

CITY OF LOCUST GROVE, GEORGIA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

With Independent Auditors' Report Thereon

**CITY OF LOCUST GROVE, GEORGIA
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3-14
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	16-17
STATEMENT OF ACTIVITIES	18
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS	19
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	21
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET (GAAP) AND ACTUAL - GENERAL FUND	23
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	24-25
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS	26
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	27-28
NOTES TO FINANCIAL STATEMENTS	29-47
REQUIRED SUPPLEMENTAL INFORMATION	
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS	49
SCHEDULE OF CONTRIBUTIONS	50
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	51-52
SUPPLEMENTARY INFORMATION	
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	54
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	55
<u>GENERAL FUND</u>	
BALANCE SHEET	56
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	57

**CITY OF LOCUST GROVE, GEORGIA
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

	<u>Page</u>
 <i><u>SPECIAL REVENUE FUNDS</u></i>	
CONFISCATED ASSETS SPECIAL REVENUE FUND BALANCE SHEET	58
CONFISCATED ASSETS SPECIAL REVENUE FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	59
HOTEL/MOTEL SPECIAL REVENUE FUND BALANCE SHEET	60
HOTEL/MOTEL SPECIAL REVENUE FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	61
 <i><u>CAPITAL PROJECTS FUNDS</u></i>	
DEVELOPMENT IMPACT SPECIAL REVENUE FUND BALANCE SHEET	62
DEVELOPMENT IMPACT SPECIAL REVENUE FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	63
SPECIAL PURPOSE LOCAL OPTION SALES TAX CAPITAL PROJECTS FUND BALANCE SHEET	64
SPECIAL PURPOSE LOCAL OPTION SALES TAX CAPITAL PROJECTS FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	65
 <i><u>ENTERPRISE FUNDS</u></i>	
<i>WATER/SEWER ENTERPRISE FUND:</i>	
STATEMENT OF NET POSITION	66-67
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION	68
STATEMENT OF CASH FLOWS	69
 <i>SOLID WASTE MANAGEMENT FUND:</i>	
STATEMENT OF NET POSITION	70
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION	71
STATEMENT OF CASH FLOWS	72
 <i>STORMWATER MANAGEMENT FUND:</i>	
STATEMENT OF NET POSITION	73
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION	74
STATEMENT OF CASH FLOWS	75
 OTHER REPORTING SECTIONS	
INDEPENDENT AUDITORS' 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	77-79
 SCHEDULE OF PROJECTS FINANCED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX	 80



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Locust Grove, Georgia (the "City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Locust Grove, Georgia as of December 31, 2019, and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-14, the budgetary comparison information on page 23, and the required supplementary information on pages 49-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 combining and individual fund financial statements and schedules, and the special purpose local option sales tax report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, the special purpose local option sales tax report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements and to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, and the special purpose local option sales tax report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2020 on our consideration of the City of Locust Grove, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Locust Grove, Georgia's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "W. H. T. C. P. A." with a stylized flourish at the end.

August 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LOCUST GROVE, GEORGIA
(Unaudited)

The management of the City of Locust Grove provides this Management's Discussion and Analysis for readers of the City's financial statements for the year ended December 31, 2019. The purpose of this narrative is to provide readers of these financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about the City of Locust Grove. This narrative overview of the City's financial activities should be read in conjunction with the information included in the notes to the financial statements.

Financial Highlights

- The assets of the City of Locust Grove exceeded its liabilities at December 31, 2019 by \$35,680,779 (reported as "Net Position"). Of this amount \$4,819,134 is unrestricted.
- The total net position increased by \$3,082,136.
- As of the close of the current fiscal year, the City of Locust Grove's governmental funds reported combined ending fund balances of \$7,468,012, an increase of \$1,476,382 in comparison with the prior year. Of this amount \$4,230,513 is unassigned and available for spending and \$2,688,473 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 \$4,230,513, which is 81 percent of total General Fund expenditures for the year ending December 31, 2019.
- The City of Locust Grove's total debt obligations (including accrued compensated absences) decreased by \$1,495,360 to a total of \$5,795,758 as of year-end. The City made principal payments during the year on its long-term debt of \$708,551.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the City of Locust Grove (the "City"). The financial statements of the City comprise 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. Comparative data is presented when available.

Government-wide financial statements

The focus of the government-wide financial statements is on the overall financial position and the activities of the City. The government-wide financial statements include the Statement of Net Position and the Statement of Activities, and are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include all assets and liabilities using the accrual basis of accounting. Accrual of the current year's revenues and expenses is taken into account regardless of when cash is received or paid.

Statement of Net Position

The Statement of Net Position (pages 16-17) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. The City's net position, which is the difference between assets (what the citizens own), and liabilities (what the citizens owe), is one way to measure the City's financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, however, such as

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LOCUST GROVE, GEORGIA
(Unaudited)

changes in the City's property tax base and the condition of the City's capital assets (roads, buildings, and utility systems) must be considered to assess the overall health of the City.

Statement of Activities

The Statement of Activities (page 18) presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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.

The Statement of Net Position and the Statement of Activities are divided into two types of activities:

Governmental activities – Most of the City's basic services are reported under this category. These services include police, infrastructure maintenance, parks and recreation, and general administration. Taxes, fines/forfeitures and intergovernmental revenues (governmental activities) finance most of these activities.

Business-type activities – The City charges fees to customers to offset most of the cost of certain services it provides. The City's utility and solid waste services are reported under this category.

Fund financial statements

The focus of fund financial statements is directed to specific activities of the City and its most significant funds, not the City as a whole. 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. Some funds are required to be established by state law. The City uses two categories of funds: governmental funds and proprietary funds.

In fund financial statements, information is presented in separate columns for each of the major funds. Data from non-major funds are combined into a single, aggregated column for presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements beginning on page 54.

Governmental funds

Most of the City's basic governmental activities reported in the government-wide statements are accounted for in governmental funds, which focus on how money flows into and out of the funds, and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation beside the fund financial statements.

In addition to the General Fund, which is considered a major fund, the City maintains one additional major fund, the SPLOST Capital Projects Fund.

Because the focus of the governmental funds financial statements is narrower than that of the government-wide financial statements and because of the different accounting methods used to prepare them, there are often significant differences between the totals presented in these 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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LOCUST GROVE, GEORGIA
(Unaudited)

the government's near-term financial decisions. An analysis of the balance that reconciles the two statements is provided at the bottom of each statement.

Proprietary funds

When the City charges customers for the full or partial cost of the services it provides (whether to outside customers or to other units of the City), these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, using the accrual basis of accounting. Enterprise funds are a type of proprietary fund used to account for functions reported as business-type activities in the government-wide statements. The City uses three enterprise funds to account for separate business-type activities, which are reported in the basic proprietary fund financial statements, on pages 24-28 of this report. The City of Locust Grove uses enterprise funds to account for its water and sewer, storm water, and solid waste functions. The Water and Sewer Utility is considered a major fund.

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. The notes to the financial statements can be found on pages 29-47 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including combined financial statements for non-major funds described earlier. Individual fund statements and schedules are presented following the required supplementary information. These statements and schedules contain much more detailed financial information about individual services or divisions of the City.

This report includes two schedules on pages 20 and 22 that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on the fund financial statements.
- Certain revenues that are earned, but not available, are reported as revenue on the government-wide statement, but are reported as unearned revenue on the fund financial statements.
- Unless due and payable, long-term liabilities appear only in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures on the governmental fund financial statements.
- Repayment of debt principal reduces a liability on the government-wide statements, but is an expenditure on the fund financials.
- Some expenses reported in the government-wide statements represent increases in liabilities on the government-wide statements but are not reported as expenditures in governmental funds because they do not require the use of current financial resources.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LOCUST GROVE, GEORGIA
(Unaudited)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$35,680,779 as of December 31, 2019. The following table provides a summary of the City's governmental and business-type net position for the year ending December 31, 2019.

CITY OF LOCUST GROVE, GEORGIA
NET POSITION AS OF DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 7,703	\$ 6,232	\$ 5,095	\$ 3,912	\$ 12,798	\$ 10,145
Capital assets	14,525	14,543	18,087	17,647	32,613	32,190
Total assets	22,228	20,775	23,183	21,559	45,411	42,334
Deferred outflows of resources	165	198	28	31	193	228
Current liabilities	704	610	1,653	1,144	2,357	1,755
Long-term liabilities	930	623	6,562	7,394	7,492	8,016
Total liabilities	1,633	1,233	8,216	8,537	9,849	9,771
Deferred inflows of resources	63	167	11	26	74	193
Net investment in capital assets	14,525	14,463	12,809	11,913	27,334	26,376
Restricted net position	3,027	2,085	500	521	3,529	2,606
Unrestricted net position	3,144	3,025	1,675	592	4,819	3,617
Total net position	\$ 20,697	\$ 19,573	\$ 14,984	\$ 13,027	\$ 35,681	\$ 32,599

The largest portion of the City's net position as of December 31, 2019 (72%) reflects its net investment in capital assets (e.g. land, buildings, machinery, equipment and the street and sidewalks). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LOCUST GROVE, GEORGIA
(Unaudited)

CITY OF LOCUST GROVE, GEORGIA
CHANGE IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 2,303	\$ 2,131	\$ 5,698	\$ 5,708	\$ 8,001	\$ 7,839
Operating grants	-	91	-	-	-	91
Capital grants	931	845	-	-	931	845
General revenues:						
Taxes	4,511	4,355	-	-	4,511	4,355
Interest and investment earnings	10	8	1	1	11	9
Other	32	145	6	6	39	151
Total revenues	7,786	7,574	5,706	5,715	13,492	13,289
Expenses						
General government	1,443	1,456	-	-	1,443	1,456
Judicial	372	319	-	-	372	319
Public safety	2,542	2,229	-	-	2,542	2,229
Public works	1,069	1,001	-	-	1,069	1,001
Parks and recreation	30	29	-	-	30	29
Community development	1,203	968	-	-	1,203	968
Water and sewer utility	-	-	2,992	2,754	2,992	2,754
Solid waste	-	-	483	405	483	405
Storm water utility	-	-	272	198	272	198
Interest on long-term debt	3	5	-	-	3	5
Total expenditures	6,662	6,007	3,748	3,358	10,410	9,364
Change in net position	1,124	1,567	1,959	2,358	3,082	3,925
Net position, beginning of year	19,573	18,006	13,026	10,668	32,599	28,674
Net position, end of year	\$ 20,697	\$ 19,573	\$ 14,984	\$ 13,026	\$ 35,681	\$ 32,599

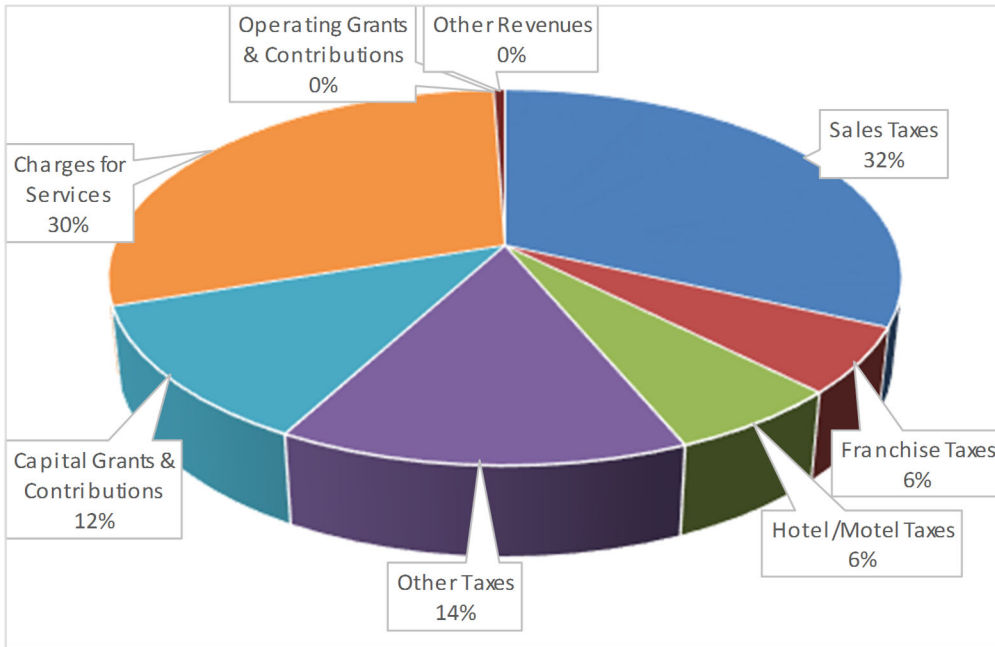
MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LOCUST GROVE, GEORGIA
(Unaudited)

Governmental Activities

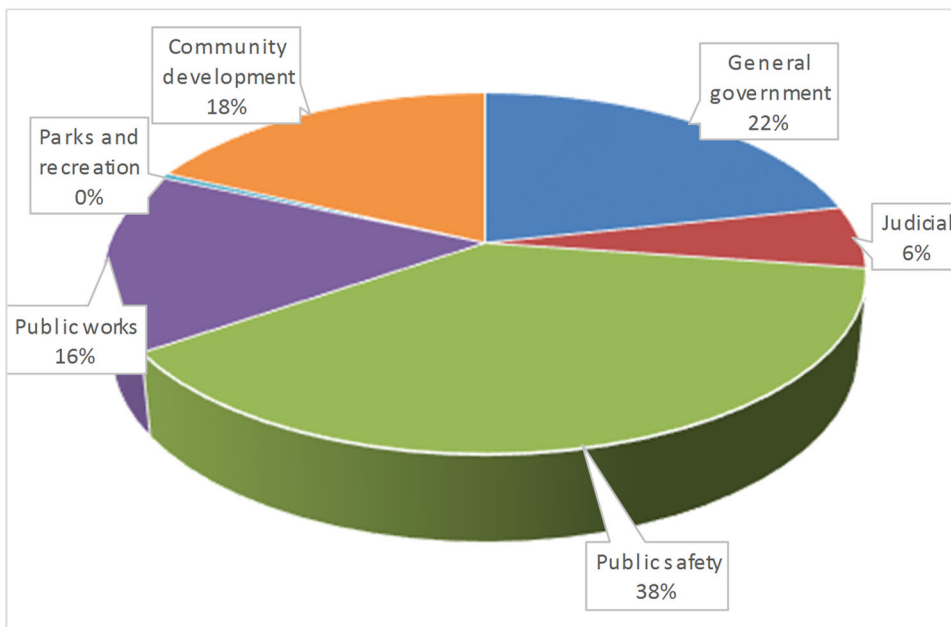
Governmental Activities increased the City's net position by \$1,476,382. Key elements of this increase were as follows:

- An increase of approximately \$477,000 in taxes from the prior year.

Revenue by Source, Governmental Activities



Expenditures by Program, Governmental Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LOCUST GROVE, GEORGIA
(Unaudited)

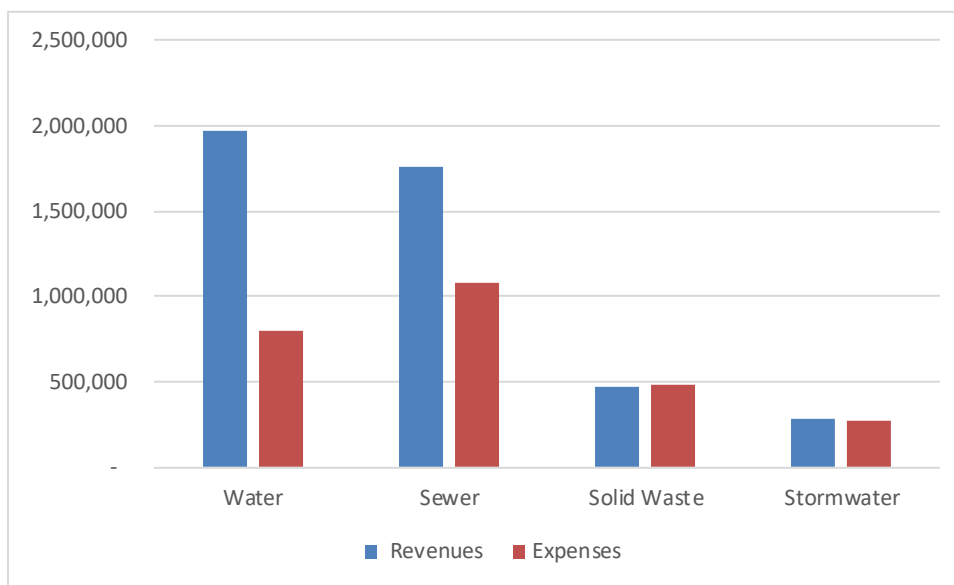
Business-type Activities

Operations of business-type activities increased the City's net position by \$1,958,589. Key elements of this increase were as follows:

- Revenues from business-type activities decreased approximately \$9,000.
- Expenses from business-type activities increased approximately \$390,000.

Total revenues and expenses by funds (less interest, depreciation and allocated costs) were as follows by fund:

Expenses and Revenues, Business-type Activities
(less any allocated administrative cost, interest expense and depreciation)



Financial Analysis of the Government's Individual Funds

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

Governmental funds

The City uses governmental funds 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, an unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, the City's General Fund reported an ending fund balance of \$4,262,136 an increase of \$522,960 or 14% in comparison with the prior year. Approximately 99% of this amount (\$4,230,513) constitutes an unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is in a non-spendable form.

Review pages 56-57 for additional information on the General Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LOCUST GROVE, GEORGIA
(Unaudited)

Financial Analysis of the Government's Individual Funds (Continued)

Special Revenue Funds

- Confiscated Assets Fund: The City created this fund to account for assets obtained by the City as a result of investigations into illegal drug activities. As of December 31, 2019 this fund had a fund balance of \$158, which is restricted for police activities.
- Hotel/Motel Tax Fund: The Hotel/Motel Tax Fund receives revenues from taxes on hotels and motels within the City. 43.75% of these revenues must be paid to the Henry County Chamber of Commerce Convention and Visitors Bureau for tourism and promotional purposes. The fund balance for this fund was \$517,245 and \$529,140 at December 31, 2019 and 2018, respectively.

Review pages 58-61 for additional information on the Special Revenue funds

Capital Projects Fund

- SPLOST Fund: The City has one Special Purpose Local Option Sales Tax fund for the purpose of funding capital projects. These funds were voted on by the citizens of Henry County, Georgia and are passed to the City of Locust Grove by way of an intergovernmental agreement. The fund balance for this fund was \$1,259,000 and \$931,018 at December 31, 2019 and 2018, respectively.
- Development Impact Fund: The Development Impact Fund collects revenues generated through a Fee Ordinance approved by the City Council. The City uses these fees to fund major capital improvements for parks, police and streets. The fund balance for this fund was \$1,429,473 and \$792,158 at December 31, 2019 and 2018, respectively. The recent return to near-normal construction from the recent recessionary levels means that more funds will be made available for capital projects.

Review pages 62-65 for additional information on the Capital Project Fund.

Proprietary Funds

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

2019 net position of the City's three proprietary funds are as follows:

Water and sewer:	\$ 14,282,242
Solid waste utility:	\$ 144,459
Storm water utility:	\$ 557,448

The increase in net position for the funds was approximately \$1,959,000, which is a 15% change from the prior year. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's Business-type activities.

Review pages 66-75 for additional information on the Enterprise funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LOCUST GROVE, GEORGIA
(Unaudited)

Financial Analysis of the Government's Individual Funds (Continued)

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities was \$32,612,621 and \$32,189,401 (net of accumulated depreciation) at December 31, 2019 and 2018. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and distributions systems for water/sewer and storm water management.

During the year ended December 31, 2019, the City invested \$1,853,577 in new capital assets. Investment for governmental activities was \$590,432 and \$1,263,145 for business-type activities. Major capital asset events during the current year ended December 31, 2019 included the following:

Governmental activities:

Buildings and improvements	\$ 178,554
Infrastructure	\$ 181,148
Machinery and equipment	\$ 78,433
Vehicles and related equipment	\$ 152,297

Business-type activities:

Construction in progress	\$ 931,411
Machinery and equipment	\$ 306,734
Vehicles	\$ 25,000

More information on capital assets may be found in the Note 6 to the Financial Statements on pages 37-38 of this report.

Debt Administration

At the end of the current fiscal year, the City had \$5,060,000 outstanding Water and Sewerage Refunding Revenue Bonds, Series 2016, with an interest rate of 2%. The bonds refunded the previous Series 2013 bonds which financed improvements in water/sewer infrastructure. The City also had two outstanding notes payable related to equipment. The total liability related to these notes payable at year-end was \$218,533.

More information on long-term debt may be found in the Note 8 to the Financial Statements on pages 39-40 of this report.

Economic Factors and Next Year's Budget

- The City grew by 15% over 2019 and is now the third largest city in Henry County, surpassing the City of Hampton as of July 31, 2019. It is anticipated that the City will pass the critical 9,000 population figure in the 2020 Census, which will enable more influence in the overall policies within Henry County as required by the State intergovernmental rules and regulations.
- Inflationary trends in the region continue to compare favorably to national indices, with more volatility in swings either up or down due to dependency on volatile fuel costs and the considerable

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LOCUST GROVE, GEORGIA
(Unaudited)

Economic Factors and Next Year's Budget (Continued)

distance from the Atlanta Region Core, with construction costs markedly higher due to continued reduced competition since the Great Recession. Transportation and other large public works projects have some of the greatest variability between estimates and pricing.

- Inflationary trends in the region continue to compare favorably to national indices, with more volatility in swings either up or down due to dependency on volatile fuel costs and the considerable distance from the Atlanta Region Core, with construction costs markedly higher due to continued reduced competition since the Great Recession. Transportation and other large public works projects have some of the greatest variability between estimates and pricing.
- New large-scale commercial and industrial development continued to increase during 2019, with considerable interest on development of the northern and western quadrants of the I-75 and Bill Gardner Interchange. Industrial development will soon outpace most other nonresidential development for the next several years in overall square footage.
- Building permits for residential construction moderated somewhat from a torrid pace in 2018 and is now well beyond the pre "Great Recession" level highs. Most undeveloped lots purchased in the past several years are now nearly built out with several new subdivisions or expansions of existing underway. As interest rates and relative price advantages to other parts of the region continue to hold, expect more demand into the new decade.
- The unemployment rate for the City continues to compare reasonably between the state and regional rates, although the effects of the COVID-19 pandemic are still unclear.
- The biggest challenge in terms of employment is the availability of a trained workforce equipped for the new economy. This has been noted in prospective industrial tenants as well as our own needs for employees for various skilled and unskilled functions.
- The occupancy rate of the City's downtown area before the pandemic was essentially 100%, including redevelopment of several storefronts into office and restaurant uses.
- Tourism increased in 2019 prior the COVID-19 pandemic, helping Hotel/Motel tax revenues increase during 2019. The new Hampton Inn that opened in early 2019 was joined by a new Fairfield Inn and Suites in February 2020, just prior to the pandemic and collapse of tourism across the nation. Hotel/Motel revenues will languish well into 2020 until strength in business travel returns after the pandemic is contained.
- The City is finally near complete in the Service Delivery Strategy agreement between Henry County and the other incorporated cities as part of the adoption of a new Comprehensive Plan Update in late 2018. Special Service Tax Districts to fund services are to be created to fund services such as Fire Protection and Police.
- Collections for LOST were favorable over 2019 and have remained fairly steady into 2020 despite the COVID-19 pandemic. Most of this was a shift in spending by the residential workforce into Henry County as opposed to nearby large employment centers. There is still the threat of continued erosion in brick and mortar retail which hinder large-scale retail projects that were proposed in the

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LOCUST GROVE, GEORGIA
(Unaudited)

Economic Factors and Next Year's Budget (Continued)

Stockbridge area as well as originally proposed in the City over a decade ago. The rapid growth in population with new housing may bring enough critical mass for more retail and service offerings in the future.

- SPLOST V was voted in by a relatively narrow margin with collections starting in April 2020 without an approved IGA between the County and the cities. Therefore, the cities will begin receiving distributions based on a 2010 population share in late 2022 due to the structure of the SPLOST with county capital projects taking up most the initial two years of revenue.
- Collections from utilities into the Enterprise Funds increase steadily as part of overall growth and development of the City. Continued increases at this rate is more challenging due to rates rising above parity with surrounding jurisdictions and the COVID-19 pandemic.
- More funds will be needed for basic road maintenance and meeting congestion needs over the coming decades to replace pavement within the recently-developed subdivisions as they age. The City seeks to find additional funding from HB 170 to assist with some of this growing need, as well as the possibility of future funding options from fractional sales tax votes within Henry County and its cities (T-SPLOST). We are embarking on a proposal to spend over \$2 million in General Fund for the continuation of the Bethlehem Road Industrial Interchange along with congestion mitigation measures along Bill Gardner Parkway in 2020 and beyond.
- The City added the position of Assistant City Manager as well as enhancements to Community Development, Public Safety and Public Works as the population growth requires more needs for services.
- As part of continuing staff development, we have increased training on the computerized financial system as part of modernization of our servers as well as new modules to allow more online service options and reduce overall need for clerical staff in the future. We are continuing the effort to expand to more training, especially new hires and the upgrade of Incode 10 and Energov to serve our citizens better.
- The COVID-19 pandemic began affecting the City in the middle of March 2020 with a prolonged slowdown in operations throughout much of April and May. Operations returned more to normal in June 2020 but the City must contend with expected new surges in cases that may affect overall economic health throughout the rest of the year.
- These factors were considered in preparing the City of Locust Grove's budget for FY 2020, as well as recent amendments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LOCUST GROVE, GEORGIA
(Unaudited)

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, Georgia 30248-0900.

Basic Financial Statements

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary government		
	Governmental activities	Business-type activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,540,478	\$ 3,672,063	\$ 11,212,541
Restricted assets			
Cash	-	525,723	525,723
Receivables, net			
Taxes	472,948	-	472,948
Accounts	-	525,928	525,928
Fines	61,126	-	61,126
Internal balances	(371,480)	371,480	-
Prepaid items	80	-	80
Total current assets	7,703,152	5,095,194	12,798,346
Noncurrent assets:			
Capital assets			
Nondepreciable	2,693,064	2,355,375	5,048,439
Depreciable, net	11,832,137	15,732,045	27,564,182
Total noncurrent assets	14,525,201	18,087,420	32,612,621
Total assets	22,228,353	23,182,614	45,410,967
Deferred outflows of resources:			
Pension contributions subsequent to measurement date	41,674	7,154	48,828
Pension experience differences	94,684	16,254	110,938
Pension investment return differences	6,472	1,112	7,584
Pension assumption changes	21,832	3,746	25,578
Total deferred outflows of resources	164,662	28,266	192,928

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

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary government		
	Governmental activities	Business-type activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 229,996	\$ 420,933	\$ 650,929
Accrued absences	468,501	48,724	517,225
Notes payable	-	49,521	49,521
Other current liabilities	5,144	-	5,144
Customer deposits payable	-	514,030	514,030
Liabilities payable from restricted assets:			
Bonds payable	-	595,000	595,000
Interest payable	-	25,231	25,231
Total current liabilities	703,641	1,653,439	2,357,080
Noncurrent liabilities:			
Bonds payable, less current portion	-	4,465,000	4,465,000
Notes payable	-	169,012	169,012
Unearned revenue	-	1,669,104	1,669,104
Net pension liability	929,753	259,362	1,189,115
Total noncurrent liabilities	929,753	6,562,478	7,492,231
Total liabilities	1,633,394	8,215,917	9,849,311
Deferred inflows of resources:			
Pension experience differences	58,609	10,062	68,671
Pension assumption changes	4,382	752	5,134
Total deferred inflows of resources	62,991	10,814	73,805
Net position:			
Net investment in capital assets	14,525,201	12,808,887	27,334,088
Restricted for:			
Public safety	158	-	158
Debt service	-	500,492	500,492
Capital outlay	2,688,473	-	2,688,473
Tourism	338,434	-	338,434
Unrestricted	3,144,364	1,674,770	4,819,134
Total net position	\$ 20,696,630	\$ 14,984,149	\$ 35,680,779

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

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

FUNCTIONS/PROGRAMS	<u>Expenses</u>	Program revenues		<u>Net revenue (expenses)</u>
		<u>Charges for services</u>	<u>Capital grants and contributions</u>	
Primary government				
Governmental activities				
General government	\$ 1,442,938	\$ 836,258	\$ -	\$ (606,680)
Judicial	371,808	-	-	(371,808)
Public safety	2,542,476	767,867	-	(1,774,609)
Public works	1,069,337	698,402	930,609	559,674
Parks and recreation	30,006	-	-	(30,006)
Community development	1,203,093	-	-	(1,203,093)
Interest on long-term debt	2,796	-	-	(2,796)
Total governmental activities	6,662,454	2,302,527	930,609	(3,429,318)
Business-type activities:				
Water and sewer utility	2,992,104	4,950,859	-	1,958,755
Solid waste	483,419	461,996	-	(21,423)
Storm water utility	271,993	285,528	-	13,535
Total business-type activities	3,747,516	5,698,383	-	1,950,867
Total primary government	\$ 10,409,970	\$ 8,000,910	\$ 930,609	\$ (1,478,451)
Primary government				
	Governmental activities	Business-type activities	Total	
Change in net position				
Net (expense) revenue	\$ (3,429,318)	\$ 1,950,867	\$ (1,478,451)	
General revenues				
Taxes:				
Property	22,915	-	22,915	
Sales	2,481,846	-	2,481,846	
Insurance premium	440,135	-	440,135	
Occupational	184,602	-	184,602	
Franchise	495,694	-	495,694	
Intangible	47,191	-	47,191	
Alcohol excise	361,547	-	361,547	
Hotel/motel	476,614	-	476,614	
Interest and investment earnings	9,881	1,354	11,235	
Miscellaneous	32,440	6,368	38,808	
Total general revenues and transfers	4,552,865	7,722	4,560,587	
Change in net position	1,123,547	1,958,589	3,082,136	
Net position, beginning of year	19,573,083	13,025,560	32,598,643	
Net position, end of year	\$ 20,696,630	\$ 14,984,149	\$ 35,680,779	

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

CITY OF LOCUST GROVE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>General</u>	<u>SPLOST</u>	<u>Nonmajor governmental funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,342,039	\$ 1,259,000	\$ 1,939,439	\$ 7,540,478
Receivables, net				
Taxes	429,573	-	43,375	472,948
Fines	61,126	-	-	61,126
Due from other funds	-	-	3,882	3,882
Prepaid items	-	-	80	80
Total assets	<u>\$ 4,832,738</u>	<u>\$ 1,259,000</u>	<u>\$ 1,986,776</u>	<u>\$ 8,078,514</u>
LIABILITIES				
Accounts payable	\$ 190,096	\$ -	\$ 39,900	\$ 229,996
Due to other funds	375,362	-	-	375,362
Other liabilities	5,144	-	-	5,144
Total liabilities	<u>570,602</u>	<u>-</u>	<u>39,900</u>	<u>610,502</u>
Fund balances:				
Nonspendable prepaid items	-	-	80	80
Assigned for tourism	-	-	178,731	178,731
Restricted for:				
Capital projects	-	1,259,000	1,429,473	2,688,473
Public Safety	-	-	158	158
Tourism	-	-	338,434	338,434
Committed for cemetery	31,623	-	-	31,623
Unassigned	4,230,513	-	-	4,230,513
Total fund balances	<u>4,262,136</u>	<u>1,259,000</u>	<u>1,946,876</u>	<u>7,468,012</u>
Total liabilities and fund balances	<u>\$ 4,832,738</u>	<u>\$ 1,259,000</u>	<u>\$ 1,986,776</u>	<u>\$ 8,078,514</u>

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

**CITY OF LOCUST GROVE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total fund balance, total governmental funds \$ 7,468,012

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

Some assets are not financial resources and, therefore, are not reported in the funds.

These are:

Capital assets	19,261,984	
Less: accumulated depreciation	<u>(4,720,252)</u>	14,525,201

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

These are:

Net pension liability		(929,753)
Compensated absences		(468,501)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

These are:

Deferred outflows of resources:

Pension contributions subsequent to measurement date	41,674	
Pension experience differences	94,684	
Pension investment return differences	6,472	
Pension assumption changes	21,832	

Deferred inflows of resources:

Pension experience differences	(58,609)	
Pension assumption changes	<u>(4,382)</u>	<u>101,671</u>

Net position of governmental activities \$ 20,696,630

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

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General</u>	<u>SPLOST</u>	<u>Nonmajor governmental funds</u>	<u>Total</u>
REVENUES				
Taxes	\$ 4,033,115	\$ -	\$ 476,615	\$ 4,509,730
Licenses and permits	820,066	-	-	820,066
Fines, fees and forfeitures	767,867	-	-	767,867
Rental income	16,192	-	-	16,192
Charges for services	59,610	-	638,792	698,402
Intergovernmental	-	918,928	-	918,928
Interest	9,373	11,681	508	21,562
Other	33,253	-	-	33,253
Total revenues	<u>5,739,476</u>	<u>930,609</u>	<u>1,115,915</u>	<u>7,786,000</u>
EXPENDITURES				
Current:				
General government	542,468	568,225	-	1,110,693
Judicial	363,339	-	-	363,339
Public safety	2,152,439	-	-	2,152,439
Public works	944,564	-	-	944,564
Parks and recreation	30,006	-	-	30,006
Community development	627,670	-	490,475	1,118,145
Capital expenditures	556,030	34,402	-	590,432
Total expenditures	<u>5,216,516</u>	<u>602,627</u>	<u>490,475</u>	<u>6,309,618</u>
Net change in fund balance	522,960	327,982	625,440	1,476,382
Fund balances, beginning of year	<u>3,739,176</u>	<u>931,018</u>	<u>1,321,436</u>	<u>5,991,630</u>
Fund balances, end of year	<u>\$ 4,262,136</u>	<u>\$ 1,259,000</u>	<u>\$ 1,946,876</u>	<u>\$ 7,468,012</u>

The accompanying notes are an integral part of these 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, 2019**

Net change in fund balances - total governmental funds \$ 1,476,382

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

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.

Capital outlays	590,430	
Depreciation	<u>(607,885)</u>	(17,455)

In the statement of activities, the gain/loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increases financial resources.

Cost of disposed assets	116,716	
Related accumulated depreciation	<u>(116,716)</u>	-

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	157,901	
Cost of benefits net of employee contributions	<u>(467,778)</u>	(309,877)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Principal payments on notes payable	79,157	
Compensated absences	<u>(104,660)</u>	<u>(25,503)</u>

Change in net position of governmental activities \$ 1,123,547

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

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 4,414,040	\$ 3,827,250	\$ 4,033,115	\$ 205,865
Licenses and permits	871,630	843,910	820,066	(23,844)
Fines, fees and forfeitures	812,500	820,000	767,867	(52,133)
Rental income	53,000	17,500	16,192	(1,308)
Charges for services	128,600	69,100	59,610	(9,490)
Intergovernmental	120,000	90,000	-	(90,000)
Interest	7,650	9,050	9,373	323
Other	51,100	35,100	33,253	(1,847)
Total revenues	<u>6,458,520</u>	<u>5,711,910</u>	<u>5,739,476</u>	<u>27,566</u>
EXPENDITURES				
Current:				
General government	155,350	133,850	129,860	(3,990)
Financial administration	849,650	906,810	412,608	(494,202)
Municipal court	389,050	418,450	363,339	(55,111)
Police	2,409,000	2,583,000	2,152,439	(430,561)
Highway and streets	1,813,230	1,226,530	942,725	(283,805)
Fleet maintenance	6,900	4,100	1,839	(2,261)
Parks and recreation	121,500	41,500	30,006	(11,494)
Community development	691,290	753,365	627,670	(125,695)
Maintenance and repairs	22,550	2,050	-	(2,050)
Capital expenditures	-	-	556,030	556,030
Total expenditures	<u>6,458,520</u>	<u>6,069,655</u>	<u>5,216,516</u>	<u>(853,139)</u>
Excess of revenues over expenditures	-	(357,745)	522,960	880,705
Fund balances, beginning of year	<u>3,739,176</u>	<u>3,739,176</u>	<u>3,739,176</u>	-
Fund balances, end of year	<u>\$ 3,739,176</u>	<u>\$ 3,381,431</u>	<u>\$ 4,262,136</u>	<u>\$ 880,705</u>

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

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	<u>Business-type activities</u>			<u>Total</u>
	<u>Water and sewer</u>	<u>Solid waste</u>	<u>Storm water management</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,541,705	\$ -	\$ 130,358	\$ 3,672,063
Restricted assets:				
Cash and cash equivalents	525,723	-	-	525,723
Accounts receivable, net	470,184	39,685	16,059	525,928
Due from other funds	-	123,323	315,875	439,198
Total current assets	<u>4,537,612</u>	<u>163,008</u>	<u>462,292</u>	<u>5,162,912</u>
Noncurrent assets:				
Capital assets				
Non-depreciable	2,355,375	-	-	2,355,375
Depreciable, net	15,418,343	2,375	311,327	15,732,045
Total noncurrent assets	<u>17,773,718</u>	<u>2,375</u>	<u>311,327</u>	<u>18,087,420</u>
Total assets	<u>22,311,330</u>	<u>165,383</u>	<u>773,619</u>	<u>23,250,332</u>
Deferred outflow of resources:				
Pension contributions subsequent to measurement date	4,833	56	2,265	7,154
Pension experience differences	10,982	127	5,145	16,254
Pension investment return differences	751	9	352	1,112
Pension assumption changes	2,532	29	1,185	3,746
Total deferred outflows of resources	<u>19,098</u>	<u>221</u>	<u>8,947</u>	<u>28,266</u>
LIABILITIES				
Current liabilities:				
Accounts payable	420,933	-	-	420,933
Accrued absences	31,897	1,648	15,179	48,724
Due to other funds	67,718	-	-	67,718
Note payable	14,373	-	35,148	49,521
Customer deposits	514,030	-	-	514,030
Liabilities payable from restricted assets:				
Bonds payable	595,000	-	-	595,000
Interest payable	25,231	-	-	25,231
Total current liabilities	<u>1,669,182</u>	<u>1,648</u>	<u>50,327</u>	<u>1,721,157</u>

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

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Business-type activities			Total
	Water and sewer	Solid waste	Storm water management	
Noncurrent liabilities:				
Net pension liability	\$ 174,967	\$ 19,412	\$ 64,983	\$ 259,362
Unearned revenue	1,669,104	-	-	1,669,104
Bonds payable, less current portion	4,465,000	-	-	4,465,000
Notes payable	62,627	-	106,385	169,012
Total noncurrent liabilities	6,371,698	19,412	171,368	6,562,478
Total liabilities	8,040,880	21,060	221,695	8,283,635
Deferred inflow of resources:				
Pension experience changes	6,798	79	3,185	10,062
Pension assumption changes	508	6	238	752
Total deferred inflows of resources	7,306	85	3,423	10,814
Net position:				
Net investment in capital assets	12,636,718	2,375	169,794	12,808,887
Restricted for debt service	500,492	-	-	500,492
Unrestricted	1,145,032	142,084	387,654	1,674,770
Total net position	\$ 14,282,242	\$ 144,459	\$ 557,448	\$ 14,984,149

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

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type activities			Total
	Water and sewer	Solid waste	Storm water management	
Operating revenues:				
Charges for sales and services	\$ 4,950,859	\$ 461,996	\$ 285,528	\$ 5,698,383
Other	4,256	2,112	-	6,368
Total operating revenues	4,955,115	464,108	285,528	5,704,751
Operating expenses:				
Cost of sales and services	1,683,436	449,279	131,646	2,264,361
Salaries and benefits	405,191	34,015	114,016	553,222
Depreciation	798,974	125	23,370	822,469
Total operating expenses	2,887,601	483,419	269,032	3,640,052
Operating income (loss)	2,067,514	(19,311)	16,496	2,064,699
Non-operating revenues (expenses):				
Interest revenue	1,354	-	-	1,354
Interest expense	(104,503)	-	(2,961)	(107,464)
Total non-operating revenues (expenses)	(103,149)	-	(2,961)	(106,110)
Change in net position	1,964,365	(19,311)	13,535	1,958,589
Net position, beginning of year	12,317,877	163,770	543,913	13,025,560
Net position, end of year	\$ 14,282,242	\$ 144,459	\$ 557,448	\$ 14,984,149

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

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Business-type activities</u>			<u>Total</u>
	<u>Water and sewer</u>	<u>Solid waste</u>	<u>Storm water management</u>	
Cash flows from operating activities:				
Receipts from customers	\$ 4,358,110	\$ 457,204	\$ 285,528	\$ 5,100,842
Payments to suppliers	(1,004,518)	(422,801)	(114,882)	(1,542,201)
Payments to employees	(393,198)	(34,015)	(114,016)	(541,229)
Other receipts	4,256	2,112	-	6,368
Net cash provided by operating activities	<u>2,964,650</u>	<u>2,500</u>	<u>56,630</u>	<u>3,023,780</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,135,823)	(2,500)	(124,821)	(1,263,144)
Principal payments on bonds payable	(585,000)	-	-	(585,000)
Proceeds from issuance of long-term debt	77,000	-	77,000	154,000
Principal payments of long-term debt	-	-	(44,394)	(44,394)
Interest paid	(107,110)	-	(2,961)	(110,071)
Net cash used in capital and related financing activities	<u>(1,750,933)</u>	<u>(2,500)</u>	<u>(95,176)</u>	<u>(1,848,609)</u>
Cash flows from investing activities:				
Interest received	1,354	-	-	1,354
Net cash provided by investing activities	<u>1,354</u>	<u>-</u>	<u>-</u>	<u>1,354</u>
Net increase in cash and cash equivalents	1,215,071	-	(38,546)	1,176,525
Cash and cash equivalents, beginning of year	<u>2,852,357</u>	<u>-</u>	<u>168,904</u>	<u>3,021,261</u>
Cash and cash equivalents, end of year	<u>\$ 4,067,428</u>	<u>\$ -</u>	<u>\$ 130,358</u>	<u>\$ 4,197,786</u>

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

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type activities			Total
	Water and sewer	Solid waste	Storm water management	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 2,067,514	\$ (19,311)	\$ 16,496	\$ 2,064,699
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	798,974	125	23,370	822,469
(Increase) decrease in assets:				
Accounts receivable	(256,242)	(4,792)	-	(261,034)
Due from other funds	231,033	24,422	(1,002)	254,453
Pension contributions	(590)	426	(956)	(1,120)
Pension experience	3,291	1,496	(742)	4,045
Pension investment returns	(751)	(29)	-	(780)
Increase (decrease) in liabilities:				
Accounts payable	420,715	-	-	420,715
Accrued absences	11,993	1,399	5,570	18,962
Customer deposits	56,786	-	-	56,786
Unearned revenue	(393,293)	-	-	(393,293)
Net pension liability	35,618	413	16,688	52,719
Pension investment return	(1,835)	(903)	522	(2,216)
Pension assumption changes	(8,827)	(1,013)	(3,075)	(12,915)
Pension assumption	264	267	(241)	290
Net cash provided by operating activities	\$ 2,964,650	\$ 2,500	\$ 56,630	\$ 3,023,780
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	\$ 3,541,705	\$ -	\$ 130,358	\$ 3,672,063
Restricted assets				
Cash and cash equivalents	525,723	-	-	525,723
Total cash and cash equivalents	\$ 4,067,428	\$ -	\$ 130,358	\$ 4,197,786

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

The City of Locust Grove, Georgia (the "City") was incorporated under the laws of the State of Georgia. The City operates under a council/mayor 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.

The City is governed by an elected mayor and a six-member council.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the governmental and business-type activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

Basis of Presentation, Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Basis of Presentation, Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

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

SPLOST Capital Projects Fund – This fund is 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.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary fund:

Water and Sewer Fund - This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City.

Solid Waste Management Fund – This fund is used to account for the activities related to sanitation and recycling services provided to the residential and commercial users of the City.

Stormwater Management Fund – This fund is used to account for activities related to management of the flood plains within the City by maintaining natural and artificial water drainage within the city.

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditures for specific purposes.

Capital Projects Funds – This fund type is used to account for financial resources to be use for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds).

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset

CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Summary of Significant Accounting Policies (Continued)

acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues and Expenditures/Expenses

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer, Solid Waste Management, and Sanitation Funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

The City Council adopts an annual budget for all governmental fund types prior to January 1, except for the Capital Projects Funds. The Capital Projects Funds for capital expenditures are budgeted by the City Council when the capital projects are approved. The operating budget includes proposed expenditures and the means of their financing. The budget is legally enacted by the passage of a resolution.

Formal budgetary accounting is employed as a management control for the General Fund, Special Revenue Funds, and Enterprise Funds. The Capital Projects Fund is budgeted by the City Council when capital projects are approved. Annual operating budgets are adopted each fiscal year

CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Summary of Significant Accounting Policies (Continued)

through approval by the Council. Before the end of each year, the City Manager submits a proposed budget for the upcoming year to the City Council for their review. Prior to adoption, a public hearing is held to receive comment from the citizenry on the proposed budget. This hearing is publicized in the local newspaper one week before the hearing, and the budget document is made available for public inspection during this week. After the public hearing, the budget is then revised by the City Council and the first reading of the proposed budget is made. At the next City Council meeting, the second reading of the proposed budget is made and the City Council votes to adopt the proposed budget. The annual operating budget is adopted no later than December 31st for the following year.

The annual budgets for the General Fund and Special Revenue Funds are prepared in accordance with the basis of accounting utilized by that fund. The budgets for the Enterprise Funds are adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and expense items are not considered. All unencumbered budget appropriations, except project budgets, lapse at the end of each year.

The legal level of budgetary control is the departmental level. Any increases in total appropriations of a department require approval and amendment of the budget by the City Council. Except as indicated on the major fund budgetary comparison statement, budget amounts included in this report are as amended as of December 31, 2019.

Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet.

Intergovernmental Receivables

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items. The cost of the prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements GASB Statement No. 34

**CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. Summary of Significant Accounting Policies (Continued)

required the City to report and depreciate new infrastructure assets effective with the year ended December 31, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Prior to January 1, 2007, neither their historical costs nor related depreciation had been reported in the financial statements. For entities the size of the City, retroactive reporting of infrastructure assets was not required.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at fair market value on the date donated.

Land and construction-in-progress are not depreciated. Other property, plant equipment, and infrastructure of the primary government with an original cost of \$3,500 or more are depreciated using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

<u>Description</u>	<u>Life</u>
Buildings and improvements	25-50 years
Improvements other than buildings	20-40 years
Furniture and fixtures	10-20 years
Vehicles	3-5 years
Machinery and equipment	40-50 years
Infrastructure	40-50 years
Water tanks	40-50 years

All land improvements are valued and capitalized. The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized. Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred outflow of resource for their defined benefit pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources related to their defined pension plan.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Summary of Significant Accounting Policies (Continued)

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted, net position and unrestricted, net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Restricted Assets and Restricted Net Position

Restricted assets of the Enterprise Funds represent certain resources set aside for the repayment of revenue bonds because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Restricted net position is equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

Fund Balances – Governmental Funds

The City has implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as non-spendable at December 31, 2019, by the City are non-spendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Summary of Significant Accounting Policies (Continued)

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City’s highest level of decision making authority, which include the language “committed for the purpose of.” Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 120 days of fiscal year-end.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City’s adopted policy, amounts may be assigned by the City Manager, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year’s budget shall constitute assignments and are documented by adoption of the City’s annual operating budget. Equity amounts reported in special revenue funds, capital project funds, debt service funds, or permanent funds not otherwise classified as non-spendable, restricted, or committed shall constitute assignments of fund balance.

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits which will be paid to the employees upon separation from City service. Accumulated unpaid vacation pay amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

**CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At December 31, 2019, the City had no uninsured, uncollateralized deposits.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign currency risk

The City has no investments denominated in a foreign currency.

3. Accounts Receivable

Net accounts receivable at December 31, 2019 consist of the following:

Major funds:

Water/sewer utility	\$	528,426
Less: allowance for uncollectible receivables		58,242
Solid waste fund		49,685
Less: allowance for uncollectible receivables		10,000
Stormwater management		16,059
Accounts receivable, net	\$	525,928

4. Taxes Receivable

Taxes receivable at December 31, 2019 are as follows:

Franchisee taxes	\$	369,040
Other taxes		103,908
Total taxes receivable	\$	472,948

CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. Interfund Receivables, Payables, and Transfers

The City records interfund transactions primarily when pooled cash balances in the general fund are used to pay expenditures of other major funds. A summary of interfund receivables and payables as of December 31, 2019, is as follows:

Due from (to) the general fund:

Water and sewer	\$ (67,718)
Stormwater management	315,875
Solid waste	123,323
Nonmajor governmental	3,882
Total due from general fund	\$ 375,362

6. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2019 was as follows:

	Beginning balances	Increases	Decreases	Ending balances
Governmental activities:				
Non-depreciable assets:				
Land	\$ 2,693,064	\$ -	\$ -	\$ 2,693,064
Total non-depreciable assets	2,693,064	-	-	2,693,064
Depreciable assets:				
Buildings and improvements	8,244,966	178,554	-	8,423,520
Other improvements	2,088,724	-	-	2,088,724
Infrastructure	2,247,957	181,146	-	2,429,103
Machinery and equipment	1,678,113	78,433	-	1,756,546
Vehicles	1,244,858	152,297	(116,716)	1,280,439
Furniture and fixtures	581,463	-	-	581,463
Total depreciable assets	16,086,081	590,430	(116,716)	16,559,795
Accumulated depreciation:				
Buildings and improvements	956,436	214,067	-	1,170,503
Other improvements	521,076	76,355	-	597,431
Infrastructure	268,487	58,524	-	327,011
Machinery and equipment	1,287,544	58,037	-	1,345,581
Vehicles	1,014,828	143,183	(116,716)	1,041,295
Furniture and fixtures	188,118	57,719	-	245,837
Total accumulated depreciation	4,236,489	607,885	(116,716)	4,727,658
Total depreciable assets, net	11,849,592	(17,455)	-	11,832,137
Governmental activities capital assets, net	\$ 14,542,656	\$ (17,455)	\$ -	\$ 14,525,201

CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. Capital Assets (Continued)

	<u>Beginning</u> <u>balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>balances</u>
Business-type activities:				
Non-depreciable assets:				
Land	\$ 1,423,964	\$ -	\$ -	\$ 1,423,964
Construction in progress	-	931,411	-	931,411
Total non-depreciable assets	<u>1,423,964</u>	<u>931,411</u>	<u>-</u>	<u>2,355,375</u>
Depreciable assets:				
Buildings and improvements	226,260	-	-	226,260
Other improvements	14,384,905	-	-	14,384,905
Machinery and equipment	1,675,651	306,733	-	1,982,384
Vehicles	187,460	25,000	-	212,460
Water tank	1,698,913	-	-	1,698,913
Sewer treatment plant	7,623,294	-	-	7,623,294
Total depreciable assets	<u>25,796,483</u>	<u>331,733</u>	<u>-</u>	<u>26,128,216</u>
Accumulated depreciation:				
Buildings and improvements	104,165	5,657	-	109,822
Other improvements	4,844,949	478,230	-	5,323,179
Machinery and equipment	1,032,483	98,790	-	1,131,273
Vehicles	182,806	6,738	-	189,544
Water tank	705,762	42,473	-	748,235
Sewer treatment plant	2,703,537	190,581	-	2,894,118
Total accumulated depreciation	<u>9,573,702</u>	<u>822,469</u>	<u>-</u>	<u>10,396,171</u>
Total depreciable assets, net	<u>16,222,781</u>	<u>(490,736)</u>	<u>-</u>	<u>15,732,045</u>
Business-type activities capital assets, net	<u>\$ 17,646,745</u>	<u>\$ 440,675</u>	<u>\$ -</u>	<u>\$ 18,087,420</u>

Depreciation expense for the year ended December 31, 2019 was charged to functions/programs as follows:

Primary Government

Governmental activities:

General government	\$ 238,228
Public safety	268,770
Highways and streets	62,130
Parks and recreation	26,094
Community development	<u>12,663</u>

Total depreciation expense for governmental activities \$ 607,885

Business-type activities

Water/sewer	\$ 798,974
Stormwater	23,370
Sanitation	<u>125</u>

Total business-type activities \$ 822,469

**CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

7. Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, while revenue bonds are issued for the construction and expansion of proprietary activities. General obligation bonds are direct obligations and pledge the full faith, credit and taxing powers of the City while revenue bonds pledge the revenues of the proprietary activity for repayment of the bond issues.

Bonds Payable from Direct Placement

Revenue bonds have been issued for business-type activities and are comprised of the following individual issues at December 31, 2019:

On May 10, 2016, the City issued \$6,785,000 in Water and Sewerage Refunding Revenue Bonds, Series 2016, with an interest rate of 2%. The \$6,785,000 revenue bonds are due in semi-annual installments through April 1, 2029; interest at 2.00% (\$5,060,000 outstanding), for the refunding of the 2013 Water and Sewerage Revenue Series Bonds, which were issued for the expansion of the water and sewer system in the City of Locust Grove. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable and the bondholders may proceed to protect and enforce the rights of the bondholders by a suit, action, or special proceeding in equity, or at law, either for the appointment of a receiver of the water/sewer system. The bonds are secured by a pledger of the net revenues derived from the operation of the water/sewer system.

Annual debt service requirements to maturity for revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2020	\$ 595,000	\$ 95,250	\$ 690,250
December 31, 2021	610,000	83,200	693,200
December 31, 2022	595,000	71,150	666,150
December 31, 2023	595,000	59,250	654,250
December 31, 2024	605,000	47,250	652,250
December 31, 2025	575,000	35,450	610,450
December 31, 2026	590,000	23,800	613,800
December 31, 2027	405,000	13,850	418,850
December 31, 2028	<u>490,000</u>	<u>7,700</u>	<u>497,700</u>
Total	<u>\$ 5,060,000</u>	<u>\$ 436,900</u>	<u>\$ 5,496,900</u>

Notes Payable from Direct Borrowings

During the year ended December 31, 2019, the City entered into a \$154,000 note payable with a financial institution to purchase equipment. The note has a balance of \$154,000 at December 31, 2019, bears interest at 3.385%, requires annual payments of \$34,046, and matures on December 19, 2024. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. Note payments and performance obligations are secured by revenues on taxes, fees, and charges collected by the City.

**CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

7. Long-Term Debt (Continued)

During the year ended December 31, 2018, the City entered into a \$104,000 note payable with a financial institution to purchase equipment. The note has a balance of \$64,533 at December 31, 2019, bears interest at 3.445%, requires annual payments of \$23,034, and matures on September 1, 2022.

During the year ended December 31, 2017, the City entered into a \$235,695 note payable with a financial institution to purchase equipment. The note was paid in full during the year ended December 31, 2019. The note had required annual payments of \$81,953, with interest at 3.532%, and matured on December 31, 2019.

Annual debt service requirements for notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2020	\$ 49,521	\$ 7,559	\$ 57,080
December 31, 2021	51,251	5,831	57,082
December 31, 2022	53,023	4,057	57,080
December 31, 2023	31,824	2,222	34,046
December 31, 2024	32,914	1,133	34,047
Total	\$ 218,533	\$ 20,802	\$ 239,335

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2019:

	<u>Balance 1/1/2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/2019</u>	<u>Due within one year</u>
Governmental activities:					
Accrued absences	\$ 363,841	\$ 468,501	\$ (363,841)	\$ 468,501	\$ 468,501
Notes from direct borrowings	79,157	-	(79,157)	-	-
Total governmental activities	\$ 442,998	\$ 468,501	\$ (442,998)	\$ 468,501	\$ 468,501
Business-type activities:					
Accrued absences	\$ 29,762	\$ 48,724	\$ (29,762)	\$ 48,724	\$ 48,724
Capital lease	24,321	-	(24,321)	-	-
Bonds from direct placement	5,645,000	-	(585,000)	5,060,000	595,000
Notes from direct borrowings	84,606	154,000	(20,073)	218,533	9,521
Total business-type activities	\$ 5,783,689	\$ 202,724	\$ (659,156)	\$ 5,327,257	\$ 693,245
Total long-term debt	\$ 6,226,687	\$ 671,225	\$ (1,102,154)	\$ 5,795,758	\$ 1,161,746

**CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

7. Long-Term Debt (Continued)

Total interest expense for business-type activities was \$107,464 for the year ended December 31, 2019. Interest expense related to governmental activities was \$2,796 for the year ended December 31, 2019.

8. Defined Benefit Pension Plan

Plan Description. The City is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), a state-wide agent, multiple-employer retirement system, administered by the Georgia Municipal Association. This is a defined benefit pension plan, which provides retirement, disability and death benefits to plan members and beneficiaries. The City has established provisions, which assign the authority to the City Council members to establish and amend the benefit provisions of the plan.

Control over the operation and administration of the plan is vested with GMEBS along with custody of the plan assets. The plan provides that the City has no liability with respect to payments or benefits or otherwise under the plan except to pay over to GMEBS such actuarially determined contributions as required to meet minimum funding standards of the Public Retirement Systems Standards Law and provide benefits thereunder. If terminated, the plan provides that if there are funds remaining after the satisfaction of all liabilities, such funds shall not revert to the City but shall be allocated to employees. All employees are eligible for immediate participation. Officials are covered under the plan and are eligible for immediate participation.

There are no loans to any of the City officials or other “party-in-interest,” and there are no prohibited transactions. The plan assets do not include any securities or investments in the City of Locust Grove. The funds are managed by independent money managers. The annual report and more detailed information regarding the plan can be obtained from the Plan Administrator, the Georgia Municipal Employees Benefit System.

At July 1, 2019, the date of the most recent actuarial valuation, there were 103 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	18
Terminated vested participants entitled to but not yet receiving benefits	24
Active participants	<u>61</u>
Total number of participants	<u><u>103</u></u>

Benefits Provided. The plan provides retirement and death benefits. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 65 with no reduction in benefit. Members with thirty years of total service are eligible to retire at age 62 with no reduction in benefit. Officials are eligible to retire at age 65 with no reduction of benefits. Members are eligible for early retirement with reduced benefits based on the early retirement reduction table at age 55 after 10 years of service. The benefit formula is 2.00% with a ten year vesting schedule for terminations.

**CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

8. Defined Benefit Pension Plan (Continued)

Contributions. Employees make no contributions to the plan. The City is required to contribute the remaining amounts necessary to fund the plan in compliance with the minimum funding standards of the Public Retirement Systems Standards Law. This funding policy, as specified by ordinance, has been the same since the inception of the plan. The City's actuarially determined contribution rate for the year period ending December 31, 2019 was \$230,906 or 7.20% of covered employee payroll.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2019, the City reported a net pension liability of \$1,189,115. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. For the fiscal year ended December 31, 2019, the City recognized pension expense of \$236,214.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 110,938	\$ (68,671)
Changes in assumptions	25,578	(5,134)
Net difference between projected and actual earnings on pension plan investments	7,584	-
Pension contributions subsequent to measurement date	<u>48,828</u>	<u>-</u>
Total	<u>\$ 192,928</u>	<u>\$ (73,805)</u>

The \$48,828 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement period will be recognized as a reduction of the net position liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

December 31, 2020	\$ 48,214
December 31, 2021	20,187
December 31, 2022	(10,714)
December 31, 2023	12,176
December 31, 2024	<u>432</u>
Total	<u>\$ 70,295</u>

**CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Cost of living adjustments	0.00%
Projected salary increases	2.75% plus service based merit increases
Net investment rate of return	7.50%

Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates. The mortality and economic actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the on-going basis is a margin for adverse deviation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2019 are summarized in the following table:

Asset class:	<u>Target allocation</u>	<u>Expected real rate of return</u>
Domestic equity	45%	6.40%
International equity	20%	7.40%
Global fixed income	5%	3.03%
Domestic fixed income	20%	3.03%
Real estate	10%	5.10%
Cash	<u>0%</u>	
Total	<u><u>100%</u></u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

8. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability (Asset)

	<u>(a) Total pension liability (asset)</u>	<u>(b) Plan fiduciary net position</u>	<u>(a) – (b) Net pension liability (asset)</u>
Balance, March 31, 2018	\$ 3,471,603	\$ 2,642,304	\$ 829,299
Changes for the year:			
Service cost	102,392	-	102,392
Interest	264,456	-	264,456
Differences between expected and actual experience	2,589	-	2,589
Contributions - employer	-	157,901	(157,901)
Net investment income	-	96,959	(96,959)
Benefit payments, including refunds of employee contributions	(95,823)	(95,823)	-
Other	233,519	-	233,519
Administrative expenses	-	(11,720)	11,720
Net changes	<u>507,133</u>	<u>147,317</u>	<u>359,816</u>
Balance, March 31, 2019	<u>\$ 3,978,736</u>	<u>\$ 2,789,621</u>	<u>\$ 1,189,115</u>

Plan's fiduciary net position as a percentage of the total pension liability	70.11%
Covered-employee payroll	\$ 2,594,568
Net pension liability as a percentage of covered-employee payroll	45.83%

Sensitivity of the Net Pension Asset/Liability to Changes in the Discount Rate. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

	<u>Discount rate</u>	<u>Net pension asset (liability)</u>
1% decrease	6.50%	\$ 1,808,359
Current discount rate	7.50%	\$ 1,189,115
1% increase	8.50%	\$ 675,888

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Georgia Municipal Employees Benefit System financial report.

Other Plans. In addition to the plan above, various City employees are covered under the Peace Officers' Annuity and Benefit Fund of Georgia and the Firefighters Pension Fund of Georgia. Further information regarding this plan can be obtained from the plan's annual report.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

9. Deferred Compensation Plan/Defined Contribution Plan

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457 (The City of Locust Grove Deferred Compensation Plan, the "Plan"). The Plan is administered by the Securian Retirement Services. Investments are managed by the Plan trustee under one of three investment options, or a combination thereof, as selected by the participant. The Plan, which is available to all employees, permits them to defer a portion of their salary until future years. Participation in the 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 participants' compensation for all employees who contribute 5% or more of their compensation and have 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 ended December 31, 2019, employees contributed \$74,603 to the plan. Contributions by the City for matching contributions were \$27,740. Total eligible salaries for the year ended December 31, 2019 were \$1,057,082.

10. Hotel/Motel Lodging Tax

The City has levied an 8% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51(5.2). The City is required to spend, of the total taxes collected, an amount equal to at least 33 1/3% for the purpose of promoting tourism, conventions, and trade shows, 16 2/3% for the purpose of marketing or operating a community auditorium or theater, and 33 1/3% for general recreation purposes. A summary of the transactions for the year ended December 31, 2019 is as follows:

Lodging tax receipts	<u>\$ 476,615</u>
Disbursements to promote tourism, conventions, and trade shows, operation of community theater, and general recreation purposes	<u>\$ 488,563</u> <u>102%</u> of tax receipts

11. Unearned Revenue

In a prior period the City received water and sewer impact fees from a private developer in the amount of \$5,600,000. As a result of the payment, the developer owned credits to be applied to future water and sewer connections for subsequent development projects. The developer subsequently transferred the fee credits to a bank as a part of a settlement agreement. As of December 31, 2019, the bank held \$1,669,104 in impact credits toward future water and sewer connections in the City. During the year ending December 31, 2019, the City recognized \$393,293 in water and sewer impact fees related the fee credits claimed from the bank.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

12. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the Metropolitan 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 fifteen 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
229 Peachtree Street, #100
Atlanta, Georgia 30303

13. Risk Management

Material estimates have been made by management about the life of depreciated fixed assets. Management has used a conservative approach on these estimates.

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, including the City, 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 these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, 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, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also obligated 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 funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker’s compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverages.

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At December 31, 2019 the City has no losses that are probable or estimable and accordingly has not recognized any liability.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

14. Commitments and Contingencies

Commitments

Amounts received or receivable from grant agencies are subject to audit 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.

Contingencies

The City's legal counsel has stated that there are presently no determinable lawsuits.

15. New Accounting Standards

The City implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Director Borrowings and Direct Placements*, effective for the City's current year. The requirements of this statement are effective for periods beginning after June 15, 2018.

16. Subsequent Events

As a result of the COVID-19 coronavirus, economic uncertainties and disruptions have arisen which are likely to impact the financial position and results of operations of the City. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the City expects this matter to impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

Required Supplemental Information

CITY OF LOCUST GROVE, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
DECEMBER 31, 2019
(Unaudited)

	Fiscal year end 2019	Fiscal year end 2018	Fiscal year end 2017	Fiscal year end 2016	Fiscal year end 2015
Total pension liability					
Service cost	\$ 102,392	\$ 114,007	\$ 119,528	\$ 104,748	\$ 74,722
Interest	264,456	236,950	227,535	206,702	181,677
Differences between expected and actual experience	2,589	70,462	(137,342)	41,791	167,555
Changes of assumptions	-	38,371	-	-	(17,971)
Changes of benefit terms	233,519	-	-	-	-
Benefit payments	<u>(95,823)</u>	<u>(91,224)</u>	<u>(85,250)</u>	<u>(83,598)</u>	<u>(82,566)</u>
Net change in total pension liability	507,133	368,566	124,471	269,643	323,417
Total pension liability - beginning	<u>3,471,603</u>	<u>3,103,037</u>	<u>2,978,566</u>	<u>2,708,923</u>	<u>2,385,506</u>
Total pension liability - ending (a)	<u><u>\$ 3,978,736</u></u>	<u><u>\$ 3,471,603</u></u>	<u><u>\$ 3,103,037</u></u>	<u><u>\$ 2,978,566</u></u>	<u><u>\$ 2,708,923</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 157,901	\$ 157,840	\$ 141,537	\$ 114,820	\$ 124,851
Net investment income	96,959	288,521	254,578	6,713	171,322
Benefit payments, including refunds of employee contributions	(95,823)	(91,224)	(85,250)	(83,598)	(82,566)
Administrative expense	<u>(11,720)</u>	<u>(10,094)</u>	<u>(10,015)</u>	<u>(6,438)</u>	<u>(5,206)</u>
Net change in total pension liability	147,317	345,043	300,850	31,497	208,401
Plan fiduciary net position - beginning	<u>2,642,305</u>	<u>2,297,262</u>	<u>1,996,412</u>	<u>1,964,915</u>	<u>1,756,514</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,789,622</u></u>	<u><u>\$ 2,642,305</u></u>	<u><u>\$ 2,297,262</u></u>	<u><u>\$ 1,996,412</u></u>	<u><u>\$ 1,964,915</u></u>
Net pension liability (asset) - ending (a) - (b)	<u><u>\$ 1,189,114</u></u>	<u><u>\$ 829,298</u></u>	<u><u>\$ 805,775</u></u>	<u><u>\$ 982,154</u></u>	<u><u>\$ 744,008</u></u>
Plan's fiduciary net position as a percentage of the total pension liability	70.11%	76.11%	74.03%	67.03%	72.53%
Covered-employee payroll	\$ 2,594,568	\$ 2,143,962	\$ 2,173,333	\$ 2,278,667	\$ 2,152,833
Net pension liability as a percentage of covered-employee payroll	45.83%	38.68%	37.08%	43.10%	34.56%

Note: 2015 was the first year of implementation. Therefore, only five years are reported.

CITY OF LOCUST GROVE, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)

	<u>Fiscal year end 2019</u>	<u>Fiscal year end 2018</u>	<u>Fiscal year end 2017</u>	<u>Fiscal year end 2016</u>	<u>Fiscal year end 2015</u>
Actuarially determined contribution	\$ 154,360	\$ 167,323	\$ 159,400	\$ 135,583	\$ 107,899
Contributions in relation to the actuarially determined contribution	<u>154,360</u>	<u>(167,323)</u>	<u>(159,400)</u>	<u>(135,583)</u>	<u>(107,899)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,594,568	\$ 2,143,962	\$ 2,173,333	\$ 2,278,667	\$ 2,152,833
Contributions as a percentage of covered-employee payroll	5.95%	7.80%	7.33%	5.95%	5.01%

Note: 2015 was the first year of implementation. Therefore, only five years are reported.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

1. Valuation Date

The actuarially determined contribution rate was determined as of July 1, 2019, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2019.

2. Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method: Projected unit credit cost method. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by service.

Amortization method: The amortization of the unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 10 years for temporary retirement incentive programs, 20 years for other changes to plan provisions, and 30 years for actuarial assumptions and cost methods. The total amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded/(surplus) actuarial accrued liability. In a year when the 10-year or 30-year corridor applies, the following year, the prior year bases are combined into one 10-year or 30-year base.

Asset valuation method: Sum of the actuarial value at the beginning of year and the cash flow during year plus the assumed investment return, adjusted by 10 percent of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted if necessary, to be within 20% of market value.

Net investment rate of return: 7.50% - On-going basis, based on long-term expected rate of return on pension plan investments.

Projected salary increases:

Years of service:	Annual Rate*
0-1	8.25%
2	5.25%
3	5.00%
4	4.75%
5	4.50%
6	4.25%
7	4.00%
8	3.75%
9	3.50%
10 or more	3.25%

*Note the above rates include inflation of 2.75%.

Retirement age for inactive vested participants: 65

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

Mortality:

Healthy: RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

Disabled: RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

Plan termination basis (all lives): 1994 Group Annuity Reserving Unisex Table.

3. Changes in benefits

There have been no substantive changes since the last actuarial valuation.

4. Changes in methods and assumptions

There were no changes in methods or assumptions from the prior valuation.

Supplemental Information

CITY OF LOCUST GROVE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>Special revenue</u>		<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
	<u>Confiscated assets fund</u>	<u>Hotel motel tax fund</u>	<u>Development impact fund</u>	
ASSETS				
Cash and cash equivalents	\$ 158	\$ 509,808	\$ 1,429,473	\$ 1,939,439
Receivables:				
Taxes	-	43,375	-	43,375
Due from other funds	-	3,882	-	3,882
Prepaid items	-	80	-	80
Total assets	<u>\$ 158</u>	<u>\$ 557,145</u>	<u>\$ 1,429,473</u>	<u>\$ 1,986,776</u>
LIABILITIES				
Accounts payable	\$ -	\$ 39,900	\$ -	\$ 39,900
FUND BALANCES				
Nonspendable prepaid items	-	80	-	80
Assigned for tourism	-	178,731	-	178,731
Restricted for:				
Capital projects	-	-	1,429,473	1,429,473
Public safety	158	-	-	158
Tourism	-	338,434	-	338,434
Total fund balances	<u>158</u>	<u>517,245</u>	<u>1,429,473</u>	<u>1,946,876</u>
Total liabilities and fund balances	<u>\$ 158</u>	<u>\$ 557,145</u>	<u>\$ 1,429,473</u>	<u>\$ 1,986,776</u>

CITY OF LOCUST GROVE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Special revenue</u>		<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
	<u>Confiscated assets fund</u>	<u>Hotel motel tax fund</u>	<u>Development impact fund</u>	
Revenues:				
Taxes	\$ -	\$ 476,615	\$ -	\$ 476,615
Charges for services	-	-	638,792	638,792
Interest	-	73	435	508
Total revenues	<u>-</u>	<u>476,688</u>	<u>639,227</u>	<u>1,115,915</u>
Expenditures:				
Current:				
Housing and development	-	488,563	1,912	490,475
Total expenditures	<u>-</u>	<u>488,563</u>	<u>1,912</u>	<u>490,475</u>
Excess (deficiency) of revenues over (under) expenditures	-	(11,875)	637,315	625,440
Fund balances, beginning of year	<u>158</u>	<u>529,120</u>	<u>792,158</u>	<u>1,321,436</u>
Fund balance, end of year	<u>\$ 158</u>	<u>\$ 517,245</u>	<u>\$ 1,429,473</u>	<u>\$ 1,946,876</u>

**CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2019**

ASSETS

Cash and cash equivalents	\$ 4,441,762
Receivables, net:	
Taxes	429,573
Fines	<u>61,126</u>
Total assets	<u><u>\$ 4,932,461</u></u>

LIABILITIES

Accounts payable	\$ 190,096
Due to other funds	475,085
Other liabilities	<u>5,144</u>
Total liabilities	<u>670,325</u>

FUND BALANCES

Committed for cemetery	31,623
Unassigned	<u>4,230,513</u>
Total fund balances	<u>4,262,136</u>
Total liabilities and fund balances	<u><u>\$ 4,932,461</u></u>

CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

REVENUES

Taxes	\$ 4,033,115
Licenses and permits	820,066
Fines, fees and forfeitures	767,867
Charges for services	59,610
Interest	9,373
Other	<u>49,445</u>
Total revenues	<u><u>5,739,476</u></u>

EXPENDITURES

Current:

General government	616,129
Judicial	363,339
Public safety	2,708,469
Public works	944,564
Parks and recreation	30,006
Community development	<u>627,670</u>
Total expenditures	<u><u>5,290,177</u></u>

Net change in fund balance 449,299

Fund balances, beginning of year 3,812,837

Fund balances, end of year \$ 4,262,136

**CITY OF LOCUST GROVE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
BALANCE SHEET
DECEMBER 31, 2019**

ASSETS

Cash and cash equivalents	\$ 158
	<hr/>
Total assets	\$ 158
	<hr/> <hr/>

FUND BALANCES

Restricted for:	
Public safety	\$ 158
	<hr/>
Total fund balances	\$ 158
	<hr/> <hr/>

**CITY OF LOCUST GROVE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019**

EXPENSES	
Other	\$ -
	<hr/>
Change in fund balance	-
	<hr/>
Fund balances, beginning of year	158
	<hr/>
Fund balances, end of year	\$ 158
	<hr/> <hr/>

CITY OF LOCUST GROVE, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
BALANCE SHEET
DECEMBER 31, 2019

ASSETS

Cash and cash equivalents	\$	509,808
Receivables:		
Taxes		43,375
Due from other funds		3,882
Prepaid items		80
		80
Total assets	\$	557,145
		557,145

LIABILITIES

Accounts payable	\$	39,900
		39,900
Total liabilities		39,900
		39,900

FUND BALANCES

Nonspendable for prepaid items		80
Assigned for tourism		178,731
Restricted for:		
Tourism		338,434
		338,434
Total fund balances		517,245
		517,245
Total liabilities and fund balances	\$	557,145
		557,145

CITY OF LOCUST GROVE, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

Revenues:	
Taxes	\$ 476,615
Interest	<u>73</u>
Total revenues	<u>476,688</u>
Expenditures:	
Current:	
Housing and development	<u>488,563</u>
Total expenditures	<u>488,563</u>
Excess (deficiency) of revenues over (under) expenditures	(11,875)
Fund balances, beginning of year	<u>529,120</u>
Fund balance, end of year	<u><u>\$ 517,245</u></u>

**CITY OF LOCUST GROVE, GEORGIA
DEVELOPMENTAL IMPACT CAPITAL PROJECTS FUND
BALANCE SHEET
DECEMBER 31, 2019**

ASSETS

Cash and cash equivalents	<u>\$ 1,429,473</u>
Total assets	<u><u>\$ 1,429,473</u></u>

FUND BALANCES

Restricted for:	
Capital projects	<u>\$ 1,429,473</u>
Total fund balances	<u><u>\$ 1,429,473</u></u>

**CITY OF LOCUST GROVE, GEORGIA
 DEVELOPMENTAL IMPACT CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2019**

Revenues:	
Charges for services	\$ 638,792
Interest	<u>435</u>
Total revenues	<u>639,227</u>
Expenditures:	
Capital expenditures	<u>1,912</u>
Total expenditures	<u>1,912</u>
Excess (deficiency) of revenues over (under) expenditures	637,315
Fund balances, beginning of year	<u>792,158</u>
Fund balance, end of year	<u><u>\$ 1,429,473</u></u>

CITY OF LOCUST GROVE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX CAPITAL PROJECTS FUND
BALANCE SHEET
DECEMBER 31, 2019

ASSETS

Cash and cash equivalents \$ 1,259,000

Total assets \$ 1,259,000

FUND BALANCES:

Restricted for:

Capital projects \$ 1,259,000

Total fund balances 1,259,000

Total liabilities and fund balances \$ 1,259,000

CITY OF LOCUST GROVE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

Revenues:	
Intergovernmental	\$ 918,928
Interest	<u>11,681</u>
Total revenues	<u>930,609</u>
Expenditures:	
Capital outlay	<u>602,627</u>
Total expenditures	<u>602,627</u>
Excess (deficiency) of revenues over (under) expenditures	327,982
Fund balances, beginning of year	<u>931,018</u>
Fund balances, end of year	<u><u>\$ 1,259,000</u></u>

**CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,541,705
Restricted assets:	
Cash and cash equivalents	525,723
Accounts receivable, net	470,184
	4,537,612
Total current assets	4,537,612

Noncurrent assets:

Capital assets	
Non-depreciable	2,355,375
Depreciable, net	15,418,343
	17,773,718
Total noncurrent assets	17,773,718

Total assets

22,311,330

Deferred outflow of resources:

Pension contributions subsequent to measurement date	4,833
Pension experience differences	10,982
Pension investment return differences	751
Pension assumption changes	2,532
	19,098
Total deferred outflows of resources	19,098

LIABILITIES

Current liabilities:

Accounts payable	420,933
Accrued absences	31,897
Due to other funds	67,718
Notes payable	14,373
Customer deposits	514,030
Liabilities payable from restricted assets:	
Bonds payable	595,000
Interest payable	25,231
	1,669,182
Total current liabilities	1,669,182

Noncurrent liabilities:

Net pension liability	174,967
Unearned revenue	1,669,104
Bonds payable, less current portion	4,465,000
Notes payable	62,627
	6,371,698
Total noncurrent liabilities	6,371,698

Total liabilities

8,040,880

**CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Deferred inflow of resources:	
Pension experience changes	\$ 6,798
Pension assumption changes	<u>508</u>
Total deferred inflows of resources	<u>7,306</u>
Net position:	
Net investment in capital assets	12,636,718
Restricted for debt service	500,492
Unrestricted	<u>1,145,032</u>
Total net position	<u><u>\$ 14,282,242</u></u>

CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Operating revenues:	
Charges for sales and services	\$ 4,950,859
Other	<u>4,256</u>
Total operating revenues	<u>4,955,115</u>
Operating expenses:	
Cost of sales and services	1,683,436
Salaries and benefits	405,191
Depreciation	<u>798,974</u>
Total operating expenses	<u>2,887,601</u>
Operating income	<u>2,067,514</u>
Non-operating revenues (expenses):	
Interest revenue	1,354
Interest expense	<u>(104,503)</u>
Total non-operating revenues (expenses)	<u>(103,149)</u>
Change in net position	1,964,365
Net position, beginning of year	<u>12,317,877</u>
Net position, end of year	<u><u>\$ 14,282,242</u></u>

CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities:	
Receipts from customers	\$ 4,358,110
Payment to suppliers	(1,004,518)
Payments to employees	(393,198)
Other receipts	4,256
	<hr/>
Net cash provided by operating activities	2,964,650
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,135,823)
Principal payments on bonds payable	(585,000)
Proceeds from issuance of long-term debt	77,000
Interest paid	(107,110)
	<hr/>
Net cash used in capital and related financing	(1,750,933)
	<hr/>
Cash flows from investing activities:	
Interest received	1,354
	<hr/>
Net cash provided by investing activities	1,354
	<hr/>
Net increase in cash and cash equivalents	1,215,071
Cash and cash equivalents, beginning of year	2,852,357
	<hr/>
Cash and cash equivalents, end of year	\$ 4,067,428
	<hr/> <hr/>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,067,514
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	798,974
(Increase) decrease in assets:	
Accounts receivable	(256,242)
Due to other funds	231,033
Pension contributions	(590)
Pension experience	3,291
Pension investment returns	(751)
Increase (decrease) in liabilities:	
Accounts payable	420,715
Accrued absences	11,993
Customer deposits	56,786
Unearned revenue	(393,293)
Net pension liability	35,618
Pension experience changes	(1,835)
Pension investment return differences	(8,827)
Pension assumption changes	264
	<hr/>
Net cash provided by operating activities	\$ 2,964,650
	<hr/> <hr/>

CITY OF LOCUST GROVE, GEORGIA
SOLID WASTE MANAGEMENT ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS

Current assets:

Accounts receivable, net	\$	39,685
Due from other funds		<u>123,323</u>
Total current assets		<u>163,008</u>

Noncurrent assets:

Capital assets		
Depreciable, net		<u>2,375</u>
Total noncurrent assets		<u>2,375</u>

Total assets		<u><u>165,383</u></u>
---------------------	--	-----------------------

Deferred outflow of resources:

Pension contributions subsequent to measurement date		56
Pension experience differences		127
Pension investment return differences		9
Pension assumption changes		<u>29</u>
Total deferred outflows of resources		<u>221</u>

LIABILITIES

Current liabilities:

Accrued absences		<u>1,648</u>
Total current liabilities		<u>1,648</u>

Noncurrent liabilities:

Net pension liability		<u>19,412</u>
Total noncurrent liabilities		<u>19,412</u>
Total liabilities		<u>21,060</u>

Deferred inflow of resources:

Pension experience changes		79
Pension assumption changes		<u>6</u>
Total deferred inflows of resources		<u>85</u>

Net position:

Net investment in capital assets		2,375
Unrestricted		<u>142,084</u>
Total net position	\$	<u><u>144,459</u></u>

CITY OF LOCUST GROVE, GEORGIA
SOLID WASTE MANAGEMENT ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Operating revenues:	
Charges for sales and services	\$ 461,996
Other	2,112
	<hr/>
Total operating revenues	464,108
	<hr/>
Operating expenses:	
Cost of sales and services	449,279
Salaries and benefits	34,015
Depreciation	125
	<hr/>
Total operating expenses	483,419
	<hr/>
Change in net position	(19,311)
Net position, beginning of year	163,770
	<hr/>
Net position, end of year	\$ 144,459
	<hr/> <hr/>

**CITY OF LOCUST GROVE, GEORGIA
SOLID WASTE MANAGEMENT ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash flows from operating activities:	
Receipts from customers	\$ 457,204
Payment to suppliers	(422,801)
Payments to employees	(34,015)
Other receipts	2,112
	<hr/>
Net cash provided by operating activities	2,500
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,500)
	<hr/>
Net cash used in capital and related financing activities	(2,500)
	<hr/>
Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
	<hr/>
Cash and cash equivalents, end of year	\$ -
	<hr/> <hr/>
 Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (19,311)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	125
(Increase) decrease in assets:	
Accounts receivable	(4,792)
Due to other funds	24,422
Pension contributions	426
Pension experience	1,496
Pension investment returns	(29)
Increase (decrease) in liabilities:	
Accrued absences	1,399
Net pension liability	413
Pension experience changes	(903)
Pension investment return differences	(1,013)
Pension assumption changes	267
	<hr/>
Net cash provided by operating activities	\$ 2,500
	<hr/> <hr/>

CITY OF LOCUST GROVE, GEORGIA
STORMWATER MANAGEMENT ENTERPRISE FUND
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 130,358
Accounts receivable, net	16,059
Due from other funds	315,875
	462,292

Noncurrent assets:

Depreciable, net	311,327
	311,327

Total assets	773,619
---------------------	----------------

Deferred outflow of resources:

Pension contributions subsequent to measurement date	2,265
Pension experience differences	5,145
Pension investment return differences	352
Pension assumption changes	1,185
	8,947

Total deferred outflows of resources	8,947
---	--------------

LIABILITIES

Current liabilities:

Accrued absences	15,179
Notes payable	35,148
	50,327

Noncurrent liabilities:

Net pension liability	64,983
Notes payable	106,385
	171,368

Total liabilities	221,695
--------------------------	----------------

Deferred inflow of resources:

Pension experience changes	3,185
Pension assumption changes	238
	3,423

Total deferred inflows of resources	3,423
--	--------------

Net position:

Net investment in capital assets	169,794
Unrestricted	387,654
	557,448

Total net position	\$ 557,448
---------------------------	-------------------

CITY OF LOCUST GROVE, GEORGIA
STORMWATER MANAGEMENT ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Operating revenues:	
Charges for sales and services	<u>\$ 285,528</u>
Total operating revenues	<u>285,528</u>
Operating expenses:	
Cost of sales and services	131,646
Salaries and benefits	114,016
Depreciation expense	<u>23,370</u>
Total operating expenses	<u>269,032</u>
Operating income	<u>16,496</u>
Non-operating expenses:	
Interest expense	<u>(2,961)</u>
Total non-operating expenses	<u>(2,961)</u>
Change in net position	13,535
Net position, beginning of year	<u>543,913</u>
Net position, end of year	<u><u>\$ 557,448</u></u>

**CITY OF LOCUST GROVE, GEORGIA
STORMWATER MANAGEMENT ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash flows from operating activities:	
Receipts from customers	\$ 285,528
Payment to suppliers	(114,882)
Payments to employees	<u>(114,016)</u>
Net cash provided by operating activities	<u>56,630</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(124,821)
Interest paid	(2,961)
Proceeds from issuance of long-term debt	77,000
Principal payments of long-term debt	<u>(44,394)</u>
Net cash used in capital and related financing activities	<u>(95,176)</u>
Net decrease in cash and cash equivalents	(38,546)
Cash and cash equivalents, beginning of year	<u>168,904</u>
Cash and cash equivalents, end of year	<u><u>\$ 130,358</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 16,496
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	23,370
(Increase) decrease in assets:	
Due from other funds	(1,002)
Pension contributions	(956)
Pension experience	(742)
Increase (decrease) in liabilities:	
Accrued absences	5,570
Net pension liability	16,688
Pension experience differences	522
Pension investment return differences	(3,075)
Pension assumption changes	<u>(241)</u>
Net cash provided by operating activities	<u><u>\$ 56,630</u></u>

Other Reporting Sections



whaley hammonds tomasello, p.c.
CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Locust Grove, Georgia (the "City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Locust Grove's basic financial statements and have issued our report thereon dated August 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Locust Grove, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the following deficiencies in internal control to be material weaknesses:

Comment 2019-001

Condition: The City lacks sufficient controls and procedures regarding year-end close to ensure timely and accurate financial reporting. There were 32 journal entries posted to the general ledger after the final trial balance was received from management.

Criteria: Internal controls should be in place to ensure the City can perform timely and accurate year-end close procedures in order for the City to be able to produce its annual financial statements in compliance with State statutes.

Cause: The internal controls in place at the City did not detect and prevent the errors that were included in the final trial balance, which required journal entries prepared during the audit to properly state the financial statements.

Effect: Failure to properly design and implement internal controls over year-end close procedures may lead to financial statements that are materially misstated and lead to delays in financial reporting.

Recommendation: We recommend that the City's Manager and Clerk continue to develop and implement internal controls over the year-end closeout procedures. We also recommend management reconcile account balances monthly to the subsidiary ledgers to ensure proper and timely recording.

Management's response: Management concurs with this finding. The City Manager and City Clerk have communicated with the auditor regarding this recommendation and have begun to plan changes to the month and year-end closing processes to ensure that adjustments required for accurate and timely financial reporting are recorded in a timely manner.

Comment 2019-002

Condition: Material adjustments were needed and made to the financial statements during the year end closing and the audit process.

Criteria: Internal controls should be in place to ensure the City can prevent, detect, and correct material misstatements on a timely basis and that adjustments made on a monthly basis throughout the year.

Cause: The internal controls in place at the City did not detect and prevent the errors that were included in the final trial balance, which required material adjustments prepared during the audit to properly state the financial statements.

Effect: Monthly financial statements and reporting during the fiscal year were materially misstated.

Recommendation: We recommend that the City's Manager and Clerk continue to implement and/or strengthen internal controls over reconciling the general ledger and financial statements that will ensure that the City can prevent, detect, and correct material misstatements on a timely basis and provide accurate financial reporting throughout the year.

Management Response: Management concurs with this finding. The City Manager and City Clerk have communicated with the auditor regarding this recommendation and have begun to plan changes to the month and year-end closing processes to ensure that adjustments required for accurate and timely financial reporting are recorded in a timely manner.

City of Locust Grove, Georgia's Response to Findings

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Locust Grove, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards* and which is as follows:

Comment 2019-003

Condition: The City's final budget for the General Fund was insufficient to account for total expenditures for several departments.

Criteria: The expenditures of the City were in excess of the budgeted amounts at the legal level of control.

Cause: The City did not properly include all expenditures for the year in the final budgeted amounts.

Effect: Failure to include all expenditures and expected expenditures can result in material variances from the final amounts compared to the budgeted amounts, which can affect the City's ability to anticipate and plan for expenditure amounts.

Recommendation: We recommend that the City evaluate its budgeting process to ensure that all future expenditures are considered in the budgeting.

Management Response: Management concurs with this finding. The City is evaluating its budget for the year ended December 31, 2020 to ensure that the budget considers all planned expenditures.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Locust Grove, Georgia's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



August 20, 2020

CITY OF LOCUST GROVE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX REPORT
DECEMBER 31, 2019

Project	Estimated cost		Expenditures		
	Original	Current	Prior years	Current year	Total
SPLOST 2014 Issue					
Roads, bridges, sidewalks and transportation facilities	\$ 1,550,000	\$ 1,550,000	\$ 621,445	\$ 602,627	\$ 1,224,072
Public safety facilities and equipment	2,750,000	2,750,000	2,905,489	-	2,905,489
Construction and renovation of municipal buildings	525,000	525,000	525,000	-	525,000
Parks and recreation facilities	275,000	275,000	-	-	-
Stormwater	200,000	200,000	-	-	-
Total	<u>\$ 5,300,000</u>	<u>\$ 5,300,000</u>	<u>\$ 4,051,934</u>	<u>\$ 602,627</u>	<u>\$ 4,654,561</u>