CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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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, 2020, 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, 2020, 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, and the schedule of transportation special purpose local option sales tax, as required by the Official Code of Georgia Annotated ("O.C.G.A.") §48-8-260, 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 10, 2020, 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 10, 2020

CITY OF LEESBURG, GEORGIA

STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,302,757	$ 1,640,948	$ 2,943,705
Investments	133,674	144,878	278,552
Taxes receivable	20,551	-	20,551
Accounts receivable, net of allowances	91,500	175,980	267,480
Due from other governments	248,449	8,000	256,449
Internal balances	171,440	(171,440)	-
Prepaid expenses	47,548	36,733	84,281
Capital assets:			
Nondepreciable	341,831	66,186	408,017
Depreciable, net of accumulated depreciation	2,483,613	10,739,875	13,223,488
Total assets	4,841,363	12,641,160	17,482,523
DEFERRED OUTFLOWS OF RESOURCES			
Contributions subsequent to the measurement date	37,311	13,138	50,449
Differences between expected and actual experience	92,709	32,646	125,355
Assumption changes	37,686	13,270	50,956
Total deferred outflows of resources	167,706	59,054	226,760
LIABILITIES			
Accounts payable	219,180	40,356	259,536
Accrued liabilities	66,636	5,563	72,199
Customer deposits payable	-	196,341	196,341
Notes payable due within one year	-	182,161	182,161
Notes payable due in more than one year	-	2,257,253	2,257,253
Compensated absences due within one year	35,143	12,853	47,996
Compensated absences due in more than one year	23,702	6,921	30,623
Net pension liability	340,319	119,839	460,158
Total liabilities	684,980	2,821,287	3,506,267
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience	9,778	3,443	13,221
Net difference between projected and actual earnings on pension plan investments	6,083	2,141	8,224
Total deferred inflows of resources	15,861	5,584	21,445
NET POSITION			
Net investment in capital assets	2,825,444	8,366,647	11,192,091
Restricted for:			
Capital projects	183,610	-	183,610
Public safety	1,797	-	1,797
Unrestricted	1,297,377	1,506,696	2,804,073
Total net position	$ 4,308,228	$ 9,873,343	$ 14,181,571

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, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 507,545	$ 8,760	$ 7,200	$ -
Judicial	110,222	-	-	-
Public safety	1,075,279	287,411	176,079	-
Public works	1,087,441	554,126	-	791,776
Recreation	-	-	-	-
Housing and development	13,273	-	-	-
Interest on long-term debt	-	-	-	-
Total governmental activities	2,793,760	850,297	183,279	791,776
Business-type activities:				
Water and sewer	1,209,919	1,119,709	-	18,000
Total business-type activities	1,209,919	1,119,709	-	18,000
Total primary government	$ 4,003,679	$ 1,970,006	$ 183,279	$ 809,776
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
$ (491,585)	$ -	$ (491,585)
(110,222)	-	(110,222)
(611,789)	-	(611,789)
258,461	-	258,461
-	-	-
(13,273)	-	(13,273)
-	-	-
(968,408)	-	(968,408)
-	(72,210)	(72,210)
-	(72,210)	(72,210)
(968,408)	(72,210)	(1,040,618)
426,315	-	426,315
166,637	-	166,637
470,383	-	470,383
108,270	-	108,270
44,723	-	44,723
220,486	-	220,486
1,301	2,440	3,741
(19,555)	19,555	-
1,418,560	21,995	1,440,555
450,152	(50,215)	399,937
3,858,076	9,923,558	13,781,634
$ 4,308,228	$ 9,873,343	$ 14,181,571

CITY OF LEESBURG, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Sales Tax Fund	T-SPLOST Fund	Nonmajor Governmental Funds: Confiscated Assets Fund	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	$ 663,510	$ 402,979	$ 234,471	$ 1,797	$ 1,302,757
Investments	133,674	-	-	-	133,674
Taxes receivable, net	20,551	-	-	-	20,551
Accounts receivable	91,500	-	-	-	91,500
Due from other funds	178,351	-	44,759	-	223,110
Due from other governments	98,877	115,020	34,552	-	248,449
Inventories	-	-	-	-	-
Prepaid expenditures	47,548	-	-	-	47,548
Advances to other funds	416,890	-	-	-	416,890
Total assets	$ 1,650,901	$ 517,999	$ 313,782	$ 1,797	$ 2,484,479
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 74,311	$ 10,118	$ 134,751	$ -	$ 219,180
Accrued liabilities	66,636	-	-	-	66,636
Due to other funds	-	51,270	400	-	51,670
Advance from other funds	-	416,890	-	-	416,890
Total liabilities	140,947	478,278	135,151	-	754,376
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	19,826	-	-	-	19,826
Deferred sales tax revenue	44,149	34,742	-	-	78,891
Total deferred inflows of resources	63,975	34,742	-	-	98,717
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	47,548	-	-	-	47,548
Advances to other funds	416,890	-	-	-	416,890
Restricted for:					
Capital projects	-	4,979	178,631	-	183,610
Public safety	-	-	-	1,797	1,797
Unassigned	981,541	-	-	-	981,541
Total fund balances	1,445,979	4,979	178,631	1,797	1,631,386
Total liabilities, deferred inflows of resources, and fund balances	$ 1,650,901	$ 517,999	$ 313,782	$ 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.	2,825,444
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	98,717
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds.	167,706
Certain liabilities are not due and payable in the current period and are, therefore, not reported in the funds.	(58,845)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(340,319)
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.	(15,861)
Net position of governmental activities	$ 4,308,228

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, 2020

	General	Sales Tax Fund	T-SPLOST Fund	Nonmajor Governmental Funds: Confiscated Assets Fund	Totals Governmental Funds
Revenues					
Property taxes	$ 429,485	$ -	$ -	$ -	$ 429,485
Franchise fees	166,637	-	-	-	166,637
Sales taxes	470,383	-	-	-	470,383
Selective sales and use taxes	64,121	-	-	-	64,121
Business taxes	44,723	-	-	-	44,723
Insurance premium taxes	220,486	-	-	-	220,486
Licenses and permits	5,350	-	-	-	5,350
Intergovernmental	183,279	371,961	384,364	-	939,604
Charges for services	555,046	-	-	-	555,046
Fines and forfeitures	286,977	-	-	-	286,977
Interest revenue	946	709	355	-	2,010
Other revenues	2,924	-	-	-	2,924
Total revenues	2,430,357	372,670	384,719	-	3,187,746
Expenditures					
Current:					
General government	404,683	-	-	-	404,683
Judicial	110,222	-	-	-	110,222
Public safety	1,051,398	-	-	-	1,051,398
Public works	910,294	-	-	-	910,294
Economic development	13,273	-	-	-	13,273
Capital outlay	-	147,509	266,183	-	413,692
Total expenditures	2,489,870	147,509	266,183	-	2,903,562
Excess (deficiency) of revenues over expenditures	(59,513)	225,161	118,536	-	284,184
Other financing sources (uses)					
Transfers in	119,360	100	-	-	119,460
Transfers out	(83,478)	-	-	-	(83,478)
Total other financing sources (uses)	35,882	100	-	-	35,982
Net change in fund balances	(23,631)	225,261	118,536	-	320,166
Fund balances, beginning of year	1,469,610	(220,282)	60,095	1,797	1,311,220
Fund balances, end of year	$ 1,445,979	$ 4,979	$ 178,631	$ 1,797	$ 1,631,386

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, 2020

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

Net change in fund balances - total governmental funds	$	320,166
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.		146,062
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals and donations) is to decrease net position.		(55,537)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		75,721
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.		(36,260)
Net change in net position - governmental activities	$	450,152

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, 2020

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Property taxes	$ 500,646	$ 430,330	$ 429,485	$ (845)
Franchise fees	166,240	166,570	166,637	67
Sales taxes	460,000	470,300	470,383	83
Selective sales and use taxes	59,900	64,300	64,121	(179)
Business taxes	36,150	44,650	44,723	73
Insurance premium taxes	200,000	220,480	220,486	6
Licenses and permits	6,350	6,350	5,350	(1,000)
Intergovernmental	178,079	185,279	183,279	(2,000)
Charges for services	566,129	556,129	555,046	(1,083)
Fines and forfeitures	225,000	287,000	286,977	(23)
Rent revenue	5,000	-	-	-
Interest revenue	1,500	1,500	946	(554)
Other revenues	-	3,010	2,924	(86)
Total revenues	2,404,994	2,435,898	2,430,357	(5,541)
Expenditures:				
Current:				
General government:				
Administration	533,709	451,931	404,683	47,248
Total general government	533,709	451,931	404,683	47,248
Judicial:				
Municipal court	87,664	110,514	110,222	292
Total judicial	87,664	110,514	110,222	292
Public safety:				
Police	1,050,221	1,053,340	1,051,398	1,942
Total public safety	1,050,221	1,053,340	1,051,398	1,942
Public works:				
Sanitation	523,500	523,500	515,059	8,441
Maintenance department	414,774	414,774	390,872	23,902
Code enforcement	3,486	4,396	4,363	33
Total public works	941,760	942,670	910,294	32,376
Economic development:				
Economic development	11,000	13,325	13,273	52
Total economic development	11,000	13,325	13,273	52
Total expenditures	2,624,354	2,571,780	2,489,870	81,910
Deficiency of revenues over expenditures	(219,360)	(135,882)	(59,513)	76,369
Other financing sources (uses)				
Transfers in	119,360	119,360	119,360	-
Transfers out	-	(83,478)	(83,478)	-
Appropriation of fund balance	100,000	100,000	-	(100,000)
Total other financing sources (uses)	219,360	135,882	35,882	(100,000)
Net change in fund balances	-	-	(23,631)	(23,631)
Fund balances, beginning of year	1,469,610	1,469,610	1,469,610	-
Appropriation of fund balance	(100,000)	(100,000)	-	100,000
Fund balances, end of year	$ 1,369,610	$ 1,369,610	$ 1,445,979	$ 76,369

CITY OF LEESBURG, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Water and Sewer Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,640,948
Investments	144,878
Accounts receivable	175,980
Due from other governments	8,000
Due from other funds	100
Prepaid expenses	36,733
Total current assets	2,006,639
NONCURRENT ASSETS	
Capital assets:	
Nondepreciable	66,186
Depreciable, net of accumulated depreciation	10,739,875
Total noncurrent assets	10,806,061
Total assets	12,812,700
DEFERRED OUTFLOWS OF RESOURCES	
Contributions subsequent to the measurement date	13,138
Differences between expected and actual experience	32,646
Pension assumption changes	13,270
Total deferred outflows of resources	59,054
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	40,356
Accrued liabilities	5,563
Due to other funds	171,540
Customer deposits payable	196,341
Compensated absences, current portion	12,853
Notes payable, current portion	182,161
Total current liabilities	608,814
NONCURRENT LIABILITIES	
Compensated absences, net of current portion	6,921
Notes payable, net of current portion	2,257,253
Net pension liability	119,839
Total long-term liabilities	2,384,013
Total liabilities	2,992,827
DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual experience	3,443
Pension assumption changes	-
Net difference between projected and actual earnings on pension plan investments	2,141
Total deferred inflows of resources	5,584
NET POSITION	
Net investment in capital assets	8,366,647
Unrestricted	1,506,696
Total net position	$ 9,873,343

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, 2020

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	$ 1,116,167
Other services	3,542
Total operating revenues	1,119,709
OPERATING EXPENSES	
Personal services	419,035
Costs of operations	222,157
Supplies	163,345
Depreciation	360,323
Total operating expenses	1,164,860
Operating loss	(45,151)
NONOPERATING REVENUES (EXPENSES)	
Interest income	2,440
Interest expense	(45,059)
Total nonoperating expenses, net	(42,619)
Loss before contributions and transfers	(87,770)
CAPITAL CONTRIBUTIONS	
Intergovernmental - capital grants	18,000
Capital contributions	55,537
	73,537
TRANSFERS	
Transfers in	(119,360)
Transfers out	83,378
	(35,982)
Change in net position	(50,215)
NET POSITION, beginning of year	9,923,558
NET POSITION, end of year	$ 9,873,343

CITY OF LEESBURG, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,114,311
Payments to suppliers	(366,100)
Payments to employees	(405,642)
Net cash provided by operating activities	342,569
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	83,378
Transfers out	(119,360)
Net cash used in noncapital financing activities	(35,982)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(19,560)
Intergovernmental revenues	18,000
Principal paid on notes payable	(193,236)
Interest paid	(45,059)
Net cash used in capital and related financing activities	(239,855)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	2,440
Net cash provided by investing activities	2,440
Change in cash and cash equivalents	69,172
Cash and cash equivalents:	
Beginning of year	1,571,776
End of year	$ 1,640,948

(Continued)

CITY OF LEESBURG, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Water and Sewer Fund
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (45,151)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	360,323
Changes in assets and liabilities:	
Increase in accounts receivable	(8,585)
Increase in due from other governments	(8,000)
Increase in prepaid expenses	(1,794)
Increase in deferred outflows of resources related to pension	(18,866)
Increase in accounts payable	21,196
Increase in customer deposits	3,070
Increase in due to other funds	8,117
Increase in compensated absences	4,913
Decrease in deferred inflows of resources related to pension	(18,711)
Increase in net pension liability	46,057
Net cash provided by operating activities	$ 342,569
Noncash capital and related financing activities	
Contributions of capital assets from SPLOST Fund	$ 55,537

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Leesburg, Georgia (the "City") have been prepared in conformity with U. S. generally accepted accounting principles ("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 GAAP, 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, 2020.

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 ***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.

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.

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 and sales 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 GAAP 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	$	(58,845)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position of governmental activities*	$	(58,845)

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	$	92,709
Assumption changes		37,686
City contributions subsequent to the measurement date		37,311
Net adjustment to increase fund balance - total governmental funds to arrive at *net position - governmental activities*	$	167,706

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	$	(6,083)
Differences between expected and actual experience		(9,778)
Net adjustment to reduce fund balance - total governmental funds to arrive at *net position - governmental activities*	$	(15,861)

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	$	254,865
Depreciation expense		(108,803)
Net adjustment to increase *net changes in fund balances - total governmental* funds to arrive at *changes in net position of governmental activities*	$	146,062

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	$	(4,779)
Change in pension and related deferred inflows and outflows of resources		(31,481)
Net adjustment to decrease *net changes in fund balances - total governmental* funds to arrive at *changes in net position of governmental activities*	$	(36,260)

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, 2020:

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, 2020, the City had the following investments:

Investments	Maturities	Fair Value
Certificates of deposit	4-month weighted average	$ 278,552

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, 2020, 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 GAAP. 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, 2020, the City had no investments requiring disclosure within the fair value hierarchy.

NOTE 5. RECEIVABLES

Receivables as of June 30, 2020, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Total
Receivables:			
Taxes	$ 20,551	$ -	$ 20,551
Accounts	111,814	216,034	327,848
Gross receivables	132,365	216,034	348,399
Less: allowance for uncollectibles	20,314	40,054	60,368
Net total receivables	$ 112,051	$ 175,980	$ 288,031

NOTE 5. RECEIVABLES (CONTINUED)

Property taxes. Property taxes were levied by the City on October 1, 2019 (Levy Date), based upon property values assessed as of January 1. The billings were mailed on October 16, 2019, and payable on or before December 20, 2019. The net receivables collected during the year ended June 30, 2020, and collected by August 31, 2020, are recognized as revenues in the year ended June 30, 2020. Net receivables estimated to be collected subsequent to August 31, 2020, 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, 2020, 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	59,583	205,298	-	(28,890)	235,991
Total capital assets, not being depreciated	165,423	205,298	-	(28,890)	341,831
Capital assets, being depreciated:					
Buildings and improvements	2,492,462	-	-	-	2,492,462
Equipment and vehicles	873,013	49,567	-	(26,647)	895,933
Infrastructure	549,724	-	-	-	549,724
Total capital assets, being depreciated	3,915,199	49,567	-	(26,647)	3,938,119
Accumulated depreciation for:					
Buildings and improvements	(411,562)	(44,686)	-	-	(456,248)
Equipment and vehicles	(783,182)	(50,374)	-	-	(833,556)
Infrastructure	(150,959)	(13,743)	-	-	(164,702)
Total accumulated depreciation	(1,345,703)	(108,803)	-	-	(1,454,506)
Total capital assets, being depreciated, net	2,569,496	(59,236)	-	(26,647)	2,483,613
Governmental activities capital assets, net	$ 2,734,919	$ 146,062	$ -	$ (55,537)	$ 2,825,444

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	4,809	19,560	-	28,890	53,259
Total capital assets, not being depreciated	17,736	19,560	-	28,890	66,186
Capital assets, being depreciated:					
Land improvements	619,003	-	-	-	619,003
Equipment and vehicles	522,684	-	-	26,647	549,331
Plant	6,297,959	-	-	-	6,297,959
Water and sewer system	8,446,802	-	-	-	8,446,802
Total capital assets, being depreciated	15,886,448	-	-	26,647	15,913,095
Accumulated depreciation for:					
Land improvements	(520,163)	(127,679)	-	-	(647,842)
Equipment and vehicles	(362,404)	(9,326)	-	-	(371,730)
Plant	(986,899)	(45,200)	-	-	(1,032,099)
Water and sewer system	(2,943,431)	(178,118)	-	-	(3,121,549)
Total accumulated depreciation	(4,812,897)	(360,323)	-	-	(5,173,220)
Total capital assets, being depreciated, net	11,073,551	(360,323)	-	26,647	10,739,875
Business-type activities capital assets, net	$ 11,091,287	$ (340,763)	$ -	$ 55,537	$ 10,806,061

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

Governmental activities:	
General government	$ 39,577
Public safety	21,998
Public works	47,228
Total depreciation expense - governmental activities	$ 108,803
Business - type activities	
Water and sewer	$ 360,323
Total depreciation expense - business - type activities	$ 360,323

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Governmental activities:					
Notes payable	$ -	$ -	$ -	$ -	$ -
Compensated absences	54,066	27,439	(22,660)	58,845	35,143
Net pension liability	200,098	224,483	(84,262)	340,319	-
Governmental activity long-term liabilities	$ 254,164	$ 251,922	$ (106,922)	$ 399,164	$ 35,143
Business-type activities:					
Notes payable	$ 2,632,650	$ -	$ (193,236)	$ 2,439,414	$ 182,161
Compensated absences	14,861	26,322	(21,409)	19,774	12,583
Net pension liability	73,782	79,049	(32,992)	119,839	-
Business-type activity long-term liabilities	$ 2,721,293	$ 105,371	$ (247,637)	$ 2,579,027	$ 194,744

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, 2020:

Purpose	Original Amount	Interest Rate	Due Date	Balance at June 30, 2020
Water and sewer system	$ 844,657	4.24%	2021	$ 46,282
Water and sewer system	249,166	0.00%	2022	19,166
Water and sewer system	469,036	2.00%	2033	323,879
Water and sewer system	934,469	1.40%	2037	814,748
Water and sewer system	516,964	2.03%	2038	453,989
Water and sewer system	825,117	1.70%	2039	781,350
				2,439,414
			Less current maturities	182,161
				$ 2,257,253

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

Fiscal Year Payable	Principal	Interest	Total
2021	$ 182,161	40,405	$ 222,566
2022	131,611	37,298	168,909
2023	127,384	35,139	162,523
2024	129,581	32,941	162,522
2025	131,818	30,705	162,523
2026 – 2030	694,043	118,567	812,610
2031 – 2035	695,675	57,617	753,292
2036 – 2039	347,141	8,796	355,937
	$ 2,439,414	$ 361,468	$ 2,800,882

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" or the "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 (CONTINUED)

As of January 1, 2020, the date of the most recent actuarial valuation, there were 43 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	9
Vested terminated employees not yet receiving benefits	10
Active employees	24
Total	43

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 $52,853 for the year ended June 30, 2020.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2019.

Actuarial assumptions. The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.00% – 8.50%, including inflation
Investment rate of return	7.375%, 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, 2020 valuation were based on the results of an actuarial study in December 2019. The mortality and other actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The 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, 2019, are summarized in the table on the following page.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity	45%	6.41 %
International equity	20%	6.96
Real estate	10%	4.76
Global fixed income	5%	3.06
Domestic fixed income	20%	1.96
Cash	0%	
Total	100%	

* Rates show are net of the 2.25% assumed rate of inflation

NOTE 8. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.375%. 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 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 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, 2020, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning balances	$ 1,587,784	$ 1,313,904	$ 273,880
Changes for the year:			
Service cost	34,921	-	34,921
Interest	118,853	-	118,853
Differences between expected and actual experience	90,741	-	90,741
Contributions - employer	-	77,338	(77,338)
Net investment income	-	39,916	(39,916)
Benefit payments, including refunds of employee contributions	(75,984)	(75,984)	-
Administrative expense	-	(6,649)	6,649
Other charges	52,368	-	52,368
Net changes	220,899	34,621	186,278
Ending balances	$ 1,808,683	$ 1,348,525	$ 460,158

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 7.375%, 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 (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
City's net pension liability	$ 704,079	$ 460,158	$ 256,942

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, 2019, 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, 2020, the City recognized pension expense of $114,895. At June 30, 2020, 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	$ 125,355	$ (13,221)
Assumption changes	50,956	-
Net difference between projected and actual earnings on pension plan investments	-	(8,224)
Contributions subsequent to the measurement date	50,449	-
Total	$ 226,760	$ (21,445)

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 $50,449 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, 2021. 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:		
2021	$	37,016
2022		30,115
2023		40,227
2024		47,508
	$	154,866

NOTE 9. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2020, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	$ 171,540
General Fund	Sales Tax Fund	6,511
General Fund	T-SPLOST	300
T-SPLOST	Sales Tax Fund	44,759
Water and Sewer Fund	T-SPLOST	100
		$ 223,210

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Sales Tax Fund	$ 416,890

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 Out	
Transfers In	Water and Sewer Fund	General Fund
General Fund	$ 119,360	$ -
Water and Sewer Fund	-	83,378
Sales Tax Fund	-	100
Total	$ 119,360	$ 83,478

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, 2020, the City paid $3,333 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.

NOTE 13. TAX ABATEMENT PROGRAMS

GASB Statement No. 77, *Tax Abatement Disclosures,* requires the City to disclose information for any tax abatement agreements either entered into by the City, or agreements entered into by other governments that reduce the County's tax revenues. As of June 30, 2020, the County did not have any such agreements, either entered into by the City or by other governments.

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, 2020

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	**$ 34,921**	$ 43,386	$ 39,251	$ 36,388	$ 32,263	$ 28,400
Interest on total pension liability	**118,853**	110,114	105,028	97,152	85,907	79,636
Differences between expected and actual experience	**90,741**	43,201	(26,444)	31,436	80,911	33,378
Changes in assumptions	**52,368**	-	18,117	-	-	(14,388)
Changes of benefit terms	**-**	-	-	-	-	-
Benefit payments, including refunds of employee contributions	**(75,984)**	(67,443)	(65,247)	(61,460)	(46,499)	(45,725)
Net change in total pension liability	**220,899**	129,258	70,705	103,516	152,582	81,301
Total pension liability - beginning	**1,587,784**	1,458,526	1,387,821	1,284,305	1,131,723	1,050,422
Total pension liability - ending (a)	**$ 1,808,683**	$ 1,587,784	$ 1,458,526	$ 1,387,821	$ 1,284,305	$ 1,131,723
Plan fiduciary net position						
Contributions - employer	**$ 77,338**	$ 62,630	$ 66,475	$ 43,488	$ 41,042	$ 35,218
Net investment income	**39,916**	119,497	158,218	107,166	11,400	100,019
Benefit payments, including refunds of employee contributions	**(75,984)**	(67,443)	(65,247)	(61,460)	(46,499)	(45,725)
Administrative expense	**(6,649)**	(7,041)	(7,423)	(3,965)	(4,192)	(3,376)
Other	**-**	-	-	-	-	-
Net change in plan fiduciary net position	**34,621**	107,643	152,023	85,229	1,751	86,136
Plan fiduciary net position - beginning	**1,313,904**	1,206,261	1,054,238	969,009	967,258	881,122
Plan fiduciary net position - ending (b)	**$ 1,348,525**	$ 1,313,904	$ 1,206,261	$ 1,054,238	$ 969,009	$ 967,258
City's net pension liability - ending (a) - (b)	**$ 460,158**	$ 273,880	$ 252,265	$ 333,583	$ 315,296	$ 164,465
Plan fiduciary net position as a percentage of the total pension liability	**74.56%**	82.75%	82.70%	75.96%	75.45%	85.47%
Covered payroll	**$ 1,130,030**	$ 969,924	$ 1,031,064	$ 922,309	$ 896,181	$ 831,387
City's net pension liability as a percentage of covered payroll	**40.72%**	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 CITY CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	**$ 52,853**	$ 72,341	$ 67,431	$ 59,541	$ 44,752	$ 39,805
Contributions in relation to the actuarially determined contribution	**52,853**	72,341	77,355	60,601	53,872	44,105
Contribution deficiency (excess)	**$ -**	$ -	$ (9,924)	$ (1,060)	$ (9,120)	$ (4,300)
Covered payroll	**$ 1,305,473**	$ 1,212,667	$ 1,158,574	$ 1,011,016	$ 1,010,344	$ 967,278
Contributions as a percentage of covered payroll	**4.05%**	5.97%	6.68%	5.99%	5.33%	4.56%

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 15 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	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	0.00%

Changes since prior valuation:

- The mortality table for the healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in ages for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Table with rates multiplied by 1.25.
- The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with the rates multiplied by 1.25.
- The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Employee Morality Table.

- Future mortality improvement based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously future mortality improvements were not explicitly projected.
- The prior retirement assumption was based on the Plan's normal retirement eligibility. If the normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.
- The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71, and 100% at ages 72 and older.
- Where normal retirement is available to a given participant at age 62, 63, or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% ages 66 to 71, and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.
- Where the normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71, and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.
- Where the normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71, and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.
- The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service based rates only.
- The disability rates were changed to 50% of the rates in the prior age-based table.
- The inflation assumption was decreased from 2.75% to 2.25%.
- The salary increase assumption was changed from service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.
- The investment return assumption was decreased from 7.50% to 7.375%.

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, 2020

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
Public Safety Capital Projects and Equipment	$ 153,559	$ 153,559	$ -	$ -	$ -
Public Facilities, Renovations, and Construction	1,055,750	1,055,750	500,268	7,830	508,098
Water and Sewer Projects	575,600	575,600	-	28,790	28,790
Roads, Streets, and Bridges	268,750	268,750	-	-	-
Stormwater Projects	76,800	76,800	-	-	-
Total	$ 2,130,459	$ 2,130,459	$ 500,268	$ 36,620	$ 536,888

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX VI PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
Public Safety Capital Projects and Equipment	$ 75,000	$ 75,000	$ 94,043	$ 22,920	$ 116,963
Public Facilities, Renovations, and Construction	1,375,000	1,375,000	1,589,751	60,221	1,649,972
Water and Sewer Projects	750,000	750,000	63,616	-	63,616
Roads, Streets, and Bridges	350,000	350,000	225,164	568	225,732
Stormwater Projects	100,000	100,000	-	27,080	27,080
Total	$ 2,650,000	$ 2,650,000	$ 1,972,574	$ 110,789	$ 2,083,363

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX V PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Expenditures per above schedules:	
Sales Tax VII	$ 36,620
Sales Tax VI	110,789
Sales Tax V	-
Expenditures paid for with transfers from other funds	100
	$ 147,509

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF TRANSPORTATION SPECIAL PURPOSE LOCAL OPTION SALES TAX V PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
Roads, Streets, and Bridges	$ 1,981,525	$ 1,981,525	$ 9,025	$ 266,183	$ 275,208

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, 2020, 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 10, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-002 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 2020-001 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 10, 2020

CITY OF LEESBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	_X_ Yes ___ No
Significant deficiencies identified?	_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, 2020 as the total amount expended was less than $750,000.

CITY OF LEESBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2020–001. 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, 2020, we noted a lack of proper segregation of duties within the City Finance Department.

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

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

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

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2020–002. Recording of Capital Assets in Proprietary Funds

Criteria: U.S. 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: During the year, purchases of capital assets were not properly recorded in the general ledger of the Water and Sewer Fund or added to the capital asset schedule. Also, each year the City records an estimate for 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 record the capital asset additions and to properly adjust depreciation expense to the calculated amount as of June 30, 2020.

Effect: An adjustment of $63,537 was recorded in the Water and Sewer Fund to record capital asset additions as of June 30, 2020. An adjustment of $160,323 was recorded in the Water and Sewer Fund to adjust depreciation expense and accumulated depreciation to actual as of June 30, 2020.

Recommendation: The City should maintain and update detailed capital asset listings and record additions and deletions as they occur during the fiscal year. The City should maintain 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 capital asset additions and record depreciation expense based on the actual calculations on a regular basis.

CITY OF LEESBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020

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.

Auditee Response/Status: Unresolved. See current year finding 2020-001.

2019–002. Recording of Depreciation Expense in Proprietary Funds

Criteria: U. S. 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.

Auditee Response/Status: Unresolved. See current year finding 2020-002