

**CITY OF LOCUST GROVE, GEORGIA**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**With Independent Auditors' Report Thereon**

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DECEMBER 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Locust Grove, Georgia (the "City"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Locust Grove, Georgia as of December 31, 2018, and the respective changes in financial position, and where applicable, cash flows thereof, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Locust Grove, Georgia's basic financial statements. The combining and individual fund financial statements and schedules, and the special purpose local option sales tax report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2019 on our consideration of the City of Locust Grove, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Locust Grove, Georgia's internal control over financial reporting and compliance.

  
W. Hale James, P.C.

July 30, 2019

**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, 2018. 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, 2018 by \$32,598,643 (reported as "Net Position"). Of this amount \$3,616,761 is unrestricted.
- The total net position increased by \$3,925,042.
- As of the close of the current fiscal year, the City of Locust Grove's governmental funds reported combined ending fund balances of \$5,986,134, an increase of \$1,413,409 in comparison with the prior year. Of this amount \$3,704,942 is unassigned and available for spending and \$1,723,176 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 \$3,704,942, which is 80 percent of total General Fund expenditures for the year ending December 31, 2018.
- The City of Locust Grove's total debt obligations (including accrued compensated absences) decreased by \$1,187,982 to a total of \$6,103,136 as of year-end. The City made principal payments during the year on its long-term debt of \$707,204.

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

***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 financial statements of the City of Locust Grove 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 of Locust Grove. 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 of Locust Grove's finances, in a manner similar to a private-sector business. These statements include all assets and liabilities using the accrual basis of accounting. Accrual of the current year's revenues and expenses is taken into account regardless of when cash is received or paid.

**Statement of Net Position**

The statement of net position (pages 16-17) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. The City's net position, which is the difference between assets (what the citizens own), and liabilities (what the citizens owe), is one way to measure the City's financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets (roads, buildings, and utility systems) must be considered to assess the overall health of the City.

**Statement of Activities**

The statement of activities (page 18) presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

**Fund financial statements**

The focus of fund financial statements is directed to specific activities of the City and its most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by state law. The City of Locust Grove uses two categories of funds: governmental funds and proprietary funds.

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

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

*Governmental funds*

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

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

Because the focus of the governmental funds financial statements is narrower than that of the government-wide financial statements and because of the different accounting methods used to prepare them, there are often significant differences between the totals presented in these financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. An analysis of the balance that reconciles the two statements is provided at the bottom of each statement.

*Proprietary funds*

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

*Notes to the financial statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-47 of this report.

*Other information*

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



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

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

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

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

***Government-wide Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Locust Grove, assets exceeded liabilities by \$32,598,643 as of December 31, 2018. The following table provides a summary of the City's governmental and business-type net position for the year ending December 31, 2018.

**CITY OF LOCUST GROVE, GEORGIA**  
**NET POSITION AS OF DECEMBER 31, 2018 AND 2017**  
**(IN THOUSANDS)**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 6,232	\$ 4,947	\$ 3,912	\$ 3,030	\$ 10,145	\$ 7,977
Capital assets	14,543	14,352	17,647	17,832	32,189	32,184
<b>Total assets</b>	<u>20,775</u>	<u>19,299</u>	<u>21,559</u>	<u>20,862</u>	<u>42,334</u>	<u>40,161</u>
Deferred outflows of resources	198	127	31	44	228	170
Current liabilities	610	715	1,144	1,035	1,755	1,749
Long-term liabilities	623	602	7,394	9,178	8,016	9,780
<b>Total liabilities</b>	<u>1,233</u>	<u>1,317</u>	<u>8,538</u>	<u>10,212</u>	<u>9,771</u>	<u>11,528</u>
Deferred inflows of resources	167	103	26	26	193	129
Net investment in capital assets	14,463	14,352	11,913	11,574	26,376	25,926
Restricted net position	2,085	1,604	521	508	2,606	2,113
Unrestricted net position	3,025	2,050	592	(1,415)	3,617	635
<b>Total net position</b>	<u>\$ 19,573</u>	<u>\$ 18,006</u>	<u>\$ 13,026</u>	<u>\$ 10,668</u>	<u>\$ 32,599</u>	<u>\$ 28,674</u>

The largest portion of the City's net position as of December 31, 2018 (81%) reflects its net investment in capital assets (e.g. land, buildings, machinery, equipment and the street and sidewalks). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

**CITY OF LOCUST GROVE, GEORGIA**  
**CHANGE IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(IN THOUSANDS)**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,131	\$ 1,475	\$ 5,708	\$ 4,336	\$ 7,839	\$ 5,812
Operating grants	91	79	-	-	91	79
Capital grants	845	763	-	-	845	763
General revenues:						
Taxes	4,355	3,690	-	-	4,355	3,690
Interest and investment earnings	8	5	1	1	9	6
Other	145	81	6	3	151	84
<b>Total revenues</b>	<u>7,574</u>	<u>6,092</u>	<u>5,715</u>	<u>4,341</u>	<u>13,289</u>	<u>10,433</u>
<b>Expenses</b>						
General government	1,456	1,329	-	-	1,456	1,329
Judicial	319	313	-	-	319	313
Public safety	2,229	2,208	-	-	2,229	2,208
Public works	1,001	819	-	-	1,001	819
Parks and recreation	29	69	-	-	29	69
Community development	968	852	-	-	968	852
Water and sewer utility	-	-	2,754	3,144	2,754	3,144
Solid waste	-	-	405	421	405	421
Storm water utility	-	-	198	193	198	193
Interest on long-term debt	5	-	-	-	5	-
<b>Total expenditures</b>	<u>6,007</u>	<u>5,590</u>	<u>3,357</u>	<u>3,758</u>	<u>9,364</u>	<u>9,348</u>
Change in net position	1,567	502	2,358	583	3,925	1,085
<b>Net position, beginning of year</b>	<u>18,006</u>	<u>17,504</u>	<u>10,668</u>	<u>10,085</u>	<u>28,674</u>	<u>27,589</u>
<b>Net position, end of year</b>	<u>\$ 19,573</u>	<u>\$ 18,006</u>	<u>\$ 13,026</u>	<u>\$ 10,668</u>	<u>\$ 32,599</u>	<u>\$ 28,674</u>

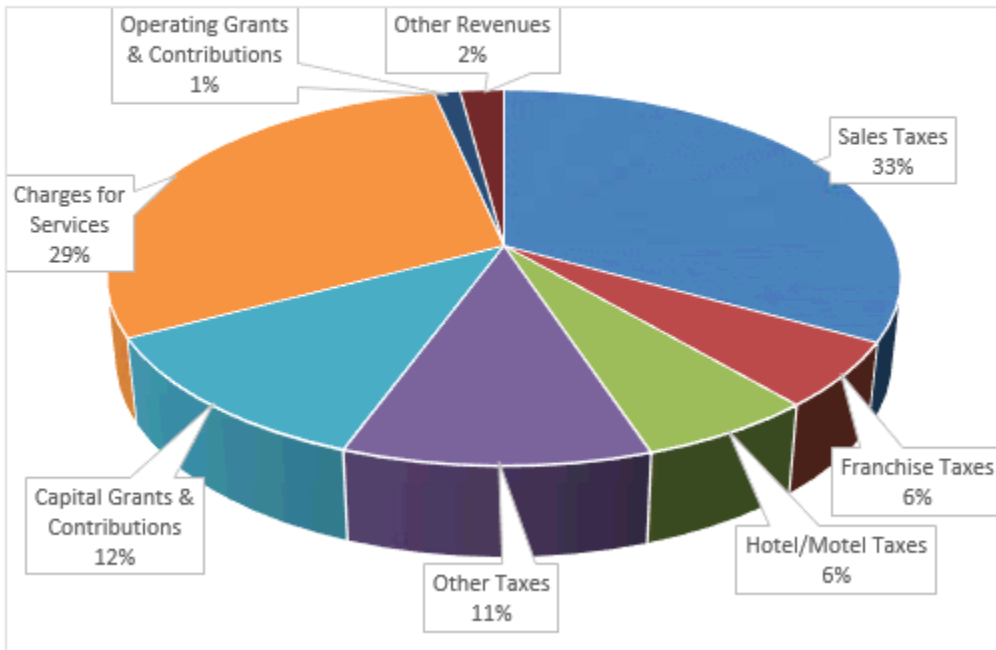
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF LOCUST GROVE, GEORGIA  
(Unaudited)**

Governmental Activities

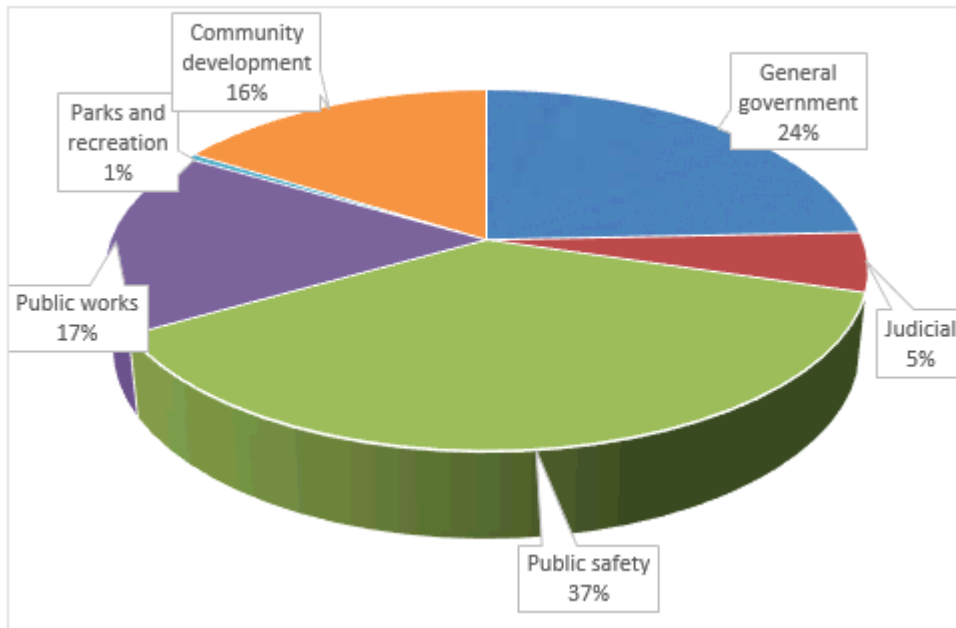
Governmental Activities increased the City's net position by \$1,407,913. Key elements of this increase were as follows:

- An increase of approximately \$239,000 in licenses and permits from the prior year.

**Revenue by Source, Governmental Activities**



**Expenditures by Program, Governmental Activities**



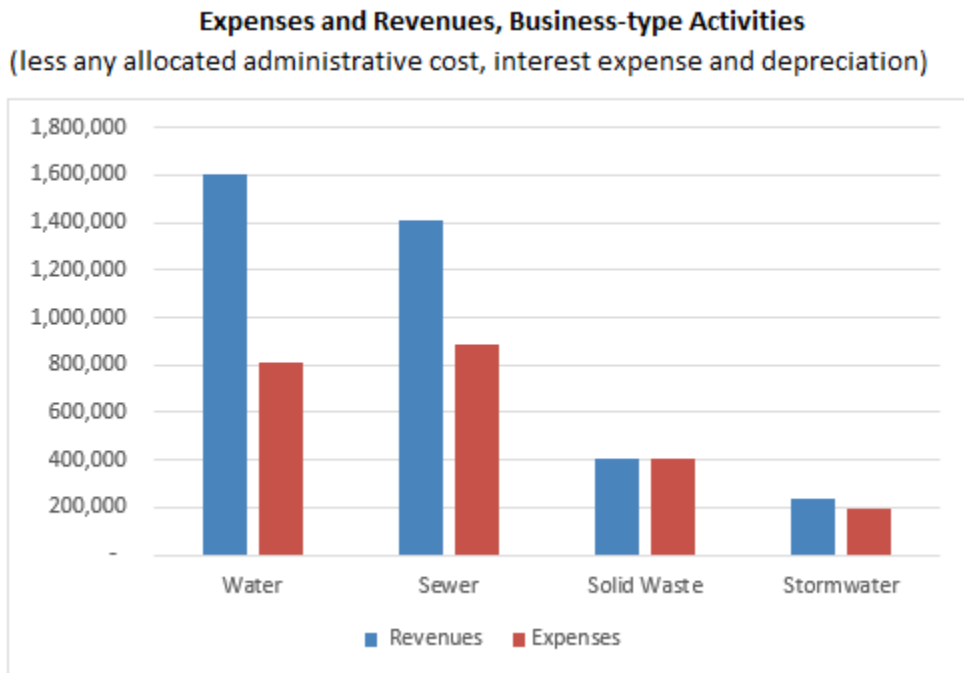
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF LOCUST GROVE, GEORGIA**  
(Unaudited)

Business-type Activities

Operations of business-type activities increased the City's net position by \$2,357,847. Key elements of this increase were as follows:

- Revenues from business-type activities increased approximately \$1,374,000.
- Expenses from business-type activities decreased approximately \$391,000.

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



***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 \$3,733,680 an increase of \$759,048 or 25% in comparison with the prior year. Approximately 99% of this amount (\$3,704,942) constitutes an unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is in a non-spendable form.

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

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

Special Revenue Funds

- Confiscated Assets Fund: The City created this fund to account for assets obtained by the City as a result of investigations into illegal drug activities. As of December 31, 2018 this fund had a fund balance of \$158, which is restricted for police activities.
- Hotel/Motel Tax Fund: The Hotel/Motel Tax Fund receives revenues from taxes on hotels and motels within the City. 43.75% of these revenues must be paid to the Henry County Chamber of Commerce Convention and Visitors Bureau for tourism and promotional purposes. The fund balance for this fund was \$529,140 and \$458,026 at December 31, 2018 and 2017, respectively.

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

Capital Projects Fund

- SPLOST Fund: The City has one Special Purpose Local Option Sales Tax fund for the purpose of funding capital projects. These funds were voted on by the citizens of Henry County, Georgia and are passed to the City of Locust Grove by way of an intergovernmental agreement. The fund balance for this fund was \$931,018 and \$707,199 at December 31, 2018 and 2017, 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 \$792,158 and \$438,206 at December 31, 2018 and 2017, respectively. The recent return to near-normal construction from the recent recessionary levels means that more funds will be made available for capital projects.

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

**Proprietary Funds**

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

2018 net position of the City's three proprietary funds are as follows:

Water and sewer:	\$ 12,317,877
Solid waste utility:	\$ 163,770
Storm water utility:	\$ 543,913

The increase in net position for the funds was approximately \$2,358,000, which is a 22% change from the prior year. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's Business-type activities.

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

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

**Capital Asset and Debt Administration**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities was \$32,189,401 and \$32,183,917 (net of accumulated depreciation) at December 31, 2018 and 2017. 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, 2018, the City invested \$1,339,625 in new capital assets. Investment for business-type activities was \$597,119, while \$674,822 governmental activities. Major capital asset events during the current year ended December 31, 2018 included the following:

**Governmental activities:**

Buildings and improvements	\$ 48,548
Improvements other than building	\$ 381,483
Machinery and equipment	\$ 63,436
Vehicles and related equipment	\$ 181,355

**Business-type activities:**

Other improvements	\$ 29,738
Machinery and equipment	\$ 567,381

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

**Debt Administration**

At the end of the current fiscal year, the City had \$6,210,000 outstanding Water and Sewerage Refunding Revenue Bonds, Series 2016, with an interest rate of 2%. The bonds refunded the previous Series 2013 bonds which financed improvements in water/sewer infrastructure. The City also had two outstanding notes payable related to equipment. The total liability related to these notes payable at year-end was \$163,763.

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

***Economic Factors and Next Year's Budget***

- Population and growth in utility customers has been tremendous in the past year, with estimates over 10% in growth due to over 400 new homes and nearly 3,000 total utility customers. Rates of growth in this area are now back to the rates for Henry County as a whole in the 1990s, when the county was one of the top tier in population growth. Interestingly, the growth in unincorporated Henry County has been very modest due mainly to the lack of available lots for construction. It is projected the City of Locust Grove will surpass Hampton to become the 3<sup>rd</sup> largest city in the county by the end of the decade.

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

***Economic Factors and Next Year's Budget (Continued)***

- Inflationary trends in the region continue to compare favorably to national indices, with more volatility in swings either up or down due to dependency on volatile fuel costs and the considerable distance from the Atlanta Region Core, with construction costs markedly higher due to continued reduced competition since the Great Recession. Transportation and other large public works projects have some of the greatest variability between estimates and pricing.
- New large-scale commercial and industrial permits continued to increase in 2018, with considerable interest on development of the northern and western quadrants of the I-75 and Bill Gardner Interchange. Industrial development will soon outpace most other nonresidential development for the next several years in overall square footage, especially northward along I-75 towards Bethlehem Road where a new interchange is proposed.
- Building permits for residential construction accelerated in 2018 well beyond Pre-Recession levels. Many undeveloped lots purchased in the past several years are now under construction and will continue further as interest rates and relative price advantages to other parts of the region continue to hold true throughout the rest of this decade.
- The unemployment rate for the City of Locust Grove continues to compare reasonably between the state and regional rates, with the rate declining nearly in line with the Atlanta Regional Commission area, especially in a post-recovery boom period.
- The biggest challenge in terms of employment is the availability of a trained workforce that's ready for work. 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 is now nearly 100%, including redevelopment of several storefronts into office and restaurant uses.
- Tourism increased in 2018 due to the national recovery and due to completed construction of the Express Lanes on I-75 north of the City, helping Hotel/Motel tax revenues increase during 2018. The City also saw the final construction of the new Hampton Inn that opened in early 2019 as well as a new Fairfield Inn and Suites to open in late Summer 2019. Hotel/Motel revenues should continue to increase over the next several years as the exit continues to grow and develop as a tourist stop/destination.
- The City entered into renegotiations of the Service Delivery Strategy agreement between Henry County and the other incorporated cities as part of the adoption of a new Comprehensive Plan Update which may require the use of Special Tax Districts to fund services in either the county or the city. The cities and county have yet to reach a settlement and are currently in mediation in accordance with state law. Impacts should be positive for the cities in terms of more favorable tax treatment, although the final outcome remains to be seen.
- Collections for LOST and SPLOST continue to increase; however, at a decreasing rate as alternative retail chain options such as Amazon cause erosion in the overall retail industry. New construction of region-serving retail and entertainment within Henry County should benefit all jurisdictions' shares in those revenue streams; however, continued erosion in brick and mortar retail continue to 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 larger retail offerings in the future.
- The City's LOST percentage increased in 2017 and will remain the same share through 2022. Given a conservative increase in total Henry County sales, it is expected that collections will be over \$500,000 higher from the previous 10-year period of collection and distribution.



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

***Economic Factors and Next Year's Budget (Continued)***

- SPLOST IV collections under the new intergovernmental agreement began in April 2014. These proceeds will continue to be collected through March 2020 and provide much needed financing for improvements to the City's infrastructure. Major projects include renovations to the existing City Hall (roofing and soffit repair completed in 2017), the new Public Safety Complex (supplemented by General Fund balance), and transportation improvements citywide (supplemented by LMIG). Collections remain above the initial conservative projections, but most of the City's collections must pay off bonds for the Public Safety Building for the next couple of years before additional funds collected are distributed for use.
- SPLOST V is proposed for a continuation of the existing SPLOST with a different scope of projects. It remains to be seen if this vote by the public will be positive given the history of SPLOST votes within the county. This could cause deferred activity in capital spending for at least a year should a failure occur.
- Collections from Utilities into the Enterprise Funds increase steadily as part of overall growth and development of the City along with automatic 2% increases in January and July of each calendar year. Continued increases at this rate is a challenge due to rates rising above parity with surrounding jurisdictions.
- 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 \$1 million in General Fund for the enhancement of transportation along Bill Gardner Parkway in the next year.
- The City added several new positions to a few of the administrative departments due to growth and the anticipated future positive revenues, including Administration and Community Development. Meeting the demand is partially met with Administrative Charges to Enterprise funds: (Hotel/Motel, Water and Sewer, Sanitation, and Stormwater) in the provision of HR and Payroll, IT/Telephone, etc. Additional positions will be needed in Administration and Community Development as well as Public Safety as the rate of population and development increases.
- As part of continuing staff development, we have increased training on the computerized financial system (including additional on-site training with an accounting expert a minimum of three times per year) as well as more accounting training for our City Clerk and Assistant City Clerk through off-site training with Tyler Technologies and/or online training via the Carl Vinson Institute on Financial Management. We are continuing the effort to expand to more employees, especially new hires.
- These factors were considered in preparing the City of Locust Grove's budget for FY 2019.

***Requests for Information***

This financial report is designed to provide a general overview of the City of Locust Grove's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning this report or requests for additional information can be obtained by contacting the City at (770) 957-5043 or at the following address: City of Locust Grove Finance Department P.O. Box 900, Locust Grove, Georgia 30248-0900.

## ***Basic Financial Statements***

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Primary government		
	Governmental activities	Business-type activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 6,320,951	\$ 2,500,470	\$ 8,821,421
Restricted assets			
Cash	-	520,791	520,791
Receivables, net			
Taxes	453,937	-	453,937
Accounts	-	264,894	264,894
Fines	83,392	-	83,392
Internal balances	(625,933)	625,933	-
Prepaid items	80	-	80
<b>Total current assets</b>	<b>6,232,427</b>	<b>3,912,088</b>	<b>10,144,515</b>
<b>Noncurrent assets:</b>			
Capital assets			
Nondepreciable	2,693,064	1,423,964	4,117,028
Depreciable, net	11,849,592	16,222,781	28,072,373
<b>Total noncurrent assets</b>	<b>14,542,656</b>	<b>17,646,745</b>	<b>32,189,401</b>
<b>Total assets</b>	<b>20,775,083</b>	<b>21,558,833</b>	<b>42,333,916</b>
<b>Deferred outflows of resources:</b>			
Pension contributions subsequent to measurement date	38,985	6,034	45,019
Pension experience differences	131,125	20,299	151,424
Pension assumption changes	27,689	4,287	31,976
<b>Total deferred outflows of resources</b>	<b>197,799</b>	<b>30,620</b>	<b>228,419</b>

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

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Primary government		
	Governmental activities	Business-type activities	Total
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 162,492	\$ 218	\$ 162,710
Accrued absences	363,841	29,762	393,603
Capital lease payable	-	24,321	24,321
Note payable	79,157	20,073	99,230
Other current liabilities	4,644	-	4,644
Liabilities payable from restricted assets			
Notes payable	-	585,000	585,000
Customer deposits payable	-	457,244	457,244
Interest payable	-	27,838	27,838
<b>Total current liabilities</b>	<b>610,134</b>	<b>1,144,456</b>	<b>1,754,590</b>
<b>Noncurrent liabilities:</b>			
Notes payable	-	5,124,533	5,124,533
Unearned revenue	-	2,062,397	2,062,397
Net pension liability	622,655	206,643	829,298
<b>Total noncurrent liabilities</b>	<b>622,655</b>	<b>7,393,573</b>	<b>8,016,228</b>
<b>Total liabilities</b>	<b>1,232,789</b>	<b>8,538,029</b>	<b>9,770,818</b>
<b>Deferred inflows of resources:</b>			
Pension experience differences	79,282	12,278	91,560
Pension investment return differences	81,060	12,554	93,614
Pension assumption changes	6,668	1,032	7,700
<b>Total deferred inflows of resources</b>	<b>167,010</b>	<b>25,864</b>	<b>192,874</b>
<b>Net position:</b>			
Net investment in capital assets	14,463,499	11,912,891	26,376,390
Restricted for:			
Public safety	158	-	158
Debt service	-	520,791	520,791
Capital outlay	1,723,176	-	1,723,176
Tourism	361,367	-	361,367
Unrestricted	3,024,883	591,878	3,616,761
<b>Total net position</b>	<b>\$ 19,573,083</b>	<b>\$ 13,025,560</b>	<b>\$ 32,598,643</b>

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

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

FUNCTIONS/PROGRAMS	Program revenues				Net revenue (expenses)
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	
<b>Primary government</b>					
<b>Governmental activities</b>					
General government	\$ 1,455,838	\$ 798,149	\$ 90,619	\$ -	\$ (567,070)
Judicial	318,996	-	-	-	(318,996)
Public safety	2,228,722	671,340	-	845,264	(712,118)
Public works	1,001,175	661,752	-	-	(339,423)
Parks and recreation	29,273	-	-	-	(29,273)
Community development	967,575	-	-	-	(967,575)
Interest on long-term debt	5,497	-	-	-	(5,497)
<b>Total governmental activities</b>	6,007,076	2,131,241	90,619	845,264	(2,939,952)
<b>Business-type activities:</b>					
Water and sewer utility	2,753,987	5,067,765	-	-	2,313,778
Solid waste	405,168	402,159	-	-	(3,009)
Storm water utility	197,784	237,891	-	-	40,107
<b>Total business-type activities</b>	3,356,939	5,707,815	-	-	2,350,876
<b>Total primary government</b>	\$ 9,364,015	\$ 7,839,056	\$ 90,619	\$ 845,264	\$ (589,076)
	<b>Primary government</b>				
	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>		
<b>Change in net position</b>					
Net (expense) revenue	\$ (2,939,952)	\$ 2,350,876	\$ (589,076)		
<b>General revenues</b>					
<b>Taxes:</b>					
Property	25,937	-	25,937		
Sales	2,400,220	-	2,400,220		
Insurance premium	415,428	-	415,428		
Occupational	177,034	-	177,034		
Franchise	442,394	-	442,394		
Intangible	48,644	-	48,644		
Alcohol excise	397,740	-	397,740		
Hotel/motel	447,127	-	447,127		
Interest and investment earnings	7,632	1,164	8,796		
Miscellaneous	144,991	5,807	150,798		
<b>Total general revenues   and transfers</b>	4,507,147	6,971	4,514,118		
<b>Change in net position</b>	1,567,195	2,357,847	3,925,042		
<b>Net position, beginning of year</b>	18,005,888	10,667,713	28,673,601		
<b>Net position, end of year</b>	\$ 19,573,083	\$ 13,025,560	\$ 32,598,643		

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

**CITY OF LOCUST GROVE, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	<u>General</u>	<u>SPLOST</u>	<u>Nonmajor governmental funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,147,236	\$ 931,018	\$ 1,242,697	\$ 6,320,951
Receivables, net				
Taxes	377,219	-	76,718	453,937
Fines	83,392	-	-	83,392
Due from other funds	-	-	1,941	1,941
Prepaid items	-	-	80	80
<b>Total assets</b>	<u>\$ 4,607,847</u>	<u>\$ 931,018</u>	<u>\$ 1,321,436</u>	<u>\$ 6,860,301</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 162,492	\$ -	\$ -	\$ 162,492
Due to other funds	627,874	-	-	627,874
Notes payable	79,157	-	-	79,157
Other liabilities	4,644	-	-	4,644
<b>Total liabilities</b>	<u>874,167</u>	<u>-</u>	<u>-</u>	<u>874,167</u>
<b>Fund balances:</b>				
Nonspendable prepaid items	-	-	80	80
Assigned for tourism	-	-	167,673	167,673
Restricted for:				
Capital projects	-	931,018	792,158	1,723,176
Public Safety	-	-	158	158
Tourism	-	-	361,367	361,367
Committed for cemetery	28,738	-	-	28,738
Unassigned	3,704,942	-	-	3,704,942
<b>Total fund balances</b>	<u>3,733,680</u>	<u>931,018</u>	<u>1,321,436</u>	<u>5,986,134</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,607,847</u>	<u>\$ 931,018</u>	<u>\$ 1,321,436</u>	<u>\$ 6,860,301</u>

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

**CITY OF LOCUST GROVE, GEORGIA  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

**Total fund balance, total governmental funds** \$ 5,986,134

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	18,779,145	
Less: accumulated depreciation	<u>(4,236,489)</u>	14,542,656

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

These are:

Net pension liability		(622,655)
Compensated absences		<u>(363,841)</u>

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

These are:

Deferred outflows of resources:

Pension contributions subsequent to measurement date	38,985	
Pension experience differences	131,125	
Pension assumption changes	27,689	

Deferred inflows of resources:

Pension experience differences	(79,282)	
Pension investment return differences	(81,060)	
Pension assumption changes	<u>(6,668)</u>	<u>30,789</u>

**Net position of governmental activities** \$ 19,573,083

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

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>SPLOST</u>	<u>Nonmajor governmental funds</u>	<u>Total</u>
<b>REVENUES</b>				
Taxes	\$ 3,585,119	\$ -	\$ 447,128	\$ 4,032,247
Licenses and permits	763,374	-	-	763,374
Fines, fees and forfeitures	671,340	-	-	671,340
Rental income	34,775	-	-	34,775
Charges for services	92,849	-	568,903	661,752
Intergovernmental	90,619	820,173	-	910,792
Interest	7,126	25,091	506	32,723
Other	144,991	-	-	144,991
<b>Total revenues</b>	<u>5,390,193</u>	<u>845,264</u>	<u>1,016,537</u>	<u>7,251,994</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	565,286	569,755	-	1,135,041
Judicial	317,869	-	-	317,869
Public safety	1,806,993	-	-	1,806,993
Public works	874,059	-	-	874,059
Parks and recreation	29,273	-	-	29,273
Community development	542,317	-	376,108	918,425
Capital expenditures	489,852	51,690	215,383	756,925
<b>Total expenditures</b>	<u>4,625,649</u>	<u>621,445</u>	<u>591,491</u>	<u>5,838,585</u>
<b>Net change in fund balance</b>	764,544	223,819	425,046	1,413,409
<b>Fund balances, beginning of year</b>	<u>2,974,632</u>	<u>707,199</u>	<u>896,390</u>	<u>4,578,221</u>
<b>Fund balances, end of year</b>	<u>\$ 3,739,176</u>	<u>\$ 931,018</u>	<u>\$ 1,321,436</u>	<u>\$ 5,991,630</u>

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



**CITY OF LOCUST GROVE, GEORGIA  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Net change in fund balances - total governmental funds** \$ 1,413,409

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	742,504	
Depreciation	<u>(542,973)</u>	199,531

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

Cost of disposed assets	24,995	
Related accumulated depreciation	<u>(15,969)</u>	9,026

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

Pension contributions	157,840	
Cost of benefits net of employee contributions	<u>(203,418)</u>	(45,578)

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

Principal payments on notes payable	76,456	
Compensated absences	<u>(85,649)</u>	<u>(9,193)</u>

Change in net position of governmental activities \$ 1,567,195

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

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 3,707,250	\$ 4,515,340	\$ 3,585,119	\$ (930,221)
Licenses and permits	796,730	594,130	763,374	169,244
Fines, fees and forfeitures	757,500	762,500	671,340	(91,160)
Rental income	36,000	15,000	34,775	19,775
Charges for services	101,500	94,000	92,849	(1,151)
Intergovernmental	100,000	100,000	90,619	(9,381)
Interest	3,550	5,150	7,126	1,976
Other	137,100	28,500	144,990	116,490
<b>Total revenues</b>	<u>5,639,630</u>	<u>6,114,620</u>	<u>5,390,192</u>	<u>(724,428)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	139,900	152,900	113,420	(39,480)
Financial administration	873,925	692,250	451,118	(241,132)
Municipal court	356,450	350,350	317,869	(32,481)
Police	2,309,650	2,088,000	1,806,993	(281,007)
Highway and streets	1,128,030	944,100	871,008	(73,092)
Fleet maintenance	6,725	7,080	3,051	(4,029)
Parks and recreation	113,000	174,500	29,273	(145,227)
Community development	631,750	550,540	542,317	(8,223)
Maintenance and repairs	47,050	47,550	6,245	(41,305)
Capital expenditures	-	-	489,852	489,852
<b>Total expenditures</b>	<u>5,606,480</u>	<u>5,007,270</u>	<u>4,631,146</u>	<u>(376,124)</u>
<b>Excess of revenues over expenditures</b>	33,150	1,107,350	759,046	(348,304)
<b>Fund balances, beginning of year</b>	<u>2,974,632</u>	<u>2,974,632</u>	<u>2,974,632</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 3,007,782</u>	<u>\$ 4,081,982</u>	<u>\$ 3,733,678</u>	<u>\$ (348,304)</u>

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

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2018**

	<u>Business-type activities</u>			<u>Total</u>
	<u>Water and sewer</u>	<u>Solid waste</u>	<u>Storm water management</u>	
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 2,331,566	\$ -	\$ 168,904	\$ 2,500,470
Restricted assets:				
Cash and cash equivalents	520,791	-	-	520,791
Accounts receivable, net	213,942	34,893	16,059	264,894
Due from other funds	163,315	147,745	314,873	625,933
Total current assets	<u>3,229,614</u>	<u>182,638</u>	<u>499,836</u>	<u>3,912,088</u>
<b>Noncurrent assets:</b>				
Capital assets				
Non-depreciable	1,423,964	-	-	1,423,964
Depreciable, net	16,012,905	-	209,876	16,222,781
Total noncurrent assets	<u>17,436,869</u>	<u>-</u>	<u>209,876</u>	<u>17,646,745</u>
<b>Total assets</b>	<u>20,666,483</u>	<u>182,638</u>	<u>709,712</u>	<u>21,558,833</u>
<b>Deferred outflow of resources:</b>				
Pension contributions subsequent to measurement date	4,243	482	1,309	6,034
Pension experience differences	14,273	1,623	4,403	20,299
Pension assumption changes	3,014	343	930	4,287
<b>Total deferred outflows of resources</b>	<u>21,530</u>	<u>2,448</u>	<u>6,642</u>	<u>30,620</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	218	-	-	218
Accrued absences	19,904	249	9,609	29,762
Capital lease payable	-	-	24,321	24,321
Note payable	-	-	20,073	20,073
Liabilities payable from restricted assets:				
Notes payable	585,000	-	-	585,000
Customer deposits	457,244	-	-	457,244
Interest payable	27,838	-	-	27,838
<b>Total current liabilities</b>	<u>1,090,204</u>	<u>249</u>	<u>54,003</u>	<u>1,144,456</u>

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

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2018**

	<b>Business-type activities</b>			<b>Total</b>
	<b>Water and sewer</b>	<b>Solid waste</b>	<b>Storm water management</b>	
<b>Noncurrent liabilities:</b>				
Net pension liability	\$ 139,349	\$ 18,999	\$ 48,295	\$ 206,643
Unearned revenue	2,062,397	-	-	2,062,397
Capital lease payable	-	-	-	-
Notes payable	5,060,000	-	64,533	5,124,533
<b>Total noncurrent liabilities</b>	<b>7,261,746</b>	<b>18,999</b>	<b>112,828</b>	<b>7,393,573</b>
<b>Total liabilities</b>	<b>8,351,950</b>	<b>19,248</b>	<b>166,831</b>	<b>8,538,029</b>
<b>Deferred inflow of resources:</b>				
Pension experience changes	8,633	982	2,663	12,278
Pension investment return differences	8,827	1,004	2,723	12,554
Pension assumption changes	726	82	224	1,032
<b>Total deferred inflows of resources</b>	<b>18,186</b>	<b>2,068</b>	<b>5,610</b>	<b>25,864</b>
<b>Net position:</b>				
Net investment in capital assets	11,791,869	-	121,022	11,912,891
Restricted for debt service	520,791	-	-	520,791
Unrestricted	5,217	163,770	422,891	591,878
<b>Total net position</b>	<b>\$ 12,317,877</b>	<b>\$ 163,770</b>	<b>\$ 543,913</b>	<b>\$ 13,025,560</b>

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

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Business-type activities</u>			<u>Total</u>
	<u>Water and sewer</u>	<u>Solid waste</u>	<u>Storm water management</u>	
<b>Operating revenues:</b>				
Charges for sales and services	\$ 5,067,765	\$ 402,159	\$ 237,891	\$ 5,707,815
Other	2,919	2,888	-	5,807
<b>Total operating revenues</b>	<u>5,070,684</u>	<u>405,047</u>	<u>237,891</u>	<u>5,713,622</u>
<b>Operating expenses:</b>				
Cost of sales and services	1,537,163	390,937	121,921	2,050,021
Salaries and benefits	340,095	14,231	50,954	405,280
Depreciation	760,870	-	21,269	782,139
<b>Total operating expenses</b>	<u>2,638,128</u>	<u>405,168</u>	<u>194,144</u>	<u>3,237,440</u>
<b>Operating income (loss)</b>	<u>2,432,556</u>	<u>(121)</u>	<u>43,747</u>	<u>2,476,182</u>
<b>Non-operating revenues (expenses):</b>				
Interest revenue	1,164	-	-	1,164
Interest expense	(115,859)	-	(3,640)	(119,499)
<b>Total non-operating revenues (expenses)</b>	<u>(114,695)</u>	<u>-</u>	<u>(3,640)</u>	<u>(118,335)</u>
<b>Change in net position</b>	2,317,861	(121)	40,107	2,357,847
<b>Net position, beginning of year</b>	<u>10,000,016</u>	<u>163,891</u>	<u>503,806</u>	<u>10,667,713</u>
<b>Net position, end of year</b>	<u>\$ 12,317,877</u>	<u>\$ 163,770</u>	<u>\$ 543,913</u>	<u>\$ 13,025,560</u>

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

CITY OF LOCUST GROVE, GEORGIA  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Business-type activities</u>			<u>Total</u>
	<u>Water and sewer</u>	<u>Solid waste</u>	<u>Storm water management</u>	
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 3,914,716	\$ 397,565	\$ 237,891	\$ 4,550,172
Payments to suppliers	(1,558,724)	(386,222)	(116,815)	(2,061,761)
Payments to employees	(335,526)	(14,231)	(50,954)	(400,711)
Other receipts	2,919	2,888	-	5,807
<b>Net cash provided by operating activities</b>	<u>2,023,385</u>	<u>-</u>	<u>70,122</u>	<u>2,093,507</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(489,444)	-	(107,675)	(597,119)
Payments of bond principal	(565,000)	-	-	(565,000)
Proceeds from issuance of long-term debt	-	-	104,000	104,000
Principal payments of long-term debt	-	-	(42,969)	(42,969)
Interest paid	(118,646)	-	(3,640)	(122,286)
<b>Net cash used in capital and related financing activities</b>	<u>(1,173,090)</u>	<u>-</u>	<u>(50,284)</u>	<u>(1,223,374)</u>
<b>Cash flows from investing activities:</b>				
Interest received	1,164	-	-	1,164
<b>Net cash provided by (used in) investing activities</b>	<u>1,164</u>	<u>-</u>	<u>-</u>	<u>1,164</u>
<b>Net increase in cash and cash equivalents</b>	851,459	-	19,838	871,297
<b>Cash and cash equivalents, beginning of year</b>	<u>2,000,898</u>	<u>-</u>	<u>149,066</u>	<u>2,149,964</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,852,357</u>	<u>\$ -</u>	<u>\$ 168,904</u>	<u>\$ 3,021,261</u>

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

CITY OF LOCUST GROVE, GEORGIA  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Business-type activities			Total
	Water and sewer	Solid waste	Storm water management	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 2,432,556	\$ (121)	\$ 43,747	\$ 2,476,182
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>				
Depreciation expense	760,870	-	21,269	782,139
(Increase) decrease in assets:				
Accounts receivable	2,539	(4,594)	-	(2,055)
Due from other funds	(10,808)	3,245	(1,002)	(8,565)
Pension contributions	3,878	589	1,577	6,044
Pension experience	7,142	1,199	3,214	11,555
Pension investment returns	(3,014)	(343)	(930)	(4,287)
Increase (decrease) in liabilities:				
Accounts payable	(22,187)	-	-	(22,187)
Accrued absences	4,569	249	2,165	6,983
Customer deposits	86,048	-	-	86,048
Unearned revenue	(1,241,636)	-	-	(1,241,636)
Net pension liability	2,217	252	684	3,153
Pension investment return	(6,456)	(1,279)	(2,858)	(10,593)
Pension assumption changes	8,295	924	2,528	11,747
Pension assumption	(628)	(121)	(272)	(1,021)
<b>Net cash provided by operating activities</b>	<b>\$ 2,023,385</b>	<b>\$ -</b>	<b>\$ 70,122</b>	<b>\$ 2,093,507</b>
<b>Cash and cash equivalents reconciliation:</b>				
Cash and cash equivalents	\$ 2,331,566	\$ -	\$ 168,904	\$ 2,500,470
Restricted assets				
Cash and cash equivalents	520,791	-	-	520,791
<b>Total cash and cash equivalents</b>	<b>\$ 2,852,357</b>	<b>\$ -</b>	<b>\$ 168,904</b>	<b>\$ 3,021,261</b>

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. Summary of Significant Accounting Policies**

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

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

**Description of Government-wide Financial Statements**

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

**Basis of Presentation, Government-wide Financial Statements**

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

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

**Basis of Presentation, Fund Financial Statements**

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

The City reports the following major governmental fund:

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

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



**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. Summary of Significant Accounting Policies (Continued)**

The City reports the following major proprietary fund:

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

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

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

Additionally, the City reports the following fund types:

**Governmental Fund Types**

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. Summary of Significant Accounting Policies (Continued)**

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.

**Revenues and Expenditures/Expenses**

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

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

**Budgets and Budgetary Accounting**

Formal budgetary accounting is employed as a management control for the General Fund, Special Revenue Funds, and Enterprise Funds. The Capital Projects Fund is budgeted by the City Council when capital projects are approved. Annual operating budgets are adopted each fiscal year through approval by the Council. Before the end of each year, the City Manager submits a proposed budget for the upcoming year to the City Council for their review. Prior to adoption, a public hearing is held to receive comment from the citizenry on the proposed budget. This hearing

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. Summary of Significant Accounting Policies (Continued)**

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 31<sup>st</sup> for the following year.

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

The legal level of budgetary control is the departmental level. Any increases in total appropriations of a department require approval and amendment of the budget by the City Council. Except as indicated on the major fund budgetary comparison statement, budget amounts included in this report are as amended as of December 31, 2018.

**Cash and Investments**

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

**Intergovernmental Receivables**

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

**Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items. The cost of the prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the year ended December 31, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Prior to January 1, 2007, neither their historical

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. Summary of Significant Accounting Policies (Continued)**

costs nor related depreciation had been reported in the financial statements. For entities the size of the City, retroactive reporting of infrastructure assets was not required.

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

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

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

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

**Deferred Outflows/Inflows of Resources**

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

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. Summary of Significant Accounting Policies (Continued)**

**Net Position Flow Assumption**

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

**Fund Balance Flow Assumption**

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

**Restricted Assets and Restricted Net Position**

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

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

**Fund Balances – Governmental Funds**

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

**Non-spendable** – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as non-spendable at December 31, 2018, by the City are non-spendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. Summary of Significant Accounting Policies (Continued)**

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

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

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

**Compensated Absences**

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

**Long-Term Obligations**

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

**Capital Contributions**

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

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**2. Deposits**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At December 31, 2018, the City had no uninsured, uncollateralized deposits.

**Interest Rate Risk**

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

**Credit Risk**

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

**Concentration of Credit Risk**

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

**Foreign currency risk**

The City has no investments denominated in a foreign currency.

**3. Accounts Receivable**

Net accounts receivable at December 31, 2018 consist of the following:

**Major funds:**

Water/sewer utility	\$	411,349
Less: allowance for uncollectible receivables		197,407
Solid waste fund		44,893
Less: allowance for uncollectible receivables		10,000

**Other funds:**

Stormwater		16,059
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<b>Accounts receivable, net</b>	<b>\$</b>	<b>264,894</b>
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**4. Taxes Receivable**

Taxes receivable at December 31, 2018 are as follows:

Franchisee taxes	\$	333,471
Other taxes		120,466
<b>Total taxes receivable</b>	<b>\$</b>	<b>453,937</b>

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**5. Interfund Receivables, Payables, and Transfers**

The City records interfund transactions primarily when pooled cash balances in the general fund are used to pay expenditures of other major funds. A summary of interfund receivables and payables as of December 31, 2018, is as follows:

**Due from the general fund to major funds:**

Water and sewer	\$	163,315
Stormwater management		314,873
Solid waste		147,745
Nonmajor government		<u>1,941</u>
<b>Total due from general fund</b>	<b>\$</b>	<b><u>627,874</u></b>

**6. Capital Assets**

Capital asset activity for the primary government for the year ended December 31, 2018 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
<b>Governmental activities:</b>				
<b>Non-depreciable assets:</b>				
Land	\$ 2,693,064	\$ -	\$ -	\$ 2,693,064
<b>Total non-depreciable assets</b>	<u>2,693,064</u>	<u>-</u>	<u>-</u>	<u>2,693,064</u>
<b>Depreciable assets:</b>				
Buildings and improvements	8,196,421	48,548	-	8,244,966
Other improvements	1,707,241	381,483	-	2,088,724
Infrastructure	2,180,273	67,684	-	2,247,957
Machinery and equipment	1,614,677	63,436	-	1,678,113
Vehicles	1,088,498	181,355	(24,995)	1,244,858
Furniture and fixtures	<u>581,463</u>	<u>-</u>	<u>-</u>	<u>581,463</u>
<b>Total depreciable assets</b>	<u>15,368,573</u>	<u>742,506</u>	<u>(24,995)</u>	<u>16,086,081</u>
<b>Accumulated depreciation:</b>				
Buildings and improvements	743,111	213,325	-	956,436
Other improvements	456,183	64,893	-	521,076
Infrastructure	213,558	54,929	-	268,487
Machinery and equipment	1,235,629	51,915	-	1,287,544
Vehicles	930,605	100,192	(15,969)	1,014,828
Furniture and fixtures	<u>130,399</u>	<u>57,719</u>	<u>-</u>	<u>188,118</u>
<b>Total accumulated depreciation</b>	<u>3,709,485</u>	<u>542,973</u>	<u>(15,969)</u>	<u>4,236,489</u>
<b>Total depreciable assets, net</b>	<u>11,659,088</u>	<u>199,531</u>	<u>(9,026)</u>	<u>11,849,592</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 14,352,152</u>	<u>\$ 199,531</u>	<u>\$ (9,026)</u>	<u>\$ 14,542,656</u>



**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**6. Capital Assets (Continued)**

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
<b>Business-type activities:</b>				
<b>Non-depreciable assets:</b>				
Land	\$ 1,423,964	\$ -	\$ -	\$ 1,423,964
<b>Total non-depreciable assets</b>	<u>1,423,964</u>	<u>-</u>	<u>-</u>	<u>1,423,964</u>
<b>Depreciable assets:</b>				
Buildings and improvements	226,260	-	-	226,260
Other improvements	14,355,167	29,738	-	14,384,905
Machinery and equipment	1,108,270	567,381	-	1,675,651
Vehicles	187,460	-	-	187,460
Water tank	1,698,913	-	-	1,698,913
Sewer treatment plant	<u>7,623,294</u>	<u>-</u>	<u>-</u>	<u>7,623,294</u>
<b>Total depreciable assets</b>	<u>25,199,366</u>	<u>597,119</u>	<u>-</u>	<u>25,796,483</u>
<b>Accumulated depreciation:</b>				
Buildings and improvements	98,508	5,657	-	104,165
Other improvements	4,367,463	477,487	-	4,844,949
Machinery and equipment	974,522	57,961	-	1,032,483
Vehicles	174,826	7,980	-	182,806
Water tank	663,289	42,473	-	705,762
Sewer treatment plant	<u>2,512,955</u>	<u>190,582</u>	<u>-</u>	<u>2,703,537</u>
<b>Total accumulated depreciation</b>	<u>8,791,563</u>	<u>782,139</u>	<u>-</u>	<u>9,573,702</u>
<b>Total depreciable assets, net</b>	<u>16,407,803</u>	<u>(185,020)</u>	<u>-</u>	<u>16,222,781</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 17,831,765</u>	<u>\$ (185,020)</u>	<u>\$ -</u>	<u>\$ 17,646,745</u>

Depreciation expense for the year ended December 31, 2018 was charged to functions/programs as follows:

**Primary Government**

**Governmental activities:**

General government	\$ 215,403
Public safety	232,806
Highways and streets	59,537
Parks and recreation	24,797
Community development	<u>10,430</u>
 Total depreciation expense for governmental activities	 <u>\$ 542,973</u>

**Business-type activities**

Water/sewer	\$ 760,870
Stormwater	<u>21,269</u>
 Total business-type activities	 <u>\$ 782,139</u>

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**7. Capital Lease Agreement**

In 2014, the City entered into a capital lease for an earth moving machine. The terms of the agreement meet the criteria of a capital lease as defined by GASB Statement No. 62, paragraph 212, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. At December 31, 2018 the balance of this lease was \$24,321.

Total assets leased under capital leases are \$114,359 for governmental activities, consisting of:

Cost	\$	114,359
Less: accumulated depreciation		77,827
<b>Total</b>	<b>\$</b>	<b>36,532</b>

Amortization of leased equipment under capital assets is included with depreciation expense.

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments as of December 31, 2018:

Total minimum lease payments due in 2019	\$	25,091
Less: amounts representing interest		770
<b>Present value of minimum lease payments</b>	<b>\$</b>	<b>24,321</b>

The City's lease agreements are relatively minor commitments (generally for office machines) and are in compliance with state law.

**8. Long-Term Debt**

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

**Revenue Bonds**

Revenue bonds have been issued for business-type activities and are comprised of the following individual issues at December 31, 2018:

On May 10, 2016, the City issued \$6,785,000 in Water and Sewerage Refunding Revenue Bonds, Series 2016, with an interest rate of 2%. The \$6,785,000 revenue bonds are due in semi-annual installments through April 1, 2029; interest at 2.00% (\$5,645,000 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.

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**8. Long-Term Debt (Continued)**

The Revenue Bond is being reported as Notes payable in the financial statements. Annual debt service requirements to maturity for revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2019	\$ 585,000	\$ 107,050	\$ 692,050
December 31, 2020	595,000	95,250	690,250
December 31, 2021	610,000	83,200	693,200
December 31, 2022	595,000	71,150	666,150
December 31, 2023	595,000	59,250	654,250
December 31, 2024	605,000	47,250	652,250
December 31, 2025	575,000	35,450	610,450
December 31, 2026	590,000	23,800	613,800
December 31, 2027	405,000	13,850	418,850
December 31, 2028	<u>490,000</u>	<u>7,700</u>	<u>497,700</u>
<b>Total</b>	<b><u>\$ 5,645,000</u></b>	<b><u>\$ 543,950</u></b>	<b><u>\$ 6,188,950</u></b>

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 \$84,606 at December 31, 2018, bears interest at 3.445%, requires annual payments of \$23,034, and matures on September 1, 2022.

During the year ended December 31, 2017, the City entered into a \$235,695 note payable with a financial institution to purchase equipment. The note has a balance of \$79,157 at December 31, 2018, bears interest at 3.532%, requires annual payments of \$81,953, and matures on December 31, 2019.

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2018:

	<u>Balance</u> <u>1/1/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Due</u> <u>within</u> <u>one year</u>
<b>Governmental activities:</b>					
Accrued absences	\$ 345,723	\$ 363,841	\$ (345,723)	\$ 363,841	\$ 363,841
Note payable to bank	<u>155,613</u>	<u>-</u>	<u>(76,456)</u>	<u>79,157</u>	<u>79,157</u>
<b>Total governmental activities</b>	<b><u>\$ 501,336</u></b>	<b><u>\$ 363,841</u></b>	<b><u>\$ (422,179)</u></b>	<b><u>\$ 442,998</u></b>	<b><u>\$ 442,998</u></b>
<b>Business-type activities:</b>					
Accrued absences	\$ 22,779	\$ 29,762	\$ (22,779)	\$ 29,762	\$ 29,762
Capital lease	47,896	-	(23,575)	24,321	24,321
Revenue bonds	6,210,000	-	(565,000)	5,645,000	585,000
Note payable to bank	<u>-</u>	<u>104,000</u>	<u>(19,394)</u>	<u>84,606</u>	<u>20,073</u>
<b>Total business-type activities</b>	<b><u>\$ 6,280,675</u></b>	<b><u>\$ 133,762</u></b>	<b><u>\$ (630,748)</u></b>	<b><u>\$ 5,783,689</u></b>	<b><u>\$ 659,156</u></b>
<b>Total long-term debt</b>	<b><u>\$ 6,782,011</u></b>	<b><u>\$ 497,603</u></b>	<b><u>\$ (1,052,927)</u></b>	<b><u>\$ 6,226,687</u></b>	<b><u>\$ 1,102,154</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**8. Long-Term Debt (Continued)**

Total interest expense for business-type activities was \$115,859 for the year ended December 31, 2018. Interest expense related to governmental activities was \$5,497 for the year ended December 31, 2018.

**9. Defined Benefit Pension Plan**

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

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

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

At March 31, 2018, the date of the most recent actuarial valuation, there were 89 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	18
Terminated vested participants entitled to but not yet receiving benefits	22
Active participants	<u>53</u>
<b>Total number of participants</b>	<u><u>93</u></u>

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

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**9. Defined Benefit Pension Plan (Continued)**

*Contributions.* Employees make no contributions to the plan. The City is required to contribute the remaining amounts necessary to fund the plan in compliance with the minimum funding standards of the Public Retirement Systems Standards Law. This funding policy, as specified by ordinance, has been the same since the inception of the plan. The City's actuarially determined contribution rate for the year period ending December 31, 2018 was \$167,323 or 7.33% of covered employee payroll.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* At December 31, 2018, the City reported a net pension liability of \$829,298. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. For the fiscal year ended December 31, 2018, the City recognized pension expense of \$185,691.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 151,424	\$ (91,560)
Changes in assumptions	31,976	(7,700)
Net difference between projected and actual earnings on pension plan investments	-	(93,614)
Pension contributions subsequent to measurement date	<u>45,019</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 228,419</u></b>	<b><u>\$ (192,874)</u></b>

The \$45,019 of deferred outflows of resources resulting from the City's prior year contributions during the measurement period will be recognized as a reduction of the net position liability in the fiscal year ending December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

December 31, 2019	\$ 4,866	
December 31, 2020	11,617	
December 31, 2021	(17,689)	
December 31, 2022	(26,410)	
December 31, 2023	<u>18,142</u>	
<b>Total</b>	<b><u>\$ (9,474)</u></b>	

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**9. Defined Benefit Pension Plan (Continued)**

*Actuarial Assumptions.* The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates. The mortality and economic actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through June 30, 2014.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2018 are summarized in the following table:

<b>Asset class:</b>	<b><u>Target allocation</u></b>	<b><u>Expected real rate of return</u></b>
Domestic equity	45%	6.71%
International equity	20%	7.71%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Real estate	10%	5.21%
Cash	<u>0%</u>	
<b>Total</b>	<u><u>100%</u></u>	

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

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**9. Defined Benefit Pension Plans (Continued)**

*Changes in Net Pension Liability (Asset)*

	<u>(a) Total pension liability (asset)</u>	<u>(b) Plan fiduciary net position</u>	<u>(a) – (b) Net pension liability (asset)</u>
<b>Balance, March 31, 2017</b>	\$ 3,103,037	\$ 2,297,262	\$ 805,775
Changes for the year:			
Service cost	114,007	-	114,007
Interest	236,950	-	236,950
Differences between expected and actual experience	70,462	-	70,462
Contributions - employer	-	157,840	(157,840)
Net investment income	-	288,521	(288,521)
Benefit payments, including refunds of employee contributions	(91,224)	(91,224)	-
Other	38,371	-	38,371
Administrative expenses	-	(10,094)	10,094
<b>Net changes</b>	<u>368,566</u>	<u>345,043</u>	<u>23,523</u>
<b>Balance, March 31, 2018</b>	<u>\$ 3,471,603</u>	<u>\$ 2,642,303</u>	<u>\$ 829,298</u>

Plan's Fiduciary net position as a percentage of the total pension liability	76.11%
Covered-employee payroll	\$2,143,962
Net Pension liability as a percentage of covered-employee payroll	38.68%

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

	<u>Discount rate</u>	<u>Net pension asset (liability)</u>
1% decrease	6.50%	\$ 1,409,508
Current discount rate	7.50%	\$ 829,298
1% increase	8.50%	\$ 353,764

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

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**10. Deferred Compensation Plan/Defined Contribution Plan**

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457 (The City of Locust Grove Deferred Compensation Plan, the "Plan"). The Plan is administered by the Securian Retirement Services. Investments are managed by the Plan trustee under one of three investment options, or a combination thereof, as selected by the participant. The Plan, which is available to all employees, permits them to defer a portion of their salary until future years. Participation in the Plan is elective and is not mandatory.

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

During the year ended December 31, 2018, employees contributed \$68,890 to the plan. Contributions by the City for matching contributions were \$25,808. Total eligible salaries for the year ended December 31, 2018 were \$938,054.

**11. Hotel/Motel Lodging Tax**

The City has levied an 8% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51(5.2). The City is required to spend, of the total taxes collected, an amount equal to at least 33 1/3% for the purpose of promoting tourism, conventions, and trade shows, 16 2/3% for the purpose of marketing or operating a community auditorium or theater, and 33 1/3% for general recreation purposes. A summary of the transactions for the year ended December 31, 2018 is as follows:

Lodging tax receipts	<u>\$ 447,128</u>
Disbursements to promote tourism, conventions, and trade shows, operation of community theater, and general recreation purposes	<u>\$ 376,108</u> 84% of tax receipts

**12. Unearned Revenue**

In a prior period the City received water and sewer impact fees from a private developer in the amount of \$5,600,000. As a result of the payment, the developer owned credits to be applied to future water and sewer connections for subsequent development projects. The developer subsequently transferred the fee credits to a bank as a part of a settlement agreement. As of December 31, 2018, the bank held \$2,062,397 in impact credits toward future water and sewer connections in the City. During the year ending December 31, 2018, the City recognized \$1,241,636 in water and sewer impact fees related the fee credits claimed from the bank.



**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**13. Joint Ventures**

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

Separate financial statements may be obtained from:

Atlanta Regional Commission  
229 Peachtree Street, #100  
Atlanta, Georgia 30303

**14. Risk Management**

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

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

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool’s agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also obligated to allow the pool’s agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker’s compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At December 31, 2018 the City has no losses that are probable or estimable and accordingly has not recognized any liability.

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**15. Commitments and Contingencies**

**Commitments**

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

**Contingencies**

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

## ***Required Supplemental Information***

**CITY OF LOCUST GROVE, GEORGIA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST TEN FISCAL YEARS**  
**DECEMBER 31, 2018**  
*(Unaudited)*

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

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

**CITY OF LOCUST GROVE, GEORGIA**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
*(Unaudited)*

	<u>Fiscal year end</u>	<u>Fiscal year end</u>	<u>Fiscal year end</u>	<u>Fiscal year end</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 167,323	\$ 159,400	\$ 135,583	\$ 107,899
Contributions in relation to the actuarially determined contribution	<u>\$ (167,323)</u>	<u>(159,400)</u>	<u>(135,583)</u>	<u>(107,899)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,173,333	\$ 2,173,333	\$ 2,278,667	\$ 2,152,833
Contributions as a percentage of covered-employee payroll	7.70%	7.33%	5.95%	5.01%

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2018**

**1. Valuation Date**

The actuarially determined contribution rate was determined as of July 1, 2018, 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, 2018.

**2. Methods and Assumptions Used to Determine Contribution Rates**

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

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

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

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

*Projected salary increases:*

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

\*Note the above rates include inflation of 2.75%.

*Retirement age for inactive vested participants:* 65

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2018**

*Mortality:*

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

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

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

**3. Changes in benefits**

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

**4. Changes in methods and assumptions**

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

## ***Supplemental Information***



**CITY OF LOCUST GROVE, GEORGIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	<u>Special revenue</u>		<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
	<u>Confiscated assets fund</u>	<u>Hotel motel fund</u>	<u>Development impact fund</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 158	\$ 450,381	\$ 792,158	\$ 1,242,697
Receivables:				
Taxes	-	76,718	-	76,718
Due from other funds		1,941		1,941
Prepaid items	-	80	-	80
<b>Total assets</b>	<u>\$ 158</u>	<u>\$ 529,120</u>	<u>\$ 792,158</u>	<u>\$ 1,321,436</u>
<b>FUND BALANCES</b>				
Nonspendable prepaid items	\$ -	\$ 80	\$ -	\$ 80
Assigned for tourism	-	167,673	-	167,673
Restricted for:				
Capital projects	-	-	792,158	792,158
Public safety	158	-	-	158
Tourism	-	361,367	-	361,367
<b>Total fund balances</b>	<u>158</u>	<u>529,120</u>	<u>792,158</u>	<u>1,321,436</u>
<b>Total liabilities and fund balances</b>	<u>\$ 158</u>	<u>\$ 529,120</u>	<u>\$ 792,158</u>	<u>\$ 1,321,436</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, 2018**

	<u>Special revenue</u>		<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
	<u>Confiscated assets fund</u>	<u>Hotel motel fund</u>	<u>Development impact fund</u>	
<b>Revenues:</b>				
Taxes	\$ -	\$ 447,128	\$ -	\$ 447,128
Charges for services	-	-	568,903	568,903
Interest	-	74	432	506
<b>Total revenues</b>	<u>-</u>	<u>447,202</u>	<u>569,335</u>	<u>1,016,537</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Housing and development	-	376,108	-	376,108
Capital expenditures	-	-	215,383	215,383
<b>Total expenditures</b>	<u>-</u>	<u>376,108</u>	<u>215,383</u>	<u>591,491</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	71,094	353,952	425,046
<b>Fund balances, beginning of year</b>	<u>158</u>	<u>458,026</u>	<u>438,206</u>	<u>896,390</u>
<b>Fund balance, end of year</b>	<u>\$ 158</u>	<u>\$ 529,120</u>	<u>\$ 792,158</u>	<u>\$ 1,321,436</u>

**CITY OF LOCUST GROVE, GEORGIA  
GENERAL FUND  
BALANCE SHEET  
DECEMBER 31, 2018**

**ASSETS**

Cash and cash equivalents	\$ 4,222,537
Receivables, net:	
Taxes	377,219
Fines	<u>83,392</u>
<b>Total assets</b>	<b><u><u>\$ 4,683,148</u></u></b>

**LIABILITIES**

Accounts payable	\$ 162,492
Due to other funds	703,175
Other liabilities	<u>4,644</u>
<b>Total liabilities</b>	<b><u>870,311</u></b>

**FUND BALANCES**

Committed for cemetery	28,738
Unassigned	<u>3,784,099</u>
<b>Total fund balances</b>	<b><u>3,812,837</u></b>
<b>Total liabilities and fund balances</b>	<b><u><u>\$ 4,683,148</u></u></b>

**CITY OF LOCUST GROVE, GEORGIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**REVENUES**

Taxes	\$ 3,585,119
Licenses and permits	763,374
Fines, fees and forfeitures	671,340
Charges for services	92,849
Intergovernmental	90,619
Interest	7,126
Other	<u>179,766</u>
<b>Total revenues</b>	<u>5,390,193</u>

**EXPENDITURES**

**Current:**

General government	570,782
Judicial	317,869
Public safety	2,296,845
Public works	874,059
Parks and recreation	29,273
Community development	<u>542,317</u>
<b>Total expenditures</b>	<u>4,631,145</u>

**Net change in fund balance** 759,048

**Fund balances, beginning of year** 3,053,789

**Fund balances, end of year** \$ 3,812,837

**CITY OF LOCUST GROVE, GEORGIA  
CONFISCATED ASSETS SPECIAL REVENUE FUND  
BALANCE SHEET  
DECEMBER 31, 2018**

**ASSETS**

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

**FUND BALANCES**

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

**CITY OF LOCUST GROVE, GEORGIA  
CONFISCATED ASSETS SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**CITY OF LOCUST GROVE, GEORGIA  
HOTEL/MOTEL TAX SPECIAL REVENUE FUND  
BALANCE SHEET  
DECEMBER 31, 2018**

**ASSETS**

Cash and cash equivalents	\$	450,381
Receivables:		
Taxes		76,718
Due from other funds		1,941
Prepaid items		80
		80
<b>Total assets</b>	<b>\$</b>	<b>529,120</b>
		<b>529,120</b>

**FUND BALANCES**

Nonspendable for prepaid items	\$	80
Assigned for tourism		167,673
Restricted for:		
Tourism		361,367
		361,367
<b>Total fund balances</b>		<b>529,120</b>
		<b>529,120</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>529,120</b>
		<b>529,120</b>

**CITY OF LOCUST GROVE, GEORGIA  
HOTEL/MOTEL TAX SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Revenues:</b>	
Taxes	\$ 447,128
Interest	<u>74</u>
<b>Total revenues</b>	<u>447,202</u>
<b>Expenditures:</b>	
<b>Current:</b>	
Housing and development	<u>376,108</u>
<b>Total expenditures</b>	<u>376,108</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	71,094
<b>Fund balances, beginning of year</b>	<u>458,026</u>
<b>Fund balance, end of year</b>	<u><u>\$ 529,120</u></u>



**CITY OF LOCUST GROVE, GEORGIA**  
**DEVELOPMENTAL IMPACT CAPITAL PROJECTS FUND**  
**BALANCE SHEET**  
**DECEMBER 31, 2018**

**ASSETS**

Cash and cash equivalents	<u>\$ 792,158</u>
<b>Total assets</b>	<u><u>\$ 792,158</u></u>

**FUND BALANCES**

Restricted for:	
Capital projects	<u>\$ 792,158</u>
<b>Total fund balances</b>	<u><u>\$ 792,158</u></u>

**CITY OF LOCUST GROVE, GEORGIA**  
**DEVELOPMENTAL IMPACT CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Revenues:</b>	
Charges for services	\$ 568,903
Interest	<u>432</u>
<b>Total revenues</b>	<u>569,335</u>
<b>Expenditures:</b>	
Capital expenditures	<u>215,383</u>
<b>Total expenditures</b>	<u>215,383</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	353,952
<b>Fund balances, beginning of year</b>	<u>438,206</u>
<b>Fund balance, end of year</b>	<u><u>\$ 792,158</u></u>

**CITY OF LOCUST GROVE, GEORGIA**  
**SPECIAL PURPOSE LOCAL OPTION SALES TAX CAPITAL PROJECTS FUND**  
**BALANCE SHEET**  
**DECEMBER 31, 2018**

**ASSETS**

Cash and cash equivalents \$ 931,018

**Total assets** \$ 931,018

**FUND BALANCES:**

Restricted for:

Capital projects \$ 931,018

**Total fund balances** 931,018

**Total liabilities and fund balances** \$ 931,018

**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, 2018**

<b>Revenues:</b>	
Intergovernmental	\$ 820,173
Interest	25,091
	<hr/>
<b>Total revenues</b>	<b>845,264</b>
	<hr/>
<b>Expenditures:</b>	
Capital outlay	621,445
	<hr/>
<b>Total expenditures</b>	<b>621,445</b>
	<hr/>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>223,819</b>
	<hr/>
<b>Fund balances, beginning of year</b>	<b>707,199</b>
	<hr/>
<b>Fund balances, end of year</b>	<b>\$ 931,018</b>
	<hr/> <hr/>

**CITY OF LOCUST GROVE, GEORGIA  
WATER AND SEWER ENTERPRISE FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$ 2,331,566
Restricted assets:	
Cash and cash equivalents	520,791
Accounts receivable, net	213,942
Due from other funds	163,315
Total current assets	3,229,614

**Noncurrent assets:**

Capital assets	
Non-depreciable	1,423,964
Depreciable, net	16,012,905
Total noncurrent assets	17,436,869

**Total assets**

20,666,483

**Deferred outflow of resources:**

Pension contributions subsequent to measurement date	4,243
Pension experience differences	14,273
Pension assumption changes	3,014
Total deferred outflows of resources	21,530

**LIABILITIES**

**Current liabilities:**

Accounts payable	218
Accrued absences	19,904
Liabilities payable from restricted assets:	
Notes payable	585,000
Customer deposits	457,244
Interest payable	27,838
Total current liabilities	1,090,204

**Noncurrent liabilities:**

Net pension liability	139,349
Unearned revenue	2,062,397
Notes payable	5,060,000
Total noncurrent liabilities	7,261,746

**Total liabilities**

8,351,950

**CITY OF LOCUST GROVE, GEORGIA  
WATER AND SEWER ENTERPRISE FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

<b>Deferred inflow of resources:</b>	
Pension experience changes	\$ 8,633
Pension investment return differences	8,827
Pension assumption changes	<u>726</u>
<b>Total deferred inflows of resources</b>	<u>18,186</u>
<b>Net position:</b>	
Net investment in capital assets	11,791,869
Restricted for debt service	520,791
Unrestricted	<u>5,217</u>
<b>Total net position</b>	<u><u>\$ 12,317,877</u></u>

**CITY OF LOCUST GROVE, GEORGIA**  
**WATER AND SEWER ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Operating revenues:</b>	
Charges for sales and services	\$ 5,067,765
Other	<u>2,919</u>
<b>Total operating revenues</b>	<u>5,070,684</u>
<b>Operating expenses:</b>	
Cost of sales and services	1,537,163
Salaries and benefits	340,095
Depreciation	<u>760,870</u>
<b>Total operating expenses</b>	<u>2,638,128</u>
<b>Operating income</b>	<u>2,432,556</u>
<b>Non-operating revenues (expenses):</b>	
Interest revenue	1,164
Interest expense	<u>(115,859)</u>
<b>Total non-operating revenues (expenses)</b>	<u>(114,695)</u>
<b>Change in net position</b>	2,317,861
<b>Net position, beginning of year</b>	<u>10,000,016</u>
<b>Net position, end of year</b>	<u><u>\$ 12,317,877</u></u>

**CITY OF LOCUST GROVE, GEORGIA  
WATER AND SEWER ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 3,914,716
Payment to suppliers	(1,558,724)
Payments to employees	(335,526)
Other receipts	<u>2,919</u>
<b>Net cash provided by operating activities</b>	<u>2,023,385</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(489,444)
Payments of bond principal	(565,000)
Interest paid	<u>(118,646)</u>
<b>Net cash used in capital and related financing</b>	<u>(1,173,090)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>1,164</u>
<b>Net cash provided by investing activities</b>	<u>1,164</u>
<b>Net increase in cash and cash equivalents</b>	851,459
<b>Cash and cash equivalents, beginning of year</b>	<u>2,000,898</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 2,852,357</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 2,432,556
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation expense	760,870
(Increase) decrease in assets:	
Accounts receivable	2,539
Due to other funds	(10,808)
Pension contributions	3,878
Pension experience	7,142
Pension investment returns	(3,014)
Increase (decrease) in liabilities:	
Accounts payable	(22,187)
Accrued absences	4,569
Customer deposits	86,048
Unearned revenue	(1,241,636)
Net pension liability	2,217
Pension experience changes	(6,456)
Pension investment return differences	8,295
Pension assumption changes	<u>(628)</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 2,023,385</u></u>



**CITY OF LOCUST GROVE, GEORGIA**  
**SOLID WASTE MANAGEMENT ENTERPRISE FUND**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

**ASSETS**

**Current assets:**

Accounts receivable, net	\$	34,893
Due from other funds		<u>147,745</u>
 Total current assets		 <u>182,638</u>
 <b>Total assets</b>		 <b><u>182,638</u></b>

**Deferred outflow of resources:**

Pension contributions subsequent to measurement date		482
Pension experience differences		1,623
Pension assumption changes		<u>343</u>
 Total deferred outflows of resources		 <u>2,448</u>

**LIABILITIES**

**Current liabilities:**

Accrued absences		<u>249</u>
 Total current liabilities		 <u>249</u>

**Noncurrent liabilities:**

Net pension liability		<u>18,999</u>
 Total noncurrent liabilities		 <u>18,999</u>
 Total liabilities		 <u>19,248</u>

**Deferred inflow of resources:**

Pension experience changes		982
Pension investment return differences		1,004
Pension assumption changes		<u>82</u>
 Total deferred inflows of resources		 <u>2,068</u>

**Net position:**

Unrestricted		<u>163,770</u>
 Total net position		 <b><u><u>\$ 163,770</u></u></b>

**CITY OF LOCUST GROVE, GEORGIA**  
**SOLID WASTE MANAGEMENT ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Operating revenues:</b>	
Charges for sales and services	\$ 402,159
Other	2,888
	<hr/>
<b>Total operating revenues</b>	<b>405,047</b>
	<hr/>
<b>Operating expenses:</b>	
Cost of sales and services	390,937
Salaries and benefits	14,231
	<hr/>
<b>Total operating expenses</b>	<b>405,168</b>
	<hr/>
<b>Change in net position</b>	<b>(121)</b>
<b>Net position, beginning of year</b>	<b>163,891</b>
	<hr/>
<b>Net position, end of year</b>	<b>\$ 163,770</b>
	<hr/> <hr/>

**CITY OF LOCUST GROVE, GEORGIA  
SOLID WASTE MANAGEMENT ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 397,565
Payment to suppliers	(386,222)
Payments to employees	(14,231)
Other receipts	2,888
	<hr/>
<b>Net cash used in operating activities</b>	<b>-</b>
	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>
	<hr/>
<b>Cash and cash equivalents, beginning of year</b>	<b>-</b>
	<hr/>
<b>Cash and cash equivalents, end of year</b>	<b>\$ -</b>
	<hr/> <hr/>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ (121)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>	
(Increase) decrease in assets:	
Accounts receivable	(4,594)
Due to other funds	3,245
Pension contributions	589
Pension experience	1,199
Pension investment returns	(343)
Increase (decrease) in liabilities:	
Accrued absences	249
Net pension liability	252
Pension experience changes	(1,279)
Pension investment return differences	924
Pension assumption changes	(121)
	<hr/>
<b>Net cash used in operating activities</b>	<b>\$ -</b>
	<hr/> <hr/>

**CITY OF LOCUST GROVE, GEORGIA**  
**STORMWATER MANAGEMENT ENTERPRISE FUND**  
**STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$ 168,904
Accounts receivable, net	16,059
Due from other funds	314,873
	499,836
Total current assets	499,836

**Noncurrent assets:**

Depreciable, net	209,876
	209,876
Total noncurrent assets	209,876

**Total assets**

709,712

**Deferred outflow of resources:**

Pension contributions subsequent to measurement date	1,309
Pension experience differences	4,403
Pension assumption changes	930
	6,642
Total deferred outflows of resources	6,642

**LIABILITIES**

**Current liabilities:**

Capital lease payable	24,321
Accrued absences	9,609
Notes payable	20,073
	54,003
Total current liabilities	54,003

**Noncurrent liabilities:**

Net pension liability	48,295
Notes payable	64,533
	112,828
Total noncurrent liabilities	112,828

**Total liabilities**

166,831

**Deferred inflow of resources:**

Pension experience changes	2,663
Pension investment return differences	2,723
Pension assumption changes	224
	5,610
Total deferred inflows of resources	5,610

**Net position:**

Net investment in capital assets	185,555
Unrestricted	358,358
	543,913
Total net position	\$ 543,913

**CITY OF LOCUST GROVE, GEORGIA**  
**STORMWATER MANAGEMENT ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Operating revenues:</b>	
Charges for sales and services	<u>\$ 237,891</u>
<b>Total operating revenues</b>	<u>237,891</u>
<b>Operating expenses:</b>	
Cost of sales and services	121,921
Salaries and benefits	50,954
Depreciation expense	<u>21,269</u>
<b>Total operating expenses</b>	<u>194,144</u>
<b>Operating income</b>	<u>43,747</u>
<b>Non-operating expenses:</b>	
Interest expense	<u>(3,640)</u>
<b>Total non-operating expenses</b>	<u>(3,640)</u>
<b>Change in net position</b>	40,107
<b>Net position, beginning of year</b>	<u>503,806</u>
<b>Net position, end of year</b>	<u><u>\$ 543,913</u></u>

**CITY OF LOCUST GROVE, GEORGIA**  
**STORMWATER MANAGEMENT ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 237,891
Payment to suppliers	(116,815)
Payments to employees	(50,954)
	<u>70,122</u>
<b>Net cash provided by operating activities</b>	
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(107,675)
Interest paid	(3,640)
Proceeds from issuance of long-term debt	104,000
Principal payments of long-term debt	(42,969)
	<u>(50,284)</u>
<b>Net cash used in capital and related financing activities</b>	
<b>Net increase in cash and cash equivalents</b>	19,838
<b>Cash and cash equivalents, beginning of year</b>	<u>149,066</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 168,904</u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 43,747
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation expense	21,269
(Increase) decrease in assets:	
Due from other funds	(1,002)
Pension contributions	1,577
Pension experience	3,214
Pension investment returns	(930)
Increase (decrease) in liabilities:	
Accrued absences	2,165
Net pension liability	684
Pension experience differences	(2,858)
Pension investment return differences	2,528
Pension assumption changes	(272)
	<u>70,122</u>
<b>Net cash provided by operating activities</b>	<u>\$ 70,122</u>

## ***Other Reporting Sections***



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Locust Grove, Georgia (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Locust Grove's basic financial statements and have issued our report thereon dated July 30, 2019.

***Internal Control over Financial Reporting***

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

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

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

**Comment 2018-001**

Condition: The City lacks sufficient controls and procedures regarding year-end close to ensure timely and accurate financial reporting. There were 29 journal entries posted to the general ledger after the final trial balance was received from management.

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



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

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

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

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

#### **Comment 2018-002**

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

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

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

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

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

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

#### ***City of Locust Grove, Georgia's Response to Findings***

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

A handwritten signature in blue ink that reads 'W. Hale Han J. Tomasello, P.C.'.

July 30, 2019

**CITY OF LOCUST GROVE, GEORGIA**  
**SPECIAL PURPOSE LOCAL OPTION SALES TAX REPORT**  
**DECEMBER 31, 2018**

Project	Estimated cost		Expenditures		
	Original	Current	Prior years	Current year	Total
<b>SPLOST 2014 Issue</b>					
Roads, bridges, sidewalks and transportation facilities	\$ 1,550,000	\$ 1,550,000	\$ -	\$ 621,445	\$ 621,445
Public safety facilities and equipment	2,750,000	2,750,000	2,905,489	-	2,905,489
Construction and renovation of municipal buildings	525,000	525,000	525,000	-	525,000
Parks and recreation facilities	275,000	275,000	-	-	-
Stormwater	200,000	200,000	-	-	-
<b>SPLOST 2008 Issue</b>					
Roads, bridges, sidewalks and transportation facilities	2,900,000	2,900,000	1,047,623	-	1,047,623
Public safety facilities and equipment	2,000,000	2,000,000	2,000,000	-	2,000,000
Construction and renovation of municipal buildings	750,000	750,000	750,000	-	750,000
Parks and recreation facilities	500,000	500,000	572,955	-	572,955
Acquisition of property for public use	1,500,000	1,500,000	1,279,116	-	1,279,116
<b>Total</b>	<b>\$ 12,950,000</b>	<b>\$ 12,950,000</b>	<b>\$ 9,080,183</b>	<b>\$ 621,445</b>	<b>\$ 9,701,628</b>