CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

CITY OF LEESBURG, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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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, 2021, 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, 2021, 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 pages 40 – 42) 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 omitted 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 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 and the schedule of transportation special purpose local option sales tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of special purpose local option sales tax proceeds and the schedule of transportation special purpose local option sales tax 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 23, 2021, 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 solely 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 effectiveness of the City's 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

Macon, Georgia
December 23, 2021

CITY OF LEESBURG, GEORGIA

STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,427,919	$ 1,656,836	$ 4,084,755
Investments	133,806	145,339	279,145
Taxes receivable	9,260	-	9,260
Accounts receivable, net of allowances	77,651	148,357	226,008
Due from other governments	188,224	8,000	196,224
Internal balances	(253,338)	253,338	-
Prepaid expenses	49,598	39,643	89,241
Capital assets:			
Nondepreciable	444,459	142,061	586,520
Depreciable, net of accumulated depreciation	2,494,627	10,404,150	12,898,777
Total assets	5,572,206	12,797,724	18,369,930
DEFERRED OUTFLOWS OF RESOURCES			
Contributions subsequent to the measurement date	48,657	17,155	65,812
Differences between expected and actual experience	83,151	29,316	112,467
Assumption changes	27,697	9,765	37,462
Total deferred outflows of resources	159,505	56,236	215,741
LIABILITIES			
Accounts payable	113,408	53,881	167,289
Accrued liabilities	88,014	3,443	91,457
Customer deposits payable	-	207,984	207,984
Notes payable due within one year	-	152,517	152,517
Notes payable due in more than one year	-	2,188,521	2,188,521
Compensated absences due within one year	37,743	14,014	51,757
Compensated absences due in more than one year	20,324	7,544	27,868
Net pension liability	357,683	126,107	483,790
Total liabilities	617,172	2,754,011	3,371,183
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience	6,517	2,297	8,814
Net difference between projected and actual earnings on pension plan investments	12,247	4,318	16,565
Total deferred inflows of resources	18,764	6,615	25,379
NET POSITION			
Net investment in capital assets	2,939,086	8,205,173	11,144,259
Restricted for:			
Capital projects	183,610	-	183,610
Public safety	1,797	-	1,797
Unrestricted	1,971,282	1,888,161	3,859,443
Total net position	$ 5,095,775	$ 10,093,334	$ 15,189,109

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, 2021

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	$ 590,030	$ 14,744	$ 166,526	$ -
Judicial	139,782	-	-	-
Public safety	1,113,960	445,226	187,820	-
Public works	1,049,348	596,731	-	1,039,264
Housing and development	10,786	-	-	-
Total governmental activities	2,903,906	1,056,701	354,346	1,039,264
Business-type activities:				
Water and sewer	1,219,182	1,116,030	-	16,001
Total business-type activities	1,219,182	1,116,030	-	16,001
Total primary government	$ 4,123,088	$ 2,172,731	$ 354,346	$ 1,055,265
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
$ (408,760)	$ -	$ (408,760)
(139,782)	-	(139,782)
(480,914)	-	(480,914)
586,647	-	586,647
(10,786)	-	(10,786)
(453,595)	-	(453,595)
-	(87,151)	(87,151)
-	(87,151)	(87,151)
(453,595)	(87,151)	(540,746)
411,831	-	411,831
162,927	-	162,927
625,585	-	625,585
69,139	-	69,139
43,442	-	43,442
232,582	-	232,582
478	2,300	2,778
(304,842)	304,842	-
1,241,142	307,142	1,548,284
787,547	219,991	1,007,538
4,308,228	9,873,343	14,181,571
$ 5,095,775	$ 10,093,334	$ 15,189,109

CITY OF LEESBURG, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	Sales Tax Fund	T-SPLOST Fund	Nonmajor Governmental Funds: Confiscated Assets Fund	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,443,454	$ 455,448	$ 527,220	$ 1,797	$ 2,427,919
Investments	133,806	-	-	-	133,806
Taxes receivable, net	9,260	-	-	-	9,260
Accounts receivable	77,651	-	-	-	77,651
Due from other funds	80,274	225	2,799	-	83,298
Due from other governments	65,099	84,409	38,716	-	188,224
Prepaid expenditures	49,598	-	-	-	49,598
Total assets	$ 1,859,142	$ 540,082	$ 568,735	$ 1,797	$ 2,969,756
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 90,653	$ 1,405	$ 21,350	$ -	$ 113,408
Accrued liabilities	88,014	-	-	-	88,014
Due to other funds	3,024	-	100	-	3,124
Advance to other funds	-	333,512	-	-	333,512
Total liabilities	181,691	334,917	21,450	-	538,058
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	8,055	-	-	-	8,055
Total deferred inflows of resources	8,055	-	-	-	8,055
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	49,598	-	-	-	49,598
Restricted for:					
Capital projects	-	205,165	547,285	-	752,450
Public safety	-	-	-	1,797	1,797
Unassigned	1,619,798	-	-	-	1,619,798
Total fund balances	1,669,396	205,165	547,285	1,797	2,423,643
Total liabilities, deferred inflows of resources, and fund balances	$ 1,859,142	$ 540,082	$ 568,735	$ 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.	2,939,086
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	8,055
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds.	159,505
Certain liabilities are not due and payable in the current period and are, therefore, not reported in the funds.	(58,067)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(357,683)
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.	(18,764)
Net position of governmental activities	$ 5,095,775

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, 2021

	General Fund	Sales Tax Fund	T-SPLOST Fund	Nonmajor Governmental Funds Confiscated Assets Fund	Totals Governmental Funds
Revenues					
Property taxes	$ 502,493	$ -	$ -	$ -	$ 502,493
Franchise fees	162,927	-	-	-	162,927
Sales taxes	625,585	-	-	-	625,585
Selective sales and use taxes	69,139	-	-	-	69,139
Business taxes	43,442	-	-	-	43,442
Insurance premium taxes	232,582	-	-	-	232,582
Licenses and permits	7,207	-	-	-	7,207
Intergovernmental	354,346	493,416	545,711	-	1,393,473
Charges for services	597,653	-	-	-	597,653
Fines and forfeitures	444,304	-	-	-	444,304
Interest revenue	384	137	94	-	615
Other revenues	7,537	-	-	-	7,537
Total revenues	3,047,599	493,553	545,805	-	4,086,957
Expenditures					
Current:					
General government	370,305	-	-	-	370,305
Judicial	139,782	-	-	-	139,782
Public safety	1,081,861	-	-	-	1,081,861
Public works	963,480	-	-	-	963,480
Economic development	10,786	-	-	-	10,786
Capital outlay	-	293,367	177,151	-	470,518
Total expenditures	2,566,214	293,367	177,151	-	3,036,732
Excess (deficiency) of revenues over expenditures	481,385	200,186	368,654	-	1,050,225
Other financing sources (uses)					
Transfers in	158,922	-	-	-	158,922
Transfers out	(416,890)	-	-	-	(416,890)
Total other financing sources (uses)	(257,968)	-	-	-	(257,968)
Net change in fund balances	223,417	200,186	368,654	-	792,257
Fund balances, beginning of year	1,445,979	4,979	178,631	1,797	1,631,386
Fund balances, end of year	$ 1,669,396	$ 205,165	$ 547,285	$ 1,797	$ 2,423,643

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, 2021

CITY OF LEESBURG, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	792,257
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.		283,309
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals and donations) is to decrease net position.		(169,667)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(90,662)
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.		(27,690)
Net change in net position - governmental activities	$	787,547

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, 2021

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Property taxes	$ 431,907	$ 481,907	$ 502,493	$ 20,586
Franchise fees	167,973	167,973	162,927	(5,046)
Sales taxes	414,156	589,325	625,585	36,260
Selective sales and use taxes	58,790	58,790	69,139	10,349
Business taxes	41,080	41,080	43,442	2,362
Insurance premium taxes	220,486	220,486	232,582	12,096
Licenses and permits	6,250	6,250	7,207	957
Intergovernmental	195,020	355,020	354,346	(674)
Charges for services	542,981	542,981	597,653	54,672
Fines and forfeitures	275,000	338,450	444,304	105,854
Rent revenue	5,000	5,000	-	(5,000)
Interest revenue	1,100	1,100	384	(716)
Other revenues	-	-	7,537	7,537
Total revenues	2,359,743	2,808,362	3,047,599	239,237
Expenditures				
Current				
General government:				
Administration	472,585	430,035	370,305	59,730
Total general government	472,585	430,035	370,305	59,730
Judicial:				
Municipal court	102,400	140,025	139,782	243
Total judicial	102,400	140,025	139,782	243
Public safety:				
Police	1,113,551	1,120,473	1,081,861	38,612
Total public safety	1,113,551	1,120,473	1,081,861	38,612
Public works:				
Sanitation	498,341	493,341	497,942	(4,601)
Maintenance department	417,843	451,965	465,433	(13,468)
Code enforcement	3,495	3,495	105	3,390
Total public works	919,679	948,801	963,480	(14,679)
Economic development:				
Economic development	10,450	10,950	10,786	164
Total economic development	10,450	10,950	10,786	164
Total expenditures	2,618,665	2,650,284	2,566,214	84,070
Excess (deficiency) of revenues over (under) expenditures	(258,922)	158,078	481,385	323,307
Other financing sources (uses)				
Transfers in	158,922	158,922	158,922	-
Transfers out	-	(417,000)	(416,890)	110
Appropriation of fund balance	100,000	100,000	-	(100,000)
Total other financing sources (uses)	258,922	(158,078)	(257,968)	99,890
Net change in fund balances	-	-	223,417	223,417
Fund balances, beginning of year	1,445,979	1,445,979	1,445,979	-
Appropriation of fund balance	(100,000)	(100,000)	-	100,000
Fund balances, end of year	$ 1,345,979	$ 1,345,979	$ 1,669,396	$ 323,417

CITY OF LEESBURG, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Water and Sewer Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,656,836
Investments	145,339
Accounts receivable	148,357
Due from other governments	8,000
Due from other funds	100
Advance from other funds	333,512
Prepaid expenses	39,643
Total current assets	2,331,787
NON-CURRENT ASSETS	
Capital assets:	
Nondepreciable	142,061
Depreciable, net of accumulated depreciation	10,404,150
Total non-current assets	10,546,211
Total assets	12,877,998
DEFERRED OUTFLOWS OF RESOURCES	
Contributions subsequent to the measurement date	17,155
Differences between expected and actual experience	29,316
Pension assumption changes	9,765
Total deferred outflows of resources	56,236
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	53,881
Accrued liabilities	3,443
Due to other funds	80,274
Customer deposits payable	207,984
Compensated absences, current portion	14,014
Notes payable, current portion	152,517
Total current liabilities	512,113
NON-CURRENT LIABILITIES	
Compensated absences, net of current portion	7,544
Notes payable, net of current portion	2,188,521
Net pension liability	126,107
Total long-term liabilities	2,322,172
Total liabilities	2,834,285
DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual experience	2,297
Net difference between projected and actual earnings on pension plan investments	4,318
Total deferred inflows of resources	6,615
NET POSITION	
Net investment in capital assets	8,205,173
Unrestricted	1,888,161
Total net position	$ 10,093,334

CITY OF LEESBURG, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	$ 1,115,741
Other services	289
Total operating revenues	1,116,030
OPERATING EXPENSES	
Personal services	454,173
Costs of operations	233,313
Supplies	177,320
Depreciation	335,725
Total operating expenses	1,200,531
Operating loss	(84,501)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	2,300
Interest expense	(18,651)
Total non-operating expenses, net	(16,351)
Loss before contributions and transfers	(100,852)
CAPITAL CONTRIBUTIONS	
Intergovernmental - capital grants	16,000
Capital contributions	46,875
	62,875
TRANSFERS	
Transfers in	416,890
Transfers out	(158,922)
	257,968
Change in net position	219,991
NET POSITION, beginning of year	9,873,343
NET POSITION, end of year	$ 10,093,334

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

CITY OF LEESBURG, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 730,518
Payments to suppliers	(400,018)
Payments to employees	(442,272)
Net cash provided by operating activities	(111,772)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers out	(158,922)
Transfers in	416,890
Net cash used in noncapital financing activities	257,968
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(29,000)
Intergovernmental revenues	16,000
Principal paid on notes payable	(98,376)
Interest paid	(20,771)
Net cash used in capital and related financing activities	(132,147)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	2,300
Net cash provided by investing activities	1,839
Change in cash and cash equivalents	15,888
Cash and cash equivalents:	
Beginning of year	1,640,948
End of year	$ 1,656,836

(Continued)

CITY OF LEESBURG, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Water and Sewer Fund
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (84,501)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	335,725
Changes in assets and liabilities:	
Decrease in accounts receivable	27,623
Increase in advance from other funds	(333,512)
Increase in prepaid expenses	(2,910)
Decrease in deferred outflows of resources related to pension	2,818
Increase in accounts payable	13,525
Increase in customer deposits	11,643
Decrease in due to other funds	(91,266)
Increase in compensated absences	1,784
Increase in deferred inflows of resources related to pension	1,031
Increase in net pension liability	6,268
Net cash used in operating activities	$ (111,772)
Noncash capital and related financing activities	
Contributions of capital assets from SPLOST Fund	$ 46,875

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Leesburg, Georgia (the "City") have been prepared in conformity with 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, 2021.

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	$	(58,067)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position of governmental activities*	$	(58,067)

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	$	83,151
Assumption changes		27,697
City contributions subsequent to the measurement date		48,657
Net adjustment to increase fund balance - total governmental funds to arrive at *net position - governmental activities*	$	159,505

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	$	(12,247)
Differences between expected and actual experience		(6,517)
Net adjustment to reduce fund balance - total governmental funds to arrive at *net position - governmental activities*	$	(18,764)

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	$	395,230
Depreciation expense		(111,921)
Net adjustment to increase *net changes in fund balances - total governmental* funds to arrive at *changes in net position of governmental activities*	$	283,309

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	$	778
Change in pension and related deferred inflows and outflows of resources		(28,468)
Net adjustment to decrease *net changes in fund balances - total governmental* funds to arrive at *changes in net position of governmental activities*	$	(27,690)

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, 2021:

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 GAAP.

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, 2021, the City had the following investments:

Investments	Maturities	Fair Value
Certificates of deposit	8-month weighted average	$ 279,145

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, 2021, 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, 2021, the City had no investments requiring disclosure within the fair value hierarchy.

NOTE 5. RECEIVABLES

Receivables as of June 30, 2021, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Total
Receivables:			
Taxes	$ 28,586	$ -	$ 28,586
Accounts	116,194	224,748	340,942
Gross receivables	144,780	224,748	369,528
Less: allowance for uncollectibles	57,869	76,391	134,260
Net total receivables	$ 86,911	$ 148,357	$ 235,268

NOTE 5. RECEIVABLES (CONTINUED)

Property taxes. Property taxes were levied by the City on October 6, 2020 (Levy Date), based upon property values assessed as of January 1. The billings were mailed on October 15, 2020, and payable on or before December 20, 2020. The net receivables collected during the year ended June 30, 2021, and collected by August 31, 2021, are recognized as revenues in the year ended June 30, 2021. Net receivables estimated to be collected subsequent to August 31, 2021, 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, 2021, 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	235,991	304,642	(122,793)	(79,220)	338,620
Total capital assets, not being depreciated	341,831	304,642	(122,793)	(79,220)	444,460
Capital assets, being depreciated:					
Buildings and improvements	2,492,462	-	-	32,345	2,524,807
Equipment and vehicles	895,933	90,589	-	-	986,522
Infrastructure	549,724	-	-	-	549,724
Total capital assets, being depreciated	3,938,119	90,589	-	32,345	4,061,053
Accumulated depreciation for:					
Buildings and improvements	(456,248)	(47,112)	-	-	(503,360)
Equipment and vehicles	(833,556)	(51,065)	-	-	(884,621)
Infrastructure	(164,702)	(13,743)	-	-	(178,445)
Total accumulated depreciation	(1,454,506)	(111,920)	-	-	(1,566,426)
Total capital assets, being depreciated, net	2,483,613	(21,331)	-	32,345	2,494,627
Governmental activities capital assets, net	$ 2,825,444	$ 283,311	$ (122,793)	$ (46,875)	$ 2,939,087

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	53,259	29,000	-	46,875	129,134
Total capital assets, not being depreciated	66,186	29,000	-	46,875	142,061
Capital assets, being depreciated:					
Land improvements	619,003	-	-	-	619,003
Equipment and vehicles	549,331	-	-	-	549,331
Plant	6,297,959	-	-	-	6,297,959
Water and sewer system	8,446,802	-	-	-	8,446,802
Total capital assets, being depreciated	15,913,095	-	-	-	15,913,095
Accumulated depreciation for:					
Land improvements	(647,842)	(9,326)	-	-	(657,168)
Equipment and vehicles	(371,730)	(20,602)	-	-	(392,332)
Plant	(1,032,099)	(127,680)	-	-	(1,159,779)
Water and sewer system	(3,121,549)	(178,117)	-	-	(3,299,666)
Total accumulated depreciation	(5,173,220)	(335,725)	-	-	(5,508,945)
Total capital assets, being depreciated, net	10,739,875	(335,725)	-	-	10,404,150
Business-type activities capital assets, net	$ 10,806,061	$ (306,725)	$ -	$ 46,875	$ 10,546,211

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

Governmental activities:	
General government	$ 41,224
Public safety	34,436
Public works	36,260
Total depreciation expense - governmental activities	$ 111,920
Business - type activities	
Water and sewer	$ 335,725
Total depreciation expense - business - type activities	$ 335,725

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Governmental activities:					
Compensated absences	$ 58,845	$ 8,709	$ (9,487)	$ 58,067	$ 37,743
Net pension liability	340,319	162,030	(144,666)	357,683	-
Governmental activity long-term liabilities	$ 399,164	$ 170,739	$ (154,153)	$ 415,750	$ 37,743
Business-type activities:					
Notes payable	$ 2,439,414	$ -	$ (98,376)	$ 2,341,038	$ 152,517
Compensated absences	19,774	10,194	(8,410)	21,558	14,014
Net pension liability	119,839	57,137	(50,869)	126,107	-
Business-type activity long-term liabilities	$ 2,579,027	$ 67,331	$ (157,655)	$ 2,488,703	$ 166,531

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, 2021:

Purpose	Original Amount	Interest Rate	Due Date	Balance at June 30, 2021
Water and sewer system	$ 844,657	4.24%	2022	$ 15,582
Water and sewer system	249,166	0.00%	2022	12,777
Water and sewer system	469,036	2.00%	2033	312,835
Water and sewer system	934,469	1.40%	2037	793,447
Water and sewer system	516,964	2.03%	2038	442,815
Water and sewer system	825,117	1.70%	2039	763,582
				2,341,038
		Less current maturities		152,517
				$ 2,188,521

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
2022	$ 152,517	$ 38,299	$ 190,816
2023	126,298	36,224	162,522
2024	128,478	34,045	162,523
2025	130,695	31,828	162,523
2026	132,950	26,572	159,522
2027 – 2031	700,016	112,597	812,613
2032 – 2036	687,292	51,767	739,059
2037 – 2040	282,791	6,120	288,911
	$ 2,341,037	$ 337,452	$ 2,678,489

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, 2021, the date of the most recent actuarial valuation, there were 44 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	10
Vested terminated employees not yet receiving benefits	10
Active employees	24
Total	44

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 $50,449 for the year ended June 30, 2021.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2020.

Actuarial assumptions. The total pension liability in the January 1, 2021 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 gender-district Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

The investment return and inflation assumptions used in the January 1, 2021 valuation were based on the results of an actuarial study in December 2019. The mortality and other actuarial assumptions used in the January 1, 2021 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, 2020, are summarized in the table below.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity	45%	6.40 %
International equity	20%	7.05
Real estate	10%	4.50
Global fixed income	5%	1.25
Domestic fixed income	20%	1.15
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, 2021, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning balances	$ 1,808,683	$ 1,348,525	$ 460,158
Changes for the year:			
Service cost	39,783	-	39,783
Interest	133,620	-	133,620
Differences between expected and actual experience	38,980	-	38,980
Contributions - employer	-	65,996	(65,996)
Net investment income	-	129,539	(129,539)
Benefit payments, including refunds of employee contributions	(73,333)	(73,333)	-
Administrative expense	-	(6,784)	6,784
Net changes	139,050	115,418	23,632
Ending balances	$ 1,947,733	$ 1,463,943	$ 483,790

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	$ 740,551	$ 483,790	$ 269,854

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, 2020, 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, 2021, the City recognized pension expense of $119,944. At June 30, 2021, 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	$ 112,467	$ (8,814)
Assumption changes	37,462	-
Net difference between projected and actual earnings on pension plan investments	-	(16,565)
Contributions subsequent to the measurement date	65,812	-
Total	$ 215,741	$ (25,379)

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 $65,812 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, 2022. 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:		
2022	$	31,790
2023		41,902
2024		49,183
2025		1,675
	$	124,550

NOTE 9. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2021, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	$ 80,274
Sales Tax Fund	General Fund	225
T-SPLOST	General Fund	2,799
Water and Sewer Fund	T-SPLOST	100
		$ 83,398

Advances to/from other funds:

Water and Sewer	Sales Tax Fund	$ 333,512

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	$ 158,922	$ -
Water and Sewer Fund	-	416,890
Total	$ 158,922	$ 416,890

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, 2021, the City paid $3,361 in such dues. Membership in an RC is required by the 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, 2021, 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, 2021

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	**$ 39,783**	$ 34,921	$ 43,386	$ 39,251	$ 36,388	$ 32,263	$ 28,400
Interest on total pension liability	**133,620**	118,853	110,114	105,028	97,152	85,907	79,636
Differences between expected and actual experience	**38,980**	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	**(73,333)**	(75,984)	(67,443)	(65,247)	(61,460)	(46,499)	(45,725)
Net change in total pension liability	**139,050**	220,899	129,258	70,705	103,516	152,582	81,301
Total pension liability - beginning	**1,808,683**	1,587,784	1,458,526	1,387,821	1,284,305	1,131,723	1,050,422
Total pension liability - ending (a)	**$ 1,947,733**	$ 1,808,683	$ 1,587,784	$ 1,458,526	$ 1,387,821	$ 1,284,305	$ 1,131,723
Plan fiduciary net position							
Contributions - employer	**$ 65,996**	$ 77,338	$ 62,630	$ 66,475	$ 43,488	$ 41,042	$ 35,218
Net investment income	**129,539**	39,916	119,497	158,218	107,166	11,400	100,019
Benefit payments, including refunds of employee contributions	**(73,333)**	(75,984)	(67,443)	(65,247)	(61,460)	(46,499)	(45,725)
Administrative expense	**(6,784)**	(6,649)	(7,041)	(7,423)	(3,965)	(4,192)	(3,376)
Net change in plan fiduciary net position	**115,418**	34,621	107,643	152,023	85,229	1,751	86,136
Plan fiduciary net position - beginning	**1,348,525**	1,313,904	1,206,261	1,054,238	969,009	967,258	881,122
Plan fiduciary net position - ending (b)	**$ 1,463,943**	$ 1,348,525	$ 1,313,904	$ 1,206,261	$ 1,054,238	$ 969,009	$ 967,258
City's net pension liability - ending (a) - (b)	**$ 483,790**	$ 460,158	$ 273,880	$ 252,265	$ 333,583	$ 315,296	$ 164,465
Plan fiduciary net position as a percentage percentage of the total pension liability	**75.16%**	74.56%	82.75%	82.70%	75.96%	75.45%	85.47%
Covered payroll	**$ 1,094,876**	$ 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	**44.19%**	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, 2021

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	**$ 89,015**	$ 52,853	$ 72,341	$ 67,431	$ 59,541	$ 44,752	$ 39,805
Contributions in relation to the actuarially determined contribution	**50,449**	52,853	72,341	77,355	60,601	53,872	44,105
Contribution deficiency (excess)	**$ 38,566**	$ -	$ -	$ (9,924)	$ (1,060)	$ (9,120)	$ (4,300)
Covered payroll	**$ 1,349,409**	$ 1,305,473	$ 1,212,667	$ 1,158,574	$ 1,011,016	$ 1,010,344	$ 967,278
Contributions as a percentage of covered payroll	**3.74%**	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 14 years.
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial Assumptions:	
Net Investment Rate of Return	7.375%
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 gender-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in ages for males and one year for females to the gender-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 gender-distinct RP-2000 Disabled Retiree Mortality Table to the gender-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 gender-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the gender-distinct Pri-2012 head-count weighted Employee Morality Table.

- Future mortality improvement based on projecting generationally from 2012 using 60% of the gender-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 remained the same at 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 remained the same at 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, 2021

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Public Safety Capital Projects and Equipment	$ 153,559	$ 153,559	$ -	$ -	$ -
Public Facilities, Renovations and Construction	1,055,750	1,055,750	508,098	-	508,098
Water and Sewer Projects	575,600	575,600	28,790	73,814	102,604
Roads, Streets and Bridges	268,750	268,750	-	-	-
Stormwater Projects	76,800	76,800	-	-	-
Total	$ 2,130,459	$ 2,130,459	$ 536,888	$ 73,814	$ 610,702

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX VI PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
Public Safety Capital Projects and Equipment	$ 75,000	$ 75,000	$ 116,963	$ 49,946	$ 166,909
Public Facilities, Renovations and Construction	1,375,000	1,375,000	1,649,972	55,516	1,705,488
Water and Sewer Projects	750,000	750,000	63,616	-	63,616
Roads, Streets and Bridges	350,000	350,000	225,732	81,059	306,791
Stormwater Projects	100,000	100,000	27,080	33,032	60,112
Total	$ 2,650,000	$ 2,650,000	$ 2,083,363	$ 219,553	$ 2,302,916

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX V PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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	$ 73,814
Sales Tax VI	219,553
Sales Tax V	-
	$ 293,367

CITY OF LEESBURG, GEORGIA

SCHEDULE OF EXPENDITURES OF TRANSPORTATION SPECIAL PURPOSE LOCAL OPTION SALES TAX V PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
Roads, Streets and Bridges	$ 1,981,525	$ 1,981,525	$ 275,208	$ 177,151	$ 452,359

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, 2021, 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 23, 2021.

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 2021-002 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 2021-001 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 or other matters 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

Macon, Georgia
December 23, 2021

CITY OF LEESBURG, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2021 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, 2021

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2021-001. 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, 2021, 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)

2021-002. 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: 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, 2021.

Effect: An adjustment of $135,725 was recorded in the Water and Sewer Fund to adjust depreciation expense and accumulated depreciation to actual as of June 30, 2021.

Recommendation: 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, 2021

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, 2021

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.

Auditee Response/Status: Unresolved. See current year finding 2021-001.

2020-002. 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: 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.

Auditee Response/Status: Unresolved. See current year finding 2021-002.