

**City of Locust Grove, Georgia**  
**Annual Financial Report**  
**For the Fiscal Year Ended December 31, 2012**  
**Together With**  
**Independent Auditor's Report**

**Vance and Associates, LLC**

*Certified Public Accountants*

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**CITY OF LOCUST GROVE, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and members of City Council  
City of Locust Grove, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Locust Grove, Georgia (the City) as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. We were not engaged to perform an audit of the City's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

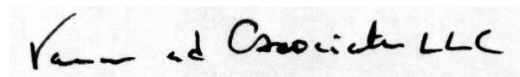
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type-activities, and each major fund of the City of Locust Grove, Georgia, as of December 31, 2012 and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund, the Hotel/Motel Tax Fund, and the Confiscated Assets Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 13, 2013 on our consideration of the City of Locust Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 and the Historical Pension Information on page 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Locust Grove, Georgia's basic financial statements. The individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 13, 2013  
Atlanta, Georgia

A handwritten signature in black ink that reads "Vance and Associates LLC". The signature is written in a cursive, slightly slanted style.

**Vance and Associates, LLC**

CITY OF LOCUST GROVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Locust Grove, we offer readers of the City of Locust Grove's financial statements this narrative overview and analysis of the financial activities of the City of Locust Grove for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with their reading of the financial statements.

**Financial Highlights**

- The assets of the City of Locust Grove exceeded its liabilities at December 31, 2012 by \$25,183,657. Of this amount unrestricted net assets of \$4,032,902 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased by \$206,205. Of this amount a net increase of \$195,445 was associated with governmental-type activities and a \$10,760 increase was associated with business-type activities.
- As of the close of the current fiscal year, the City of Locust Grove's governmental funds reported combined ending fund balances of \$4,476,002, an increase of \$58,464 in comparison with the prior year. Of this amount \$2,524,470 is unassigned and available for spending and \$1,903,491 is restricted for capital projects and other specific future uses.
- At the end of the current year, unassigned fund balance for the general fund was \$2,524,470 or 83 percent of total General Fund expenditures.
- The City of Locust Grove's total debt obligations (including accrued compensated absences) decreased by \$437,854 to a total of \$8,131,378 as of year-end. The City made principal payments during the year on its long-term debt of \$443,675.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City of Locust Grove's basic financial statements. The City of Locust Grove's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Locust Grove's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Locust Grove include general government, public safety and courts, highways and streets, parks and recreation, building inspections, economic development and promotion. The business-type activities of the City are water and sewer, solid waste management and stormwater management.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Locust Grove can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. However, unlike the government-wide financial statement, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate its comparison between the two.

The City maintains seven major governmental funds. The City's major governmental funds are the General fund, Hotel/Motel Tax Fund, Confiscated Asset Fund, SPLOST II and III Capital Project Funds, and the Development Impact Fee Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds.

The City of Locust Grove adopts an annual budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund, the Hotel/Motel Tax Fund and the Confiscated Assets Fund to demonstrate compliance with the FY 12 budget. A project length budget has been adopted for the SPLOST Capital Projects and an annual budget has been prepared for the Development Impact Fee Fund.

**Proprietary funds.** Enterprise funds (a component of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund its Solid Waste Management Fund and its Stormwater Management Fund. All of the city's enterprise funds are considered by the City to be major funds.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the City's major funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statement and accompanying notes, this report also presents certain other supplementary information which consists of individual fund financial statements with prior year comparisons.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. At December 31, 2012, the city’s assets exceeded liabilities by \$25,183,657. The City’s net assets reflects its investment in capital assets (76 percent), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Of the total net assets, \$2,001,888 (7.9 percent) is restricted for capital projects and other specified activities and \$4,032,902 (16 percent) is unrestricted.

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**City of Locust Grove’s Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Current and other assets	\$ 4,567,590	\$ 4,661,040	\$ 1,720,657	\$ 1,931,759	\$ 6,288,247	\$ 6,592,799
Capital assets	<u>7,040,391</u>	<u>7,162,130</u>	<u>20,667,954</u>	<u>20,074,536</u>	<u>27,708,345</u>	<u>27,236,666</u>
Total assets	<u>11,607,981</u>	<u>11,823,170</u>	<u>22,388,611</u>	<u>22,006,295</u>	<u>33,996,592</u>	<u>33,829,465</u>
Current liabilities	170,130	195,695	755,362	809,464	925,492	1,005,159
Long-term liabilities	<u>5,821</u>	<u>—</u>	<u>8,087,827</u>	<u>7,640,649</u>	<u>8,093,648</u>	<u>7,640,649</u>
Total liabilities	<u>175,951</u>	<u>195,695</u>	<u>8,843,189</u>	<u>8,450,113</u>	<u>9,019,140</u>	<u>8,645,808</u>
Net assets:						
Invested in capital assets, net of related debt	7,034,570	7,162,130	12,142,302	11,986,737	19,176,872	19,148,867
Restricted	1,961,893	1,767,437	225,139	234,451	2,187,032	2,001,888
Unrestricted	<u>2,435,567</u>	<u>2,697,908</u>	<u>1,177,981</u>	<u>1,334,994</u>	<u>3,613,548</u>	<u>4,032,902</u>
Total net assets	<u>11,432,030</u>	<u>11,627,475</u>	<u>13,545,422</u>	<u>13,556,182</u>	<u>24,977,452</u>	<u>25,183,657</u>

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A portion of the net assets (7.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$4,032,902) may be used to meet the government’s ongoing obligations to citizens and creditors.



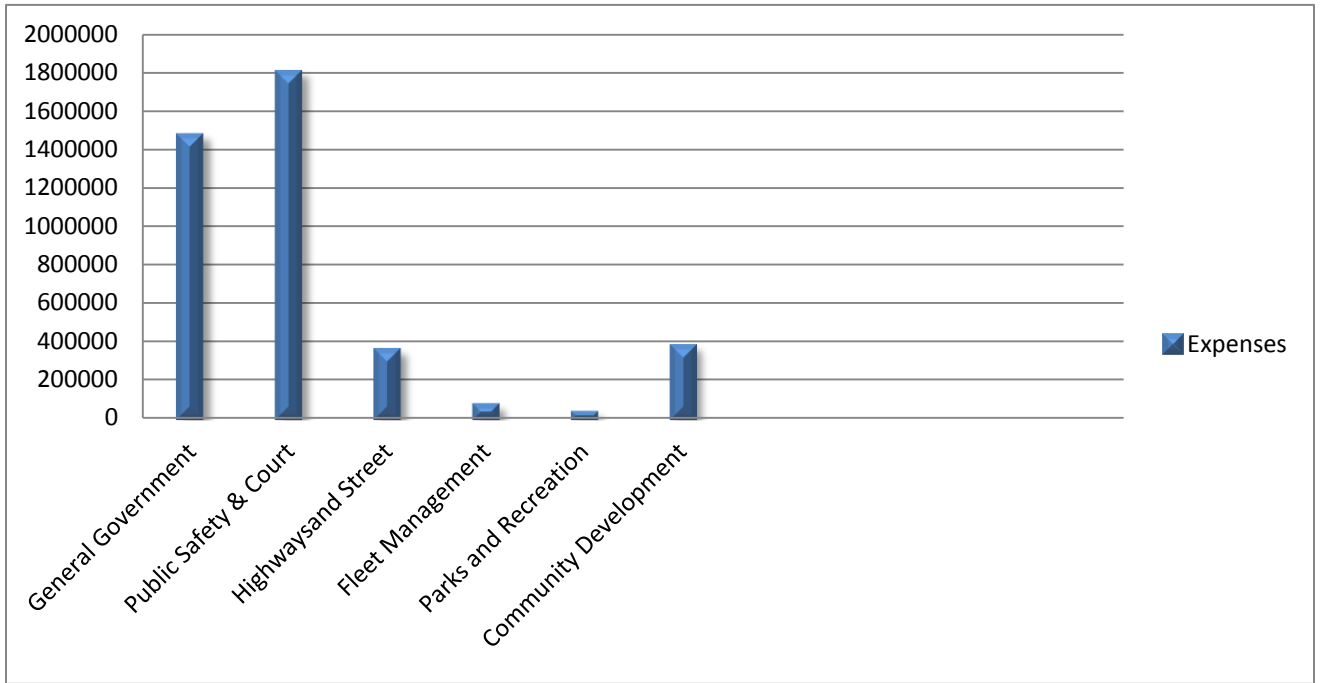
**City of Locust Grove's Change in Net Assets  
For The Years Ended December 31, 2012 and 2011**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
<b>REVENUES</b>						
Program Revenues -						
Charges for services	\$ 607,175	\$ 545,128	\$ 2,496,643	\$ 2,577,176	\$ 3,103,818	\$ 3,122,304
Operating grants and contributions	40,880	500	—	—	40,880	500
Capital grants and contributions	887,421	757,347	—	—	887,421	757,347
General Revenues -						
Franchise taxes	400,859	355,859	—	—	400,859	355,859
Sales taxes	1,604,712	1,651,932	—	—	1,604,712	1,651,932
Other taxes	1,005,174	911,842	—	—	1,005,174	911,842
Interest	16,156	11,762	10,559	4,422	26,715	16,184
Other	<u>43,827</u>	<u>15,399</u>	<u>—</u>	<u>—</u>	<u>43,827</u>	<u>15,399</u>
Total revenues	<u>4,606,204</u>	<u>4,249,769</u>	<u>2,507,202</u>	<u>2,581,598</u>	<u>7,113,406</u>	<u>6,831,367</u>
<b>EXPENSES</b>						
General government	1,278,672	1,465,017	—	—	1,278,672	1,465,017
Public and municipal court	1,631,895	1,793,721	—	—	1,631,895	1,793,721
Highways and streets	434,337	347,845	—	—	434,337	347,845
Fleet maintenance	56,759	59,629	—	—	56,759	59,629
Parks and recreation	20,246	20,302	—	—	20,246	20,302
Community development	395,351	367,810	—	—	395,351	367,810
Interest on long-term debt	934	—	—	—	934	—
Water	—	—	913,867	978,579	913,867	978,579
Sewer	—	—	1,067,684	1,130,279	1,067,684	1,130,279
Solid waste	—	—	253,868	278,568	253,868	278,568
Stormwater	<u>—</u>	<u>—</u>	<u>138,369</u>	<u>183,412</u>	<u>138,369</u>	<u>183,412</u>
Total expenditures	<u>3,818,194</u>	<u>4,054,324</u>	<u>2,373,788</u>	<u>2,570,838</u>	<u>6,191,982</u>	<u>6,625,162</u>
Increase (decrease) in net Assets	788,010	195,445	133,414	10,760	921,424	206,205
Net assets – beginning of year	<u>10,644,020</u>	<u>11,432,030</u>	<u>13,412,008</u>	<u>13,545,422</u>	<u>24,056,028</u>	<u>24,977,452</u>
Net assets – end of year	<u>\$ 11,432,030</u>	<u>\$ 11,627,475</u>	<u>\$ 13,545,422</u>	<u>\$ 13,556,182</u>	<u>\$ 24,977,452</u>	<u>\$ 25,183,657</u>

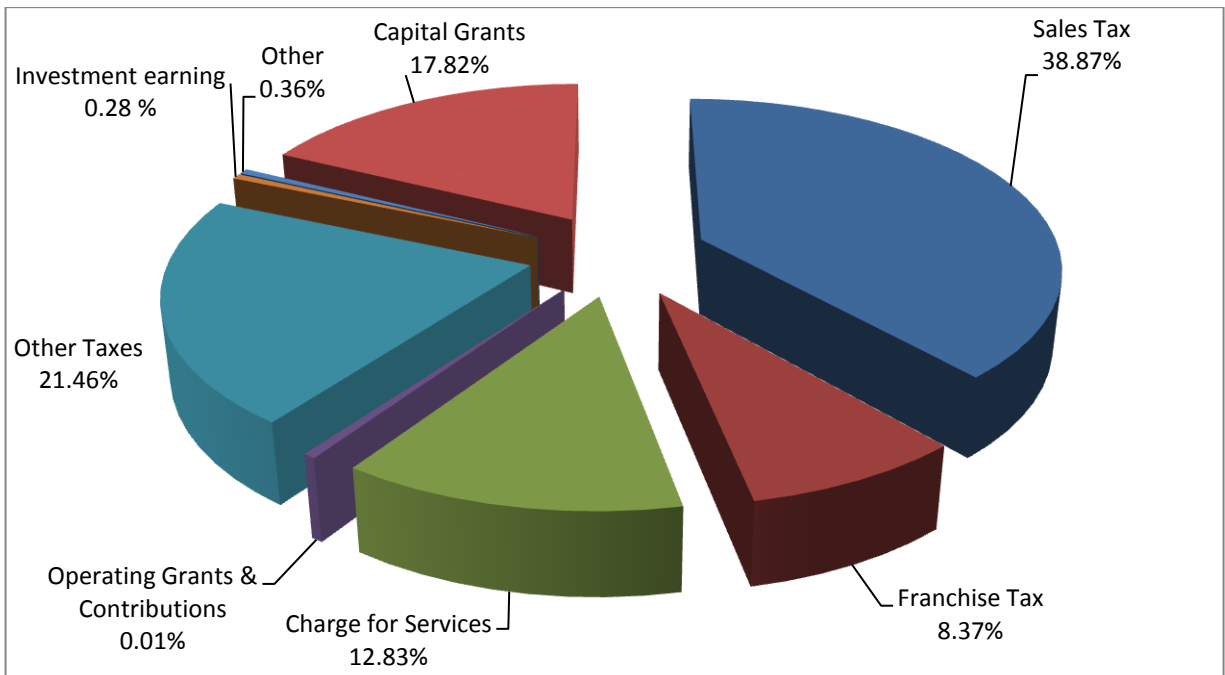
**Governmental activities.** Governmental activities increased the City of Locust Grove's net assets by \$195,445. Key elements of this increase are as follows:

- The city has encountered an up-turn in its economic activities. The increase in various taxes and utility fees both show modest increases.

## Expenses -Governmental Activities

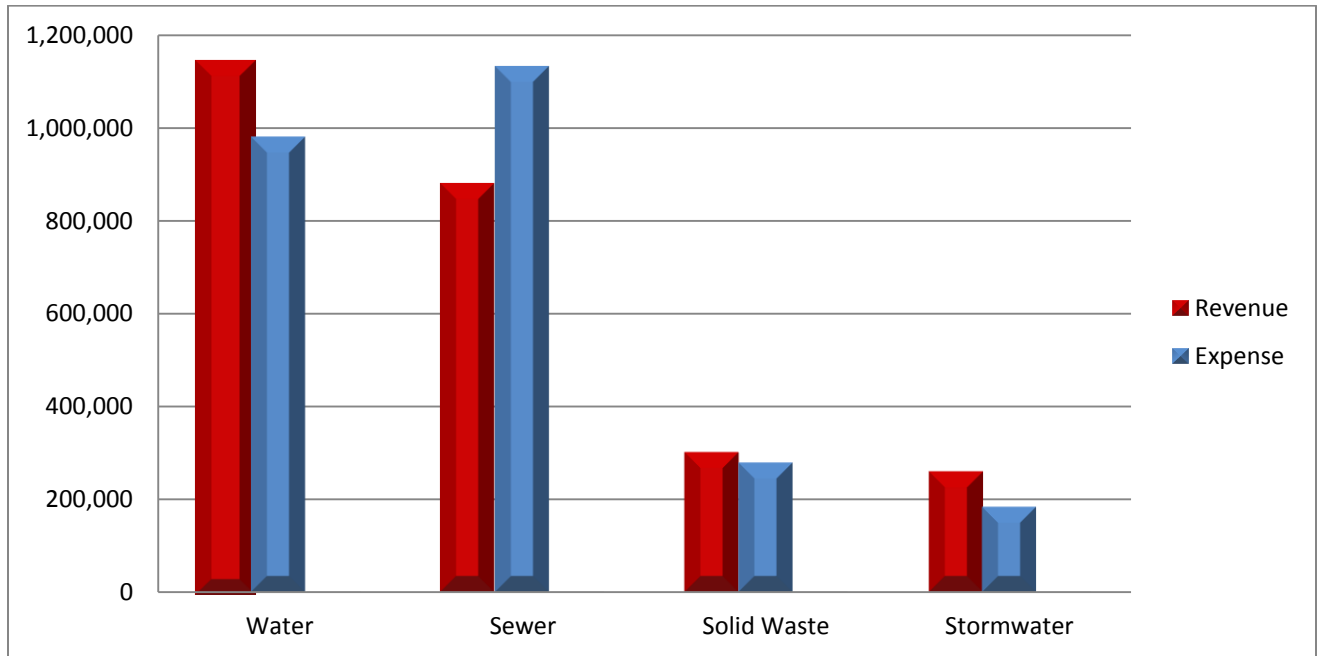


## Revenue by Source-Governmental Activities



Business-type activities. Business-type activities increased the City's net assets by \$10,760 of which a decrease of \$252,666 was from Sewer activities, an increase \$75,738 was from Solid Waste management, an increase of \$161,337 from water and an increase of \$21,929 was from Stormwater Management activities. This is the third year the City has charged stormwater fees.

### Expenses and Program Revenues-Business-Type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the City of Locust Grove used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds.** The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2012 the City's governmental funds reported combined ending fund balances of \$4,476,002, an increase of \$58,464 in comparison to the prior year. Of this amount, \$2,524,470 (56.4 percent) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it had already been committed 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax, Development Impact Fees \$1,432,349; 2) to pay for police activities which is funded through confiscations of assets obtained during investigations into illegal drug activities (\$598); and 3) restricted for prepaid expenses which are not available for current government's spending discretion \$48,041; 4) restricted for conservation and tourism \$334,490.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,524,470 while the total fund balance totaled \$2,742,917. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 83 percent of the total general fund expenditures, while total fund balance represents 90.2 percent of that same amount.

During the current fiscal year, the fund balance of the City's general fund increased by \$246,392. The general fund's revenues decreased for the year by \$12,060 or 0.3% while expenditures increased by \$380,519 or 12.5%.

The City's Hotel/Motel Tax fund received revenues from hotel/motel taxes of 169,803. Forty percent of these taxes must be paid to the Henry County Chamber of Commerce for tourism and promotional purposes. The City also provides funding for other economic development and promotional activities from these funds. At December 31, 2012, the Hotel/Motel Tax fund had a restricted fund balance of \$300,138.

The City created the Confiscated Assets fund during 2005 to account for the assets obtained by the City as a result of investigations into illegal drug activities. As of December 31, 2012, this fund had a fund balance of \$598, which was restricted for police activities.

The City of Locust Grove received \$757,347 in Special Purpose Local Option Sales Taxes in 2012 under the new SPLOST III intergovernmental agreement. These monies are restricted for items specified in the referendum voted on by the citizens of Henry County.

During 2005, the City created the Development Impact Fee fund to account for activities financed with revenues generated through the Development Impact Fee Ordinance approved by City Council. The City can expend these monies on major capital improvement for parks, police and highways and streets. The City collected \$24,091 in impact fees during 2012 which is a decrease of approximately \$76,351 from 2011. As of December 31, 2012, the Development Impact Fee Fund had a fund balance of \$129,433.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year were \$1,334,994 of which the Water and Sewer fund had \$658,637, the Solid Waste Management Fund had \$179,898 and the Stormwater Fund had \$496,459. Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

The General fund budgeted expenditures of \$3,249,035 provided a positive variance of \$207,687 compared to actual expenditures of \$3,041,348 is mainly due to the City Council reducing expenditures due to the current economic conditions.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities at December 31, 2012 amounts to \$19,148,867 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobiles and equipment, sidewalks, bridges and roads.

Major capital asset events during the current fiscal year included the following:

- \$275,551 in construction and renovation costs of the City's buildings.
- \$100,783 in equipment.

Additional information on the City's capital assets can be found in note 6 and 7.

**Long-term debt.** At the end of the current fiscal year, the City had \$8,131,378 in outstanding debt consisting of the following:

#### CITY OF LOCUST GROVE'S OUTSTANDING DEBT

Governmental Activities	Balance
Accrued compensated absences	\$ 43,580
Business-Type Activities –	
GEFA notes payable	<u>8,087,798</u>
Total	<u>\$ 8,131,378</u>

The City's total debt decreased by \$446,956. Additional information on the City's long-term debt can be found in note 9.

## Status of the City of Locust Gove's Economy

- Collections for LOST and SPLOST are continuing to increase at comparative rates as for the state and the region as indication of a continued economic recovery.
- The unemployment rate for the City of Locust Grove continues to compare reasonably between the state and regional rates.
- Inflationary trends in the region compare favorably to national indices, with higher upward swing impacts due to dependency on volatile fuel costs and the considerable distance from the Atlanta Region Core.
- Building permits for residential construction remains depressed despite the strong resurgence in construction in other portions of Henry County and the Atlanta Region. Exurban suburbs such as the City of Locust Grove have witnessed purchase of developed lots, but no actual new home construction on those lots. Commercial permits have been steady over the year due to the need to absorb existing space. New projects have been smaller-scale commercial activities instead of larger multiple tenant spaces. This trend is likely to continue through the 2013 Fiscal Year until a strong recovery exists in new home construction.
- The occupancy rate of the city's downtown area remains consistent, with one new addition to an undeveloped space as part of an existing business expansion.
- SPLOST III collections under the new intergovernmental agreement began in June 2008. These proceeds will continue to be collected through March 2014 and provide much needed financing for improvements to the City's infrastructure.  
SPLOST IV discussions are underway to extend the sales tax for up to an additional six (6) years, including new distribution between the county and the cities.
- The City has received a \$60,000 allocation in the Henry County Community Development Block Grant (CDBG) program as distributed by the US Housing and Urban Development to remove an architectural barrier to a historic structure (LGI Building).
- The City successfully completed arbitration with Henry County and the cities of Hampton, McDonough, and Stockbridge in the distribution of LOST for the next ten (10) years. As a result of this settlement, the city's share of overall LOST will increase by a conservative estimate of \$600,000 over the next decade.
- The Atlanta Region failed to approve the T-SPLOST tax for funding the Metropolitan Atlanta Region's major road, transit, and bicycle/pedestrian improvements over the next ten years. This meant that Henry County lost over \$193,000,000 in potential projects as well as the City of Locust Grove losing approximately \$250,000 annually for local street maintenance. More funds will be needed to allocated for basic road maintenance over the coming decades to replace pavement within the recently-developed subdivisions as they age due to both continued wear and tear by traffic or accelerated weather and plant growth within several of the foreclosed subdivisions.

The City is adding new positions to many of its departments due to previous growth and the anticipated future positive revenues, including Community Development, Administration, Street Maintenance, and Police..

- All of these factors were considered in preparing the City of Locust Grove's budget for F/Y 2013.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Locust Grove's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning this report or requests for additional information can be obtained by contacting the City at (770) 957-5043 or at the following address:

City of Locust Grove  
Finance Department  
P O Box 900  
Locust Grove, Ga 30248-0900

**CITY OF LOCUST GROVE, GEORGIA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,452,953	\$ 483,503	\$ 1,936,456
Investments	913,446	569,664	1,483,110
Receivables (net of allowance for uncollectibles)			
Taxes	735,244	—	735,244
Fines	77,413	—	77,413
Accounts	—	276,865	276,865
Interest	3,293	1,723	5,016
Internal balances	(336,787)	336,787	—
Prepaid Items	48,041	—	48,041
Restricted Assets –			
Cash	1,767,437	234,451	2,001,888
Non-Depreciable Capital Assets	2,349,246	1,423,964	3,773,210
Depreciable Capital Assets, Net	4,812,884	18,650,572	23,463,456
Other Assets	—	28,766	28,766
<b>Total Assets</b>	<b><u>11,823,170</u></b>	<b><u>22,006,295</u></b>	<b><u>33,829,465</u></b>
<b>LIABILITIES</b>			
Accounts payable			
Operating	101,640	47,005	148,645
Accrued Liabilities -			
Salaries	45,387	11,156	56,543
Compensated absences	43,580	16,077	59,657
Customer deposits	—	240,495	240,495
Police bonds	5,088	—	5,088
Liabilities Payable from Restricted Assets –			
Notes payable	—	447,149	447,149
Accrued interest	—	47,582	47,582
Long-Term Liabilities –			
Due in More Than one Year	—	7,640,649	7,640,649
<b>Total Liabilities</b>	<b><u>195,695</u></b>	<b><u>8,450,113</u></b>	<b><u>8,645,808</u></b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,162,130	11,986,737	19,148,867
Restricted for			
Police activities	598	—	598
Debt service	—	234,451	234,451
Capital projects	1,432,349	—	1,432,349
Tree conservation	34,352	—	34,352
Tourism	300,138	—	300,138
Unrestricted	<u>2,697,908</u>	<u>1,334,994</u>	<u>4,032,902</u>
<b>Total Net Assets</b>	<b><u>\$ 11,627,475</u></b>	<b><u>\$ 13,556,182</u></b>	<b><u>\$ 25,183,657</u></b>

See accompanying notes to the basic financial statements



**CITY OF LOCUST GROVE, GEORGIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues/</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
Governing Body	\$ 128,644	\$ —	\$ —	\$ —	\$ (128,644)	\$ —	\$ (128,644)
Financial Administration	1,336,373	183,761	500	757,347	(394,765)	—	(394,765)
Police & Municipal Court	1,793,721	343,513	—	—	(1,447,208)	—	(1,447,208)
Highways & Streets	347,845	—	—	—	(347,845)	—	(347,845)
Fleet Maintenance	59,629	—	—	—	(59,629)	—	(59,629)
Parks & Recreation	20,302	14,854	—	—	(5,448)	—	(5,448)
Community Development	367,810	—	—	—	(367,810)	—	(367,810)
Total Governmental Activities	<u>4,054,324</u>	<u>545,128</u>	<u>500</u>	<u>757,347</u>	<u>(2,751,349)</u>	<u>—</u>	<u>(2,751,349)</u>
<b>Business-Type Activities</b>							
Water	978,579	1,139,916	—	—	—	161,337	161,337
Sewer	1,130,279	877,613	—	—	—	(252,666)	(252,666)
Solid Waste Management	278,568	300,497	—	—	—	21,929	21,929
Stormwater	<u>183,412</u>	<u>259,150</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>75,738</u>	<u>75,738</u>
Total Business Activities	<u>2,570,838</u>	<u>2,577,176</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,338</u>	<u>6,338</u>
<b>Total Government</b>	<b><u>\$ 6,625,162</u></b>	<b><u>\$ 3,122,304</u></b>	<b><u>\$ 500</u></b>	<b><u>\$ 757,347</u></b>	<b><u>(2,751,349)</u></b>	<b><u>6,338</u></b>	<b><u>(2,745,011)</u></b>
<b>General Revenues:</b>							
Taxes:							
Intangible					27,900	—	27,900
Franchise					355,859	—	355,859
Local Option Sales					1,651,932	—	1,651,932
Occupational					130,876	—	130,876
Insurance premium					269,128	—	269,128
Alcohol beverage					310,269	—	310,269
Hotel/Motel					169,803	—	169,803
Other Taxes					3,866	—	3,866
Investment earnings					11,762	4,422	16,184
Other					<u>15,399</u>	<u>—</u>	<u>15,399</u>
Total General Revenues					<u>2,946,794</u>	<u>4,422</u>	<u>2,951,216</u>
Changes in Net Assets					195,445	10,760	206,205
Net Assets – Beginning of Year					<u>11,432,030</u>	<u>13,545,422</u>	<u>24,977,452</u>
<b>Net Assets – End of Year</b>					<b><u>\$ 11,627,475</u></b>	<b><u>\$ 13,556,182</u></b>	<b><u>\$ 25,183,657</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
BALANCE SHEET  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Hotel/ Motel</u>	<u>Confiscated Assets</u>	<u>SPLOST III Capital Projects</u>	<u>Development Impact Fee</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash	\$ 1,563,387	\$ 315,554	\$ 598	\$ 1,211,418	\$ 129,433	\$ 3,220,390
Investments	913,446	—	—	—	—	913,446
Receivables –						
Taxes	633,953	9,793	—	91,498	—	735,244
Accrued interest	3,293	—	—	—	—	3,293
Fines	77,413	—	—	—	—	77,413
Due from other funds	294,559	—	—	—	—	294,559
Prepaid items	48,041	—	—	—	—	48,041
<b>Total Assets</b>	<b><u>3,534,092</u></b>	<b><u>325,347</u></b>	<b><u>598</u></b>	<b><u>1,302,916</u></b>	<b><u>129,433</u></b>	<b><u>5,292,386</u></b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts payable	95,990	5,650	—	—	—	101,640
Accrued police bonds	5,088	—	—	—	—	5,088
Accrued salaries and wages	45,387	—	—	—	—	45,387
Due to other funds	611,787	19,559	—	—	—	631,346
Deferred revenues	32,923	—	—	—	—	32,923
<b>Total Liabilities</b>	<b><u>791,175</u></b>	<b><u>25,209</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>816,384</u></b>
<b>Fund Balance</b>						
Nonspendable	48,041	—	—	—	—	48,041
Restricted for:						
Capital projects	—	—	—	1,302,916	129,433	1,432,349
Police activities	—	—	598	—	—	598
Tree conservation	34,352	—	—	—	—	34,352
Tourism	—	300,138	—	—	—	300,138
Committed:						
Equipment acquisition	114,165	—	—	—	—	114,165
Cemetery	21,889	—	—	—	—	21,889
Unassigned	2,524,470	—	—	—	—	2,524,470
<b>Total fund balance</b>	<b><u>2,742,917</u></b>	<b><u>300,138</u></b>	<b><u>598</u></b>	<b><u>1,302,916</u></b>	<b><u>129,433</u></b>	<b><u>4,476,002</u></b>
<b>Total Liabilities &amp; Fund Balance</b>	<b><u>\$ 3,534,092</u></b>	<b><u>\$ 325,347</u></b>	<b><u>\$ 598</u></b>	<b><u>\$ 1,302,916</u></b>	<b><u>\$ 129,433</u></b>	<b><u>\$ 5,292,386</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

Total fund balances – total governmental funds	\$ 4,476,002
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	7,162,130
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Deferred revenues	32,923
Long term liabilities are not due and payable in the Current period and, therefore, they are not reported In the governmental funds balance sheet.	
Accrued compensated absences	<u>(43,580)</u>
Net assets of governmental activities	<b><u>\$ 11,627,475</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Hotel/ Motel</u>	<u>Confiscated Assets</u>	<u>SPLOST III Capital Projects</u>	<u>Development Impact Fee</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 2,749,830	\$ 169,803	\$ —	\$ —	\$ —	\$ 2,919,633
Licenses and permits	148,762	—	—	—	—	148,762
Intergovernmental grants	500	—	—	757,347	—	757,847
Charges for services	10,908	—	—	—	24,091	34,999
Fines, fees and forfeitures	340,373	—	—	—	—	340,373
Investment income	7,114	1,223	—	3,197	228	11,762
Rental income	14,854	—	—	—	—	14,854
Miscellaneous	15,399	—	—	—	—	15,399
<b>Total Revenues</b>	<b><u>3,287,740</u></b>	<b><u>171,026</u></b>	<b><u>—</u></b>	<b><u>760,544</u></b>	<b><u>24,319</u></b>	<b><u>4,243,629</u></b>
<b>EXPENDITURES</b>						
Current						
Governing Body	128,644	—	—	—	—	128,644
Financial Administration	588,917	—	—	714,673	—	1,303,590
Municipal Court	242,103	—	—	—	—	242,103
Police	1,439,001	—	—	—	—	1,439,001
Highways and streets	283,014	—	—	1,250	—	284,264
Fleet Maintenance	59,629	—	—	—	—	59,629
Parks and Recreation	5,885	—	—	—	—	5,885
Community Development	210,989	152,343	—	—	—	363,332
Capital Outlay	77,295	22,706	—	252,845	—	352,846
Debt Service						
Principal	5,821	—	—	—	—	5,821
Interest	50	—	—	—	—	50
<b>Total Expenditures</b>	<b><u>3,041,348</u></b>	<b><u>175,049</u></b>	<b><u>—</u></b>	<b><u>968,768</u></b>	<b><u>—</u></b>	<b><u>4,185,165</u></b>
Changes in Fund Balance	246,392	(4,023)	—	(208,224)	24,319	58,464
Fund balance - beginning	<u>2,496,525</u>	<u>304,161</u>	<u>598</u>	<u>1,511,140</u>	<u>105,114</u>	<u>4,417,538</u>
<b>Fund balance - ending</b>	<b><u>\$ 2,742,917</u></b>	<b><u>\$ 300,138</u></b>	<b><u>\$ 598</u></b>	<b><u>\$ 1,302,916</u></b>	<b><u>\$ 129,433</u></b>	<b><u>\$ 4,476,002</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

Net change in fund balances – total governmental funds	\$ 58,464
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 (\$352,846) exceeded depreciation (\$231,107)	121,739
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the difference between the beginning and ending deferred revenue balances related to timing differences.	6,140
Capital lease proceeds provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$—) exceeded repayments (\$5,821).	5,821
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.	
Change in long-term portion of accrued compensated absences	<u>3,281</u>
Change in net assets of governmental activities	<u><u>\$ 195,445</u></u>

See accompanying notes to the basic financial statements

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Budget Original</b>	<b>Budget Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Taxes	\$ 2,468,900	\$ 2,756,212	\$ 2,749,830	\$ (6,382)
Licenses and permits	134,000	127,560	148,762	21,202
Intergovernmental	500	1,250	500	(750)
Charges for services	35,850	26,775	10,908	(15,867)
Fines, fees and forfeitures	300,000	303,500	340,373	36,873
Interest	8,000	6,300	7,114	814
Rental income	14,400	14,850	14,854	4
Other	10,000	14,488	15,399	911
<b>Total Revenues</b>	<b><u>2,971,650</u></b>	<b><u>3,250,935</u></b>	<b><u>3,287,740</u></b>	<b><u>36,805</u></b>
<b>EXPENDITURES</b>				
Current				
Governing Body	107,300	133,825	128,644	5,181
Financial Administration	524,850	629,000	588,917	40,083
Municipal Court	199,400	257,220	242,103	15,117
Police	1,492,750	1,566,875	1,465,601	101,274
Highways and streets	395,450	358,525	311,003	47,522
Fleet Maintenance	73,950	64,230	59,629	4,601
Parks and Recreation	6,500	6,500	5,885	615
Community Development	259,150	229,560	233,695	(4,135)
Debt Service				
Principal	3,600	3,240	5,821	(2,581)
Interest	300	60	50	10
<b>Total Expenditures</b>	<b><u>3,063,250</u></b>	<b><u>3,249,035</u></b>	<b><u>3,041,348</u></b>	<b><u>207,687</u></b>
Changes in Fund Balance	(91,600)	1,900	246,392	244,492
Fund balance - beginning	<u>2,496,525</u>	<u>2,496,525</u>	<u>2,496,525</u>	—
<b>Fund balance - ending</b>	<b><u>\$ 2,404,925</u></b>	<b><u>\$2,498,425</u></b>	<b><u>\$ 2,742,917</u></b>	<b><u>\$ 244,492</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL  
HOTEL/MOTEL TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Taxes	\$ 170,000	\$ 186,900	\$ 169,803	\$ (17,097)
Investment income	<u>1,200</u>	<u>1,200</u>	<u>1,223</u>	<u>23</u>
<b>Total Revenues</b>	<b><u>171,200</u></b>	<b><u>188,100</u></b>	<b><u>171,026</u></b>	<b><u>(17,074)</u></b>
<b>EXPENDITURES</b>				
Operating -				
Economic Development -				
Contracted services	6,500	6,500	182	6,318
Supplies	200	200	—	200
Payments to others	5,100	1,860	1,860	—
Tourism and Promotion-				
Salaries and benefits	51,000	52,700	50,768	1,932
Contracted services	21,200	23,750	22,504	1,246
Supplies	5,200	10,700	9,108	1,592
Payments to others	70,000	68,250	67,921	329
Capital Outlay-				
Furniture and fixtures	3,000	2,450	—	2,450
Site improvements	<u>60,000</u>	<u>25,000</u>	<u>22,706</u>	<u>2,294</u>
<b>Total Expenditures</b>	<b><u>222,200</u></b>	<b><u>191,410</u></b>	<b><u>175,049</u></b>	<b><u>16,361</u></b>
Net changes in fund balance	(51,000)	(3,310)	(4,023)	(713)
Fund balance – beginning of year	<u>304,161</u>	<u>304,161</u>	<u>304,161</u>	<u>—</u>
<b>Fund balance – End of year</b>	<b><u>\$ 253,161</u></b>	<b><u>\$ 300,851</u></b>	<b><u>\$ 300,138</u></b>	<b><u>\$ (713)</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
CONFISCATED ASSETS SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGE AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Budget Original &amp; Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Confiscations	\$ 500	\$ —	\$ (500)
Miscellaneous	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Revenues</b>	<b><u>500</u></b>	<b><u>—</u></b>	<b><u>(500)</u></b>
<b>EXPENDITURES</b>			
Current			
Purchased contracted services	—	—	—
Supplies	500	—	500
Capital -			
Police equipment	—	—	—
Payment to others	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Expenditures</b>	<b><u>500</u></b>	<b><u>—</u></b>	<b><u>500</u></b>
Excess of revenues over (under) expenditures	—	—	—
<b>Other financing sources (uses):</b>			
Proceeds from disposition of capital assets	<u>—</u>	<u>—</u>	<u>—</u>
Net changes in fund balance	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance - beginning	<u>598</u>	<u>598</u>	<u>—</u>
<b>Fund balance - ending</b>	<b><u>\$ 598</u></b>	<b><u>\$ 598</u></b>	<b><u>\$ —</u></b>

See accompanying notes to the basic financial statements



**CITY OF LOCUST GROVE, GEORGIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Stormwater</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	\$ 483,503	\$ —	\$ —	\$ 483,503
Investments	569,664	—	—	569,664
Receivables –				
Accounts (net)	193,367	22,955	43,265	259,587
Unbilled sales	17,278	—	—	17,278
Accrued interest	1,723	—	—	1,723
Due from other funds	—	158,593	453,194	611,787
Deferred costs	4,209	—	—	4,209
Restricted Assets –				
Cash	234,451	—	—	234,451
<b>Total current assets</b>	<b><u>1,504,195</u></b>	<b><u>181,548</u></b>	<b><u>496,459</u></b>	<b><u>2,182,202</u></b>
<b>Noncurrent assets</b>				
Deferred loan cost, net of amortization of \$55,422 in 2012 and \$51,213 in 2011	24,557	—	—	24,557
Capital assets				
Land	1,423,964	—	—	1,423,964
Buildings	226,262	—	—	226,262
Improvements other than buildings	13,492,758	—	—	13,492,758
Machinery and equipment	773,249	110,840	10,690	894,779
Water tank	1,698,913	—	—	1,698,913
Sewer treatment plant	7,623,294	—	—	7,623,294
Autos and trucks	127,859	—	—	127,859
Accumulate depreciation	(5,295,122)	(107,481)	(10,690)	(5,413,293)
<b>Total noncurrent assets</b>	<b><u>20,095,734</u></b>	<b><u>3,359</u></b>	<b><u>—</u></b>	<b><u>20,099,093</u></b>
<b>Total assets</b>	<b><u>\$ 21,599,929</u></b>	<b><u>\$ 184,907</u></b>	<b><u>\$ 496,459</u></b>	<b><u>\$ 22,281,295</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2012**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Stormwater</u>	<u>Total</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 47,005	\$ —	\$ —	\$ 47,005
Customer deposits	240,495	—	—	240,495
Accrued compensated absences	15,699	378	—	16,077
Accrued salaries and wages	9,884	1,272	—	11,156
Due to other funds	275,000	—	—	275,000
Current liabilities payable from restricted assets				
Current portion of notes payable	447,149	—	—	447,149
Accrued interest	47,582	—	—	47,582
<b>Total current liabilities</b>	<b><u>1,082,814</u></b>	<b><u>1,650</u></b>	<b><u>—</u></b>	<b><u>1,084,464</u></b>
<b>Long-term liabilities</b>				
Notes payable	<u>7,640,649</u>	—	—	<u>7,640,649</u>
<b>Total long-term liabilities</b>	<b><u>7,640,649</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>7,640,649</u></b>
<b>Total liabilities</b>	<b><u>8,723,463</u></b>	<b><u>1,650</u></b>	<b><u>—</u></b>	<b><u>8,725,113</u></b>
<b>Net Assets</b>				
Investments in capital assets, net related debt	11,983,378	3,359	—	11,986,737
Restricted for debt service	234,451	—	—	234,451
Unrestricted	<u>658,637</u>	<u>179,898</u>	<u>496,459</u>	<u>1,334,994</u>
<b>Total Net Assets</b>	<b><u>\$ 12,876,466</u></b>	<b><u>\$ 183,257</u></b>	<b><u>\$ 496,459</u></b>	<b><u>\$ 13,556,182</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Stormwater</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services -				
Water sales	\$ 969,352	\$ —	\$ —	\$ 969,352
Sewer charges	846,548	—	—	846,548
Sanitation fees	—	300,497	—	300,497
Connection fees	130,549	—	—	130,549
Stormwater utility fees	—	—	259,150	259,150
Penalties and reconnect fees	70,688	—	—	70,688
Miscellaneous	392	—	—	392
<b>Total operating revenues</b>	<b><u>2,017,529</u></b>	<b><u>300,497</u></b>	<b><u>259,150</u></b>	<b><u>2,577,176</u></b>
<b>OPERATING EXPENSES</b>				
Purchase of product	242,309	217,261	—	459,570
Salaries and related costs	419,454	53,316	114,454	587,224
Purchased/contracted services	—	—	4,500	4,500
Supplies and materials	120,820	7,879	63,567	192,266
Repairs and maintenance	172,816	—	—	172,816
Utilities	136,030	—	—	136,030
Depreciation and amortization	601,644	112	891	602,647
Other	78,571	—	—	78,571
<b>Total operating expenses</b>	<b><u>1,771,644</u></b>	<b><u>278,568</u></b>	<b><u>183,412</u></b>	<b><u>2,233,624</u></b>
Operating income (loss)	<u>245,885</u>	<u>21,929</u>	<u>75,738</u>	<u>343,552</u>
Non-operating revenues and (expenses)				
Interest earned	4,422	—	—	4,422
Interest expense	<u>(337,214)</u>	<u>—</u>	<u>—</u>	<u>(337,214)</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>(332,792)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(332,792)</u></b>
Change in net assets	(86,907)	21,929	75,738	10,760
Net Assets – Beginning	<u>12,963,373</u>	<u>161,328</u>	<u>420,721</u>	<u>13,545,422</u>
<b>Net Assets - Ending</b>	<b><u>\$ 12,876,466</u></b>	<b><u>\$ 183,257</u></b>	<b><u>\$ 496,459</u></b>	<b><u>\$ 13,556,182</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Stormwater</u>	<u>Total</u>
<b>Cash flows from operating activities</b>				
Cash received from customers and users	\$ 2,036,577	\$ 299,968	\$ 296,617	\$ 2,633,162
Cash paid to suppliers for goods	(710,979)	(246,883)	(67,940)	(1,025,802)
Cash paid to employees	(416,444)	(53,085)	(114,581)	(584,110)
<b>Net cash provided from operating activities</b>	<u><b>909,154</b></u>	<u><b>—</b></u>	<u><b>114,096</b></u>	<u><b>1,023,250</b></u>
<b>Cash from investing activities:</b>				
Interest received	4,422	—	—	4,422
(Purchase) redemption of investments	(2,068)	—	—	(2,068)
<b>Net cash from investing activities</b>	<u><b>2,354</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>2,354</b></u>
<b>Cash from non-capital financing activities:</b>				
Change in due to/from other funds	(94,974)	—	(114,096)	(209,070)
<b>Net cash flows from non-capital financing activities</b>	<u><b>(94,974)</b></u>	<u><b>—</b></u>	<u><b>(114,096)</b></u>	<u><b>(209,070)</b></u>
<b>Cash flows from capital financing activities:</b>				
Principal payments on long-term debt	(437,854)	—	—	(437,854)
Interest paid	(339,906)	—	—	(339,906)
<b>Net cash flows from capital financing activities</b>	<u><b>(777,760)</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>(777,760)</b></u>
<b>Net cash flows</b>	<b>38,774</b>	<b>—</b>	<b>—</b>	<b>38,774</b>
Cash and cash equivalents - beginning	<u>679,180</u>	<u>—</u>	<u>—</u>	<u>679,180</u>
<b>Cash and cash equivalents - ending</b>	<u><b>\$ 717,954</b></u>	<u><b>\$ —</b></u>	<u><b>\$ —</b></u>	<u><b>\$ 717,954</b></u>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS**

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED  
 BY OPERATING ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Stormwater</u>	<u>Total</u>
<b>Operating Income (loss)</b>	\$ 245,885	\$ 21,929	\$ 75,738	\$ 343,552
Adjustments to reconcile operating income to Net cash provided by operating activities:				
Depreciation and amortization	601,644	112	891	602,647
(Increase) decrease in receivables	19,048	(21,914)	37,467	34,601
(Increase) decrease in accounts payable	27,770	—	—	27,770
(Increase) customer deposits	16,786	—	—	16,786
Increase (decrease) in accrued liabilities	<u>(1,979)</u>	<u>(127)</u>	<u>—</u>	<u>(2,106)</u>
Total adjustments	<u>663,269</u>	<u>(21,929)</u>	<u>38,358</u>	<u>679,698</u>
<b>Net cash from operating activities</b>	<b><u>\$ 909,154</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 114,096</u></b>	<b><u>\$ 1,023,250</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type-activities, if applicable, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

**B. The Reporting Entity**

The City of Locust Grove, Georgia (the City) operates under a mayor/council form of government and provides the following services: public safety, highways and streets, culture and recreation, public improvements, and general and administrative services. In addition, the City operates public utilities (water, sewer, solid waste and stormwater management) for the incorporated and immediate surrounding areas.

Governmental Accounting Standards Board Statement No. 14 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on financial accountability or the fact that exclusion would make the financial statements misleading or incomplete. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City. Using the above criteria, the City of Locust Grove Downtown Development Authority is a component unit of the City. The City Council appoints all members of the Development Authority's Board of Directors and pays from the City's budget and expenditures related to the Authority. The Development Authority had no financial transactions during the fiscal year.

**C. Basic Financial Statements – Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

The government-wide Statement of Net Assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement is presented on a consolidated basis and is reported on a full accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The City does not allocate indirect cost. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City with certain limited exception. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity self-financing or draws from the general revenues of the City.

The net costs (by function) are normally covered by general revenue (property, sales or use taxes, intergovernmental revenues, interest income, etc.)

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

**D. Basic Financial Statements-Fund Financial Statements**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column. The City has only seven governmental funds and three enterprise funds and considers all of the funds to be major funds.

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.

**Governmental Fund Types** – Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds.

*General Fund* - The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

*Hotel/Motel Tax Fund* – Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital project) that are legally restricted to expenditures for specified purposes. The City's Hotel/Motel Tax fund is used to account for the proceeds from the taxes collected from various hotels and motels inside the city limits.

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*The Confiscated Assets Fund* – This special revenue fund was created during 2005 to account for assets confiscated during investigations into illegal drug activities.

*The SPLOST Capital Projects funds* – These funds are used by the City to account for acquisition and construction of major capital facilities that were approved by the voters of Henry County, Georgia through the special purpose local option sales tax referendum.

*The Development Impact Fee Capital Projects fund* – This fund is used to account for monies collected under the City's Development Impact Fee Ordinance. Monies collected under this ordinance can only be expended for the category of system improvements within the service area (City limits of Locust Grove) for which the development impact fee was assessed and collected.

**Proprietary Fund Type** – Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The City's proprietary funds are classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City's enterprise funds are as follows:

*The Water and Sewer Enterprise Fund* – This fund is used to account for activities connected with the development, operation and maintenance of water and sewer in the city of Locust Grove and parts of Henry County.

*Solid Waste Management Enterprise Fund* – Used to account for the revenues generated from the charges for sanitation and recycling services provided to the residential and commercial users of the City.

*Stormwater Management Enterprise Fund* – is used to account for activities related to solving existing flooding problems and prevent future flood damage, maintain and improving the system of stormwater management and preserving and protecting the beneficial functions of natural drainage systems.

The City applies all applicable FASB pronouncements issued on or before November 30, 1989, in accounting and reporting for its proprietary funds.

**E. Measurement Focus**

**Government-wide Financial Statement** – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

**Fund financial Statements** – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of government-wide financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide and the statements for governmental funds.



**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide the goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

**F. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of measurement focus applied.

**1. Accrual**

Government-wide financial statements are presented on the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**2. Modified Accrual:**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Those revenues susceptible to accrual are taxes, state and federal grants, fines, interest revenue and charges for services. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include licenses, penalties and miscellaneous revenue which are recorded as revenues when received in cash. Those revenues that are measurable but are not collected within 60 days after year end are recorded as deferred revenues.

Special assessments are recognized as revenue only to the extent those individual installments are considered current assets.

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Cash 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. For purposes of the statement of cash flow, the Enterprise Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The City's investments consist of certificates of deposit with a maturity date greater than three months from the date of purchase and the State of Georgia Local Government Investment Pool (Georgia Fund1). For reporting purposes, all investments are recorded at fair value.

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2012.

1. Fair value is based on quoted market prices as of the valuation date;
2. The investment portfolio did not hold investments in any of the following: a) items required to be reported at amortized costs; b) items subject to involuntary participation in an external pool; and, c) items associated with a fund other than the fund to which the income is assigned.

The City's policy is to hold investment until maturity.

**H. Inventory**

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory, if any, in the General Fund and Special Revenue Funds consists of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are used purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories of the Water and Sewer Fund, if any, consist of various repair parts and supplies.

**I. Prepaid Expenses**

Payments made to vendors for service that will benefit periods beyond December 31, 2012 are recorded as prepaid items and are expensed during the period benefited.

**J. Restricted Assets**

Certain resources set aside for the repayment of the City's Water and Sewer Fund notes payable are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable loan covenants. Various cash accounts are also classified as restricted assets under governmental activities on the Statement of Net Assets. Since they are maintained in separate bank accounts and their use is limited as to the purposes specified by City ordinances or State law.

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Capital Assets**

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

Capital assets purchased or acquitted with an original cost of \$3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expenses as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest in the amount of \$147,113 was capitalized during fiscal year ended December 31, 2008. Depreciation on all assets is proved on the straight-line basis over the following estimated useful lives:

Buildings and improvements	25-50 years
Improvement other than buildings	20-40 years
Furniture and fixtures	10-20 years
Vehicles	3-5 years
Machinery and equipment	3-10 years
Infrastructure	40-50 years
Water Tanks	40-50 years

The City only reports infrastructure assets purchased subsequent to December 31, 2003.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as liability in the fund financial statements only to the extent that they are due from payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**M. Revenues**

Substantially all governmental fund revenues are accrued. When applicable, property taxes are billed and collected within the same period in which the taxes are levied. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

N. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

O. Compensated Absences

The City accrues accumulated unpaid vacation leave benefits, which will be paid to employees upon separation from service, when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. In accordance with the provisions of Statement No. 16 of the governmental Accounting Standards Board, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

P. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Q. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City's government-wide statement of net assets reports \$2,001,888 in restricted net assets, of which \$1,767,437 is restricted by enabling legislation.

The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted net assets are available.

S. Fund Balance Classification

Governmental funds report fund balances as either spendable or non-spendable. Spendable fund balances are further classified as restricted, committed, assigned or unassigned depending upon the extent to which there are external or internal constraints on the spending of these fund balances.

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Non-spendable fund balance: Amounts that are not in spendable form or that are legally or contractually required to be maintained intact. Items that are not spendable also include inventories, prepaid amounts and long term portions of loans and notes receivable, as well as property held for resale.

Spendable fund balance:

Restricted fund balance – Amounts that can be spent only for specific purposes through restrictions placed upon them by external resource providers such as creditors, grantors or contributors; or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – Amounts that can be spent only for specific purposes determined by the City’s highest decision making authority, the City Council. Commitments may be modified or removed only by the Board of County Commissioners through the same formal action that created the original commitment.

Assigned fund balance – Amounts that are intended to be spent for specific purposes as determined by the City Council, but that are neither restricted nor committed to the specific purpose.

Unassigned fund balance – Unassigned fund balance is the residual classification for the City’s general fund. Amounts in this classification are spendable but have not been deemed restricted, committed or assigned. Unassigned fund balance may also include negative balances for any governmental fund whose expenditures have exceeded the amounts restricted, committed or assigned for those specific purposes.

When both restricted and unrestricted amounts are available the City spends the restricted amounts first, unless prohibited by law, grant agreements or other contractual arrangement. Further, when committed fund balance is available the City will use it first, followed by assigned fund balance and then unassigned fund balance for purposes in which any of the unrestricted fund balance classifications could be used.

**T. Implementation of New GASB Pronouncements**

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the fiscal year ended September 30, 2011. This GASB statement clarifies governmental fund balance classifications and fund type definitions. The basis for the division of fund balances is the level of constraint limiting the use of the resources reported in the governmental funds. GASB Statement No. 54 became effective for financial statement periods beginning after June 15, 2010.

**U. Contributions of Capital**

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap-on fees to the extent they exceed the cost of connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction..

**V. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**CITY OF LOCUST GROVE, GEORGIA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**W. Budgets and Budgetary Accounting**

The City Council adopts an annual budget for all of the City’s funds. Public hearings are conducted to obtain taxpayer comments. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted by the passage of a resolution. Any revisions that alter the total expenditures of any department must be approved by City Council. Formal budgetary integration is employed as a management control device during the year.

Governmental fund type budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that proprietary funds expense capital outlay instead of depreciation and debt service requirements instead of interest. Budgeted amounts are as originally approved by Council. The budgets are adopted at the legal level of budgetary control which is the department level.

**2. CASH AND INVESTMENTS**

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City’s financial policies require all deposits in excess of Federal Deposit Insurance collateralized by securities equal to at least 110% of the excess deposits. As of December 31, 2012, \$4,171,454 of the government’s bank balance of \$5,421,454 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	—
Uninsured and collateral held by pledging bank’s agent In the City’s name		<u>4,171,454</u>
Total		<u>\$ 4,171,454</u>

**Investments**

The City’s financial policies authorize investment in any securities approved by the State of Georgia for local governments. Authorized investments include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia, pooled investment programs of the State of Georgia, and no-load mutual funds of direct obligations of the United States.

Investments as of December 31, 2012, consist of certificates of deposit in the amount of \$1,483,110 and are included in the above mentioned bank balances. Investments are stated at cost plus accrued interest, which approximates fair value.

**3. PROPERTY TAX**

Property taxes are levied in October of each year and are due 60 days after the receipt of the tax notice. Property taxes attach as an enforceable lien on the property as of January 1. A local option sales tax is in force. Proceeds from this tax are remitted to the City monthly and are utilized to give property owners tax relief. As a result of the local option sales tax no property taxes were levied for the year ended December 31, 2012.

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**4. RECEIVABLES**

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Hotel/ Motel</u>	<u>SPLOST III</u>	<u>Total</u>
<b>Governmental Funds</b>				
Taxes	\$ 735,244	\$ 9,793	\$ 91,498	\$ 836,535
Fines	238,413	—	—	238,413
Interest	<u>3,293</u>	<u>—</u>	<u>—</u>	<u>3,293</u>
Gross Receivables	976,950	9,793	91,498	1,078,241
Less: Allowance for uncollectibles	<u>(161,000)</u>	<u>—</u>	<u>—</u>	<u>(161,000)</u>
<b>Net Total Receivables</b>	<b><u>\$ 815,950</u></b>	<b><u>\$ 9,793</u></b>	<b><u>\$ 91,498</u></b>	<b><u>\$ 917,241</u></b>

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Stormwater Management</u>	<u>Total</u>
<b>Proprietary Funds</b>				
Accounts	\$ 278,367	\$ 32,955	\$ 43,265	\$ 354,587
Unbilled sales	17,278	—	—	17,278
Developer	—	—	—	—
Interest	<u>1,723</u>	<u>—</u>	<u>—</u>	<u>1,723</u>
Gross Receivables	297,368	32,955	43,265	373,588
Less: Allowance for uncollectibles .....	<u>(85,000)</u>	<u>(10,000)</u>	<u>—</u>	<u>(95,000)</u>
<b>Net total Receivables</b>	<b><u>\$ 212,368</u></b>	<b><u>\$ 22,955</u></b>	<b><u>\$ 43,265</u></b>	<b><u>\$ 278,588</u></b>

**5. INTER-FUND TRANSACTIONS**

	<u>Payable From</u>			
<u>Payable To</u>	<u>General</u>	<u>Water &amp; Sewer Fee</u>	<u>Hotel/ Motel</u>	<u>Total</u>
General	\$ —	\$ 275,000	\$ 19,559	\$ 294,559
Stormwater Management	453,194	—	—	453,194
Sanitation	<u>158,593</u>	<u>—</u>	<u>—</u>	<u>158,593</u>
<b>Total</b>	<b><u>\$ 611,787</u></b>	<b><u>\$ 275,000</u></b>	<b><u>\$ 19,559</u></b>	<b><u>\$ 906,346</u></b>

Inter-fund receivables/payables are the result of timing differences and are expected to be repaid during the fiscal year ended December 31, 2012.

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**6. PROPERTY, PLANT AND EQUIPMENT – GOVERNMENTAL ACTIVITIES**

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,232,815	\$ —	\$ —	\$ 2,232,815
Construction in progress	93,725	22,706	—	116,431
Total	<u>2,326,540</u>	<u>22,706</u>	<u>—</u>	<u>2,349,246</u>
Capital assets being depreciated:				
Buildings and improvements	1,766,509	229,357	—	1,995,866
Improvements other than buildings	1,139,707	4,083	—	1,143,790
Infrastructure	2,126,608	—	—	2,126,608
Machinery and equipment	823,047	22,695	—	845,742
Vehicles, including related equipment	838,000	74,005	—	912,005
Furniture and fixtures	79,594	—	—	79,594
Total capital assets being depreciated	<u>6,773,465</u>	<u>330,140</u>	<u>—</u>	<u>7,103,605</u>
Less accumulated depreciation for:				
Buildings and improvements	168,768	28,536	—	197,304
Improvements other than buildings	192,066	24,926	—	216,992
Infrastructure	54,918	12,071	—	66,989
Machinery and equipment	784,020	101,045	—	885,065
Vehicles, including related equipment	779,111	61,896	—	841,007
Furniture and fixtures	80,731	2,633	—	83,364
Total accumulated depreciation	<u>2,059,614</u>	<u>231,107</u>	<u>—</u>	<u>2,290,721</u>
Total capital assets being depreciated, net	<u>4,713,851</u>	<u>99,033</u>	<u>—</u>	<u>4,812,884</u>
<b>Governmental capital assets, net</b>	<b><u>\$ 7,040,391</u></b>	<b><u>\$ 121,739</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 7,162,130</u></b>

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

General Government	\$ 30,727
Police	114,220
Highways and Streets	63,118
Parks and Recreation	14,674
Community Development	<u>8,368</u>
<b>Total depreciation expense</b>	<b><u>\$ 231,107</u></b>



**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**7. PROPERTY, PLANT AND EQUIPMENT – BUSINESS TYPE ACTIVITIES**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,423,964	\$ —	\$ —	\$ 1,423,964
Construction in progress	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>1,423,964</u>	<u>—</u>	<u>—</u>	<u>1,423,964</u>
Capital assets being depreciated:				
Buildings and improvements	226,262	—	—	226,262
Improvements other than buildings	13,492,758	—	—	13,492,758
Vehicles	127,859	—	—	127,859
Water tank	1,698,913	—	—	1,698,913
Sewer treatment plant	7,623,294	—	—	7,623,294
Machinery and equipment	894,779	—	—	894,779
Total capital assets being depreciated	<u>24,063,865</u>	<u>—</u>	<u>—</u>	<u>24,063,865</u>
Less accumulated depreciation for:				
Buildings and improvements	64,307	5,722	—	70,029
Improvements other than buildings	2,297,677	276,101	—	2,573,778
Vehicles	120,250	15,143	—	135,393
Water tank	367,520	52,705	—	420,225
Sewer treatment plant	1,247,104	191,933	—	1,439,037
Machinery and equipment	723,017	56,834	—	779,851
Total accumulated depreciation	<u>4,819,875</u>	<u>598,438</u>	<u>—</u>	<u>5,418,313</u>
Total capital assets being depreciated, net	<u>19,243,990</u>	<u>(598,438)</u>	<u>—</u>	<u>18,645,552</u>
<b>Business-Type Activities capital assets, net</b>	<b><u>\$ 20,667,954</u></b>	<b><u>\$ (598,438)</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 20,069,516</u></b>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 182,450
Sewer	414,985
Solid Waste Management	112
Stormwater Management	<u>891</u>
Total depreciation expense	<u>\$ 598,438</u>

**8. DEFERRED COST**

Deferred cost as of December 31, 2012 consists of the following:

Water and Sewer Fund -	
Debt issuance cost, net of accumulated amortization of \$55,422	<u>\$ 28,766</u>
Total Deferred Cost	<u>\$ 28,766</u>

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**8. DEFERRED COST (continued)**

Debt issuance cost are considered other financing uses in governmental funds in the year incurred but are deferred costs and are amortized over the life of the related debt in the Statement of Net Assets and Proprietary Fund Statements. Debt issuance costs are being amortized using the straight line method over the life of the related debt issue. The debt issue cost is related to notes payable in the Water and Sewer Fund.

**9. LONG-TERM DEBT**

**Changes in Long-Term Debt**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2012:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>Governmental Activities</b>					
Accrued Compensated Absences	\$ 46,861	\$ —	\$ (3,281)	\$ 43,580	\$ —
Capital Lease Obligations	<u>5,821</u>	<u>—</u>	<u>(5,821)</u>	<u>—</u>	<u>—</u>
Total Governmental Activities					
Long-Term Debt	<u>\$ 52,682</u>	<u>\$ —</u>	<u>\$ (9,102)</u>	<u>\$ 43,580</u>	<u>\$ —</u>
<b>Business-Type Activities</b>					
GEFA Notes Payable	<u>\$8,525,652</u>	<u>\$ —</u>	<u>\$ (437,854)</u>	<u>\$ 8,087,798</u>	<u>\$ 447,149</u>

The City's General Fund is typically used to liquidate all governmental activity long-term liabilities.

The Water and Sewer Enterprise Fund is used to liquidate all of the business-type activity long-term liabilities.

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**9. LONG-TERM DEBT (continued)**

Water and Sewer Enterprise Fund long-term liabilities outstanding at year end are as follow:

Note payable in the amount of \$423,336 to GEFA, interest at 5.56% payable in quarterly installments of \$9,056 until October, 2021.	\$ 255,160
Note payable in the amount of \$389,958 to GEFA, interest at 4.76% payable in quarterly installments of \$9,130 until September, 2013.	26,752
Note payable in the amount of \$620,294 to GEFA, interest at 3.37% payable in quarterly installments of \$10,689 until March, 2024.	398,959
Note payable in the amount of \$3,673,101 to GEFA, interest at 3.8% payable in quarterly installments of \$65,758 until December, 2026.	2,806,808
Note payable in the amount of \$2752,890 to GEFA, interest at 4.20% payable in monthly installments of \$17,017 until December, 2028.	2,379,656
Note payable in the amount of \$2,638,956 to GEFA, interest at 4.20% payable in monthly installments of \$16,251 until June, 2028.	<u>2,220,463</u>
Total	<u>\$ 8,087,798</u>

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**9. LONG-TERM DEBT (continued)**

The notes payable to GEFA are secured as a general obligation pledge of the City of Locust Grove in the event the City's Water and Sewer Fund is unable to meet debt service requirements. All of the above notes were issued to help finance water and sewer infrastructure improvements.

<u>F/Y/E</u> <u>December 31</u>	<u>NOTES PAYABLE</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 447,149	\$ 321,426	\$ 768,575
2014	437,761	303,478	741,239
2015	455,889	285,349	741,238
2016	474,724	266,516	741,240
2017	494,494	246,745	741,239
2018	514,963	226,275	741,238
2019	536,331	204,908	741,239
2020	558,550	182,688	741,238
2021	581,717	159,505	741,222
2022	568,982	136,032	705,014
2023	592,074	112,939	705,013
2024	583,740	89,205	672,945
2025	596,734	65,522	662,256
2026	555,568	40,930	596,498
2027	377,432	21,794	399,226
2028	295,050	6,582	301,632
2029	<u>16,640</u>	<u>59</u>	<u>16,728</u>
<b>TOTALS</b>	<b><u>\$ 8,087,798</u></b>	<b><u>\$ 2,669,953</u></b>	<b><u>\$ 10,757,780</u></b>

The annual retirements to amortize all long-term obligations as they mature are as follows:

An amount of \$234,451 is available in restricted assets of the Water and Sewer Fund to service the notes payable.

**10. DEFERRED REVENUES**

Deferred revenues as of December 31, 2012, reported in the Governmental Fund's balance sheet, consisted of the following revenue items which had not been earned or had been earned and were measurable but were not received within 60 days after year end and therefore were not considered available:

Items deferred as to not being received within 60 days after year end –

Fines and forfeitures	<u>\$ 32,923</u>
Total	<u>\$ 32,923</u>

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**11. RISK MANAGEMENT**

The City of Locust Grove is exposed to various risks of loss related to torts, theft of , damage to and destruction of assets, errors and omissions, injuries to employees, and natural disaster. The City carries commercial insurance for these risks to the extent deemed prudent by the City Management.

Coverages are as follow:

Coverage Description – Property:	
Buildings and contents – (Blanket)	\$9,226,297
Automobile physical damage	Per Application on file with Carrier

Coverage Description – Casualty:	
Comprehensive general liability	\$2,000,000
Automobile liability	\$1,000,000
Errors and omissions (Public Officials)	\$2,000,000
Employee benefits liability	\$2,000,000
Umbrella	\$2,000,000

Coverage Description – Crime:	
Blanket bond – employees required to be bonded	\$ 500,000
Blanket bond – all other employees	\$ 500,000
Depositors forgery	\$ 500,000
Money and securities – loss inside the premises	\$ 500,000

Deductible:

All coverages are subject to a per occurrence deductible as follows:

Property	\$ 2,500
Liability	\$ 10,000
Automobile	\$ 1,000

Coverage Exceptions: None

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of Locust Grove became a member of the Georgia Municipal Associated Workers’ Compensation Self Insurance Fund. The liability of the fund to the employees of any employer (City of Locust Grove) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers’ compensation and/or employer’s liability.

As part of this risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool’s agents and attorneys to follow loss reduction procedures established by the funds and to report as promptly as possible, in the funds being required to pay any claim of loss. The City is also to allow the pool’s 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 fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within preview of the Workers’ Compensation Law of Georgia, or on the basis of employer’s liability, including suits or other proceedings alleging such injuries and demanding or compensation therefore, although such suits, other proceedings, allegations or demands by wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceeding defended by member, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

**CITY OF LOCUST GROVE, GEORGIA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012**

**12. HOTEL/MOTEL TAX**

The City levies a 5% hotel/motel tax in accordance with the provisions of OCGA 48-13-51. In order to comply with the expenditure requirements of this code section, the City remits 40% of the monies collected under this provision to the Henry County Chamber of Commerce. The following is a summary of the collections and expenditures for the year ended December 31, 2012.

Total Collected	\$169,803	100%
Amount remitted to the Chamber	\$ 67,921	40%

**13. DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The City's defined pension plan, City of Locust Grove Retirement Plan (LGRP), provides retirement, disability and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by the City Council. LGRP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The GMA issues a publicly available financial report on GMEBS that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, Atlanta, Georgia, 30303.

**Funding Policy**

LGRP members are not required to contribute to the plan. The City is required to contribute at a determined rate; the current rate is 6.48% of annual covered payroll. The contributions are established and may be amended by the GMEBS Board of Trustees.

**Annual Pension Cost**

For 2012, the City's annual pension cost of \$151,514 for LGRP was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate (net of administrative expenses), and (b) projected salary increases for inflation of 3.5% per year and for merit of .5 – 2.50 % per year. The actuarial value of LGRP assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a ten year period. LGRP's unfunded actuarial liability is being amortized over a 30 year period from 1987 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. The amortization periods, if applicable, are closed for this plan year.

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**13. RISK MANAGEMENT (continued)**

**Three-Year Trend Information for LGRP**

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
7/1/2011	\$125,153	100%	\$ —
7/1/2010	\$130,996	100%	\$ —
7/1/2009	\$131,440	100%	\$ —

Actuarial Valuation Date As of <u>July 1</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>( (b-a)/c )</u>
2011	\$ 1,211,606	\$1,448,199	\$ 236,593	83.66%	\$1,916,537	12.34%
2010	\$ 1,065,260	\$1,288,178	\$ 222,918	82.7%	\$1,972,205	11.3%
2009	\$ 931,914	\$1,153,140	\$ 221,226	80.8%	\$2,028,264	10.91%
2008	\$ 858,244	\$1,000,260	\$ 142,016	85.8%	\$1,917,426	7.4%

Trend Information -

Annual trend information required by generally accepted accounting principles is presented on page 47 reveals the progress made in accumulating sufficient assets to pay benefits when due.

**14. DEFERRED COMPENSATION PLAN/DEFINED CONTRIBUTION PLAN**

**Plan Description**

As authorized by the City Council, the City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (The City of Locust Grove Deferred Compensation Plan). The plan is administered by the Securian Retirement Services. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in this plan is elective and is not mandatory.

In addition to the employees' contributions, under the defined contribution portion of the plan, the City will contribute 2% of each participant's compensation for all employees that contribute 5% or more of their compensation and has incurred one year of service. Matching contributions vest immediately. The contribution requirements of the City are established and may be amended by the City Council.

During the year, employees contributed \$32,092 equal to 1.7% gross salaries. Total employer matching contributions for the year ended December 31, 2012 amounted to \$13,215 or .7% of gross salaries. Eligible salaries for the year amounted to \$1,887,823.

Investments are managed by the plan's trustee under one of three investment options, or a combination thereof. The participant makes the choice of the investment options.

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**15. JOINT VENTURE**

Under Georgia law, the City, in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). Membership in this organization is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the Commission in Georgia. The ARC Board membership includes the chief elected official of each county, one representative for all the cities in a member county and 15 citizen representatives. OCGA 50—8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from:

Atlanta Regional Commission  
3715 Northside Parkway  
Building 200, Suite 300  
Atlanta, Georgia 30327

**16. COMMITMENTS AND CONTINGENCIES**

**Federal and State Grants** – Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amount, if any, to be immaterial.

**Henry County SPLOST Bond Issue** – In 2007 the citizens of Henry County voted to approve a special purpose local option sales tax to help finance the acquisition and construction of major capital equipment and facilities. In relation to this, the City entered into an intergovernmental agreement with Henry County and the other cities inside the county whereby Henry County would issue revenue bonds to finance some of the SPLOST projects in advance of the SPLOST tax collections. City of Locust Grove received \$3,279,000 from the County under this agreement.

**Water and Sewer Impact Fee Credits** – The City has received water and sewer impact fees from a private developer in the amount of \$5,600,000. As part of a development agreement with the developer, the developer paid the impact fees prior to being issued a building permit, which is when the fees are actually due. As of December 31, 2012, the developer had actually used approximately \$1,542,060 of its impact fee credits which leaves a balance of impact fee credits to the developer of \$4,057,940. The City recognizes the impact fees as revenues when received and has used the impact fees to finance the City's new sewer treatment plant.

**17. CONTINGENT LIABILITIES:**

The City is subject to various claims and lawsuits, which arise, primarily in the ordinary course of operations. The City does not anticipate any significant losses with respect to such existing or pending claims and lawsuits at December 31, 2012.



**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**18. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosures, as a part of the combined statements – overview, of certain information concerning individual funds including –

- A) Deficit fund balances or net asset balances of individual funds – As of December 31, 2012, none of the City’s funds had deficit net fund balances or deficit net asset balances.

**CITY OF LOCUST GROVE, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
ANALYSIS OF PENSION PLAN FUNDING PROGRESS**

<b>Actuarial Valuation Date As of July 1</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ( (b-a)/c )</b>
2011	\$ 1,211,606*	\$1,448,199	\$ 236,593	83.7%	\$1,916,537	12.34%
2010	\$ 1,065,260	\$1,288,178	\$ 222,918	82.7%	\$1,972,205	11.3%
2009	\$ 931,914	\$1,153,140	\$ 221,226	80.8%	\$2,028,264	10.91%
2008	\$ 858,244	\$1,000,260	\$ 142,016	85.8%	\$1,917,426	7.4%
2007	\$ 734,214	\$ 952,492	\$ 218,278	77.1%	\$2,192,814	10.0%
2006	\$ 624,256	\$ 753,253	\$ 128,997	82.9%	\$1,805,666	7.1%
2005	\$ 554,689	\$ 671,690	\$ 117,001	82.6%	\$1,625,300	7.2%
2004	\$ 501,176	\$ 606,943	\$ 105,767	82.6%	\$1,283,794	8.2%
2003	\$ 469,054	\$ 555,334	\$ 86,280	84.5%	\$1,063,960	8.1%
2002	\$ 448,957	\$ 456,996	\$ 8,039	98.2%	\$ 749,546	1.1%
2001	\$ 437,760	\$ 391,649	\$ (46,111)	111.8%	\$ 671,161	(6.9)%
2000	\$ 403,446	\$ 346,363	\$ (57,083)	116.5%	\$ 567,297	(10.1)%
1999	\$ 355,964	\$ 348,217	\$ (7,747)	102.2%	\$ 489,901	(1.6)%

\*Market value of assets as of July 1, 2011: \$1,078,035

**UNFUNDED ACTUARIAL ACCRUED LIABILITY**

Changes to the unfunded actuarial accrued liability as of July 1, 2011 were as follows:

Unfunded actuarial accrued liability as July 1, 2011	\$236,593
Normal cost less contributions	(37,884)
Interest	21,063
Change due to actuarial (gains) or losses	<u>62,581</u>
Unfunded actuarial accrued liability as of July 1, 2012	<u>\$282,353</u>

**CITY OF LOCUST GROVE, GEORGIA  
GENERAL FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash	\$ 1,563,387	\$ 1,057,764
Investments	913,446	908,124
Receivables		
Interest	3,293	3,932
Taxes	633,953	600,832
Fines	77,413	70,863
Due from other funds	294,559	392,908
Prepaid items	<u>48,041</u>	<u>76,457</u>
<b>Total Assets</b>	<b><u>3,534,092</u></b>	<b><u>3,110,880</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	95,990	70,358
Due to other funds	611,787	476,306
Accrued police bonds	5,088	4,678
Accrued salaries	45,387	36,230
Deferred revenues	<u>32,923</u>	<u>26,783</u>
<b>Total Liabilities</b>	<b><u>791,175</u></b>	<b><u>614,355</u></b>
<b>Fund Balance</b>		
Unspendable	48,041	76,457
Restricted for:		
Tree conservation	34,352	40,880
Committed for:		
Equipment acquisition	114,165	191,460
Cemetery	21,889	13,928
Unassigned	<u>2,524,470</u>	<u>2,173,800</u>
<b>Total Fund Balance</b>	<b><u>2,742,917</u></b>	<b><u>2,496,525</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 3,534,092</u></b>	<b><u>\$ 3,110,880</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
GENERAL FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Taxes	\$ 2,749,830	\$ 2,698,676
Licenses and permits	148,762	152,433
Intergovernmental grants	500	1,165
Charges for services	10,908	50,062
Fines, fees and forfeitures	340,373	363,670
Investment income	7,114	10,992
Rental income	14,854	16,404
Miscellaneous	<u>15,399</u>	<u>6,398</u>
<b>Total Revenues</b>	<b><u>3,287,740</u></b>	<b><u>3,299,800</u></b>
<b>EXPENDITURES</b>		
Current		
Governing Body	128,644	129,234
Financial Administration	588,917	403,818
Municipal Court	242,103	175,165
Police	1,439,001	1,347,481
Highways and streets	283,014	284,173
Fleet Maintenance	59,629	56,759
Parks and Recreation	5,885	5,776
Community Center	—	—
Community Development	210,989	225,771
Capital Outlay	77,295	—
Debt Service		
Principal	5,821	31,718
Interest	<u>50</u>	<u>934</u>
<b>Total Expenditures</b>	<b><u>3,041,348</u></b>	<b><u>2,660,829</u></b>
Change in fund balance	246,392	830,430
Fund balance - beginning	<u>2,496,525</u>	<u>1,666,095</u>
<b>Fund balance - ending</b>	<b><u>\$ 2,742,917</u></b>	<b><u>\$ 2,496,525</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
HOTEL/MOTEL TAX FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2012, AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash	\$ 315,554	\$ 312,069
Receivables		
Taxes	<u>9,793</u>	<u>27,029</u>
<b>Total Assets</b>	<b><u>325,347</u></b>	<b><u>339,098</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	5,650	10,976
Accrued salaries and wages	—	1,027
Due to other funds	<u>19,559</u>	<u>22,934</u>
<b>Total Liabilities</b>	<b><u>25,209</u></b>	<b><u>34,937</u></b>
 <b>Fund Balance</b>		
Restricted for tourism	<u>300,138</u>	<u>304,161</u>
<b>Total Fund Balance</b>	<b><u>300,138</u></b>	<b><u>304,161</u></b>
 <b>Total Liabilities and Fund Balance</b>	<b><u>\$ 325,347</u></b>	<b><u>\$ 339,098</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
HOTEL/MOTEL TAX FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Taxes	\$ 169,803	\$ 168,101
Interest	1,223	1,422
Donations	<u>—</u>	<u>1,970</u>
<b>Total Revenues</b>	<b><u>171,026</u></b>	<b><u>171,493</u></b>
<b>EXPENDITURES</b>		
Operating-		
Economic Development-		
Contracted services	182	365
Payment to others	1,860	—
Tourism and Promotion-		
Salaries and benefits	50,768	49,462
Contracted services	22,504	25,021
Supplies	9,108	19,124
Payments to others	67,921	67,240
Capital Outlay-		
Site improvements	<u>22,706</u>	<u>—</u>
<b>Total Expenditures</b>	<b><u>175,049</u></b>	<b><u>161,212</u></b>
Net Change in fund balance	(4,023)	10,281
Fund balance - beginning	<u>304,161</u>	<u>293,880</u>
<b>Fund balance - ending</b>	<b><u>\$ 300,138</u></b>	<b><u>\$ 304,161</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
CONFISCATED ASSETS SPECIAL REVENUE FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash	\$ 598	\$ 598
<b>Total Assets</b>	<u>598</u>	<u>598</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable	—	—
Deferred revenues	<u>—</u>	<u>—</u>
<b>Total Liabilities</b>	<u>—</u>	<u>—</u>
<b>Fund Equity</b>		
Restricted for police activities	<u>598</u>	<u>598</u>
<b>Total Fund Equity</b>	<u>598</u>	<u>598</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 598</u>	<u>\$ 598</u>

**CITY OF LOCUST GROVE, GEORGIA  
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CONFISCATED ASSETS SPECIAL REVENUE FUND  
 FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Forfeitures	\$ —	\$ —
Miscellaneous	<u>—</u>	<u>—</u>
<b>Total Revenues</b>	<u>—</u>	<u>—</u>
<b>EXPENDITURES</b>		
Current		
Supplies	<u>—</u>	<u>—</u>
<b>Total Expenditures</b>	<u>—</u>	<u>—</u>
Change in fund balance	—	—
Fund balance - beginning	<u>598</u>	<u>598</u>
<b>Fund balance - ending</b>	<u><b>\$ 598</b></u>	<u><b>\$ 598</b></u>



**CITY OF LOCUST GROVE, GEORGIA  
 SPLOST III CAPITAL PROJECTS FUND  
 COMPARATIVE BALANCE SHEET  
 DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash	\$ 1,211,418	\$ 1,423,891
Taxes receivable	<u>91,498</u>	<u>87,249</u>
<b>Total Assets</b>	<b><u>1,302,916</u></b>	<b><u>1,511,140</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	—	—
Due to other funds	<u>—</u>	<u>—</u>
<b>Total Liabilities</b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Fund Balance</b>		
Restricted for specified purposes	<u>1,302,916</u>	<u>1,511,140</u>
<b>Total Fund Balance</b>	<b><u>1,302,916</u></b>	<b><u>1,511,140</u></b>
<b>Total Liabilities and Fund balance</b>	<b><u>\$ 1,302,916</u></b>	<b><u>\$ 1,511,140</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
 SPLOST III CAPITAL PROJECTS FUND  
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Taxes	\$ 757,347	\$ 744,372
Intergovernmental	—	133,552
Interest	<u>3,197</u>	<u>3,664</u>
<b>Total Revenues</b>	<b><u>760,544</u></b>	<b><u>881,588</u></b>
<b>EXPENDITURES</b>		
Financial Administration	714,673	714,893
Capital Outlay-		
Roads, bridges, sidewalks and transportation facilities	1,250	—
Public safety facilities and equipment	237,815	—
Construction and renovation of municipal buildings	10,947	56,515
Parks and recreation facilities	<u>4,083</u>	<u>76,763</u>
<b>Total Expenditures</b>	<b><u>968,768</u></b>	<b><u>848,171</u></b>
Net Change in fund balance	(208,224)	33,417
Fund balance - beginning	<u>1,511,140</u>	<u>1,477,723</u>
<b>Fund balance - ending</b>	<b><u>\$1,302,916</u></b>	<b><u>\$1,511,140</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
 SPLOST III CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<b>REVENUES</b>				
Taxes	\$ 2,693,598	\$ 757,347	\$ 3,450,945	\$ 7,650,000
Intergovernmental	598,353	—	598,353	—
Interest	<u>26,738</u>	<u>3,197</u>	<u>29,935</u>	<u>—</u>
<b>Total Revenues</b>	<b><u>3,318,689</u></b>	<b><u>760,544</u></b>	<b><u>4,079,233</u></b>	<b><u>7,650,000</u></b>
<b>EXPENDITURES</b>				
Capital Outlay -				
Roads, bridges, sidewalks and transportation facilities	672,383	1,250	673,633	2,900,000
Public safety facilities and equipment	105,447	237,815	343,262	2,000,000
Construction and renovation of municipal buildings	781,787	10,947	792,734	750,000
Parks and recreation facilities	411,053	4,083	415,136	500,000
Acquisition or property for public use	1,220,983	—	1,220,983	1,500,000
Non-SPLOST outlays	<u>1,894,896</u>	<u>714,673</u>	<u>2,609,569</u>	<u>—</u>
<b>Total Expenditures</b>	<b><u>5,086,549</u></b>	<b><u>968,768</u></b>	<b><u>6,055,317</u></b>	<b><u>7,650,000</u></b>
Excess of revenues over (under) expenditures	(1,767,860)	(208,224)	(1,976,084)	—
<b>Other financing sources (uses):</b>				
Bond proceeds from County	<u>3,279,000</u>	<u>—</u>	<u>3,279,000</u>	<u>—</u>
<b>Total other financing sources (uses):</b>	<b><u>3,279,000</u></b>	<b><u>—</u></b>	<b><u>3,279,000</u></b>	<b><u>—</u></b>
Net changes in fund balance	<b><u>\$ 1,511,140</u></b>	(208,224)	<b><u>\$ 1,302,916</u></b>	<b><u>\$ —</u></b>
Fund balance - beginning		<u>1,511,140</u>		
<b>Fund balance - ending</b>		<b><u>\$ 1,302,916</u></b>		

**CITY OF LOCUST GROVE, GEORGIA  
DEVELOPMENT IMPACT FEE FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash	\$ 129,433	\$ 105,114
<b>Total Assets</b>	<u>129,433</u>	<u>105,114</u>
 <b>LIABILITIES AND FUND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable	—	—
<b>Total Liabilities</b>	<u>—</u>	<u>—</u>
<b>Fund Equity</b>		
Restricted for capital projects	129,433	105,114
<b>Total Fund Equity</b>	<u>129,433</u>	<u>105,114</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 129,433</u>	<u>\$ 105,114</u>

**CITY OF LOCUST GROVE, GEORGIA  
DEVELOPMENT IMPACT FEE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(With comparative actual amounts for the year ended December 31, 2011)**

	<u>2012</u>			<u>2011</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
<b>REVENUES</b>				
Impact fees	\$ 15,900	\$ 24,091	\$ 8,191	\$ 100,442
Interest	<u>100</u>	<u>228</u>	<u>128</u>	<u>78</u>
<b>Total Revenues</b>	<b><u>16,000</u></b>	<b><u>24,319</u></b>	<b><u>8,319</u></b>	<b><u>100,520</u></b>
<b>EXPENDITURES</b>				
Current				
Administration	400	—	400	—
Capital				
Street	2,500	—	2,500	90,000
Parks .....	11,500	—	11,500	—
Contract services	<u>1,600</u>	<u>—</u>	<u>1,600</u>	<u>—</u>
<b>Total Expenditures</b>	<b><u>16,000</u></b>	<b><u>—</u></b>	<b><u>16,000</u></b>	<b><u>90,000</u></b>
Change in fund balance	—	24,319	24,319	10,520
Fund balance - beginning	<u>105,114</u>	<u>105,114</u>	<u>—</u>	<u>94,594</u>
<b>Fund balance - ending</b>	<b><u>\$ 105,114</u></b>	<b><u>\$ 129,433</u></b>	<b><u>\$ 24,319</u></b>	<b><u>\$ 105,114</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
WATER AND SEWER ENTERPRISE FUND  
COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 483,503	\$ 454,041
Investments	569,664	567,596
Receivables		
Accounts (net)	193,367	212,415
Unbilled sales	17,278	17,278
Accrued interest	1,723	1,723
Deferred costs	4,209	4,209
Restricted assets-		
Cash	<u>234,451</u>	<u>225,139</u>
<b>Total Current Assets</b>	<b><u>1,504,195</u></b>	<b><u>1,482,401</u></b>
<b>Capital assets</b>		
Land	1,423,964	1,423,964
Buildings	226,262	226,262
Improvements other than buildings	13,492,758	13,492,758
Machinery and equipment	773,249	773,249
Water tank	1,698,913	1,698,913
Sewer treatment plant	7,623,294	7,623,294
Auto and Trucks	<u>127,859</u>	<u>127,859</u>
<b>Total Capital Assets</b>	<b><u>25,366,299</u></b>	<b><u>25,366,299</u></b>
Accumulated depreciation	<u>(5,295,122)</u>	<u>(4,702,707)</u>
Capital assets (net of depreciation)	<u>20,071,177</u>	<u>20,663,592</u>
<b>Other assets</b>		
Deferred loan cost, net of amortization of \$55,422 in 2012 and \$51,213 in 2011	<u>24,557</u>	<u>28,766</u>
<b>Total Assets</b>	<b><u>\$ 21,599,929</u></b>	<b><u>\$ 22,174,759</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
WATER AND SEWER ENTERPRISE FUND  
COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable		
Trade	\$ 47,005	\$ 19,204
Customer deposits	240,495	223,709
Accrued liabilities-		
Payroll	9,884	8,038
Accrued compensated absences	15,699	14,535
Due to General Fund	275,000	369,974
Current liabilities payable from restricted assets		
Current portion of notes payable	447,149	437,825
Accrued interest	<u>47,582</u>	<u>50,274</u>
<b>Total Current Liabilities</b>	<b><u>1,082,814</u></b>	<b><u>1,123,559</u></b>
<b>Long-Term Liabilities</b>		
Notes payable	<u>7,640,649</u>	<u>8,087,827</u>
<b>Total Long-Term Liabilities</b>	<b><u>7,640,649</u></b>	<b><u>8,087,827</u></b>
<b>Total Liabilities</b>	<b><u>8,723,463</u></b>	<b><u>9,211,386</u></b>
<b>Net Assets</b>		
Investments in capital assets, net of related debt	11,983,378	12,137,940
Restricted for debt service	234,451	225,139
Unrestricted	<u>658,637</u>	<u>600,294</u>
<b>Total Net Assets</b>	<b><u>\$ 12,876,466</u></b>	<b><u>\$ 12,963,373</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
WATER AND SEWER FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Charges for services -		
Water sales	\$ 969,352	\$ 960,828
Sewer charges	846,548	817,334
Connection fees	130,549	117,212
Penalties and reconnect fees	70,688	88,727
Miscellaneous	392	207
<b>Total Operating Revenues</b>	<b><u>2,017,529</u></b>	<b><u>1,984,308</u></b>
<b>OPERATING EXPENSES</b>		
Water Department -		
Purchase of product	242,309	145,057
Salaries and related cost	158,327	154,133
Supplies and materials	85,407	63,161
Repairs and maintenance	125,487	62,661
Utilities	29,416	36,983
Depreciation and amortization	186,659	194,064
Other	34,320	29,352
Sewer Department -		
Salaries and related cost	261,127	267,715
Supplies and materials	35,413	49,247
Repairs and maintenance	47,329	65,204
Utilities	106,614	95,634
Depreciation and amortization	414,985	417,370
Other	44,251	46,189
<b>Total Operating Expenses</b>	<b><u>1,771,644</u></b>	<b><u>1,626,770</u></b>
Operating income (loss)	<u>245,885</u>	<u>357,538</u>
<b>Non-operating revenues and (expenses)</b>		
Interest earned	4,422	10,559
Interest expense ....	<u>(337,214)</u>	<u>(354,781)</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>(332,792)</u></b>	<b><u>(344,222)</u></b>
Changes in net assets	(86,907)	13,316
NET ASSETS - BEGINNING	<u>12,963,373</u>	<u>12,950,057</u>
NET ASSETS - ENDING	<b><u>\$12,876,466</u></b>	<b><u>\$12,963,373</u></b>



**CITY OF LOCUST GROVE, GEORGIA  
WATER AND SEWER FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 2,036,577	\$ 1,974,826
Cash paid to suppliers for goods	(710,979)	(572,353)
Cash paid to employees	<u>(416,444)</u>	<u>(423,428)</u>
Net cash provided from operating activities	<u>909,154</u>	<u>979,045</u>
<b>Cash flows from investing activities:</b>		
Interest received	4,422	10,559
(Purchase) / redemption of investments	<u>(2,068)</u>	<u>(9,164)</u>
Net cash from investing activities	<u>2,354</u>	<u>1,395</u>
<b>Cash flows from non-capital financing activities:</b>		
Change in due to/from other funds	<u>(94,974)</u>	<u>14,383</u>
Net cash flows from non-capital financing activities	<u>(94,974)</u>	<u>14,383</u>
<b>Cash flows from capital financing activities:</b>		
Principal payments on long-term debt	(437,854)	(420,109)
Interest paid	<u>(339,906)</u>	<u>(354,781)</u>
Net cash flows from capital financing activities	<u>(777,760)</u>	<u>(774,890)</u>
Net cash flows	38,774	219,933
Cash and cash equivalents - beginning	<u>679,180</u>	<u>459,247</u>
<b>Cash and cash equivalents - ending</b>	<b><u>\$ 717,954</u></b>	<b><u>\$ 679,180</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
<b>Operating income (loss)</b>	<b><u>\$ 245,885</u></b>	<b><u>\$ 357,538</u></b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	601,644	611,434
(Increase) decrease in receivables	19,048	(9,482)
Increase (decrease) in accounts payable	27,770	(2,050)
Increase (decrease) in customer deposits	16,786	26,055
Increase (decrease) in accrued liabilities	<u>(1,979)</u>	<u>(4,450)</u>
Total adjustments	<u>663,269</u>	<u>621,507</u>
<b>Net cash from operating activities</b>	<b><u>\$ 909,154</u></b>	<b><u>\$ 979,045</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
SOLID WASTE MANAGEMENT FUND  
COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables, net-		
Accounts	\$ 22,955	\$ 22,426
Due from general fund	<u>158,593</u>	<u>137,208</u>
<b>Total Current Assets</b>	<b><u>181,548</u></b>	<b><u>159,634</u></b>
<b>Capital assets</b>		
Machinery and equipment	110,840	110,840
Accumulated depreciation	<u>(107,481)</u>	<u>(107,369)</u>
Capital assets (net of depreciation)	<u>3,359</u>	<u>3,471</u>
<b>Total Assets</b>	<b><u>184,907</u></b>	<b><u>163,105</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accrued compensated absences	378	736
Accrued salaries and wages	<u>1,272</u>	<u>1,041</u>
<b>Total current liabilities</b>	<b><u>1,650</u></b>	<b><u>1,777</u></b>
<b>Total Liabilities</b>	<b><u>1,650</u></b>	<b><u>1,777</u></b>
<b>NET ASSETS</b>		
Investment in capital assets – net of related debt	3,359	3,471
Unrestricted	<u>179,898</u>	<u>157,857</u>
<b>Total Net Assets</b>	<b><u>\$ 183,257</u></b>	<b><u>\$ 161,328</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
SOLID WASTE MANAGEMENT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 300,497	\$ 296,475
<b>Total Operating Revenues</b>	<u><b>300,497</b></u>	<u><b>296,475</b></u>
<b>OPERATING EXPENSES</b>		
Purchased Products and Services		
Dumpster collections	217,261	195,241
Personal services and benefits	53,316	52,455
Supplies	7,879	6,060
Depreciation	<u>112</u>	<u>112</u>
<b>Total Operating Expenses</b>	<u><b>278,568</b></u>	<u><b>253,868</b></u>
Operating income (loss)	<u>21,929</u>	<u>42,607</u>
Transfers	<u>—</u>	<u>—</u>
Change in net assets	21,929	42,607
Net Assets- beginning	<u>161,328</u>	<u>118,721</u>
<b>Net Assets - ending</b>	<u><b>\$ 183,257</b></u>	<u><b>\$ 161,328</b></u>

**CITY OF LOCUST GROVE, GEORGIA  
SOLID WASTE MANAGEMENT FUND  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 299,968	\$ 303,268
Cash paid to suppliers for goods	(246,883)	(251,252)
Cash paid to employees	<u>(53,085)</u>	<u>(52,016)</u>
Net cash provided from operating activities	<u>—</u>	<u>—</u>
<b>Cash flows from investing activities:</b>		
Other	<u>—</u>	<u>—</u>
Net cash from investing activities	<u>—</u>	<u>—</u>
<b>Cash flows from non-capital financing activities:</b>		
Transfers	<u>—</u>	<u>—</u>
Net cash flows from non-capital financing activities	<u>—</u>	<u>—</u>
<b>Cash flows from capital financing activities:</b>		
Proceeds from sale of capital assets	<u>—</u>	<u>—</u>
Net cash flows from capital financing activities	<u>—</u>	<u>—</u>
Net cash flows	—	—
Cash and cash equivalents - beginning	<u>—</u>	<u>—</u>
<b>Cash and cash equivalents - ending</b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
<b>Operating income (loss)</b>	<b><u>\$ 21,929</u></b>	<b><u>\$ 42,607</u></b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	112	112
(Increase) decrease in receivables	(21,914)	6,793
Increase (decrease) in accounts payable	—	(49,951)
Increase (decrease) in accrued liabilities	<u>(127)</u>	<u>439</u>
Total adjustments	<u>(21,929)</u>	<u>(42,607)</u>
<b>Net cash from operating activities</b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
STORMWATER MANAGEMENT FUND  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables, net		
Accounts	\$ 43,265	\$ 80,732
Due from General Fund	<u>453,194</u>	<u>339,098</u>
<b>Total Current Assets</b>	<b><u>496,459</u></b>	<b><u>419,830</u></b>
<b>Capital assets</b>		
Office equipment	10,690	10,690
Accumulated depreciation	<u>(10,690)</u>	<u>(9,799)</u>
<b>Total Capital Assets (net of depreciation)</b>	<u>—</u>	<u>891</u>
<b>Total Assets</b>	<b><u>496,459</u></b>	<b><u>420,721</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accrued salaries and wages	—	—
Accrued compensated absences	<u>—</u>	<u>—</u>
<b>Total Liabilities</b>	<u>—</u>	<u>—</u>
<b>NET ASSETS</b>		
Investment in capital assets	—	891
Unrestricted	<u>496,459</u>	<u>419,830</u>
<b>Total Net Assets</b>	<b><u>\$ 496,459</u></b>	<b><u>\$ 420,721</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
STORMWATER MANAGEMENT FUND  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Stormwater utility fee	<u>259,150</u>	<u>215,860</u>
Total Operating Revenues	<u>259,150</u>	<u>215,860</u>
<b>OPERATING EXPENSES</b>		
Personal services	114,454	110,315
Purchased / contracted services	4,500	5,738
Supplies	63,567	20,178
Depreciation	<u>891</u>	<u>2,138</u>
Total operating expenses	<u>183,412</u>	<u>138,369</u>
Operating income (loss)	<u>75,738</u>	<u>77,491</u>
Non-operating revenues (expenses)	<u>—</u>	<u>—</u>
Change in net assets	75,738	77,491
NET ASSETS - BEGINNING	<u>420,721</u>	<u>343,230</u>
NET ASSETS - ENDING	<u><b>\$ 496,459</b></u>	<u><b>\$ 420,721</b></u>

**CITY OF LOCUST GROVE, GEORGIA  
STORMWATER MANAGEMENT FUND  
RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 296,617	\$ 229,777
Cash paid to suppliers for goods	(67,940)	(28,054)
Cash paid to employees	<u>(114,581)</u>	<u>(110,315)</u>
Net cash provided from operating activities	<u>114,096</u>	<u>91,408</u>
<b>Cash flows from investing activities:</b>		
Other	<u>—</u>	<u>—</u>
Net cash from investing activities	<u>—</u>	<u>—</u>
<b>Cash flows from non-capital financing activities:</b>		
Change in due to/from other funds	<u>(114,096)</u>	<u>(91,408)</u>
Net cash flows from non-capital financing activities	<u>(114,096)</u>	<u>(91,408)</u>
<b>Cash flows from capital financing activities:</b>		
Purchase of capital assets	<u>—</u>	<u>—</u>
Net cash flows from capital financing activities	<u>—</u>	<u>—</u>
Net cash flows	—	—
Cash and cash equivalents - beginning	<u>—</u>	<u>—</u>
<b>Cash and cash equivalents - ending</b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>
<b>Reconciliation of Operating Income to Net Cash  Provided by Operating Activities:</b>		
<b>Operating income (loss)</b>	<b><u>\$ 75,738</u></b>	<b><u>\$ 77,491</u></b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	891	2,138
(Increase) decrease in receivables	37,467	11,779
Increase (decrease) in accounts payable	—	—
Increase (decrease) in accrued liabilities	<u>—</u>	<u>—</u>
Total adjustments	<u>38,358</u>	<u>13,917</u>
<b>Net cash from operating activities</b>	<b><u>\$ 114,096</u></b>	<b><u>\$ 91,408</u></b>

# Vance and Associates, LLC

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## **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 City Council  
City of Locust Grove, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City Locust Grove, Georgia as of and for the fiscal year ended December 31, 2012, and have issued our report thereon dated June 3, 2013. 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.

### **Internal Control Over Financial Reporting**

Management of the City of Locust Grove, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

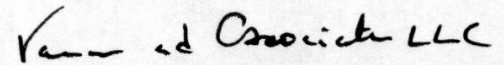


## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Mayor and Council and is not intended to be and should not be used by anyone other than these specified parties.

Atlanta, Georgia  
June 3, 2013

A handwritten signature in black ink that reads "Vance and Associates LLC". The signature is written in a cursive, slightly slanted style.

**Vance and Associates, LLC**