311,400
-	311,400	311,400
(1,479,236)	311,400	(1,167,836)
497,625	-	497,625
169,108	-	169,108
437,674	-	437,674
60,929	-	60,929
38,382	-	38,382
207,571	-	207,571
1,574	6,374	7,948
315,303	(315,303)	-
1,728,166	(308,929)	1,419,237
248,930	2,471	251,401
3,609,146	9,921,087	13,530,233
$ 3,858,076	$ 9,923,558	$ 13,781,634

CITY OF LEESBURG, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General	Sales Tax Fund	Nonmajor Governmental Funds: Confiscated Assets Fund	Nonmajor Governmental Funds: T-SPLOST Fund	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	$ 459,665	$ 277,824	$ 1,797	$ 44,396	$ 783,682
Investments	133,542	-	-	-	133,542
Taxes receivable, net	24,945	-	-	-	24,945
Accounts receivable	98,519	-	-	-	98,519
Interest receivable	-	-	-	-	-
Notes receivable	-	-	-	-	-
Due from other funds	163,423	-	-	-	163,423
Due from other governments	200,218	54,365	-	22,399	276,982
Inventories	-	-	-	-	-
Prepaid expenditures	46,139	-	-	-	46,139
Advances to other funds	500,268	-	-	-	500,268
Total assets	$ 1,626,719	$ 332,189	$ 1,797	$ 66,795	$ 2,027,500
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 75,309	$ 52,203	$ -	$ 6,600	$ 134,112
Retainage payable	-	-	-	-	-
Accrued liabilities	48,701	-	-	-	48,701
Deferred revenues	-	-	-	-	-
Due to other funds	-	-	-	100	100
Due to other governments	10,103	-	-	-	10,103
Advance from other funds	-	500,268	-	-	500,268
Total liabilities	134,113	552,471	-	6,700	693,284
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	22,996	-	-	-	22,996
Total deferred inflows of resources	22,996	-	-	-	22,996
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	46,139	-	-	-	46,139
Advances to other funds	500,268	-	-	-	500,268
Restricted for:					
Capital projects	-	-	-	60,095	60,095
Public safety	-	-	1,797	-	1,797
Unassigned (deficit)	923,203	(220,282)	-	-	702,921
Total fund balances	1,469,610	(220,282)	1,797	60,095	1,311,220
Total liabilities, deferred inflows of resources, and fund balances	$ 1,626,719	$ 332,189	$ 1,797	$ 66,795	

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.	2,734,919
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	22,996
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds.	108,995
Certain liabilities are not due and payable in the current period and are, therefore, not reported in the funds.	(54,066)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(200,098)
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.	(65,890)
Net position of governmental activities	$ 3,858,076

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, 2019

	General	Sales Tax Fund	Nonmajor Governmental Funds		Totals Governmental Funds
			Confiscated Assets Fund	T-SPLOST Fund	
Revenues					
Property taxes	$ 503,244	$ -	$ -	$ -	$ 503,244
Franchise fees	169,108	-	-	-	169,108
Sales taxes	437,674	-	-	-	437,674
Selective sales and use taxes	60,929	-	-	-	60,929
Business taxes	38,382	-	-	-	38,382
Insurance premium taxes	207,571	-	-	-	207,571
Licenses and permits	6,700	-	-	-	6,700
Intergovernmental	314,094	398,770	-	69,115	781,979
Charges for services	506,271	-	-	-	506,271
Fines and forfeitures	231,173	-	-	-	231,173
Interest revenue	1,569	613	-	5	2,187
Other revenues	68,025	-	-	-	68,025
Total revenues	2,544,740	399,383	-	69,120	3,013,243
Expenditures					
Current:					
General government	446,189	-	-	-	446,189
Judicial	90,637	-	-	-	90,637
Public safety	969,354	-	-	-	969,354
Public works	927,964	-	-	-	927,964
Economic development	9,685	-	-	-	9,685
Capital outlay	-	664,217	-	9,025	673,242
Debt service:					
Principal	-	136,006	-	-	136,006
Interest	-	1,264	-	-	1,264
Total expenditures	2,443,829	801,487	-	9,025	3,254,341
Excess (deficiency) of revenues over expenditures	100,911	(402,104)	-	60,095	(241,098)
Other financing sources					
Transfers in	360,519	-	-	-	360,519
Total other financing sources	360,519	-	-	-	360,519
Net change in fund balances	461,430	(402,104)	-	60,095	119,421
Fund balances, beginning of year	1,008,180	181,822	1,797	-	1,191,799
Fund balances, end of year	$ 1,469,610	$ (220,282)	$ 1,797	$ 60,095	$ 1,311,220

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 GOVERMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	119,421
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.		56,792
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals and donations) is to decrease net position.		(45,216)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(5,619)
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.		135,664
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.		(12,112)
Net change in net position - governmental activities	$	248,930

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, 2019

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Property taxes	$ 467,877	$ 512,074	$ 503,244	$ (8,830)
Franchise fees	171,149	171,149	169,108	(2,041)
Sales taxes	465,000	437,000	437,674	674
Selective sales and use taxes	64,125	64,125	60,929	(3,196)
Business taxes	35,175	35,175	38,382	3,207
Insurance premium taxes	183,155	207,570	207,571	1
Licenses and permits	6,600	6,600	6,700	100
Intergovernmental	88,124	316,191	314,094	(2,097)
Charges for services	502,802	502,802	506,271	3,469
Fines and forfeitures	199,000	231,000	231,173	173
Rent revenue	5,000	5,000	-	(5,000)
Interest revenue	2,000	2,000	1,569	(431)
Other revenues	-	-	68,025	68,025
Total revenues	2,190,007	2,490,686	2,544,740	54,054
Expenditures:				
Current:				
General government:				
Administration	530,944	1,114,919	446,189	668,730
Total general government	530,944	1,114,919	446,189	668,730
Judicial:				
Municipal court	85,052	85,552	90,637	(5,085)
Total judicial	85,052	85,552	90,637	(5,085)
Public safety:				
Police	906,646	1,007,446	969,354	38,092
Total public safety	906,646	1,007,446	969,354	38,092
Public works:				
Sanitation	412,500	485,661	485,475	186
Maintenance department	423,903	469,992	436,642	33,350
Code enforcement	7,381	7,381	5,847	1,534
Total public works	843,784	963,034	927,964	35,070
Economic development:				
Economic development	9,100	11,076	9,685	1,391
Total economic development	9,100	11,076	9,685	1,391
Total expenditures	2,375,526	3,182,027	2,443,829	738,198
Excess (deficiency) of revenues over expenditures	(185,519)	(691,341)	100,911	792,252
Other financing sources				
Transfers in	60,519	360,519	360,519	-
Appropriation of fund balance	125,000	330,822	-	(330,822)
Total other financing sources	185,519	691,341	360,519	(330,822)
Net change in fund balances	-	-	461,430	461,430
Fund balances, beginning of year	1,008,180	1,008,180	1,008,180	-
Appropriation of fund balance	(125,000)	(330,822)	-	330,822
Fund balances, end of year	$ 883,180	$ 677,358	$ 1,469,610	$ 792,252

CITY OF LEESBURG, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Water and Sewer Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,571,776
Investments	144,878
Accounts receivable	167,396
Due from other funds	100
Prepaid expenses	34,939
Total current assets	1,919,089
NONCURRENT ASSETS	
Capital assets:	
Nondepreciable	17,736
Depreciable, net of accumulated depreciation	11,073,551
Total noncurrent assets	11,091,287
Total assets	13,010,376
DEFERRED OUTFLOWS OF RESOURCES	
Contributions subsequent to the measurement date	14,238
Differences between expected and actual experience	22,696
Pension assumption changes	3,254
Total deferred outflows of resources	40,188
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	19,161
Accrued liabilities	5,563
Due to other funds	163,423
Customer deposits payable	193,271
Compensated absences, current portion	9,660
Notes payable, current portion	193,236
Total current liabilities	584,314
NONCURRENT LIABILITIES	
Compensated absences, net of current portion	5,201
Notes payable, net of current portion	2,439,414
Net pension liability	73,782
Total long-term liabilities	2,518,397
Total liabilities	3,102,711
DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual experience	4,749
Pension assumption changes	646
Net difference between projected and actual earnings on pension plan investments	18,900
Total deferred inflows of resources	24,295
NET POSITION	
Net investment in capital assets	8,458,637
Unrestricted	1,464,921
Total net position	$ 9,923,558

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, 2019

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	$ 964,947
Other services	9,189
Total operating revenues	974,136
OPERATING EXPENSES	
Personal services	384,875
Costs of operations	239,706
Supplies	142,348
Depreciation	363,876
Total operating expenses	1,130,805
Operating loss	(156,669)
NONOPERATING REVENUES (EXPENSES)	
Interest income	6,374
Interest expense	(48,115)
Total nonoperating expenses, net	(41,741)
Loss before contributions and transfers	(198,410)
CAPITAL CONTRIBUTIONS	
Intergovernmental - capital grants	480,000
Capital contributions	81,400
	561,400
TRANSFERS OUT	(360,519)
Change in net position	2,471
NET POSITION, beginning of year	9,921,087
NET POSITION, end of year	$ 9,923,558

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, 2019

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,013,290
Payments to suppliers	(390,694)
Payments to employees	(380,277)
Net cash provided by operating activities	242,319
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(360,519)
Net cash used in noncapital financing activities	(360,519)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(716,576)
Intergovernmental revenues	480,000
Proceeds from notes payable	193,814
Principal paid on notes payable	(126,735)
Interest paid	(48,115)
Net cash used in capital and related financing activities	(217,612)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(2,374)
Interest received	6,374
Net cash provided by investing activities	4,000
Change in cash and cash equivalents	(331,812)
Cash and cash equivalents:	
Beginning of year	1,903,588
End of year	$ 1,571,776

(Continued)

CITY OF LEESBURG, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$	(156,669)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		363,876
Changes in assets and liabilities:		
Increase in accounts receivable		(18,646)
Increase in due from other funds		(100)
Increase in prepaid expenses		(4,972)
Increase in deferred outflows of resources related to pension		(13,324)
Decrease in accounts payable		(3,668)
Increase in customer deposits		6,340
Increase in due to other funds		51,560
Increase in compensated absences		1,774
Increase in deferred inflows of resources related to pension		10,287
Increase in net pension liability		5,861
Net cash provided by operating activities	$	242,319

Noncash capital and related financing activities		
Contributions of capital assets from SPLOST Fund	$	45,216
Georgia Environmental Finance Authority loan forgiveness		36,184
	$	81,400

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 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, 2019.

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 non-major funds:

The ***Confiscated Assets fund*** is a special revenue fund that accounts for revenue sources that are legally restricted for expenditures of specific purposes.

The ***T-SPLOST fund*** is a capital projects fund that is used to account for transportation projects financed by a special purpose sales and use tax.

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, expenses and changes in fund net assets. 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 acquisition 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.

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.

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 three 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. Changes in actuarial assumptions, which adjust the net pension liability, are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. 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 governmental funds 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 three items that qualify for reporting in this category related to the City's net pension liability which are reported in the government-wide and proprietary fund statements of net position. 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. 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. 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 inflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

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

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

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:

Compensated absences	$	(54,066)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position of governmental activities*	$	(54,066)

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	$	61,554
Assumption changes		8,826
City contributions subsequent to the measurement date		38,615
Net adjustment to increase fund balance - total governmental funds to arrive at *net position - governmental activities*	$	108,995

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

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

Another element of that reconciliation explains that "deferred inflows 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:

Net difference between projected and actual earnings on pension plan investments	$	(51,259)
Differences between expected and actual experience		(12,879)
Assumption changes		(1,752)
Net adjustment to reduce fund balance - total governmental funds to arrive at *net position - governmental activities*	$	(65,890)

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	$	163,892
Depreciation expense		(107,100)
Net adjustment to increase *net changes in fund balances - total governmental* funds to arrive at *changes in net position of governmental activities*	$	56,792

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	$	(4,571)
Change in pension and related deferred inflows and outflows of resources		(7,541)
Net adjustment to decrease *net changes in fund balances - total governmental* funds to arrive at *changes in net position of governmental activities*	$	(12,112)

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, 2019:

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, 2019, the City had the following investments:

Investments	Maturities	Fair Value
Certificates of deposit	4-month weighted average	$ 278,420

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, 2019, 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, 2019, the City had no investments requiring disclosure within the fair value hierarchy.

NOTE 5. RECEIVABLES

Receivables as of June 30, 2019, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Total
Receivables:			
Taxes	$ 24,945	$ -	$ 24,945
Accounts	115,703	202,532	318,235
Gross receivables	140,648	202,532	343,180
Less: allowance for uncollectibles	(17,184)	(35,136)	(52,320)
Net total receivables	$ 123,464	$ 167,396	$ 290,860

NOTE 5. RECEIVABLES (CONTINUED)

Property taxes. Property taxes were levied by the City on September 4, 2018 (Levy Date), based upon property values assessed as of January 1. The billings were mailed on October 27, 2018, and payable on or before December 27, 2018. The net receivables collected during the year ended June 30, 2019, and collected by August 31, 2019, are recognized as revenues in the year ended June 30, 2019. Net receivables estimated to be collected subsequent to August 31, 2019, 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, 2019, 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	-	104,799	-	(45,216)	59,583
Total capital assets, not being depreciated	105,840	104,799	-	(45,216)	165,423
Capital assets, being depreciated:					
Buildings and improvements	2,492,462	-	-	-	2,492,462
Equipment and vehicles	813,920	59,093	-	-	873,013
Infrastructure	549,724	-	-	-	549,724
Total capital assets, being depreciated	3,856,106	59,093	-	-	3,915,199
Less accumulated depreciation for:					
Buildings and improvements	(366,876)	(44,686)	-	-	(411,562)
Equipment and vehicles	(734,511)	(48,671)	-	-	(783,182)
Infrastructure	(137,216)	(13,743)	-	-	(150,959)
Total accumulated depreciation	(1,238,603)	(107,100)	-	-	(1,345,703)
Total capital assets, being depreciated, net	2,617,503	(48,007)	-	-	2,569,496
Governmental activities capital assets, net	$ 2,723,343	$ 56,792	$ -	$ (45,216)	$ 2,734,919

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	61,399	710,325	-	(766,915)	4,809
Total capital assets, not being depreciated	74,326	710,325	-	(766,915)	17,736
Capital assets, being depreciated:					
Land improvements	619,003	-	-	-	619,003
Equipment and vehicles	516,433	6,251	-	-	522,684
Plant	6,297,959	-	-	-	6,297,959
Water and sewer system	7,634,671	-	-	812,131	8,446,802
Total capital assets, being depreciated	15,068,066	6,251	-	812,131	15,886,448
Less accumulated depreciation for:					
Land improvements	(510,837)	(9,326)	-	-	(520,163)
Equipment and vehicles	(313,651)	(48,753)	-	-	(362,404)
Plant	(859,220)	(127,679)	-	-	(986,899)
Water and sewer system	(2,765,313)	(178,118)	-	-	(2,943,431)
Total accumulated depreciation	(4,449,021)	(363,876)	-	-	(4,812,897)
Total capital assets, being depreciated, net	10,619,045	(357,625)	-	812,131	11,073,551
Business-type activities capital assets, net	$ 10,693,371	$ 352,700	$ -	$ 45,216	$ 11,091,287

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

Governmental activities:	
General government	$ 39,577
Public safety	19,729
Public works	47,794
Total depreciation expense - governmental activities	$ 107,100
Business - type activities	
Water and sewer	$ 363,876
Total depreciation expense - business - type activities	$ 363,876

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Governmental activities:					
Notes payable	$ 135,664	$ -	$ (135,664)	$ -	$ -
Compensated absences	49,495	25,903	(21,332)	54,066	35,143
Net pension liability	184,344	148,816	(133,062)	200,098	-
Governmental activity long-term liabilities	$ 369,503	$ 174,719	$ (290,058)	$ 254,164	$ 35,143
Business-type activities:					
Notes payable	$ 2,601,755	$ 193,814	$ (162,919)	$ 2,632,650	$ 193,236
Compensated absences	13,087	20,772	(18,998)	14,861	9,660
Net pension liability	67,921	54,926	(49,065)	73,782	-
Business-type activity long-term liabilities	$ 2,682,763	$ 269,512	$ (230,982)	$ 2,721,293	$ 202,896

Compensated absences of governmental activities are generally liquidated by the General Fund.

Business-type Activities

Notes Payable. The City has notes from direct borrowings to the Georgia Environmental Facilities Authority (GEFA) for water and sewer improvements. These notes are as follows at June 30, 2019:

Purpose	Original Amount	Interest Rate	Due Date	Balance at June 30, 2019
Water and sewer system	$ 844,657	4.24%	2021	$ 105,724
Water and sewer system	249,166	0.00%	2022	31,944
Water and sewer system	469,036	2.00%	2033	345,638
Water and sewer system	934,469	1.40%	2037	856,905
Water and sewer system	516,964	2.03%	2038	476,001
Water and sewer system	825,117	1.70%	2039	816,438
				2,632,650
		Less current maturities		(193,236)
				$ 2,439,414

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

Fiscal Year Payable	Total	Principal	Interest
2020	$ 238,295	$ 193,236	45,059
2021	222,546	182,141	40,405
2022	168,909	131,611	37,298
2023	162,523	127,384	35,139
2024	162,522	129,581	32,941
2025 – 2029	812,612	682,254	130,358
2030 – 2034	781,765	712,169	69,596
2035 – 2039	483,070	474,274	8,796
	$ 3,032,242	$ 2,632,650	$ 399,592

Upon the occurrence of an event of default, GEFA, at its option, without demand or notice of any kind, may declare the loans immediately due and payable, whereupon all outstanding principal and accrued interest shall become immediately due and payable.

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.

NOTE 8. PENSION PLAN

As of January 1, 2019, the date of the most recent actuarial valuation, there were 40 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	8
Vested terminated employees not yet receiving benefits	10
Active employees	22
Total	40

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 $72,341 for the year ended June 30, 2019.

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, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2019, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2018.

Actuarial assumptions. The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% – 8.25%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

NOTE 8. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Mortality rates 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 investment return and inflation assumptions used in the January 1, 2019 valuation were based on the results of an actuarial study in September 2017. The mortality and other actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – June 30, 2014.

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, 2018, are summarized in the table on the following page.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity	45%	6.40 %
International equity	20%	7.40
Real estate	10%	5.10
Global fixed income	5%	3.03
Domestic fixed income	20%	1.75
Cash	0%	
Total	100%	

* Rates show are net of the 2.75% assumed rate of inflation

NOTE 8. PENSION PLAN (CONTINUED)

Discount rate. The discount rate used to measure the total pension liability was 7.50%. 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, 2019, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning balances	$ 1,458,526	$ 1,206,261	$ 252,265
Changes for the year:			
Service cost	43,386	-	43,386
Interest	110,114	-	110,114
Differences between expected and actual experience	43,201	-	43,201
Contributions - employer	-	62,630	(62,630)
Net investment income	-	119,497	(119,497)
Benefit payments, including refunds of employee contributions	(67,443)	(67,443)	-
Administrative expense	-	(7,041)	7,041
Net changes	129,258	107,643	21,615
Ending balances	$ 1,587,784	$ 1,313,904	$ 273,880

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.

NOTE 8. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	$ 488,681	$ 273,880	$ 94,737

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, 2018, 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, 2019, the City recognized pension expense of $76,572. At June 30, 2019, 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	$ 84,250	$ (17,628)
Assumption changes	12,080	(2,398)
Net difference between projected and actual earnings on pension plan investments	-	(70,159)
Contributions subsequent to the measurement date	52,853	-
Total	$ 149,183	$ (90,185)

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 $52,853 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, 2019. 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 ending June 30:		
2020	$	12,511
2021		(3,292)
2022		(10,193)
2023		(81)
2024		7,200
	$	6,145

NOTE 9. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2019, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	$ 163,423
Water and Sewer Fund	Nonmajor Governmental Funds	100
		$ 163,523

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Sales Tax Fund	$ 500,268

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. Advances to/from other funds represent amounts not expected to be repaid within one year from the date of the financial statements.

NOTE 9. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Interfund transfers:

Transfers In	Transfers Out Water and Sewer Fund
General Fund	$ 360,519

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, 2019, the City paid $3,404 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated ("O.C.G.A."), §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.

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
FOR THE FISCAL YEAR ENDED JUNE 30,

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	**$ 43,386**	$ 39,251	$ 36,388	$ 32,263	$ 28,400
Interest on total pension liability	**110,114**	105,028	97,152	85,907	79,636
Differences between expected and actual experience	**43,201**	(26,444)	31,436	80,911	33,378
Changes in assumptions	**-**	18,117	-	-	(14,388)
Changes of benefit terms	**-**	-	-	-	-
Benefit payments, including refunds of employee contributions	**(67,443)**	(65,247)	(61,460)	(46,499)	(45,725)
Net change in total pension liability	**129,258**	70,705	103,516	152,582	81,301
Total pension liability - beginning	**1,458,526**	1,387,821	1,284,305	1,131,723	1,050,422
Total pension liability - ending (a)	**$ 1,587,784**	$ 1,458,526	$ 1,387,821	$ 1,284,305	$ 1,131,723
Plan fiduciary net position					
Contributions - employer	**$ 62,630**	$ 66,475	$ 43,488	$ 41,042	$ 35,218
Net investment income	**119,497**	158,218	107,166	11,400	100,019
Benefit payments, including refunds of employee contributions	**(67,443)**	(65,247)	(61,460)	(46,499)	(45,725)
Administrative expense	**(7,041)**	(7,423)	(3,965)	(4,192)	(3,376)
Other	**-**	-	-	-	-
Net change in plan fiduciary net position	**107,643**	152,023	85,229	1,751	86,136
Plan fiduciary net position - beginning	**1,206,261**	1,054,238	969,009	967,258	881,122
Plan fiduciary net position - ending (b)	**$ 1,313,904**	$ 1,206,261	$ 1,054,238	$ 969,009	$ 967,258
City's net pension liability - ending (a) - (b)	**$ 273,880**	$ 252,265	$ 333,583	$ 315,296	$ 164,465
Plan fiduciary net position as a percentage of the total pension liability	**82.75%**	82.70%	75.96%	75.45%	85.47%
Covered payroll	**$ 969,924**	$ 1,031,064	$ 922,309	$ 896,181	$ 831,387
City's net pension liability as a percentage of covered payroll	**28.24%**	24.47%	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

SCHEDULE OF EXPENDITURES OF
SCHEDULE OF CITY CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30,

	2019	2018	2017	2016	2015
Actuarially determined contribution	**$ 72,341**	$ 67,431	$ 59,541	$ 44,752	$ 39,805
Contributions in relation to the actuarially determined contribution	**72,341**	77,355	60,601	53,872	44,105
Contribution deficiency (excess)	**$ -**	$ (9,924)	$ (1,060)	$ (9,120)	$ (4,300)
Covered payroll	**$ 969,924**	$ 1,031,064	$ 922,309	$ 896,181	$ 831,387
Contributions as a percentage of covered payroll	**7.46%**	7.50%	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 13 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	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Cost of Living Adjustments	0.00%

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

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX VII PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
Public Safety Capital Projects & Equipment	$ 153,559	$ 153,559	$ -	$ -	$ -
Public Facilities, Renovations, and Construction	1,055,750	1,055,750	-	500,268	500,268
Water and Sewer Projects	575,600	575,600	-	-	-
Roads, Streets, and Bridges	268,750	268,750	-	-	-
Stormwater Projects	76,800	76,800	-	-	-
Total	$ 2,130,459	$ 2,130,459	$ -	$ 500,268	$ 500,268

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX VI PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
Public Safety Capital Projects and Equipment	$ 75,000	$ 75,000	$ 67,719	$ 26,324	$ 94,043
Public Facilities, Renovations, and Construction	1,375,000	1,375,000	1,516,873	72,878	1,589,751
Water and Sewer Projects	750,000	750,000	18,400	45,216	63,616
Roads, Streets, and Bridges	350,000	350,000	205,633	19,531	225,164
Stormwater Projects	100,000	100,000	-	-	-
Total	$ 2,650,000	$ 2,650,000	$ 1,808,625	$ 163,949	$ 1,972,574

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX V PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 VII	$ 500,268
Sales Tax VI	163,949
Sales Tax V	-
	$ 664,217
Expenditures per Statement of Revenues, Expenditures, and Changes in Fund Balance	$ 801,487
Principal and interest on debt obligations	(137,270)
Total SPLOST expenditures	$ 664,217

COMPLIANCE SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

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, 2019, 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 December 12, 2019.

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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify a certain deficiency in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-002 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City'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
December 12, 2019

CITY OF LEESBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

There was not an audit of major federal award programs for the year ended June 30, 2019 as the total amount expended was less than $750,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019–001. 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, 2019, we noted a lack of proper segregation of duties within the City Finance Department.

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

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

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

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

CITY OF LEESBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2019–002. Recording of Depreciation Expense in Proprietary Funds

Criteria: Generally accepted accounting principles require the capitalization of an asset purchase/acquisition and the periodic recovery of its cost through the recording of depreciation expense over the estimated useful life of the asset.

Condition: Each year the City records an estimate of depreciation expense. However, this amount is having to be adjusted at year end during the audit to the actual calculated depreciation expense.

Context: We addressed this matter with City officials and they were able to provide us with the information necessary to properly adjust depreciation expense to the calculated amount as of June 30, 2019.

Effect: An adjustment of $163,876 was made in the Water and Sewer Fund to adjust depreciation expense and accumulated depreciation to actual as of June 30, 2019.

Recommendation: The City should maintain detailed depreciation schedules and record depreciation expense based on calculations on a monthly or quarterly basis.

Views of Responsible Officials and Planned Corrective Action: We concur. We will record depreciation expense based on the actual calculations on a regular basis.

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, 2019

2018–001. 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, 2018, we noted a lack of proper segregation of duties within the City Finance Department.

Auditee Response/Status: Unresolved. See current year finding 2019-001.

2018–002. Accounts Payable

Criteria: Generally accepted accounting principles require the recording of accounts payable for all expenditures/expenses incurred during the fiscal year, regardless of the timing of the payment for those goods or services.

Condition: For the fiscal year ended June 30, 2018, adjusting journal entries were required to properly record accounts payable and due to/from other funds in the General Fund, Water & Sewer Fund, and SPLOST Fund.

Auditee Response/Status: Resolved.