

CITY OF LOCUST GROVE, GEORGIA

Annual Financial Report

For the year ended December 31, 2020

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CITY OF LOCUST GROVE, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended December 31, 2020

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Independent Auditor's Report

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, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Locust Grove, Georgia, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison of 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 and the required supplementary information on pages 3 through 12 and 58 through 65, 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 schedule of projects financed with special purpose local option sales tax 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 and the schedule of projects financed with special purpose local option sales tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are fairly stated, in all material respects, in relation to the 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 September 27, 2021, 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* and should be considered in assessing the results of our audit.

Rushton, LLC

Certified Public Accountants
Gainesville, Georgia
September 27, 2021

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, 2020. 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, 2020 by \$38,419,397 (reported as "Net Position"). Of this amount \$4,334,853 is unrestricted.
- The total net position increased by \$2,7378,618.
- As of the close of the current fiscal year, the City of Locust Grove's governmental funds reported combined ending fund balances of \$7,855,818, an increase of \$387,806 in comparison with the prior year. Of this amount \$3,497,230 is unassigned and available for spending and \$4,358,588 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 \$3,497,230, which is 57 percent of total General Fund expenditures for the year ending December 31, 2020.
- The City of Locust Grove's total debt obligations (including accrued compensated absences) decreased by \$481,960 to a total of \$5,313,798 as of year-end. The City made principal payments during the year on its long-term debt of \$644,293.

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 13-14) 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 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 15) 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 water and sewer and storm water utilities 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, employs 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 66.

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 two additional major funds, the Developmental Impact Capital Projects Fund and 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 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 21-25 of this report. The City of Locust Grove uses enterprise funds to account for its water and sewer, storm water, and solid waste functions.

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 26-57 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 17 and 19 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.

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 \$38,419,397 as of December 31, 2020. The following table provides a summary of the City's governmental and business-type net position for the year ending December 31, 2020.

(in thousands)

	Governmental		Business-Type		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 8,153	\$ 7,703	\$ 4,520	\$ 5,095	\$ 12,673	\$ 12,798
Capital assets	15,703	14,525	18,785	18,087	34,488	32,612
Total assets	<u>23,856</u>	<u>22,228</u>	<u>23,305</u>	<u>23,182</u>	<u>47,161</u>	<u>45,410</u>
Total deferred outflows of resources	<u>592</u>	<u>165</u>	<u>860</u>	<u>283</u>	<u>1,452</u>	<u>448</u>
Current liabilities	756	704	2,765	1,653	3,521	2,357
Noncurrent liabilities	1,408	930	4,330	6,562	5,738	7,492
Total liabilities	<u>2,164</u>	<u>1,634</u>	<u>7,095</u>	<u>8,215</u>	<u>9,259</u>	<u>9,849</u>
Total deferred inflows of resources	<u>640</u>	<u>630</u>	<u>955</u>	<u>108</u>	<u>1,595</u>	<u>738</u>
Net Position						
Net investment in capital assets	15,703	14,525	13,832	12,809	29,535	27,334
Restricted	2,337	3,027	2,211	500	4,548	3,527
Unrestricted	4,179	3,144	157	1,675	4,336	4,819
Total net position	<u>\$ 22,219</u>	<u>\$ 20,696</u>	<u>\$ 16,200</u>	<u>\$ 14,984</u>	<u>\$ 38,419</u>	<u>\$ 35,680</u>

The largest portion of the City's net position as of December 31, 2020 (77%) 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.

The following table provides a summary of the City's governmental and business-type revenues and expenses for the year ending December 31, 2020.

	(in thousands)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	\$ 1,504	\$ 2,303	\$ 4,947	\$ 5,698	\$ 6,451	\$ 8,001
Operating grants and contributions	433	0	0	0	433	0
Capital grants and contributions	872	931	893	0	1,765	931
General revenues:						
Property taxes	0	23	0	0	0	23
Motor vehicle/TAVT	220	0	0	0	220	0
Sales tax	2,749	2,482	0	0	2,749	2,482
Other taxes	2,131	2,006	0	0	2,131	2,006
Interest and investment earnings	10	10	1	1	11	11
Miscellaneous revenue	116	30	0	6	116	36
Total revenues	8,035	7,785	5,841	5,705	13,876	13,490
Expenses						
General Government	1,679	1,443	0	0	1,679	1,443
Judicial	278	372	0	0	278	372
Public Safety	3,211	2,542	0	0	3,211	2,542
Public Works	1,250	1,069	0	0	1,250	1,069
Culture and Recreation	65	30	0	0	65	30
Housing and Development	1,076	1,203	0	0	1,076	1,203
Water and Sewer	0	0	3,045	2,992	3,045	2,992
Solid Waste Management	0	0	522	483	522	483
Storm Water	0	0	263	272	263	272
Interest	0	3	0	0	0	3
Total expenses	7,559	6,662	3,830	3,747	11,389	10,409
Indirect Cost Allocation	735	0	(735)	0	0	0
Increase (decrease) in net position	1,211	1,123	1,276	1,958	2,487	3,081
Net position - beginning (original)	20,696	19,573	14,984	13,026	35,680	32,599
Prior period adjustments	312	0	(60)	0	252	0
Net position - beginning (restated)	21,008	19,573	14,924	13,026	35,932	32,599
Net position - ending	\$ 22,219	\$ 20,696	\$ 16,200	\$ 14,984	\$ 38,419	\$ 35,680

Governmental Activities

Governmental Activities increased the City's net position by \$1,522,505. Key elements of this increase were as follows:

- An increase of approximately \$590,111 in taxes from the prior year.
- An increase of approximately \$571,314 in charges for services from the prior year

Business-type Activities

Operations of business-type activities increased the City's net position by \$1,216,113. Key elements of this increase were as follows:

- Revenues from business-type activities increased approximately \$141,814.
- Expenses from business-type activities increased approximately \$817,500.

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 \$5,417,721 an increase of \$864,856 in comparison with the prior year. Approximately 98% of this amount (\$5,285,770) constitutes a combined assigned and unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is in restricted or non-spendable form.

Review pages 68-72 for additional information on the General Fund.

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

Special Revenue Funds

- Confiscated Assets Fund: This fund is used to account for assets obtained by the City as a result of investigations into illegal drug activities. The fund balance for this fund was \$66,931 and \$158 on December 31, 2020 and 2019, respectively.
- 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 \$572,197 and \$517,245 on December 31, 2020 and 2019, respectively.

Review pages 73-76 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 (SPLOST IV) or by Statute (SPLOST V). The fund balance for this fund was \$986,801 and \$1,259,000 on December 31, 2020 and 2019, 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 \$812,168 and \$1,429,473 at December 31, 2020 and 2019, 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 77-80 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.

2020 net position of the City's three proprietary funds are as follows:

Water and sewer:	\$15,484,676
Solid waste management:	\$118,571
Storm water:	\$597,015

The increase in net position for the funds was approximately \$1,216,113. 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 81-91 for additional information on the Enterprise funds.

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 \$29,535,439 and \$32,612,621 (net of accumulated depreciation) on December 31, 2020 and 2019, respectively. 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, 2020, the City invested \$3,382,301 in new capital assets. Investment for governmental activities was \$1,798,585 and \$1,583,716 for business-type activities. Major capital asset events during the current year ended December 31, 2020 included the following:

Governmental activities:

Land	\$	400,000
Construction in progress	\$	1,152,430
Vehicles and equipment	\$	246,155

Business-type activities:

Construction in progress	\$	1,295,152
Vehicles and equipment	\$	288,564

More information on capital assets may be found in the Note 7 to the Financial Statements on pages 43-44 of this report.

Debt Administration

At the end of the current fiscal year, the City had \$4,465,000 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 three outstanding notes payable related to equipment. The total liability related to these notes payable at year-end was \$343,240.

More information on long-term debt may be found in Notes 8 and 9 to the Financial Statements on pages 44-46 of this report.

Economic Factors and Next Year's Budget

- Locust Grove grew by 8.5% in 2020 despite the COVID-19 Pandemic and remains officially now the third largest city in Henry County, passing up Hampton as of July 31, 2019. The city will did not pass the critical 9,000 population figure in the 2020 Census, with an official figure of 8,947. However, the city is continuing to grow at a rapid pace and should reach 10,000 by mid-2023, which will increase certain regulatory reporting and operating requirements by State Law regarding utilities while also increasing the city's role in future intergovernmental agreements with Henry County and its component cities.

- Inflationary trends in the region continue to compare well with national indices, with more volatility in swings either up or down due to dependency on volatile fuel costs and the distance from the Atlanta Region Core. Construction costs are markedly higher due to reduced competition since the Great Recession, the rapid rise in key building components such as wood and electrical equipment and finishes such as cabinetry and appliances. 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 in 2020 as the switch to online fulfillment and logistics needs rapidly grew from the Pandemic Economy. Several large projects on the northeast quadrant of the I-75 and Bill Gardner Parkway along SR 42 have been completed with more under development. Industrial development will continue to outpace most other nonresidential development for the next several years in overall square footage, especially as the new interchange is developed at Bethlehem Road.
- Building permits for residential construction moderated somewhat due to Pandemic supply chain issues. All undeveloped lots purchased in the past several years are now built out, and several new subdivisions are under construction in the south and eastern sides of the City. As interest rates and relative price advantages to other parts of the region continue to hold, expect more demand to continue in this decade.
- The unemployment rate for the City of Locust Grove continues to compare reasonably between the state and regional rates, although the effects of the COVID-19 pandemic are compounding the need for labor in nearly all sectors of the economy and fueling some labor cost inflation. This will impact the City as we must increase pay to remain competitive in the area and retain personnel.
- 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. The success of the area is maintained into 2020 and the new year as tenants change, but no longer term vacancies expected the rest of the decade.
- Tourism revenues were expected to be substantially short due to the Pandemic in 202; however, we realized later in the year that increased travel by car for leisure and business created intense demand that resulted only in a slight decline over 2019. For 2021 revenues have only continued to increase at a pace not seen before. Another new hotel (LaQuinta Inn and Suites) is set to open Fall 2021 and will continue the surge in tourism dollars into the foreseeable future.
- The Cities and the County finally reached agreement with the Service Delivery Strategy as required by state law. Special Service Tax Districts to fund services have been created to fund services such as Fire Protection and Police in the County, and there is the possible need for a Transportation Service District should the T-SPLOST fail in November.
- 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 where money was spent from 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 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 revenues increased beyond the original projects due to the Pandemic surge in local retail sales, meaning the cities will begin receiving distributions in the late Summer of 2021 instead of 2022. As such, the City is beginning to work on the projects listed in the SPLOST V program.
- Collections from Utilities into the Enterprise Funds increased steadily as part of overall growth and development of the City, although we were not able to increase rates in the Pandemic Period. Further, we did not cut off customers throughout much of 2020 due to the issues related to the Covid crisis; however, we did begin to work with customers with large balances to work them down beginning in August of 2020 and are now essentially back to pre-Pandemic operations with the exception of fee waivers for contactless payment.
- 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 the 2020 and beyond.
- The City added several new positions this year in Community Development and in Public Works, with more maintenance workers training for water and wastewater plant operators. Our Police Chief of over 20 years retired and was replaced quickly by an active Chief of Police from an adjoining city. We have also begun to add more officers to meet the challenges related to growth in the community.
- As part of continuing technological changes, we are beginning the migration of our Incode financial software system to a cloud-hosted environment. We are also upgrading to the latest version of Incode that will require more staff training, which will allow for better knowledge and less errors in the future. Furthermore, we are working to migrate all of our computer storage and operations to the cloud and will be using separate vendors for security protection and data integrity.
- The City will be making changes in our payments system in 2021 and 2022 to remain compliant with current payment protocols and allowing more secured payment methods via chip and contactless NFC technology that will be replacing mag-stripe methods.
- The COVID-19 Pandemic affected operations heavily in the lockdown period in April – May of 2020 and then had further effects on the way business was conducted as the city confronted multiple viral “waves” in July-August and then December 2020 – January 2021. We are now in the midst of a third and potentially worse wave with the Delta Variant that is causing the City to enact more requirements on employee for vaccination and testing.
- These factors were considered in preparing the City of Locust Grove’s budget for FY 2021, as well as recent amendments.

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 Attention: Misty Spurling, City Clerk P.O. Box 900, Locust Grove, GA 30248.

BASIC FINANCIAL STATEMENTS

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF NET POSITION
December 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,443,696	\$ 812,267	\$ 8,255,963
Restricted assets			
Cash and cash equivalents	94,585	2,811,608	2,906,193
Receivables (net)			
Accounts	106,216	544,744	650,960
Taxes	815,118	0	815,118
Prepaid items	38,596	5,936	44,532
Internal balances	(345,658)	345,658	0
	<u>8,152,553</u>	<u>4,520,213</u>	<u>12,672,766</u>
Total current assets			
Noncurrent assets			
Capital assets			
Non-depreciable	4,245,494	3,650,527	7,896,021
Depreciable (net)	11,457,710	15,134,405	26,592,115
	<u>15,703,204</u>	<u>18,784,932</u>	<u>34,488,136</u>
Total noncurrent assets			
	<u>23,855,757</u>	<u>23,305,145</u>	<u>47,160,902</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	591,516	85,966	677,482
LIABILITIES			
Current liabilities			
Accounts payable	144,661	73,021	217,682
Retainages payable	0	94,990	94,990
Accrued salaries and expenses	60,079	9,294	69,373
Due to others	91,995	0	91,995
Compensated absences	459,311	46,247	505,558
Unearned revenue	0	1,247,163	1,247,163
Liabilities payable from restricted assets			
Customer deposits payable	0	577,586	577,586
Interest	0	22,203	22,203
Notes payable	0	84,408	84,408
Bonds payable	0	610,000	610,000
	<u>756,046</u>	<u>2,764,912</u>	<u>3,520,958</u>
Total current liabilities			

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF NET POSITION
December 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Noncurrent liabilities			
Net pension liability	\$ 1,408,127	\$ 216,571	\$ 1,624,698
Capital leases payable	0	258,832	258,832
Notes payable	0	3,855,000	3,855,000
Total noncurrent liabilities	1,408,127	4,330,403	5,738,530
Total liabilities	2,164,173	7,095,315	9,259,488
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	63,965	95,534	159,499
NET POSITION			
Net investment in capital assets	15,703,204	13,832,235	29,535,439
Restricted for:			
Public Safety	89,846	0	89,846
Public Works	71,670	0	71,670
Housing and Development	376,801		
Capital outlay	1,798,969	1,699,781	3,498,750
Debt service	0	512,038	512,038
Unrestricted	4,178,645	156,208	4,334,853
Total net position	\$ 22,219,135	\$ 16,200,262	\$ 38,419,397

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

FUNCTIONS/PROGRAMS	Expenses	Indirect Costs	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government						
Governmental activities						
General Government	\$ 1,678,953	\$ (818,800)	\$ 42,064	\$ 0	\$ 400,000	\$ (418,089)
Judicial	277,817	0	0	0	0	(277,817)
Public Safety	3,218,976	0	623,517	431,502	0	(2,163,957)
Public Works	1,250,382	0	59,529	0	472,293	(718,560)
Culture and Recreation	65,496	0	293,110	1,157	0	228,771
Housing and Development	1,075,618	84,000	485,491	0	0	(674,127)
Total governmental activities	<u>7,567,242</u>	<u>(734,800)</u>	<u>1,503,711</u>	<u>432,659</u>	<u>872,293</u>	<u>(4,023,779)</u>
Business-type activities						
Water and Sewer Utility	3,045,478	623,300	4,080,630	0	892,801	1,304,653
Solid Waste Management	521,638	47,000	536,742	0	0	(31,896)
Storm Water	263,100	64,500	330,024	0	0	2,424
Total business-type activities	<u>3,830,216</u>	<u>734,800</u>	<u>4,947,396</u>	<u>0</u>	<u>892,801</u>	<u>1,275,181</u>
Total primary government	<u>11,397,458</u>	<u>0</u>	<u>6,451,107</u>	<u>432,659</u>	<u>1,765,094</u>	<u>(2,748,598)</u>
Change in net position						
Net (expense) revenue			<u>\$ (4,023,779)</u>	<u>\$ 1,275,181</u>	<u>\$ (2,748,598)</u>	
General revenues						
Taxes						
Motor Vehicle/TAVT			220,118	0	220,118	
Sales			2,749,237	0	2,749,237	
Franchise			457,141	0	457,141	
Insurance premium			464,923	0	464,923	
Intangibles			56,302	0	56,302	
Alcoholic beverage			420,824	0	420,824	
Occupational			194,104	0	194,104	
Hotel/Motel			497,245	0	497,245	
Other			40,170	0	40,170	
Interest and investment earnings			10,219	591	10,810	
Other			124,229	0	124,229	
Total general revenues			<u>5,234,512</u>	<u>591</u>	<u>5,235,103</u>	
Change in net position			<u>1,210,733</u>	<u>1,275,772</u>	<u>2,486,505</u>	
Net position - beginning (original)			20,696,630	14,984,149	35,680,779	
Prior period adjustment			<u>311,772</u>	<u>(59,659)</u>	<u>252,113</u>	
Net position - beginning (restated)			<u>21,008,402</u>	<u>14,924,490</u>	<u>35,932,892</u>	
Net position - ending			<u>\$ 22,219,135</u>	<u>\$ 16,200,262</u>	<u>\$ 38,419,397</u>	

CITY OF LOCUST GROVE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General	Developmental Impact	SPLOST	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 5,032,637	\$ 812,648	\$ 987,167	\$ 611,244	\$ 7,443,696
Restricted assets					
Cash and equivalents	94,585	0	0	0	94,585
Receivables (net)					
Accounts	106,216	0	0	0	106,216
Taxes	721,540	0	0	93,578	815,118
Due from other funds	56,910	0	0	5,823	62,733
Prepaid items	37,366	0	0	1,230	38,596
Total assets	\$ 6,049,254	\$ 812,648	\$ 987,167	\$ 711,875	\$ 8,560,944
LIABILITIES					
Accounts payable	\$ 71,068	\$ 480	\$ 366	\$ 72,747	\$ 144,661
Accrued salaries	60,079	0	0	0	60,079
Due to other funds	408,391	0	0	0	408,391
Due to others	91,995	0	0	0	91,995
Total liabilities	631,533	480	366	72,747	705,126
FUND BALANCES					
Nonspendable prepaid items	37,366	0	0	1,230	38,596
Restricted for:					
Public Safety	22,915	0	0	66,931	89,846
Public Works	71,670	0	0	0	71,670
Housing and Development	0	0	0	376,801	376,801
Capital projects	0	812,168	986,801	0	1,798,969
Assigned for:					
Housing and Development	0	0	0	194,166	194,166
Budget	1,788,540	0	0	0	1,788,540
Unassigned	3,497,230	0	0	0	3,497,230
Total fund balances	5,417,721	812,168	986,801	639,128	7,855,818
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,049,254	\$ 812,648	\$ 987,167	\$ 711,875	\$ 8,560,944

CITY OF LOCUST GROVE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2020

Total fund balance - total governmental funds \$ 7,855,818

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 net of accumulated depreciation	15,703,204
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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 related to pension	\$ 591,516	
Deferred inflows related to pension	<u>(63,965)</u>	527,551

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

These are:

Net pension liability	(1,408,127)	
Compensated absences	<u>(459,311)</u>	<u>(1,867,438)</u>

Net position of governmental activities	<u><u>\$ 22,219,135</u></u>
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CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2020

	Developmental			Nonmajor Governmental	Total
	General	Impact	SPLOST	Funds	
REVENUES					
Taxes	\$ 4,596,208	\$ 0	\$ 0	\$ 497,245	\$ 5,093,453
Licenses and permits	463,319	0	0	0	463,319
Fines, fees and forfeitures	485,342	0	0	110,749	596,091
Charges for services	883,384	386,332	0	0	1,269,716
Intergovernmental	537,166	0	362,360	0	899,526
Interest	9,860	285	4,269	74	14,488
Contributions	1,157	0	0	0	1,157
Other	124,229	0	0	0	124,229
Total revenues	<u>7,100,665</u>	<u>386,617</u>	<u>366,629</u>	<u>608,068</u>	<u>8,461,979</u>
EXPENDITURES					
Current					
General Government	1,520,431	0	0	0	1,520,431
Judicial	272,755	0	0	0	272,755
Public Safety	2,488,606	0	0	43,976	2,532,582
Public Works	1,177,704	0	0	0	1,177,704
Culture and Recreation	18,132	0	0	0	18,132
Housing and Development	676,347	0	0	479,809	1,156,156
Capital outlay	0	1,003,922	638,828	0	1,642,750
Total expenditures	<u>6,153,975</u>	<u>1,003,922</u>	<u>638,828</u>	<u>523,785</u>	<u>8,320,510</u>
Excess (deficiency) of revenue over (under) expenditures	<u>946,690</u>	<u>(617,305)</u>	<u>(272,199)</u>	<u>84,283</u>	<u>141,469</u>
Fund balances, January 1 (original)	4,262,136	1,429,473	1,259,000	517,403	7,468,012
Prior period adjustment	208,895	0	0	37,442	246,337
Fund balances, January 1 (restated)	<u>4,471,031</u>	<u>1,429,473</u>	<u>1,259,000</u>	<u>554,845</u>	<u>7,714,349</u>
Fund balances, December 31	<u>\$ 5,417,721</u>	<u>\$ 812,168</u>	<u>\$ 986,801</u>	<u>\$ 639,128</u>	<u>\$ 7,855,818</u>

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, 2020

Net change in fund balances - total governmental funds **\$ 141,469**

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	\$ 1,398,585	
Depreciation	<u>(620,582)</u>	778,003

Contributions of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

Contributions of capital assets		400,000
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In the statement of activities, the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increase financial resources.

Cost of assets disposed	(92,005)	
Related accumulated depreciation	<u>92,005</u>	0

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	298,401	
Cost of benefits earned net of employee contributions	<u>(416,331)</u>	(117,930)

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.

Compensated absences		<u>9,191</u>
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Change in net position of governmental activities		<u><u>\$ 1,210,733</u></u>
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CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,958,250	\$ 4,312,750	\$ 4,596,208	\$ 283,458
Licenses and permits	856,230	623,000	463,319	(159,681)
Fines, fees and forfeitures	777,500	567,500	485,342	(82,158)
Charges for services	935,900	928,240	883,384	(44,856)
Intergovernmental	111,000	542,590	537,166	(5,424)
Interest	7,500	10,050	9,860	(190)
Contributions	500	500	1,157	657
Other	78,600	143,600	124,229	(19,371)
Total revenues	<u>6,725,480</u>	<u>7,128,230</u>	<u>7,100,665</u>	<u>(27,565)</u>
EXPENDITURES				
Current				
General Government				
Mayor and Council	156,050	149,850	114,656	35,194
Administration	1,752,450	1,670,700	1,405,775	264,925
Judicial				
Municipal Court	403,650	304,350	272,755	31,595
Public Safety				
Police	2,574,600	2,646,350	2,488,606	157,744
Public Works				
Streets	2,432,730	1,422,030	1,160,976	261,054
Fleet Maintenance	5,900	5,900	1,290	4,610
Cemetery	0	18,950	15,438	3,512
Culture and Recreation				
Parks and Recreation	172,500	101,500	18,132	83,368
Housing and Development				
Community Development	771,490	771,500	676,347	95,153
Total expenditures	<u>8,269,370</u>	<u>7,091,130</u>	<u>6,153,975</u>	<u>937,155</u>
Excess (deficiency) of revenues over (under) expenditures	(1,543,890)	37,100	946,690	909,590
Other financing sources (uses)				
Contingency	(48,000)	(37,100)	0	37,100
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,591,890)</u>	<u>0</u>	<u>946,690</u>	<u>946,690</u>
Fund balances, January 1 (original)	1,591,890	0	4,262,136	4,262,136
Prior period adjustment	0	0	208,895	208,895
Fund balances, January 1 (restated)	<u>1,591,890</u>	<u>0</u>	<u>4,471,031</u>	<u>4,471,031</u>
Fund balances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,417,721</u>	<u>\$ 5,417,721</u>

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020

	Business Type			Totals
	Water and Sewer	Solid Waste Management	Storm Water	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 696,014	\$ 0	\$ 116,253	\$ 812,267
Restricted cash and cash equivalents	2,811,608	0	0	2,811,608
Accounts receivable	424,274	54,877	65,593	544,744
Due from other funds	0	85,691	316,877	402,568
Prepaid items	4,218	551	1,167	5,936
Total current assets	3,936,114	141,119	499,890	4,577,123
Noncurrent assets				
Capital assets				
Non-depreciable	3,650,527	0	0	3,650,527
Depreciable (net)	14,860,275	1,875	272,255	15,134,405
Total noncurrent assets	18,510,802	1,875	272,255	18,784,932
Total assets	22,446,916	142,994	772,145	23,362,055
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	55,214	22,881	7,871	85,966
LIABILITIES				
Current liabilities				
Accounts payable	72,041	245	735	73,021
Retainages payable	94,990	0	0	94,990
Accrued salaries and expenses	6,699	454	2,141	9,294
Compensated absences	29,392	1,255	15,600	46,247
Unearned revenue	1,247,163	0	0	1,247,163
Due to other funds	56,910	0	0	56,910
Notes payable	48,032	0	36,376	84,408
Liabilities payable from restricted assets:				
Customer deposits payable	577,586	0	0	577,586
Interest payable	22,203	0	0	22,203
Bonds payable	610,000	0	0	610,000
Total current liabilities	2,765,016	1,954	54,852	2,821,822

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020

	Business Type			Totals
	Water and Sewer	Solid Waste Management	Storm Water	
Noncurrent liabilities				
Net pension liability	\$ 151,584	\$ 43,379	\$ 21,608	\$ 216,571
Notes payable	188,638	0	70,194	258,832
Bonds payable	3,855,000	0	0	3,855,000
Total noncurrent liabilities	4,195,222	43,379	91,802	4,330,403
Total liabilities	6,960,238	45,333	146,654	7,152,225
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	57,216	1,971	36,347	95,534
NET POSITION				
Net investment in capital assets	13,664,675	1,875	165,685	13,832,235
Restricted for capital	1,699,781	0	0	1,699,781
Restricted for debt service	512,038	0	0	512,038
Unrestricted	(391,818)	116,696	431,330	156,208
Total net position	\$ 15,484,676	\$ 118,571	\$ 597,015	\$ 16,200,262

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2020

	Business Type			Totals
	Water and Sewer	Solid Waste Management	Storm Water	
OPERATING REVENUES				
Charges for sales and services	\$ 4,080,630	\$ 536,742	\$ 330,024	\$ 4,947,396
Total operating revenues	4,080,630	536,742	330,024	4,947,396
OPERATING EXPENSES				
Costs of sales and services	2,285,346	523,480	148,886	2,957,712
Personal services	441,884	44,658	134,548	621,090
Depreciation	846,632	500	39,072	886,204
Total operating expenses	3,573,862	568,638	322,506	4,465,006
Operating income (loss)	506,768	(31,896)	7,518	482,390
Non-operating revenues (expenses)				
Interest revenue	591	0	0	591
Interest expense	(94,916)	0	(5,094)	(100,010)
Total non-operating revenues (expenses)	(94,325)	0	(5,094)	(99,419)
Income (loss) before capital contributions	412,443	(31,896)	2,424	382,971
Capital contributions				
Impact fees	892,801	0	0	892,801
Change in net position	1,305,244	(31,896)	2,424	1,275,772
Net position, January 1 (original)	14,282,242	144,459	557,448	14,984,149
Prior period adjustment	(102,810)	6,008	37,143	(59,659)
Net position, January 1 (restated)	14,179,432	150,467	594,591	14,924,490
Net position, December 31	\$ 15,484,676	\$ 118,571	\$ 597,015	\$ 16,200,262

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2020

	Business Type			Totals
	Water and Sewer	Solid Waste Management	Storm Water	
Cash flows from operating activities:				
Receipts from customers	\$ 3,661,099	\$ 527,805	\$ 315,082	\$ 4,503,986
Payments to suppliers	(2,546,809)	(524,121)	(150,322)	(3,221,252)
Payments to employees	(439,690)	(41,316)	(137,806)	(618,812)
Net cash provided (used) by operating activities	<u>674,600</u>	<u>(37,632)</u>	<u>26,954</u>	<u>663,922</u>
Cash flows from non-capital financing activities:				
Receipts from other funds	0	37,632	0	37,632
Payments to other funds	(10,808)	0	(1,002)	(11,810)
Net cash provided (used) by non-capital non-capital financing activities	<u>(10,808)</u>	<u>37,632</u>	<u>(1,002)</u>	<u>25,822</u>
Cash flows from capital and related financing activities:				
Receipts of capital contributions	892,801	0	0	892,801
Interest paid	(97,945)	0	(5,094)	(103,039)
Acquisition of capital assets	(1,583,715)	0	0	(1,583,715)
Proceeds from notes payable	174,000	0	0	174,000
Principal payments - bonds payable	(595,000)	0	0	(595,000)
Principal payments - notes payable	(14,330)	0	(34,963)	(49,293)
Net cash provided (used) by capital and related financing activities	<u>(1,224,189)</u>	<u>0</u>	<u>(40,057)</u>	<u>(1,264,246)</u>
Cash flows from investing activities:				
Interest received	591	0	0	591
Net increase (decrease) in cash and cash equivalents	(559,806)	0	(14,105)	(573,911)
Cash and cash equivalents, January 1	4,067,428	0	130,358	4,197,786
Cash and cash equivalents, December 31	<u><u>\$ 3,507,622</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 116,253</u></u>	<u><u>\$ 3,623,875</u></u>

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2020

	Business Type			Totals
	Water and Sewer	Solid Waste Management	Storm Water	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 506,768	\$ (31,896)	\$ 7,518	\$ 482,390
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	846,632	500	39,072	886,204
(Increase) decrease in accounts receivable	(61,146)	(8,937)	(14,942)	(85,025)
(Increase) decrease in prepaid items	(7,561)	(886)	(2,171)	(10,618)
(Increase) decrease in pension deferred outflows	(28,527)	(22,572)	4,631	(46,468)
Increase (decrease) in accounts payable	(348,892)	245	735	(347,912)
Increase (decrease) in retainages payable	94,990	0	0	94,990
Increase (decrease) in accrued salaries and expense	6,699	454	2,141	9,294
Increase (decrease) in compensated absences	(2,505)	(393)	421	(2,477)
Increase (decrease) in unearned revenue	(421,941)	0	0	(421,941)
Increase (decrease) in deposits payable	63,556	0	0	63,556
Increase (decrease) in pension deferred inflows	49,910	1,886	32,924	84,720
Increase (decrease) in net pension liability	(23,383)	23,967	(43,375)	(42,791)
Total adjustments	167,832	(5,736)	19,436	181,532
Net cash provided (used) by operating activities	\$ 674,600	\$ (37,632)	\$ 26,954	\$ 663,922
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	\$ 696,014	\$ 0	\$ 116,253	\$ 812,267
Restricted cash and cash equivalents	2,811,608	0	0	2,811,608
Total cash and cash equivalents	\$ 3,507,622	\$ 0	\$ 116,253	\$ 3,623,875

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

1. Description of Government Unit

The City of Locust Grove was established in 1893. The City operates under a council/mayor form of government and provides the following services: public safety, street and sanitation, culture and recreation, public improvements and general and administrative services. In addition, the City operates public utilities for water, sewer, solid waste and stormwater management for the incorporated and immediate surrounding areas.

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

2. Summary of Significant Accounting Policies

A. 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 nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

City of Locust Grove Downtown Development Authority

The City of Locust Grove Downtown Development Authority (“Authority”) was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of seven members appointed by the Authority Chairman. The Authority provides for the vitalization of the downtown area of the City of Locust Grove. The Authority has a December 31 year-end and is considered a discretely presented component unit of the City. For the current year, the Authority had no activity to report in the financial statements.

City of Locust Grove Historic Preservation Commission

The City of Locust Grove Historic Preservation Commission (“Commission”) was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of five members appointed by the City. The Commission provides for the historic preservation of properties within the City of Locust Grove. The Commission has a December 31 year-end and is considered a blended component unit of the City. For the current year, the Commission had no activity to report in the financial statements.

C. 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the City has one discretely presented component unit and one blended component unit. Neither is considered to be a major component unit and there is no activity during the current year.

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—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 funds:

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.

Developmental Impact Fund – This fund is used to account for impact fees collected by the City to be used on capital improvements for parks, police and streets.

SPLOST Fund – This fund is used to account for long-term projects financed by the passage of the Henry County special purpose local option sales tax.

The City reports the following major proprietary funds:

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 of Locust Grove.

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

Storm Water Fund – This fund is used to account for activities connected to management of the flood plains by maintaining natural and artificial water drainage with the City of Locust Grove.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds - This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Capital Projects Funds - This fund type is used to account for financial resources to be used for the acquisition or construction of capital assets (other than those financed by the proprietary or fiduciary funds).

Component Units

The City of Locust Grove Downtown Development Authority and the City of Locust Grove Historical Preservation Commission is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. 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.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

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 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. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

F. 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.

Certain indirect costs have been included as part of program expenses reported for the various functional activities.

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 Storm Water 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.

G. 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 are budgeted by City Council when capital projects are approved. The operating budget includes proposed expenditures and the means of financing them. 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 year 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.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting, continued

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.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control, which is the department level. Expenditures may not exceed the appropriations within a fund. Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year, several supplementary appropriations are made as needed. The results are increases and decreases to the appropriations within the funds. All annual appropriations lapse at year-end.

H. 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. Reinvested interest on certain debt service and capital project investments is included in the investment accounts.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

I. 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.

J. Inventories

Inventories are valued at cost on the first-in, first-out method.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the end of the current year are recorded as prepaid items.

L. 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 required the City to report and depreciate new infrastructure assets effective with the beginning of 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 historically been reported in the financial statements. For entities the size of the City of Locust Grove, retroactive reporting of infrastructure assets was not required.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

L. Capital Assets, continued

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

The City capitalizes all assets with an original cost of \$3,500. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life <u>in Years</u>
Buildings and improvements	25-50
Infrastructure	40-50
Machinery and equipment	40-50
Vehicles	3-5
Furniture and fixtures	10-20
Land improvements	20
Intangibles	20-40

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.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

M. 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 outflows of resources related to 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 inflows of resources, represents an acquisition of net position that applies to a future period(s) 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 benefit pension plan.

N. 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, proprietary, and fiduciary 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.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

O. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Locust Grove Employees' Pension Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. 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, as well as issuance costs, 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. Issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Q. 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 THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

R. Fund Balances – Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – 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 nonspendable at year end by the City are nonspendable 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.

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 of Locust Grove'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. A resolution committing amounts must be adopted prior to the end of the year; however, the amount to be committed may be determined within 120 days of 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 Council'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 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 nonspendable, restricted, or committed shall constitute assignments of fund balance.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

R. Fund Balances – Governmental Funds, continued

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.

For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Furthermore, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

S. 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 government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

T. Fund Balance Flow Assumption

Sometimes the government 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 government'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.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

U. 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.

V. Comparative Data and Reclassifications

Comparative total data of the prior period has been presented in the accompanying individual fund financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain prior year amounts have been reclassified to conform to the current year presentation.

3. Deposit and Investment Risk

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.

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, pooled investment programs of the State of Georgia, and no-load mutual funds of direct obligations of the United States. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

3. Deposit and Investment Risk (continued)

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.

4. Accounts Receivable

Net accounts receivable at the end of the current year consist of the following:

Major Funds		
General Fund		\$ 106,216
Enterprise Funds		
Water and Sewer	\$ 627,025	
Less: Allowances for Uncollectibles	(202,751)	
Solid Waste Management	67,176	
Less: Allowances for Uncollectibles	(12,299)	
Storm Water	65,593	
Less: Allowances for Uncollectibles	<u>0</u>	<u>544,744</u>
Total Primary Government		<u><u>\$ 650,960</u></u>

5. Taxes Receivable

Tax receivables at the end of the current year consist of the following:

Major Funds	
General	\$ 721,540
Nonmajor Governmental Funds	<u>93,578</u>
Total Primary Government	<u><u>\$ 815,118</u></u>

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

6. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of the end of the current year is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer	\$ 56,910
Nonmajor governmental	General	5,823
Solid Waste Management	General	85,691
Storm Water	General	<u>316,877</u>
		<u><u>\$ 465,301</u></u>

The balance reported as Due to/Due from represent loans between the borrower funds and the lender fund. Balances reported between in the General Fund and nonmajor governmental funds resulted from transactions to alleviate equity in pooled cash deficits at year-end. Balances between the General Fund and the Water and Sewer and Solid Waste Management are short-term loans expected to be paid in the next year. Balances between the General Fund and the Storm Water Fund are expected to be paid as the Storm Water Fund grows.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

7. Capital Assets

Capital asset activity for the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Non-depreciable assets				
Land	\$ 2,693,064	\$ 400,000	\$ 0	\$ 3,093,064
Construction in progress	0	1,152,430	0	1,152,430
Total non-depreciable assets	2,693,064	1,552,430	0	4,245,494
Depreciable assets				
Buildings and improvements	10,512,244	0	0	10,512,244
Infrastructure	2,429,103	0	0	2,429,103
Vehicles and equipment	3,036,985	246,155	(92,005)	3,191,135
Furniture and fixtures	581,463	0	0	581,463
Total depreciable assets	16,559,795	246,155	(92,005)	16,713,945
Accumulated depreciation				
Buildings and improvements	(1,767,934)	(294,549)	0	(2,062,483)
Infrastructure	(327,011)	(61,772)	0	(388,783)
Vehicles and equipment	(2,386,876)	(206,542)	92,005	(2,501,413)
Furniture and fixtures	(245,837)	(57,719)	0	(303,556)
Total accumulated depreciation	(4,727,658)	(620,582)	92,005	(5,256,235)
Total depreciable assets, net	11,832,137	(374,427)	0	11,457,710
Governmental activities capital assets, net	\$ 14,525,201	\$ 1,178,003	\$ 0	\$ 15,703,204
Business-type activities				
Non-depreciable assets				
Land	\$ 1,423,964	\$ 0	\$ 0	\$ 1,423,964
Construction in progress	931,411	1,295,152	0	2,226,563
Total non-depreciable assets	2,355,375	1,295,152	0	3,650,527
Depreciable assets				
Buildings and improvements	14,611,165	0	0	14,611,165
Infrastructure	9,322,207	0	0	9,322,207
Vehicles and equipment	2,194,844	288,564	0	2,483,408
Total depreciable assets	26,128,216	288,564	0	26,416,780
Accumulated depreciation				
Buildings and improvements	(5,433,001)	(483,885)	0	(5,916,886)
Infrastructure	(3,642,353)	(233,055)	0	(3,875,408)
Vehicles and equipment	(1,320,817)	(169,264)	0	(1,490,081)
Total accumulated depreciation	(10,396,171)	(886,204)	0	(11,282,375)
Total depreciable assets, net	15,732,045	(597,640)	0	15,134,405
Business-type activities capital assets, net	\$ 18,087,420	\$ 697,512	\$ 0	\$ 18,784,932

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

7. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 182,121
Public Safety	306,751
Public Works	77,180
Culture and Recreation	32,015
Housing and Development	<u>22,515</u>
Total depreciation expense for governmental activities	<u>\$ 620,582</u>

Business-type activities

Water and Sewer	\$ 846,632
Solid Waste Management	500
Storm Water	<u>39,072</u>
Total depreciation expense for business-type activities	<u>\$ 886,204</u>

8. Long-Term Debt

Business-Type Activities

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, 2020:

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% (\$4,465,000 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.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

8. Long-Term Debt (continued)

Bonds Payable from Direct Placement, continued

Annual debt service requirements for bonds payable from direct placement are as follows:

Year Ending December 31,	Principal	Interest	Total
2021	\$ 610,000	\$ 83,200	\$ 693,200
2022	595,000	71,150	666,150
2023	595,000	59,250	654,250
2024	605,000	47,250	652,250
2025	575,000	35,450	610,450
2026-2028	1,485,000	45,350	1,530,350
Totals	<u>\$ 4,465,000</u>	<u>\$ 341,650</u>	<u>\$ 4,806,650</u>

Notes from Direct Borrowings

During the year ended December 31, 2020, the City entered into a \$174,000 note payable with a financial institution to purchase a vehicle. The note has a balance of \$174,000 at December 31, 2020, bears interest at 2.285%, requires annual payments of \$37,365, and matures on August 10, 2025. 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.

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 \$125,340 at December 31, 2020, 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.

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 \$43,900 at December 31, 2020, bears interest at 3.445%, requires annual payments of \$23,034, and matures on September 1, 2022.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

8. Long-Term Debt (continued)

Notes from Direct Borrowings, continued

Annual debt service requirements for notes from direct borrowings are as follows:

Year Ending December 31,	Principal	Interest	Total
2021	\$ 84,408	\$ 10,038	\$ 94,446
2022	87,123	8,264	95,387
2023	66,605	6,429	73,034
2024	68,620	5,340	73,960
2025	36,484	4,208	40,692
Totals	<u>\$ 343,240</u>	<u>\$ 34,279</u>	<u>\$ 377,519</u>

9. Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the City for the current year:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 468,501	\$ 128,279	\$ (137,469)	\$ 459,311	\$ 459,311
Business-type activities					
Bonds from direct placement	\$ 5,060,000	\$ 0	\$ (595,000)	\$ 4,465,000	\$ 610,000
Notes from direct borrowings	218,533	174,000	(49,293)	343,240	84,408
Compensated absences	48,724	12,797	(15,274)	46,247	46,247
Total business-type activities	<u>\$ 5,327,257</u>	<u>\$ 186,797</u>	<u>\$ (659,567)</u>	<u>\$ 4,854,487</u>	<u>\$ 740,655</u>

Revenue bond discounts/premiums are amortized over the life of the related debt using the straight-line method. In prior years, compensated absences of the governmental activities were liquidated in the General Fund.

Total interest expense in the business-type activities for the current year is \$100,010.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

10. Unearned Revenue

In a prior period the City received water and sewer connection 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 credits to a bank as part of a settle agreement. At year end, the bank held \$1,247,163 in connection fee credits toward future water and sewer connections in the City. During the year the City recognized \$421,941 in water and sewer connection fees related to the use of these credits.

11. Nonspendable, Restricted, Committed, and Assigned Fund Balances

The following is a summary of nonspendable, restricted, committed, and assigned fund balances of the governmental funds for the year ended December 31, 2020:

	<u>General</u>	<u>Developmental Impact</u>	<u>SPLOST</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Prepaid items	\$ 37,366	\$ 0	\$ 0	\$ 1,230	\$ 38,596
Restricted for:					
Public Safety					
Police facilities and equipment	\$ 22,915	\$ 0	\$ 0	\$ 66,931	\$ 89,846
Public Works					
Cemetery	17,550	0	0	0	17,550
Tree Replacement	54,120	0	0	0	54,120
Housing and Development					
Promotion of tourism, conventions and trade shows	0	0	0	376,801	376,801
Capital Projects	0	812,168	986,801	0	1,798,969
	<u>\$ 94,585</u>	<u>\$ 812,168</u>	<u>\$ 986,801</u>	<u>\$ 443,732</u>	<u>\$ 2,337,286</u>
Assigned for:					
Subsequent year's budget	\$ 1,788,540	\$ 0	\$ 0	\$ 0	\$ 1,788,540
Housing and Development					
Promotion of tourism, conventions and trade shows	0	0	0	194,166	194,166
	<u>\$ 1,788,540</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 194,166</u>	<u>\$ 1,982,706</u>

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

12. 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 are 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, 2020, the date of the most recent actuarial valuation, there were 116 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	20
Terminated vested participants entitled to but not yet receiving benefits	26
Active participants	<u>70</u>
Total number of participants	<u><u>116</u></u>

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

12. Pension Plan (continued)

Benefits Provided. The plan provides retirement, disability, 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 at age 55 after 10 years of service. The benefit formula is 2.0% with a ten year vesting schedule for terminations.

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. The City's actuarially determined contribution rate for the current year was \$167,323, or 4.83% of covered payroll. The City's covered payroll for employees participating in the Plan for the current year was \$3,461,296. The Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy. The administrative expenses set by contract with GMEBS are in addition to the state-required annual funding requirement. This funding policy, as specified by ordinance, has been the same since the inception of the plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At the end of the current year, the City reported a net pension liability of \$1,624,698. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2020. For the governmental activities, the net pension liability is liquidated by the General Fund. For the current year, the City recognized pension expense in the amount of \$344,296.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

12. Pension Plan (continued)

At the end of the current year, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,861	\$ (62,876)
Changes of assumptions	19,185	(10,927)
Net difference between projected and actual earnings on pension plan investments	331,561	0
Changes in participant fund allocation	85,696	(85,696)
City contributions subsequent to the measurement date	173,179	0
Totals	<u>\$ 677,482</u>	<u>\$ (159,499)</u>

The \$173,179 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net position liability during the next year. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31,	
2021	\$ 80,157
2022	71,436
2023	115,985
2024	77,226
Totals	<u>\$ 344,804</u>

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

12. Pension Plan (continued)

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

Inflation	2.25%
Projected salary increases	2.25% plus service based merit increases
Cost of living adjustments	0.00%
Net investment rate of return	7.375%

Healthy mortality rates were based on the Sex-Distinct Pri-2012 Head-County Weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. Disabled mortality rates were based on the Sex-Distinct Pri-2012 Head-County Weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

The mortality and economic actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2019.

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

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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	6.41%
International equity	20%	6.96%
Domestic fixed income	20%	1.96%
Real estate	10%	4.76%
Global fixed income	5%	3.06%
Total	<u>100%</u>	

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

12. Pension Plan (continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.375 percent. 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.

Changes in Net Pension Liability

	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at 3/31/2019	\$ 3,978,736	\$ 2,789,621	\$ 1,189,115
Changes for the year:			
Service cost	130,947	0	130,947
Interest	304,198	0	304,198
Differences between expected and actual experience	(21,369)	0	(21,369)
Contributions—employer	0	183,219	(183,219)
Net investment income	0	(204,152)	204,152
Benefit payments, including refunds of employee contributions	(107,415)	(107,415)	0
Administrative expense	0	(11,325)	11,325
Other	(10,451)	0	(10,451)
Net changes	295,910	(139,673)	435,583
Balances at 3/31/2020	\$ 4,274,646	\$ 2,649,948	\$ 1,624,698

Plan fiduciary net position as a percentage of the total pension liability	61.99%
Covered payroll	\$ 3,159,596
Employer's net pension liability as percentage of covered payroll	51.42%

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

12. Pension Plan (continued)

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 (6.375 percent) or one percentage-point higher (8.375 percent) than the current rate:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.375%	\$ 2,322,936
Current discount rate	7.375%	1,624,698
1% increase	8.375%	1,052,380

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. Further information regarding this plan can be obtained from the plan's annual report. These plans are immaterial to the financial statements.

13. Deferred Compensation Plans

The City provides retirement benefits for its employees through a deferred compensation plan called The City of Locust Grove Deferred Compensation Plan ("Plan"). The Plan is created under Internal Revenue Code Sections 457. The Plan is administered by the Securian Retirement Services, an independent third party. 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. The City Council provides for the benefits and funding policy through a City ordinance and maintains the authority to change the policy.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

13. Deferred Compensation Plans (continued)

Under the terms of the Plans, employees may defer a portion of their salary through voluntary contributions to the Plan. Employees may defer a maximum of 25% of their salary, up to the maximum allowable by federal law. The City will contribute 2% of the employee's compensation per year for all employees who contribute 5% or more of their compensation and have incurred one year of service. Matching contributions vest immediately. At the end of the current year, there were 28 members of the Plans.

There is a cap of \$1,000 per eligible employee for City contributions. Funds are vested 100% at the time of contribution. Amounts held in the Plans are not available to the employees until termination, retirement, death, or unforeseeable emergency.

During the current year, the City contributed \$28,086 to the plans based on covered salaries of \$1,104,408. Plan members made voluntary contributions of \$74,498 to the plans. Total payroll was \$3,568,349.

The City has no fiduciary relationship with the plan, and plan assets are not available to the City or its general creditors. The Plan assets are held in trust by the administrator for the exclusive benefit of the participants of the Plan.

14. Hotel/Motel Lodging Tax

The City has levied a 8% lodging tax. A summary of the transactions for the current year are as follows:

Lodging Tax Receipts	\$497,245
Disbursements for tourism and visitor programs	\$310,778 62.50% of Tax Receipts

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

15. 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”) and is required to pay annual dues thereto. Membership in an ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC in Georgia. The ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an ARC. Separate financial statements may be obtained from Atlanta Regional Commission, 229 Peachtree Street, #100, Atlanta, Georgia 30503.

16. Risk Management

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

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. City has elected to manage its risk financing activities through the purchase of commercial insurance. There have been no insurance settlements exceeding insurance coverage for any of the past three years.

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

17. Contingencies

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

18. Risks and Uncertainties

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the City, its performance, and its financial results.

19. Subsequent Events

On April 5, 2021, the City signed a agreement with Georgia Department of Transportation for the Bethlehem Road Interchange Project which required a commitment from the City of \$1,000,000.

20. Changes in Beginning Balances

Prior period adjustments have been made as follows:

Governmental Activities	
To correct receivable for hotel motel tax	\$ 38,367
To correct receivable for local option sales tax	233,220
To correct prepaid insurance	(25,250)
To correct deferred outflows related to pensions	65,435
	<hr/>
	\$ 311,772
	<hr/>

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

20. Changes in Beginning Balances (continued)

Governmental Activities

General Fund

To correct receivable for local option sales tax	\$ 233,220
To correct prepaid insurance	(24,325)
	\$ 208,895

Hotel Motel Tax Fund

To correct receivable for hotel motel tax	\$ 38,367
To correct prepaid insurance	(925)
	\$ 37,442

Business-Type Activities

Water and Sewer Fund

To correct unbilled receiveables balance and bad debts	\$ (107,056)
To correct deferred outflows related to pensions	7,589
To correct prepaid insurance	(3,343)
	\$ (102,810)

Solid Waste Management

To correct unbilled receiveables balance and bad debts	\$ 6,255
To correct deferred outflows related to pensions	88
To correct prepaid insurance	(335)
	\$ 6,008

Storm Water

To correct unbilled receiveables balance and bad debts	\$ 34,592
To correct deferred outflows related to pensions	3,555
To correct prepaid insurance	(1,004)
	\$ 37,143

Total Business-Type Activities

\$ (59,659)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOCUST GROVE, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST TEN FISCAL YEARS
December 31, 2020
(Unaudited)

	Fiscal Year		
	2020	2019	2018
Total pension liability			
Service cost	\$ 130,947	\$ 102,392	\$ 114,007
Interest	304,198	264,456	236,950
Differences between expected and actual experience	(21,369)	2,589	70,462
Changes of assumptions	(10,451)	0	38,371
Changes of benefit terms	0	233,519	
Benefit payments, including refunds of employee contributions	(107,415)	(95,823)	(91,224)
Other	0	0	0
Net change in total pension liability	295,910	507,133	368,566
Total pension liability - beginning	3,978,736	3,471,603	3,103,037
Total pension liability - ending (a)	4,274,646	3,978,736	3,471,603
Plan fiduciary net position			
Contributions - employer	\$ 183,219	\$ 157,901	\$ 157,840
Net investment income	(204,152)	96,959	288,521
Benefit payments, including refunds of employee contributions	(107,415)	(95,823)	(91,224)
Administrative expense	(11,325)	(11,721)	(10,094)
Net change in total pension liability	(139,673)	147,316	345,043
Plan fiduciary net position - beginning	2,789,621	2,642,305	2,297,262
Plan fiduciary net position - ending (b)	\$ 2,649,948	\$ 2,789,621	\$ 2,642,305
Net pension liability (asset) - ending : (a) - (b)	\$ 1,624,698	\$ 1,189,115	\$ 829,298
Plan's fiduciary net position as a percentage of the total pension liability	61.99%	70.11%	76.11%
Covered payroll	\$ 3,159,596	\$ 2,594,568	\$ 2,143,962
Net pension liability as a percentage of covered payroll	51.42%	45.83%	38.68%

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

Fiscal Year		
2017	2016	2015
\$ 119,528	\$ 104,748	\$ 74,722
227,535	206,702	181,677
(137,342)	41,791	167,555
0	0	(17,971)
	0	0
(85,250)	(83,598)	(82,566)
0	0	0
<u>124,471</u>	<u>269,643</u>	<u>323,417</u>
<u>2,978,566</u>	<u>2,708,923</u>	<u>2,385,506</u>
<u>3,103,037</u>	<u>\$ 2,978,566</u>	<u>\$ 2,708,923</u>
\$ 141,537	\$ 114,820	\$ 124,851
254,578	6,713	171,322
(85,250)	(83,598)	(82,566)
(10,015)	(6,438)	(5,206)
<u>300,850</u>	<u>31,497</u>	<u>208,401</u>
<u>1,996,412</u>	<u>1,964,915</u>	<u>1,756,514</u>
<u>\$ 2,297,262</u>	<u>\$ 1,996,412</u>	<u>\$ 1,964,915</u>
<u>\$ 805,775</u>	<u>\$ 982,154</u>	<u>\$ 744,008</u>
74.03%	67.03%	72.53%
\$ 2,173,333	\$ 2,278,667	\$ 2,152,833
37.08%	43.10%	34.56%

CITY OF LOCUST GROVE, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
December 31, 2020
(Unaudited)

	Fiscal Year		
	2020	2019	2018
Actuarially determined contribution	\$ 167,323	\$ 154,360	\$ 167,323
Contributions in relation to the actuarially determined contribution	<u>(167,323)</u>	<u>(154,360)</u>	<u>(167,323)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered payroll	\$ 3,461,296	\$ 2,594,568	\$ 2,143,962
Contributions as a percentage of covered payroll	4.83%	5.95%	7.80%

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

Fiscal Year		
2017	2016	2015
\$ 159,400	\$ 135,583	\$ 107,899
<u>(159,400)</u>	<u>(135,583)</u>	<u>(107,899)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
2,173,333	\$ 2,278,667	\$ 2,152,833
7.33%	5.95%	5.01%

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020

1. Valuation Date

The actuarially determined contribution rate was determined as of January 1, 2020, 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, 2021.

2. Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method = Projected unit credit

Amortization method = Closed level dollar for remaining unfunded liability

Remaining amortization period = Remaining amortization period varies for the bases, with a net effective amortization period of 10 years

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

Net investment rate of return = 7.375%

Projected salary increases = 2.25% plus service based merit increases

Cost of living adjustments = 0%

Retirement age for inactive vested participants = 65

Mortality = Healthy mortality rates were based on the Sex-Distinct Pri-2012 Head-County Weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. Disabled mortality rates were based on the Sex-Distinct Pri-2012 Head-County Weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020

3. Changes in Benefits

There were no changes in benefit provisions in the last two fiscal years.

4. Changes of Assumptions

The following assumption changes based on an actuarial study conducted in November and December of 2019:

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

The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Employee Mortality Table.

Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously future mortality improvements were not explicitly projected.

The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.

Exhibit B-3, continued

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020

4. Changes of Assumptions (continued)

The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.

Where normal retirement is available to a given participant at age 62, 63, or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.

Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.

Where normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.

The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.

The disability rates were changed to 50% of the rates in the prior age-based table.

The inflation assumption was decreased from 2.75% to 2.25%.

Exhibit B-3, continued

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020

4. Changes of Assumptions (continued)

The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.

The investment return assumption was decreased from 7.50% to 7.375%.

4. Benefit Changes

Amounts reported for years ending in 2019 and later reflect that effective January 1, 2019, Firefighters and Police Officers have alternative normal retirement eligibility under the Rule of 80 with no minimum age requirement and all employees are vested after five years of service.

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COMBINING STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

CITY OF LOCUST GROVE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2020

	<u>Special Revenue</u>		Total Nonmajor Governmental Funds
	<u>Confiscated Assets</u>	<u>Hotel/Motel Tax</u>	
ASSETS			
Cash and cash equivalents	\$ 66,931	\$ 544,313	\$ 611,244
Taxes receivable	0	93,578	93,578
Prepaid items	0	1,230	1,230
Due from other funds	0	5,823	5,823
	<u>0</u>	<u>5,823</u>	<u>5,823</u>
Total assets	<u>\$ 66,931</u>	<u>\$ 644,944</u>	<u>\$ 711,875</u>
LIABILITIES			
Accounts payable	\$ 0	\$ 72,747	\$ 72,747
	<u>0</u>	<u>72,747</u>	<u>72,747</u>
FUND BALANCES			
Nonspendable for prepaid items	0	1,230	1,230
Restricted:			
Public Safety	66,931	0	66,931
Housing and Development	0	376,801	376,801
Assigned for Housing and Development	0	194,166	194,166
	<u>0</u>	<u>194,166</u>	<u>194,166</u>
Total fund balances	<u>66,931</u>	<u>572,197</u>	<u>639,128</u>
Total liabilities and fund balances	<u>\$ 66,931</u>	<u>\$ 644,944</u>	<u>\$ 711,875</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, 2020

	Special Revenue		Total Nonmajor Governmental Funds
	Confiscated Assets	Hotel/Motel Tax	
REVENUES			
Taxes	\$ 0	\$ 497,245	\$ 497,245
Fines, fees, and forfeitures	110,749	0	110,749
Interest	0	74	74
Total revenues	110,749	497,319	608,068
EXPENDITURES			
Current			
Public Safety	43,976	0	43,976
Housing and Development	0	479,809	479,809
Total expenditures	43,976	479,809	523,785
Net change in fund balance	66,773	17,510	84,283
Fund balances, January 1 (original)	158	517,245	517,403
Prior period adjustment	0	37,442	37,442
Fund balances, January 1 (restated)	158	554,687	554,845
Fund balances, December 31	\$ 66,931	\$ 572,197	\$ 639,128

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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.

CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
BALANCE SHEET
December 31, 2020

ASSETS

Cash and cash equivalents	\$ 5,032,637
Restricted assets	
Cash and cash equivalents	94,585
Receivables (net)	
Accounts	106,216
Taxes	721,540
Due from other funds	56,910
Prepaid items	<u>37,366</u>
 Total assets	 <u><u>\$ 6,049,254</u></u>

LIABILITIES

Accounts payable	\$ 71,068
Accrued salaries and expenses	60,079
Due to other funds	408,391
Due to others	<u>91,995</u>
 Total liabilities	 <u>631,533</u>

FUND BALANCES

Nonspendable prepaid items	37,366
Restricted for Public Safety	22,915
Restricted for Public Works	71,670
Assigned for budget	1,788,540
Unassigned	<u>3,497,230</u>
 Total fund balances	 <u>5,417,721</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u><u>\$ 6,049,254</u></u>

CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2020

REVENUES

Taxes	\$ 4,596,208
Licenses and permits	463,319
Fines, fees and forfeitures	485,342
Charges for services	883,384
Intergovernmental	537,166
Interest	9,860
Contributions	1,157
Other	<u>124,229</u>
Total revenues	<u><u>7,100,665</u></u>

EXPENDITURES

Current	
General Government	1,520,431
Judicial	272,755
Public Safety	2,488,606
Public Works	1,177,704
Culture and Recreation	18,132
Housing and Development	<u>676,347</u>
Total expenditures	<u><u>6,153,975</u></u>

Excess (deficiency) of revenues over (under) expenditures before transfers	<u>946,690</u>
Fund balances, January 1 (original)	4,262,136
Prior period adjustment	<u>208,895</u>
Fund balances, January 1 (restated)	<u>4,471,031</u>
Fund balances, December 31	<u><u>\$ 5,417,721</u></u>

CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes			
Motor vehicle and title ad valorem tax	\$ 175,000	\$ 220,118	\$ 45,118
Local option sales tax	2,535,000	2,749,237	214,237
Intangible tax	37,500	56,302	18,802
Real estate transfer tax	15,000	21,666	6,666
Franchise tax	428,000	457,141	29,141
Insurance premium tax	465,000	464,923	(77)
Alcohol tax	410,000	420,824	10,824
Occupational tax	245,500	194,104	(51,396)
Street Lighting tax	0	11,893	11,893
Other taxes	1,750	0	(1,750)
Total taxes	<u>4,312,750</u>	<u>4,596,208</u>	<u>283,458</u>
Licenses and Permits			
Building permits	525,000	412,454	(112,546)
Alcohol licenses and penalties	65,500	28,000	(37,500)
Regulatory fees	32,500	22,865	(9,635)
Total licenses and permits	<u>623,000</u>	<u>463,319</u>	<u>(159,681)</u>
Fines, fees and forfeitures	<u>567,500</u>	<u>485,342</u>	<u>(82,158)</u>
Charges for Services			
Cemetery lot sales	18,900	1,350	(17,550)
Police charges	8,500	6,446	(2,054)
Planning and zoning charges	62,940	56,788	(6,152)
Indirect expenses	817,800	818,800	1,000
Other	20,100	0	(20,100)
Total charges for services	<u>928,240</u>	<u>883,384</u>	<u>(44,856)</u>
Intergovernmental	<u>542,590</u>	<u>537,166</u>	<u>(5,424)</u>
Interest	<u>10,050</u>	<u>9,860</u>	<u>(190)</u>
Contributions	<u>500</u>	<u>1,157</u>	<u>657</u>
Other	<u>143,600</u>	<u>124,229</u>	<u>(19,371)</u>
Total revenues	<u>\$ 7,128,230</u>	<u>\$ 7,100,665</u>	<u>\$ (27,565)</u>

CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES			
Current			
General Government			
Mayor and Council			
Personal services	\$ 85,050	\$ 84,179	\$ 871
Contractual services	58,550	25,187	33,363
Materials and supplies	6,250	5,290	960
Total Mayor and Council	<u>149,850</u>	<u>114,656</u>	<u>35,194</u>
Administration			
Personal services	777,300	780,854	(3,554)
Contractual services	649,300	466,054	183,246
Materials and supplies	80,100	66,796	13,304
Capital outlay	164,000	92,071	71,929
Total Administration	<u>1,670,700</u>	<u>1,405,775</u>	<u>264,925</u>
Total General Government	<u>1,820,550</u>	<u>1,520,431</u>	<u>300,119</u>
Judicial			
Municipal Court			
Personal services	111,750	103,484	8,266
Contract services	57,650	40,198	17,452
Materials and supplies	3,650	6,602	(2,952)
Capital outlay	4,800	0	4,800
Payments to others	126,500	122,471	4,029
Total Municipal Court	<u>304,350</u>	<u>272,755</u>	<u>31,595</u>
Public Safety			
Police			
Personal services	1,883,800	1,862,682	21,118
Contractual services	385,550	287,379	98,171
Materials and supplies	136,000	159,890	(23,890)
Capital outlay	236,000	178,655	57,345
Payments to others	5,000	0	5,000
Total Police	<u>2,646,350</u>	<u>2,488,606</u>	<u>157,744</u>

CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Works			
Streets			
Personal services	\$ 657,500	\$ 630,400	\$ 27,100
Contractual services	408,080	247,761	160,319
Materials and supplies	243,850	251,815	(7,965)
Capital outlay	112,600	31,000	81,600
Total Streets	<u>1,422,030</u>	<u>1,160,976</u>	<u>261,054</u>
Fleet Maintenance			
Contractual services	2,250	1,016	1,234
Materials and supplies	3,150	274	2,876
Capital outlay	500	0	500
Total Fleet Maintenance	<u>5,900</u>	<u>1,290</u>	<u>4,610</u>
Cemetery			
Contractual services	15,950	15,438	512
Materials and supplies	100	0	100
Capital outlay	2,900	0	2,900
Total Cemetery	<u>18,950</u>	<u>15,438</u>	<u>3,512</u>
Total Public Works	<u>1,446,880</u>	<u>1,177,704</u>	<u>269,176</u>
Culture and Recreation			
Parks and Recreation			
Contractual services	10,000	4,893	5,107
Materials and supplies	16,500	13,239	3,261
Capital outlay	75,000	0	75,000
Total Parks and Recreation	<u>101,500</u>	<u>18,132</u>	<u>83,368</u>
Housing and Development			
Community Development			
Personal services	343,150	315,161	27,989
Contractual services	396,650	339,550	57,100
Materials and supplies	26,500	21,636	4,864
Capital outlay	5,200	0	5,200
Total Community Development	<u>771,500</u>	<u>676,347</u>	<u>95,153</u>
Total expenditures	<u>\$ 7,091,130</u>	<u>\$ 6,153,975</u>	<u>\$ 937,155</u>

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Confiscated Assets Fund - Used to account for the cash received either from a cash confiscation or cash received from a sale of capital assets acquired from illegal drug activities.

Hotel/Motel Tax Fund - Used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Locust Grove.

CITY OF LOCUST GROVE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
BALANCE SHEET
December 31, 2020

ASSETS

Cash and cash equivalents

\$ 66,931

FUND BALANCES

Restricted for Public Safety

\$ 66,931

CITY OF LOCUST GROVE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fines, fees, and forfeitures	\$ 120,500	\$ 110,749	\$ (9,751)
EXPENDITURES			
Current			
Public Safety			
Materials and supplies	0	7,476	(7,476)
Capital outlay	<u>120,500</u>	<u>36,500</u>	<u>84,000</u>
Total expenditures	<u>120,500</u>	<u>43,976</u>	<u>76,524</u>
Excess (deficiency) of revenues over (under) expenditures	0	66,773	66,773
Fund balances, January 1	<u>0</u>	<u>158</u>	<u>158</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 66,931</u></u>	<u><u>\$ 66,931</u></u>

CITY OF LOCUST GROVE, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
BALANCE SHEET
December 31, 2020

ASSETS

Cash and cash equivalents	\$ 544,313
Taxes receivable	93,578
Prepaid items	1,230
Due from other funds	<u>5,823</u>

Total assets	\$ <u>644,944</u>
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LIABILITIES

Accounts payable	<u>\$ 72,747</u>
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FUND BALANCES

Nonspendable prepaid items	1,230
Restricted for Housing and Development	376,801
Assigned for Housing and Development	<u>194,166</u>

Total fund balances	<u>572,197</u>
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Total liabilities and fund balances	\$ <u>644,944</u>
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CITY OF LOCUST GROVE, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2020

	Final Budget	Actual	Variance
REVENUES			
Hotel/motel taxes	\$ 530,900	\$ 497,245	\$ (33,655)
Contributions	250	0	(250)
Interest	100	74	(26)
Total revenues	531,250	497,319	(33,931)
EXPENDITURES			
Current			
Housing and Development			
Personal services	137,000	98,984	38,016
Contract services	161,900	141,651	20,249
Materials and supplies	38,250	22,997	15,253
Capital outlay	29,000	0	29,000
Agency allocations	165,100	216,177	(51,077)
Total expenditures	531,250	479,809	51,441
Excess (deficiency) of revenues over (under) expenditures	0	17,510	17,510
Fund balances, January 1 (original)	0	517,245	517,245
Prior period adjustment	0	37,442	37,442
Fund balances, January 1 (restated)	0	554,687	554,687
Fund balances, December 31	\$ 0	\$ 572,197	\$ 572,197

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CAPITAL PROJECTS FUNDS

These funds are used to account for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds).

Developmental Impact Fund – Used to account for impact fees collected by the City to be used on capital improvements for parks, police and streets.

Special Purpose Local Option Sales Tax Fund – Used to account for long-term projects financed by the passage of the special purpose local option sales tax IV and V.

CITY OF LOCUST GROVE, GEORGIA
DEVELOPMENTAL IMPACT CAPITAL PROJECTS FUND
BALANCE SHEET
December 31, 2020

ASSETS

Cash and cash equivalents	\$ 812,648
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LIABILITIES

Accounts payable	\$ 480
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FUND BALANCES

Restricted for capital projects	<u>812,168</u>
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Total liabilities and fund balances	<u>\$ 812,648</u>
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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, 2020

REVENUES	
Charges for services	\$ 386,332
Interest	285
	386,617
Total revenues	386,617
 EXPENDITURES	
Capital outlay	
Recreation	1,003,922
	1,003,922
Total expenditures	1,003,922
Excess (deficiency) of revenues over (under) expenditures	(617,305)
Fund balances, January 1	1,429,473
Fund balances, December 31	\$ 812,168

CITY OF LOCUST GROVE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
BALANCE SHEET
December 31, 2020

ASSETS

Cash and cash equivalents	\$ 987,167
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LIABILITIES

Accounts payable	\$ 366
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FUND BALANCES

Restricted for capital projects	<u>986,801</u>
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Total liabilities and fund balances	<u>\$ 987,167</u>
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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, 2020

REVENUES	
Intergovernmental	\$ 362,360
Interest	4,269
	366,629
Total revenues	366,629
EXPENDITURES	
Capital outlay	
Public Works	
Streets	633,428
Culture and Recreation	
Recreation	5,400
	638,828
Total expenditures	638,828
Excess (deficiency) of revenues over (under) expenditures	(272,199)
Fund balances, January 1	1,259,000
	986,801
Fund balances, December 31	\$ 986,801

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ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds are self-supporting in nature where the costs, including depreciation, of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Water and Sewer Fund - Used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Locust Grove.

Solid Waste Management Fund - Used to account for activities connected with the collection and disposal of residential, commercial, industrial and institutional solid waste in the City of Locust Grove.

Storm Water Fund - Used to account for activities connected with the development, operation and maintenance of storm water services in the City of Locust Grove.

CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF NET POSITION
December 31, 2020

ASSETS

Current assets

Cash and cash equivalents	\$	696,014
Accounts receivables (net)		424,274
Prepaid items		4,218
		4,218
Total current assets		1,124,506

Restricted assets

Extension and Renewal		
Cash and cash equivalents		1,699,781
Debt Redemption		
Cash and cash equivalents		534,241
Customer Deposits		
Cash and cash equivalents		577,586
		577,586
Total restricted assets		2,811,608

Capital assets

Land		1,423,964
Buildings		226,262
Vehicles and equipment		1,972,297
Infrastructure		23,676,540
Construction in progress		2,226,563
Accumulated depreciation		(11,014,824)
		(11,014,824)
Total capital assets (net of accumulated depreciation)		18,510,802

Total assets

22,446,916

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions		55,214
		55,214

LIABILITIES

Current liabilities

Accounts payable		72,041
Retainages payable		94,990
Accrued salaries and expenses		6,699
Compensated absences		29,392
Due to other funds		56,910
Unearned revenue		1,247,163
Notes payable		48,032
		48,032
Total current liabilities		1,555,227

CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF NET POSITION
December 31, 2020

LIABILITIES

Current liabilities payable from restricted assets

Customer deposits payable	\$ 577,586
Interest payable	22,203
Bonds payable	<u>610,000</u>
Total current liabilities payable from restricted assets	<u>1,209,789</u>

Noncurrent liabilities

Net pension liability	151,584
Notes payable	188,638
Bonds payable	<u>3,855,000</u>
Total noncurrent liabilities	<u>4,195,222</u>

Total liabilities

6,960,238

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>57,216</u>
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NET POSITION

Net investment in capital assets	13,664,675
Restricted for:	
Capital	1,699,781
Debt service	512,038
Unrestricted	<u>(391,818)</u>
Total net position	<u><u>\$ 15,484,676</u></u>

CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the year ended December 31, 2020

OPERATING REVENUES

Charges for sales and services	
Water sales	\$ 2,170,174
Sewer charges	1,637,490
Tap fees	168,840
Other	104,126
	4,080,630
Total operating revenues	4,080,630

OPERATING EXPENSES

Costs of sales and services	2,285,346
Personal services	441,884
Depreciation	846,632
	3,573,862
Total operating expenses	3,573,862

Operating income (loss)	506,768
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Non-operating revenues (expenses)	
Interest revenue	591
Interest expense	(94,916)
	(94,325)
Total non-operating revenues (expenses)	(94,325)

Income (loss) before capital contributions	412,443
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Capital contributions	
Impact fees	892,801
	892,801

Change in net position	1,305,244
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Net position, January 1 (original)	14,282,242
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Prior period adjustment	(102,810)
	(102,810)

Net position, January 1 (restated)	14,179,432
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Net position, December 31	\$ 15,484,676
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CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the year ended December 31, 2020

Cash flows from operating activities:	
Receipts from customers	\$ 3,661,099
Payments to suppliers	(2,546,809)
Payments to employees	<u>(439,690)</u>
Net cash provided (used) by operating activities	<u>674,600</u>
Cash flows from non-capital financing activities:	
Payments to other funds	<u>(10,808)</u>
Cash flows from capital and related financing activities:	
Receipts from capital contributions	892,801
Interest paid	(97,945)
Acquisition of capital assets	(1,583,715)
Principal payments - bonds payable	(595,000)
Proceeds from notes payable	174,000
Principal payments - notes payable	<u>(14,330)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,224,189)</u>
Cash flows from investing activities:	
Interest received	<u>591</u>
Net increase (decrease) in cash and cash equivalents	(559,806)
Cash and cash equivalents, January 1	<u>4,067,428</u>
Cash and cash equivalents, December 31	<u><u>\$ 3,507,622</u></u>

CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the year ended December 31, 2020

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	<u>\$ 506,768</u>
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation expense	846,632
(Increase) decrease in accounts receivable	(61,146)
(Increase) decrease in prepaid items	(7,561)
(Increase) decrease in pension deferred outflows	(28,527)
Increase (decrease) in accounts payable	(348,892)
Increase (decrease) in retainages payable	94,990
Increase (decrease) in accrued salaries and expenses	6,699
Increase (decrease) in compensated absences	(2,505)
Increase (decrease) in unearned revenue	(421,941)
Increase (decrease) in deposits payable	63,556
Increase (decrease) in pension deferred inflows	49,910
Increase (decrease) in net pension liability	<u>(23,383)</u>

Total adjustments	<u>167,832</u>
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Net cash provided (used) by operating activities	<u><u>\$ 674,600</u></u>
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Cash and cash equivalents reconciliation:

Cash and cash equivalents	\$ 696,014
Extension and Renewal	
Cash and cash equivalents	1,699,781
Debt Redemption	
Cash and cash equivalents	534,241
Customers Deposits	
Cash and cash equivalents	<u>577,586</u>

Total cash and cash equivalents	<u><u>\$ 3,507,622</u></u>
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CITY OF LOCUST GROVE, GEORGIA
SOLID WASTE MANAGEMENT ENTERPRISE FUND
STATEMENT OF NET POSITION
December 31, 2020

ASSETS

Current assets

Accounts receivable (net)	\$	54,877
Due from other funds		85,691
Prepaid items		<u>551</u>
Total current assets		<u>141,119</u>

Capital assets

Vehicles and equipment		113,340
Accumulated depreciation		<u>(111,465)</u>
Total capital assets (net of accumulated depreciation)		<u>1,875</u>

Total assets

142,994

DEFERRED OUTFLOWS OF RESOURCES

Deferred inflows related to pensions		<u>22,881</u>
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LIABILITIES

Current liabilities

Accounts payable		245
Accrued salaries and expenses		454
Compensated absences		<u>1,255</u>
Total current liabilities		1,954

Noncurrent liabilities

Net pension liability		<u>43,379</u>
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Total liabilities

45,333

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions		<u>1,971</u>
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NET POSITION

Investment in capital assets		1,875
Unrestricted		<u>116,696</u>

Total net position

\$ 118,571

CITY OF LOCUST GROVE, GEORGIA
SOLID WASTE MANAGEMENT ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the year ended December 31, 2020

OPERATING REVENUES

Charges for sales and services	
Sanitation fees	\$ 533,060
Other	<u>3,682</u>
Total operating revenues	<u>536,742</u>

OPERATING EXPENSES

Costs of sales and services	523,480
Personal services	44,658
Depreciation	<u>500</u>
Total operating expenses	<u>568,638</u>

Operating income (loss)	<u>(31,896)</u>
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Net position, January 1 (original)	144,459
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Prior period adjustment	<u>6,008</u>
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Net position, January 1 (restated)	<u>150,467</u>
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Net position, December 31	<u><u>\$ 118,571</u></u>
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CITY OF LOCUST GROVE, GEORGIA
SOLID WASTE MANAGEMENT ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the year ended December 31, 2020

Cash flows from operating activities:	
Receipts from customers	\$ 527,805
Payments to suppliers	(524,121)
Payments to employees	(41,316)
	<hr/>
Net cash provided (used) by operating activities	(37,632)
	<hr/>
Cash flows from non-capital financing activities	
Receipts from other funds	37,632
	<hr/>
Net increase (decrease) in cash and cash equivalents	0
Cash and cash equivalents, January 1	0
	<hr/>
Cash and cash equivalents, December 31	\$ 0
	<hr/> <hr/>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (31,896)
	<hr/>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	500
(Increase) decrease in accounts receivable	(8,937)
(Increase) decrease in prepaid items	(886)
(Increase) decrease in pension deferred outflows	(22,572)
Increase (decrease) in accounts payable	245
Increase (decrease) in accrued salaries and expenses	454
Increase (decrease) in compensated absences	(393)
Increase (decrease) in pension deferred inflows	1,886
Increase (decrease) in net pension liability	23,967
	<hr/>
Total adjustments	(5,736)
	<hr/>
Net cash provided by operating activities	\$ (37,632)
	<hr/> <hr/>

CITY OF LOCUST GROVE, GEORGIA
STORM WATER ENTERPRISE FUND
STATEMENT OF NET POSITION
December 31, 2020

ASSETS

Current assets

Cash and cash equivalents	\$	116,253
Accounts receivable (net)		65,593
Due from other funds		316,877
Prepaid items		1,167
		499,890
Total current assets		499,890

Capital assets

Vehicles and equipment		428,343
Accumulated depreciation		(156,088)
		272,255
Total capital assets (net of accumulated depreciation)		272,255

Total assets

772,145

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions		7,871
		7,871

LIABILITIES

Current liabilities

Accounts payable		735
Accrued salaries and expenses		2,141
Compensated absences		15,600
Notes payable		36,376
		54,852
Total current liabilities		54,852

Noncurrent liabilities

Net pension liability		21,608
Notes payable		70,194
		91,802
Total noncurrent liabilities		91,802

Total liabilities

146,654

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions		36,347
		36,347

NET POSITION

Net investment in capital assets		165,685
Unrestricted		431,330
		597,015
Total net position		\$ 597,015

CITY OF LOCUST GROVE, GEORGIA
STORM WATER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the year ended December 31, 2020

OPERATING REVENUES

Charges for sales and services	
Storm water charges	\$ 330,024

Total operating revenues	<u>330,024</u>
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OPERATING EXPENSES

Costs of sales and services	148,886
Personal services	134,548
Depreciation	<u>39,072</u>

Total operating expenses	<u>322,506</u>
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Operating income (loss)	7,518
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Non-operating revenues (expenses)	
Interest expense	<u>(5,094)</u>

Change in net position	<u>2,424</u>
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Net position, January 1	557,448
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Prior period adjustment	<u>37,143</u>
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Net position, January 1 (restated)	<u>594,591</u>
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Net position, December 31	<u><u>\$ 597,015</u></u>
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CITY OF LOCUST GROVE, GEORGIA
STORM WATER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the year ended December 31, 2020

Cash flows from operating activities:	
Receipts from customers	\$ 315,082
Payments to suppliers	(150,322)
Payments to employees	(137,806)
	<hr/>
Net cash provided (used) by operating activities	26,954
	<hr/>
Cash flows from non-capital financing activities:	
Payments to other funds	(1,002)
	<hr/>
Cash flows from capital and related financing activities:	
Principal payments - notes payable	(34,963)
Interest paid	(5,094)
	<hr/>
Net cash provided (used) by capital and related financing activities	(40,057)
	<hr/>
Net increase (decrease) in cash and cash equivalents	(14,105)
Cash and cash equivalents, January 1	130,358
	<hr/>
Cash and cash equivalents, December 31	\$ 116,253
	<hr/> <hr/>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 7,518
	<hr/>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	39,072
(Increase) decrease in accounts receivable	(14,942)
(Increase) decrease in prepaid items	(2,171)
(Increase) decrease in pension deferred outflows	4,631
Increase (decrease) in accounts payable	735
Increase (decrease) in accrued salaries and expenses	2,141
Increase (decrease) in compensated absences	421
Increase (decrease) in pension deferred inflows	32,924
Increase (decrease) in net pension liability	(43,375)
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Total adjustments	19,436
	<hr/>
Net cash provided (used) by operating activities	\$ 26,954
	<hr/> <hr/>

OTHER REPORTING SECTION

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

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, and each major fund and the aggregate remaining fund information of the City of Locust Grove, Georgia, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Locust Grove, Georgia's basic financial statements and have issued our report thereon dated September 27, 2021.

Internal Control over Financial Reporting

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

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 over financial reporting 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. However, as described below, we did identify certain deficiencies in internal control that we consider to be material weaknesses. We consider the following deficiencies in internal control to be material weaknesses:

Comment 2020-001

Condition: Prior period adjustments were made to the financial statements to restate for incorrectly reported amounts. The beginning balances were materially misstated.

Criteria: Generally accepted accounting principles require that financial statements be properly reported.

Cause: The City did not sufficiently review year-end procedures for reporting in the financial statements before issuing financial statements.

Effect: Miscalculation and unreconciled accounts led to financial statements that were materially misstated.

Comment 2020-001, continued

Recommendation: Management should review their year-end procedures for reporting all balances in the financial statements.

Management Response: Management concurs with this finding. The City Manager and City Clerk will review all year-end balances to ensure they are properly calculated and recorded. This action was taken immediately upon receipt of the comment from our auditors.

Comment 2020-002

Condition: The City lacks sufficient controls and procedures regarding year-end close to ensure timely and accurate financial reporting. This included material adjustments during the audit process.

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

Cause: Certain account balances were not reconciled to subsidiary ledgers or other documentation.

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 Finance Department continue to implement and/or strengthen 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 Response: Management concurs with this finding. The City Manager and City Clerk will ensure that proper internal controls over the year-end close procedures are designed and implemented. Also, the City Manager and City Clerk will ensure that account balances are reconciled monthly to the subsidiary ledgers. This action was taken immediately upon receipt of the comment from our auditors.

Comment 2020-003

Condition: Pooled Cash account balance did not agree to bank reconciliation.

Criteria: Effective internal control should allow for cash to agree to the reconciliation and subsequent year transactions not be recorded to cash activity in the prior year.

Cause: Transactions were recorded to pooled cash in December after year end and before the account was reconciled.

Effect: Transactions recorded to the prior year pooled cash balance led to financial statements that were materially misstated.

Recommendation: The City should not record transactions to cash after the account reconciliation but rather use other receivable and payable accrual accounts to record certain transactions.

Management Response: Management concurs with this finding. The City Manager and City Clerk will review the procurement process for reconciliation of pooled cash and year-end accrual of transactions. This action was taken immediately upon receipt of the comment from our auditors.

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 grants agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Locust Grove, Georgia's Responses to Findings

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

The Purpose of this Report

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

Rushton, LLC

Certified Public Accountants

Gainesville, Georgia
September 27, 2021

CITY OF LOCUST GROVE, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2020

<u>Project</u>	<u>Estimated Cost *</u>		<u>Expenditures</u>		
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<u>SPLOST IV</u>					
Roads, Bridges, Sidewalks and Transportation Facilities	\$ 1,550,000	\$ 1,550,000	\$ 1,224,072	\$ 0	\$ 1,224,072
Public Safety Facilities and Equipment	2,750,000	2,750,000	2,905,489	633,428	3,538,917
Construction and Renovation of Municipal Buildings	525,000	525,000	525,000	0	525,000
Parks and Recreation Facilities	275,000	275,000	0	5,400	5,400
Stormwater Improvements	200,000	200,000	0	0	0
Total	\$ 5,300,000	\$ 5,300,000	\$ 4,654,561	\$ 638,828	\$ 5,293,389

<u>Project</u>	<u>Estimated Cost *</u>		<u>Expenditures</u>		
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<u>SPLOST V</u>					
Roads, bridges, sidewalks and transportation facilities	\$ 4,250,000	\$ 4,250,000	\$ 0	\$ 0	\$ 0
Construction and renovation of municipal buildings	500,000	500,000	0	0	0
Total	\$ 4,750,000	\$ 4,750,000	\$ 0	\$ 0	\$ 0

* Estimated cost represents the portion of these projects to be financed with Special Purpose Local Option Sales Tax. Actual costs that are in excess of these amounts have been financed through alternative funds.