

CITY OF LOCUST GROVE, GEORGIA

Annual Financial Report

For the year ended December 31, 2021

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CITY OF LOCUST GROVE, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended December 31, 2021

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Locust Grove, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Locust Grove, Georgia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Locust Grove, Georgia, as of December 31, 2021, and the respective changes in the financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund and the American Rescue Plan Act Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Locust Grove, Georgia and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Locust Grove, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Locust Grove, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Locust Grove, Georgia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 through 14 and 60 through 65, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Locust Grove, Georgia's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are fairly stated in all material respects in relation to the 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 October 7, 2022, on our consideration of the City of Locust Grove, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Locust Grove, Georgia's internal control over financial reporting and compliance.

Rushton, LLC

Gainesville, Georgia
October 7, 2022

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, 2021. 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, 2021 by \$46,836,165 (reported as "Net Position"). Of this amount \$3,688,247 is unrestricted.
- The total net position increased by \$38,419,397.
- As of the close of the current fiscal year, the City of Locust Grove's governmental funds reported combined ending fund balances of \$9,979,047, an increase of \$2,123,229 in comparison with the prior year. Of this amount \$4,356,303 is unassigned and available for spending and \$5,580,827 is restricted or assigned for capital projects and other specific future uses. \$41,917 is in nonspendable form as prepaid items
- At the end of the current year, unassigned fund balance for the General Fund was \$4,356,303, which is 81 percent of total General Fund expenditures for the year ending December 31, 2021.
- The City of Locust Grove's total debt obligations (including accrued compensated absences) decreased by \$625,848 to a total of \$4,687,950 as of year-end. The City made principal payments during the year on its long-term debt of \$694,408.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the City of Locust Grove (the "City"). The financial statements of the City comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Comparative data is presented when available.

Government-wide financial statements

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

Statement of Net Position

The Statement of Net Position (pages 15-16) 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 17) presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

Fund financial statements

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

In fund financial statements, information is presented in separate columns for each of the major funds. Data from non-major funds are combined into a single, aggregated column for presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements beginning on page 66.

Governmental funds

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

and the statement of activities) and governmental funds is described in a reconciliation beside the fund financial statements.

In addition to the General Fund, which is considered a major fund, the City maintains two additional major funds, the American Rescue Plan Act Special Revenue Fund and the SPLOST Capital Projects Fund.

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

Proprietary funds

When the City charges customers for the full or partial cost of the services it provides (whether to outside customers or to other units of the City), these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, using the accrual basis of accounting. Enterprise funds are a type of proprietary fund used to account for functions reported as business-type activities in the government-wide statements. The City uses three enterprise funds to account for separate business-type activities, which are reported in the basic proprietary fund financial statements, on pages 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.

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 29-59 of this report.

Other information

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

This report includes two schedules on pages 19 and 21 that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on the fund financial statements.
- Certain revenues that are earned, but not available, are reported as revenue on the government-wide statement, but are reported as unearned revenue on the fund financial statements.
- Unless due and payable, long-term liabilities appear only in the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures on the governmental fund financial statements.
- Repayment of debt principal reduces a liability on the government-wide statements, but is an expenditure on the fund financials.
- Some expenses reported in the government-wide statements represent increases in liabilities on the government-wide statements but are not reported as expenditures in governmental funds because they do not require the use of current financial resources.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$46,839,165 as of December 31, 2021. The following table provides a summary of the City's governmental and business-type net position for the year ending December 31, 2021.

(in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Current assets	\$ 11,722	\$ 8,153	\$ 6,269	\$ 4,520	\$ 17,991	\$ 12,673
Capital assets	19,506	15,703	20,448	18,785	39,954	34,488
Total assets	<u>31,228</u>	<u>23,856</u>	<u>26,717</u>	<u>23,305</u>	<u>57,945</u>	<u>47,161</u>
Total deferred outflows of resources	655	592	83	860	738	1,452
Current liabilities	2,267	756	4,267	4,535	6,534	5,291
Noncurrent liabilities	1,056	1,408	3,594	4,330	4,650	5,738
Total liabilities	<u>3,323</u>	<u>2,164</u>	<u>7,861</u>	<u>8,865</u>	<u>11,184</u>	<u>11,029</u>
Total deferred inflows of resources	509	640	152	955	661	1,595
Net Position						
Net investment in capital assets	19,506	15,703	16,207	13,832	35,713	29,535
Restricted	4,250	2,337	3,188	2,211	7,438	4,548
Unrestricted	4,296	4,179	(608)	(1,613)	3,688	2,566
Total net position	<u>\$ 28,052</u>	<u>\$ 22,219</u>	<u>\$ 18,787</u>	<u>\$ 14,430</u>	<u>\$ 46,839</u>	<u>\$ 36,649</u>

The largest portion of the City's net position as of December 31, 2021 (76%) reflects its net investment in capital assets (e.g. land, buildings, machinery, equipment and the street and sidewalks). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The following table provides a summary of the City's governmental and business-type revenues and expenses for the year ending December 31, 2021.

(in thousands)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 2,554	\$ 1,504	\$ 5,774	\$ 4,947	\$ 8,328	\$ 6,451
Operating grants and contributions	171	433	0	0	171	433
Capital grants and contributions	4,908	872	3,685	893	8,593	1,765
General revenues:						
Motor vehicle/TAVT	335	220	0	0	335	220
Sales tax	3,103	2,749	0	0	3,103	2,749
Other taxes	2,633	2,131	0	0	2,633	2,131
Interest and investment earnings	13	10	1	1	14	11
Gain on sale of assets	61	0	0	0	61	0
Miscellaneous revenue	55	116	0	0	55	116
Transfers	128	0	(128)	0	0	0
Total revenues	13,961	8,035	9,332	5,841	23,293	13,876
Expenses						
General Government	1,677	1,679	0	0	1,677	1,679
Judicial	345	278	0	0	345	278
Public Safety	3,051	3,211	0	0	3,051	3,211
Public Works	2,418	1,250	0	0	2,418	1,250
Culture and Recreation	93	65	0	0	93	65
Housing and Development	1,359	1,076	0	0	1,359	1,076
Water and Sewer	0	0	3,417	3,045	3,417	3,045
Solid Waste Management	0	0	485	522	485	522
Storm Water	0	0	258	263	258	263
Total expenses	8,943	7,559	4,160	3,830	13,103	11,389
Indirect Cost Allocation	815	735	(815)	(735)	0	0
Increase (decrease) in net position	5,833	1,211	4,357	1,276	10,190	2,487
Net position - beginning (original)	22,219	20,696	16,200	14,984	38,419	35,680
Prior period adjustments	0	312	(1,770)	(60)	(1,770)	252
Net position - beginning (restated)	22,219	21,008	14,430	14,924	36,649	35,932
Net position - ending	\$ 28,052	\$ 22,219	\$ 18,787	\$ 16,200	\$ 46,839	\$ 38,419

Governmental Activities

Governmental Activities increased the City's net position by \$22,219,135. Key elements of this increase were as follows:

- An increase of approximately \$308,975 in hotel/motel taxes from the prior year.
- A contribution of capital assets from developers in the amount of 3,458,700 in charges for services from the prior year

Business-type Activities

Operations of business-type activities increased the City's net position by \$4,356,763. Key elements of this increase were as follows:

- Revenues from business-type activities increased approximately \$826,261.
- Expenses from business-type activities increased approximately \$420,526.

Financial Analysis of the Government's Individual Funds

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

Governmental funds

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

At the end of the current year, the City's General Fund reported an ending fund balance of \$5,394,864 a decrease of \$22,857 in comparison with the prior year. Approximately 98% of this amount (\$5,280,683) constitutes a combined assigned and unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is in restricted or non-spendable form.

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

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

Special Revenue Funds

- Confiscated Assets Fund: This fund is used to account for assets obtained by the City as a result of investigations into illegal drug activities. The fund balance for this fund was \$9,238 and \$66,391 on December 31, 2021 and 2020, respectively.
- American Rescue Plan Act Fund: This fund is used to account for activities of the funds received through the American Rescue Plan Act. The balance for this fund was \$0 at December 31, 2021 as all of the funds are unearned and not yet expended.
- 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 \$777,275 and \$572,197 on December 31, 2021 and 2020, respectively.

Review pages 73-78 for additional information on the Special Revenue funds

Capital Projects Fund

- SPLOST Fund: The City has one Special Purpose Local Option Sales Tax fund for the purpose of funding capital projects. These funds were voted on by the citizens of Henry County, Georgia and are passed to the City of Locust Grove by way of an intergovernmental agreement (SPLOST IV) or by Statute (SPLOST V). The fund balance for this fund was \$2,328,820 and \$986,801 on December 31, 2021 and 2020, respectively.
- Development Impact Fund: The Development Impact Fund collects revenues generated through a Fee Ordinance approved by the City Council. The City uses these fees to fund major capital improvements for parks, police and streets. The fund balance for this fund was \$1,468,850 and \$812,168 at December 31, 2021 and 2020, 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 79-82 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.

2021 net position of the City's three proprietary funds are as follows:

Water and sewer:	\$17,344,330
Solid waste management:	\$192,240
Storm water:	\$1,250,855

The increase in net position for the funds was approximately \$4,356,763. However there was a prior period adjustment that decreased net position by \$1,769,600. 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 83-93 for additional information on the Enterprise funds.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities was \$19,506,108 and \$20,447,684 (net of accumulated depreciation) on December 31, 2021 and 2020, respectively. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and distributions systems for water/sewer and storm water management.

During the year ended December 31, 2021, the City invested \$7,333,795 in new capital assets. Investment for governmental activities was \$4,516,065 and \$2,817,730 for business-type activities. Major capital asset events during the current year ended December 31, 2021 included the following:

Governmental activities:

Buildings and improvements	\$ 1,167,055
Infrastructure	\$ 2,674,408
Vehicles and equipment	\$ 557,091

Business-type activities:

Land	\$ 931,411
Infrastructure	\$ 1,465,874

More information on capital assets may be found in the Note 8 to the Financial Statements on pages 46-47 of this report.

Debt Administration

At the end of the current fiscal year, the City had \$4,113,832 outstanding Water and Sewerage Refunding Revenue Bonds, Series 2016, with an interest rate of 2%. The bonds refunded the previous Series 2013 bonds which financed improvements in water/sewer infrastructure. The City also had three outstanding notes payable related to equipment. The total liability related to these notes payable at year-end was \$258,832.

More information on long-term debt may be found in Notes 9 and 10 to the Financial Statements on pages 48-50 of this report.

Economic Factors and Next Year's Budget

Macroeconomic Factors

1. ***Demographic Trends.*** Locust Grove grew by 8.5% in 2020 despite the COVID-19 Pandemic and remains officially now the third largest city in Henry County, passing up Hampton as of July 31, 2019. The city will did not pass the critical 9,000 population figure in the 2020 Census, with an official figure of 8,947. However, the city is continuing to grow at a rapid pace and should reach 10,000 by 2022. Census Bureau Estimate of Population for July 2021 is 9,750, up 9% in a single year, meaning the city could double in size in 8 years at the current pace of growth; however, we are projecting a 50% increase by 2026 to 14,750.
2. ***National and Regional Economic Trends.*** Inflationary trends here outpace national indices, with more volatility in swings either up or down due to dependency on volatile fuel costs and its association with the Atlanta Region as being statistically higher than national averages. Construction costs are markedly higher due to SARS CoV-2 (Covid 19) supply chain issues namely the aforementioned inflation in key building components such as wood and electrical equipment and finishes such as cabinetry and appliances. Transportation and other large public works projects have some of the greatest variability between estimates and pricing due to labor shortages and oil prices and have driven capital projects recently let by 40% to nearly 80% above prior estimates.
3. ***Unemployment.*** The unemployment rate for the City of Locust Grove continues to compare reasonably between the state and regional rates, although the lingering effects of the COVID-19 pandemic recovery continuing to increase the need for labor in nearly all sectors of the economy. The city recently increased all salaries by a minimum of 5.4% to nearly 9% through core COLA and/or market-based adjustments to remain competitive with new industries.

4. *Labor Force*. The biggest challenge in terms of employment is the availability of a trained workforce equipped for the new economy. This has been noted in prospective industrial tenants as well as our own needs for employees for various skilled and unskilled functions.

Regional and Local Factors

5. New large-scale commercial and industrial development continued to increase in 2021 as the switch to 3PL (Third Party Logistics) online fulfillment from the Pandemic Economy. Several large projects on the northeast quadrant of the I-75 and Bill Gardner Parkway along SR 42 have been completed (Home Depot RDC, Radial, Love's Travel Center) with more under development (Bowery Farms, Ryder Logistics). Industrial development will continue to outpace most other nonresidential development for the next several years in overall square footage, especially as a new interchange is set to open in the vicinity of Bethlehem Road by 2026. All buildings with one small (230,000 square feet) are leased or committed.
6. Building permits for residential construction moderated significantly due to Pandemic supply chain issues and inflation kicking up mortgage interest rates. The horizon brings several new subdivisions are under construction in the southern and eastern portions of the City with over 1,700 lots. As interest rates rise, the city's relative price advantages to other parts of Atlanta Metro would likely maintain a healthy growth in housing construction, expect more demand to continue in this decade, although at a lesser pace of growth than in the prior 2018 – 2021 period.
7. The city is seeing an overwhelming interest in the ,construction of multifamily development, and, should the council update zoning revisions accordingly, the city will see a modest boom in this type of construction over the next 2 to 3 years with anticipated increase in overall investment of over \$400 million with existing valuation of these types of development. There is one development currently under review for development and another in zoning evaluation for eventual construction.
8. The occupancy rate of the City's downtown area is essentially 100%, including redevelopment of several storefronts into office and restaurant uses. The success of the area maintains into 2022, and there are no long-term vacancies expected in the near future.

Revenue Growth

9. Tourism revenues in 2021 continued to increase at a pace not seen before. Another new hotel (LaQuinta Inns and Suites) opened early in 2022 and a new Home2Suites by Hilton has been pitched for development in 2022 continuing the surge in tourism dollars into the near future. Budgeted revenues for Hotel/Motel taxes will need to be adjusted upwards by at least \$200,000 in the FY 22 Year to over \$1 million in collections. Along with the upward collections, the city is working on the possibility of its own tourism destination marketing organization in lieu of its current contract with the Henry County CVB.
10. Collections for LOST were favorable over 2019 and have remained fairly steady into 2020 despite the COVID-19 pandemic. Most of this was a shift in more local spending from the residential workforce into Henry County as opposed to adjacent workplace centers. The possibility of new brick-and-mortar retail locations is increasing for the city and county as a whole, but more of a moderate increase as the impact of online retail continues to mature. The rapid growth in population with new housing may bring enough critical mass for more retail and service offerings in the future. The city began entering into negotiations with Henry County and the incorporated cities of Hampton, McDonough and Stockbridge in the reauthorization of the LOST for another ten years with no current agreement that must be finalized by December 30, 2022 to avoid elimination of this important source of revenue. Any

losses will have to be made up with either service cuts and/or a reinstated ad valorem property tax.

11. SPLOST V revenues increased beyond the original projects due to the Pandemic surge in local retail sales, meaning the cities will begin receiving distributions in the late Summer of 2021 instead of 2022. As such, the City is beginning to work on the projects listed in the SPLOST V program. There were issues in the 2021 period related to distribution amounts that were corrected in FY 2022, as we received a large distribution of SPLOST V revenue in April 2022. SPLOST VI may have to begin early once the collection cap is reached in 2024.
12. Collections from Utilities into the Enterprise Funds increased steadily as part of overall growth and development of the City, although we did not increase rates in the Pandemic Period. We are looking into adjustments in rates to favor growth in sanitary sewer over water due to the costs of treatment rising quickly and the need for updates in the Indian Creek Water Treatment Plant within the next two years. Further, connection and impact fees will need to be adjusted to reflect overall increases in costs to date.
13. Sanitation fees have been increased by 20% this year to reflect increases in costs to the Vendor used for the service because of inflation, especially the surcharge in diesel fuel. Rates will continue to increase by \$0.50 semiannually through Year 2024 to keep up with this inflationary cycle and growth.

Expenditure Changes

14. 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 residents approved both a Transportation SPLOST (T-SPLOST) and bonding of over \$7 million over the life of the program. We are using this to boost and match our LMIG formula dollars to perform both basic maintenance of roads along with several key projects to mitigate congestion. Overall, we anticipate expenditures over \$10 million with SPLOST IV, SPLOST V and T-SPLOST within the next five years.
15. The City added several new positions this year in Community Development and in Public Works, with more maintenance workers training for water and wastewater plant operators. Our Police Chief of over 20 years retired and was replaced quickly by an active Chief of Police from an adjoining city. We have also begun to add more officers to meet the challenges related to growth in the community. In late 2021 the Council authorized us to hire a Fire Marshal, which we are bringing online in the middle of 2022. Additional revenues will come from fees charged for services to offset the increased expense; however, are subject to the potential loss of LOST in Year 2023.

Financial Operations

16. The City received its first initial Credit Rating from Moody's as Aa3, which is on the lower end of Prime Investment and excellent for the initial rating process. We are continuing to work in keeping or improving this rating over time.
17. As part of continuing technological changes, we are beginning the migration of our Incode financial software system to a cloud-hosted environment, with the initial completion in September of 2022. We are also upgrading to the latest version of Incode that will require more staff training and allow for better knowledge with less errors in the future. Furthermore, we are working to migrate all of our computer storage and operations to the cloud and will be using separate vendors for security protection and data integrity.

18. The City's credit/debit card payments system has been upgraded in 2022 to remain compliant with current payment protocols and allowing more secured payment methods via chip and contactless NFC technology. This is part of the overall Tyler Technology system upgrade.
19. The COVID-19 Pandemic saw noticeable impacts on operations during the Delta Surge in August-September and then the Omicron Wave during the Christmas and New Year's Day Holiday. Infected and ill workers delayed some operations, but we were fortunate in not losing anyone to complications of the virus. The 2022 year sees us embracing operations with an Endemic and with fewer restrictions due to testing, treatment, less-deadly variants, and vaccines.
20. Many of these factors were considered in preparing the City of Locust Grove's budget for FY 2022, as well as recent amendments.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 10,264,333	\$ 1,344,542	\$ 11,608,875
Restricted assets			
Cash and cash equivalents	73,404	3,887,505	3,960,909
Receivables (net)			
Accounts	4,880	623,199	628,079
Taxes	904,928	0	904,928
Intergovernmental	840,596	0	840,596
Prepaid items	41,917	5,840	47,757
Internal balances	(407,967)	407,967	0
	<u>11,722,091</u>	<u>6,269,053</u>	<u>17,991,144</u>
Total current assets			
Noncurrent assets			
Capital assets			
Non-depreciable	3,310,273	2,823,388	6,133,661
Depreciable (net)	16,195,835	17,624,296	33,820,131
	<u>19,506,108</u>	<u>20,447,684</u>	<u>39,953,792</u>
Total noncurrent assets			
	<u>31,228,199</u>	<u>26,716,737</u>	<u>57,944,936</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	655,437	83,447	738,884
LIABILITIES			
Current liabilities			
Accounts payable	18,298	146,881	165,179
Accrued salaries and expenses	94,851	11,852	106,703
Compensated absences	524,401	49,717	574,118
Unearned revenue	1,539,118	2,676,870	4,215,988
Due to others	90,777	0	90,777
Notes payable	0	87,123	87,123
Liabilities payable from restricted assets			
Customer deposits payable	0	680,587	680,587
Interest	0	19,170	19,170
Bonds payable	0	595,000	595,000
	<u>2,267,445</u>	<u>4,267,200</u>	<u>6,534,645</u>
Total current liabilities			

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Noncurrent liabilities			
Net pension liability	\$ 1,055,608	\$ 161,881	\$ 1,217,489
Notes payable	0	171,708	171,708
Bonds payable	0	3,260,000	3,260,000
	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	1,055,608	3,593,589	4,649,197
	<hr/>	<hr/>	<hr/>
Total liabilities	3,323,053	7,860,789	11,183,842
	<hr/>	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	508,843	151,970	660,813
	<hr/>	<hr/>	<hr/>
NET POSITION			
Net investment in capital assets	19,506,108	16,206,891	35,712,999
Restricted for:			
Public Safety	9,238	0	9,238
Public Works	73,404	0	73,404
Housing and Development	369,519	0	369,519
Capital outlay	3,797,670	2,687,129	6,484,799
Debt service	0	500,959	500,959
Unrestricted	4,295,801	(607,554)	3,688,247
	<hr/>	<hr/>	<hr/>
Total net position	<u>\$ 28,051,740</u>	<u>\$ 18,787,425</u>	<u>\$ 46,839,165</u>

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2021

FUNCTIONS/PROGRAMS	Expenses	Indirect Costs	Program Revenues		Net (Expense) Revenue	
			Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government						
Governmental activities						
General Government	\$ 1,677,366	\$ (815,250)	\$ 123,219	\$ 0	\$ 0	\$ (738,897)
Judicial	345,335	0	0	0	0	(345,335)
Public Safety	3,050,829	0	630,097	0	0	(2,420,732)
Public Works	2,418,051	0	232,532	170,864	4,907,777	2,893,122
Culture and Recreation	93,459	0	481,524	0	0	388,065
Housing and Development	1,359,223	0	1,087,039	0	0	(272,184)
Total governmental activities	<u>8,944,263</u>	<u>(815,250)</u>	<u>2,554,411</u>	<u>170,864</u>	<u>4,907,777</u>	<u>(495,961)</u>
Business-type activities						
Water and Sewer Utility	3,416,549	700,000	4,779,567	0	3,684,585	4,347,603
Solid Waste Management	484,841	45,250	603,760	0	0	73,669
Storm Water	257,608	70,000	390,330	0	0	62,722
Total business-type activities	<u>4,158,998</u>	<u>815,250</u>	<u>5,773,657</u>	<u>0</u>	<u>3,684,585</u>	<u>4,483,994</u>
Total primary government	<u>13,103,261</u>	<u>0</u>	<u>8,328,068</u>	<u>170,864</u>	<u>8,592,362</u>	<u>3,988,033</u>
Change in net position						
Net (expense) revenue			<u>\$ (495,961)</u>	<u>\$ 4,483,994</u>	<u>\$ 3,988,033</u>	
General revenues						
Taxes						
Motor Vehicle/TAVT			335,371	0	335,371	
Sales			3,103,441	0	3,103,441	
Franchise			556,320	0	556,320	
Insurance premium			480,477	0	480,477	
Intangibles			85,608	0	85,608	
Alcoholic beverage			432,688	0	432,688	
Occupational			218,820	0	218,820	
Hotel/Motel			806,220	0	806,220	
Other			52,735	0	52,735	
Interest and investment earnings			13,060	369	13,429	
Gain on sale of assets			61,246	0	61,246	
Other			54,980	0	54,980	
Transfers			127,600	(127,600)	0	
Total general revenues			<u>6,328,566</u>	<u>(127,231)</u>	<u>6,201,335</u>	
Change in net position			<u>5,832,605</u>	<u>4,356,763</u>	<u>10,189,368</u>	
Net position - beginning (original)			22,219,135	16,200,262	38,419,397	
Prior period adjustment			<u>0</u>	<u>(1,769,600)</u>	<u>(1,769,600)</u>	
Net position - beginning (restated)			<u>22,219,135</u>	<u>14,430,662</u>	<u>36,649,797</u>	
Net position - ending			<u>\$ 28,051,740</u>	<u>\$ 18,787,425</u>	<u>\$ 46,839,165</u>	

CITY OF LOCUST GROVE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General	American Rescue Plan Act	SPLOST	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 5,058,712	\$ 1,539,118	\$ 1,492,317	\$ 2,174,186	\$ 10,264,333
Restricted assets					
Cash and equivalents	73,404	0	0	0	73,404
Receivables (net)					
Accounts	4,880	0	0	0	4,880
Taxes	828,675	0	0	76,253	904,928
Intergovernmental	0	0	840,596	0	840,596
Due from other funds	56,910	0	0	5,823	62,733
Prepaid items	40,777	0	0	1,140	41,917
Total assets	\$ 6,063,358	\$ 1,539,118	\$ 2,332,913	\$ 2,257,402	\$ 12,192,791
LIABILITIES					
Accounts payable	\$ 14,205	\$ 0	\$ 4,093	\$ 0	\$ 18,298
Accrued salaries	92,812	0	0	2,039	94,851
Unearned revenue	0	1,539,118	0	0	1,539,118
Due to other funds	470,700	0	0	0	470,700
Due to others	90,777	0	0	0	90,777
Total liabilities	668,494	1,539,118	4,093	2,039	2,213,744
FUND BALANCES					
Nonspendable prepaid items	40,777	0	0	1,140	41,917
Restricted for:					
Public Safety	0	0	0	9,238	9,238
Public Works	73,404	0	0	0	73,404
Housing and Development	0	0	0	369,519	369,519
Capital projects	0	0	2,328,820	1,468,850	3,797,670
Assigned for:					
Housing and Development	0	0	0	406,616	406,616
Budget	924,380	0	0	0	924,380
Unassigned	4,356,303	0	0	0	4,356,303
Total fund balances	5,394,864	0	2,328,820	2,255,363	9,979,047
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,063,358	\$ 1,539,118	\$ 2,332,913	\$ 2,257,402	\$ 12,192,791

**CITY OF LOCUST GROVE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2021**

Total fund balance - total governmental funds \$ 9,979,047

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

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

These are:

Capital assets net of accumulated depreciation	19,506,108
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. These are:

Deferred outflows related to pension	\$ 655,437		
Deferred inflows related to pension	<u>(508,843)</u>	146,594	

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

These are:

Net pension liability	(1,055,608)		
Compensated absences	<u>(524,401)</u>	<u>(1,580,009)</u>	

Net position of governmental activities	<u><u>\$ 28,051,740</u></u>
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CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2021

	American			Nonmajor	Total
	General	Rescue Plan Act	SPLOST	Funds	
REVENUES					
Taxes	\$ 5,265,458	\$ 0	\$ 0	\$ 806,220	\$ 6,071,678
Licenses and permits	988,189	0	0	0	988,189
Fines, fees and forfeitures	537,743	0	0	7,995	545,738
Charges for services	1,026,248	0	0	809,487	1,835,735
Intergovernmental	170,864	0	1,447,447	0	1,618,311
Interest	12,720	0	1,630	340	14,690
Other	54,980	0	0	0	54,980
Total revenues	8,056,202	0	1,449,077	1,624,042	11,129,321
EXPENDITURES					
Current					
General Government	1,534,260	0	0	0	1,534,260
Judicial	346,015	0	0	0	346,015
Public Safety	2,894,875	0	0	88,627	2,983,502
Public Works	2,540,096	0	0	0	2,540,096
Culture and Recreation	52,083	0	0	0	52,083
Housing and Development	861,315	0	0	511,215	1,372,530
Capital outlay	0	0	107,058	153,048	260,106
Total expenditures	8,228,644	0	107,058	752,890	9,088,592
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(172,442)	0	1,342,019	871,152	2,040,729
Other Financing Sources (Uses)					
Transfers in	90,000	0	0	22,915	112,915
Transfers out	(22,915)	0	0	(90,000)	(112,915)
Proceeds from sale of assets	82,500	0	0	0	82,500
Total other financing sources (uses)	149,585	0	0	(67,085)	82,500
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(22,857)	0	1,342,019	804,067	2,123,229
Fund balances, January 1	5,417,721	0	986,801	1,451,296	7,855,818
Fund balances, December 31	\$ 5,394,864	\$ 0	\$ 2,328,820	\$ 2,255,363	\$ 9,979,047

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, 2021

Net change in fund balances - total governmental funds \$ 2,123,229

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	\$	883,365	
Depreciation		<u>(645,507)</u>	237,858

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

Cost of assets		3,632,700	
Related accumulated depreciation		<u>(46,400)</u>	3,586,300

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

Cost of assets disposed		(119,873)	
Related accumulated depreciation		<u>98,619</u>	(21,254)

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		231,933	
Cost of benefits earned net of employee contributions		<u>(260,370)</u>	(28,437)

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

Compensated absences			<u>(65,091)</u>
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Change in net position of governmental activities			<u><u>\$ 5,832,605</u></u>
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CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,472,250	\$ 4,701,750	\$ 5,265,458	\$ 563,708
Licenses and permits	1,026,200	1,010,500	988,189	(22,311)
Fines, fees and forfeitures	675,000	708,500	537,743	(170,757)
Charges for services	1,076,850	1,154,680	1,026,248	(128,432)
Intergovernmental	115,750	287,500	170,864	(116,636)
Interest	10,050	10,020	12,720	2,700
Other	61,600	63,200	54,980	(8,220)
Total revenues	<u>7,437,700</u>	<u>7,936,150</u>	<u>8,056,202</u>	<u>120,052</u>
EXPENDITURES				
Current				
General Government				
Mayor and Council	163,550	181,150	148,563	32,587
Administration	1,825,900	1,775,650	1,385,697	389,953
Judicial				
Municipal Court	382,000	395,300	346,015	49,285
Public Safety				
Police	3,022,000	3,121,500	2,894,875	226,625
Public Works				
Streets	2,660,200	2,673,260	2,525,632	147,628
Fleet Maintenance	85,600	29,350	7,588	21,762
Cemetery	19,050	14,550	6,876	7,674
Culture and Recreation				
Parks and Recreation	61,000	72,000	52,083	19,917
Housing and Development				
Community Development	961,440	945,390	861,315	84,075
Total expenditures	<u>9,180,740</u>	<u>9,208,150</u>	<u>8,228,644</u>	<u>979,506</u>
Excess (deficiency) of revenues over (under) before other financing sources (uses) expenditures	<u>(1,743,040)</u>	<u>(1,272,000)</u>	<u>(172,442)</u>	<u>1,099,558</u>
Other financing sources (uses)				
Transfers in	0	0	90,000	90,000
Transfers out	0	0	(22,915)	(22,915)
Proceeds from sale of assets	0	65,000	82,500	17,500
Contingency	(45,500)	(43,000)	0	43,000
Total other financing sources (uses)	<u>(45,500)</u>	<u>22,000</u>	<u>149,585</u>	<u>127,585</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,788,540)</u>	<u>(1,250,000)</u>	<u>(22,857)</u>	<u>1,227,143</u>
Fund balances, January 1	<u>1,788,540</u>	<u>1,250,000</u>	<u>5,417,721</u>	<u>4,167,721</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 5,394,864</u></u>	<u><u>\$ 5,394,864</u></u>

CITY OF LOCUST GROVE, GEORGIA
AMERICAN RESCUE PLAN ACT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 0	\$ 1,575,000	\$ 0	\$ (1,575,000)
Total revenues	<u>0</u>	<u>1,575,000</u>	<u>0</u>	<u>(1,575,000)</u>
EXPENDITURES				
Current				
Public Works	0	1,575,000	0	1,575,000
Total expenditures	<u>0</u>	<u>1,575,000</u>	<u>0</u>	<u>1,575,000</u>
Excess (deficiency) of revenues over (under) expenditures	0	0	0	0
Fund balances, January 1	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Business Type			Totals
	Water and Sewer	Solid Waste Management	Storm Water	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,191,295	\$ 0	\$ 153,247	\$ 1,344,542
Restricted cash and cash equivalents	3,887,505	0	0	3,887,505
Accounts receivable	486,539	64,590	72,070	623,199
Due from other funds	0	148,000	316,877	464,877
Prepaid items	4,061	593	1,186	5,840
Total current assets	<u>5,569,400</u>	<u>213,183</u>	<u>543,380</u>	<u>6,325,963</u>
Noncurrent assets				
Capital assets				
Non-depreciable	2,823,388	0	0	2,823,388
Depreciable (net)	16,766,292	1,375	856,629	17,624,296
Total noncurrent assets	<u>19,589,680</u>	<u>1,375</u>	<u>856,629</u>	<u>20,447,684</u>
Total assets	<u>25,159,080</u>	<u>214,558</u>	<u>1,400,009</u>	<u>26,773,647</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	61,778	4,018	17,651	83,447
LIABILITIES				
Current liabilities				
Accounts payable	143,306	245	3,330	146,881
Accrued salaries and expenses	8,076	0	3,776	11,852
Compensated absences	29,604	2,142	17,971	49,717
Unearned revenue	2,676,870	0	0	2,676,870
Due to other funds	56,910	0	0	56,910
Notes payable	49,343	0	37,780	87,123
Liabilities payable from restricted assets:				
Customer deposits payable	680,587	0	0	680,587
Interest payable	19,170	0	0	19,170
Bonds payable	595,000	0	0	595,000
Total current liabilities	<u>4,258,866</u>	<u>2,387</u>	<u>62,857</u>	<u>4,324,110</u>

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Business Type			Totals
	Water and Sewer	Solid Waste Management	Storm Water	
Noncurrent liabilities				
Net pension liability	\$ 113,398	\$ 16,161	\$ 32,322	\$ 161,881
Notes payable	139,295	0	32,413	171,708
Bonds payable	3,260,000	0	0	3,260,000
Total noncurrent liabilities	3,512,693	16,161	64,735	3,593,589
Total liabilities	7,771,559	18,548	127,592	7,917,699
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	104,969	7,788	39,213	151,970
NET POSITION				
Net investment in capital assets	15,419,080	1,375	786,436	16,206,891
Restricted for capital	2,687,129	0	0	2,687,129
Restricted for debt service	500,959	0	0	500,959
Unrestricted	(1,262,838)	190,865	464,419	(607,554)
Total net position	\$ 17,344,330	\$ 192,240	\$ 1,250,855	\$ 18,787,425

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2021

	Business Type			Totals
	Water and Sewer	Solid Waste Management	Storm Water	
OPERATING REVENUES				
Charges for sales and services	\$ 4,779,567	\$ 603,760	\$ 390,330	\$ 5,773,657
Total operating revenues	<u>4,779,567</u>	<u>603,760</u>	<u>390,330</u>	<u>5,773,657</u>
OPERATING EXPENSES				
Costs of sales and services	2,695,158	492,189	135,141	3,322,488
Personal services	461,930	37,402	153,440	652,772
Depreciation	872,894	500	36,878	910,272
Total operating expenses	<u>4,029,982</u>	<u>530,091</u>	<u>325,459</u>	<u>4,885,532</u>
Operating income (loss)	<u>749,585</u>	<u>73,669</u>	<u>64,871</u>	<u>888,125</u>
Non-operating revenues (expenses)				
Interest revenue	369	0	0	369
Interest expense	(86,567)	0	(2,149)	(88,716)
Transfer of capital assets to Governmental Activities	(127,600)	0	0	(127,600)
Total non-operating revenues (expenses)	<u>(213,798)</u>	<u>0</u>	<u>(2,149)</u>	<u>(215,947)</u>
Income (loss) before capital contributions	<u>535,787</u>	<u>73,669</u>	<u>62,722</u>	<u>672,178</u>
Capital contributions				
Impact fees	1,484,251	0	0	1,484,251
Capital contributions	1,609,216	0	591,118	2,200,334
Total capital contributions	<u>3,093,467</u>	<u>0</u>	<u>591,118</u>	<u>3,684,585</u>
Change in net position	<u>3,629,254</u>	<u>73,669</u>	<u>653,840</u>	<u>4,356,763</u>
Net position, January 1 (original)	15,484,676	118,571	597,015	16,200,262
Prior period adjustment	(1,769,600)	0	0	(1,769,600)
Net position, January 1 (restated)	<u>13,715,076</u>	<u>118,571</u>	<u>597,015</u>	<u>14,430,662</u>
Net position, December 31	<u>\$ 17,344,330</u>	<u>\$ 192,240</u>	<u>\$ 1,250,855</u>	<u>\$ 18,787,425</u>

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2021

	Business Type			Totals
	Water and Sewer	Solid Waste Management	Storm Water	
Cash flows from operating activities:				
Receipts from customers	\$ 4,480,410	\$ 594,047	\$ 383,853	\$ 5,458,310
Payments to suppliers	(2,845,688)	(492,231)	(132,565)	(3,470,484)
Payments to employees	(457,338)	(39,507)	(145,634)	(642,479)
Net cash provided (used) by operating activities	<u>1,177,384</u>	<u>62,309</u>	<u>105,654</u>	<u>1,345,347</u>
Cash flows from non-capital financing activities:				
Payments to other funds	<u>0</u>	<u>(62,309)</u>	<u>0</u>	<u>(62,309)</u>
Cash flows from capital and related financing activities:				
Receipts of capital contributions	1,484,251	0	0	1,484,251
Interest paid	(89,600)	0	(2,149)	(91,749)
Acquisition of capital assets	(343,194)	0	(30,134)	(373,328)
Principal payments - bonds payable	(610,000)	0	0	(610,000)
Principal payments - notes payable	(48,032)	0	(36,377)	(84,409)
Net cash provided (used) by capital and related financing activities	<u>393,425</u>	<u>0</u>	<u>(68,660)</u>	<u>324,765</u>
Cash flows from investing activities:				
Interest received	<u>369</u>	<u>0</u>	<u>0</u>	<u>369</u>
Net increase (decrease) in cash and cash equivalents	1,571,178	0	36,994	1,608,172
Cash and cash equivalents, January 1	<u>3,507,622</u>	<u>0</u>	<u>116,253</u>	<u>3,623,875</u>
Cash and cash equivalents, December 31	<u><u>\$ 5,078,800</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 153,247</u></u>	<u><u>\$ 5,232,047</u></u>

CITY OF LOCUST GROVE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2021

	Business Type			Totals
	Water and Sewer	Solid Waste Management	Storm Water	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 749,585	\$ 73,669	\$ 64,871	\$ 888,125
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	872,894	500	36,878	910,272
(Increase) decrease in accounts receivable	(62,265)	(9,713)	(6,477)	(78,455)
(Increase) decrease in prepaid items	157	(42)	(19)	96
(Increase) decrease in pension deferred outflows	(6,564)	18,863	(9,780)	2,519
Increase (decrease) in accounts payable	(55,697)	0	2,595	(53,102)
Increase (decrease) in retainages payable	(94,990)	0	0	(94,990)
Increase (decrease) in accrued salaries and expense	1,377	(454)	1,635	2,558
Increase (decrease) in compensated absences	212	887	2,371	3,470
Increase (decrease) in unearned revenue	(339,893)	0	0	(339,893)
Increase (decrease) in deposits payable	103,001	0	0	103,001
Increase (decrease) in pension deferred inflows	47,753	5,817	2,866	56,436
Increase (decrease) in net pension liability	(38,186)	(27,218)	10,714	(54,690)
Total adjustments	427,799	(11,360)	40,783	457,222
Net cash provided (used) by operating activities	<u>\$ 1,177,384</u>	<u>\$ 62,309</u>	<u>\$ 105,654</u>	<u>\$ 1,345,347</u>
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	\$ 1,191,295	\$ 0	\$ 153,247	\$ 1,344,542
Restricted cash and cash equivalents	3,887,505	0	0	3,887,505
Total cash and cash equivalents	<u>\$ 5,078,800</u>	<u>\$ 0</u>	<u>\$ 153,247</u>	<u>\$ 5,232,047</u>

Noncash investing, capital, and financing activities:

Contributions of capital assets from developers totaled \$2,200,334.
Cost of assets transferred from governmental activities totaled \$117,106.
Acquisition of capital assets through accounts payable totaled \$126,962.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

1. Description of Government Unit

The City of Locust Grove was established in 1879. The City operates under a council/mayor form of government and provides the following services: public safety, street and sanitation, culture and recreation, public improvements and general and administrative services. In addition, the City operates public utilities for water, sewer, solid waste and stormwater management for the incorporated and immediate surrounding areas.

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

2. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

City of Locust Grove Downtown Development Authority

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

City of Locust Grove Historic Preservation Commission

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

C. Basis of Presentation – Government-wide Financial Statements

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

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

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements

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

The City reports the following major governmental funds:

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

American Rescue Act Fund – This fund is used to account for projects financed from the assistance from the American Rescue Plan Act of 2021.

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

The City reports the following major proprietary funds:

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

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

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Additionally, the City reports the following fund types:

Governmental Fund Types

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

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

Component Units

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

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

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

E. Measurement Focus and Basis of Accounting

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

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

F. Revenues and Expenditures/Expenses

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

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

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

G. Budgets and Budgetary Accounting

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

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting, continued

This hearing is publicized in the local newspaper one week before the hearing, and the budget document is made available for public inspection during this week. After the public hearing, the budget is then revised by the City Council and the first reading of the proposed budget is made. At the next City Council meeting, the second reading of the proposed budget is made and the City Council votes to adopt the proposed budget. The annual operating budget is adopted no later than December 31st for the following year.

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

The legal level of budgetary control is the departmental level. Any increases in total appropriations of a department require approval and amendment of the budget by the City Council.

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

H. Cash and Investments

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

I. Intergovernmental Receivables

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

J. Inventories

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

K. Prepaid Items

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

L. Capital Assets

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

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the beginning of the year ended December 31, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Prior to January 1, 2007, neither their historical costs nor related depreciation had historically been reported in the financial statements. For entities the size of the City of Locust Grove, retroactive reporting of infrastructure assets was not required.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

L. Capital Assets, continued

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

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

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

The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

M. Deferred Outflows/Inflows of Resources

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

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

N. Compensated Absences

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

O. Pensions

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

P. Long-Term Obligations

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

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

Q. Capital Contributions

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

R. Fund Balances – Governmental Funds

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

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at year end by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

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

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

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

R. Fund Balances – Governmental Funds, continued

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

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

S. Net Position Flow Assumption

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

T. Fund Balance Flow Assumption

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

U. Restricted Assets and Restricted Net Position

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

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

V. Comparative Data and Reclassifications

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

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

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

Interest Rate Risk

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

Credit Risk

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

3. Deposit and Investment Risk (continued)

Concentration of Credit Risk

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

Foreign currency risk

The City has no investments denominated in a foreign currency.

4. Accounts Receivable

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

Major Funds		
General Fund		\$ 4,880
Enterprise Funds		
Water and Sewer	\$ 704,648	
Less: Allowances for Uncollectibles	(218,109)	
Solid Waste Management	77,306	
Less: Allowances for Uncollectibles	(12,716)	
Storm Water	72,070	
Less: Allowances for Uncollectibles	<u>0</u>	<u>623,199</u>
Total Primary Government		<u><u>\$ 628,079</u></u>

5. Taxes Receivable

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

Major Funds	
General	\$ 828,675
Nonmajor Governmental Funds	<u>76,253</u>
Total Primary Government	<u><u>\$ 904,928</u></u>

6. Intergovernmental Receivable

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

Major Funds	
SPLOST	<u><u>\$ 840,596</u></u>

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

7. Interfund Receivables, Payables, and Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer	\$ 56,910
Nonmajor governmental	General	5,823
Solid Waste Management	General	148,000
Storm Water	General	316,877
		<u>\$ 527,610</u>

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

A summary of interfund transfers is as follows:

<u>Transfer Out Fund</u>	<u>Transfer In Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 22,915
Nonmajor governmental	General	90,000
		<u>\$ 112,915</u>

Interfund transfers were used to transfer unrestricted revenues from payor funds to subsidize operations in payee funds in accordance with budgetary authorizations and to transfer City matching funds in accordance with grant agreements. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

8. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Non-depreciable assets				
Land	\$ 3,093,064	\$ 0	\$ 0	\$ 3,093,064
Construction in progress	1,152,430	117,511	(1,052,732)	217,209
Total non-depreciable assets	4,245,494	117,511	(1,052,732)	3,310,273
Depreciable assets				
Buildings and improvements	10,512,244	1,167,055	0	11,679,299
Infrastructure	2,429,103	3,727,140	0	6,156,243
Vehicles and equipment	3,191,135	557,091	(119,873)	3,628,353
Furniture and fixtures	581,463	0	0	581,463
Total depreciable assets	16,713,945	5,451,286	(119,873)	22,045,358
Accumulated depreciation				
Buildings and improvements	(2,062,483)	(298,785)	0	(2,361,268)
Infrastructure	(388,783)	(62,891)	0	(451,674)
Vehicles and equipment	(2,501,413)	(272,512)	98,619	(2,675,306)
Furniture and fixtures	(303,556)	(57,719)	0	(361,275)
Total accumulated depreciation	(5,256,235)	(691,907)	98,619	(5,849,523)
Total depreciable assets, net	11,457,710	4,759,379	(21,254)	16,195,835
Governmental activities capital assets, net	\$ 15,703,204	\$ 4,876,890	\$ (1,073,986)	\$ 19,506,108
Business-type activities				
Non-depreciable assets				
Land	\$ 1,423,964	\$ 931,411	\$ 0	\$ 2,355,375
Construction in progress	2,226,563	374,949	(2,133,499)	468,013
Total non-depreciable assets	3,650,527	1,306,360	(2,133,499)	2,823,388
Depreciable assets				
Buildings and improvements	14,611,165	22,450	0	14,633,615
Infrastructure	9,322,207	3,402,424	0	12,724,631
Vehicles and equipment	2,483,408	219,995	(243,984)	2,459,419
Total depreciable assets	26,416,780	3,644,869	(243,984)	29,817,665
Accumulated depreciation				
Buildings and improvements	(5,916,886)	(483,885)	0	(6,400,771)
Infrastructure	(3,875,408)	(233,055)	0	(4,108,463)
Vehicles and equipment	(1,490,081)	(310,438)	116,384	(1,684,135)
Total accumulated depreciation	(11,282,375)	(1,027,378)	116,384	(12,193,369)
Total depreciable assets, net	15,134,405	2,617,491	(127,600)	17,624,296
Business-type activities capital assets, net	\$ 18,784,932	\$ 3,923,851	\$ (2,261,099)	\$ 20,447,684

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

8. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 159,310
Public Safety	339,286
Public Works	83,414
Culture and Recreation	35,711
Housing and Development	<u>27,786</u>
Total depreciation expense for governmental activities	<u><u>\$ 645,507</u></u>

Business-type activities

Water and Sewer	\$ 872,894
Solid Waste Management	500
Storm Water	<u>36,878</u>
Total depreciation expense for business-type activities	<u><u>\$ 910,272</u></u>

	Governmental Activities	Business-type Activities
Current year depreciation expense	\$ 645,507	\$ 910,272
Prior accumulated depreciation on assets through transfer	<u>46,400</u>	<u>117,106</u>
Additions to accumulated depreciation	<u><u>\$ 691,907</u></u>	<u><u>\$ 1,027,378</u></u>

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

9. Long-Term Debt

Business-Type Activities

Bonds Payable from Direct Placement

Revenue bonds have been issued for business-type activities and are comprised of the following individual issues at December 31, 2021:

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% (\$3,855,000 outstanding), for the refunding of the 2013 Water and Sewerage Revenue Series Bonds, which were issued for the expansion of the water and sewer system in the City of Locust Grove. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable and the bondholders may proceed to protect and enforce the rights of the bondholders by a suit, action, or special proceeding in equity, or at law, either for the appointment of a receiver of the water/sewer system. The bonds are secured by a pledger of the net revenues derived from the operation of the water/sewer system.

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

Year Ending December 31,	Principal	Interest	Total
2022	\$ 595,000	\$ 83,200	\$ 678,200
2023	595,000	71,150	666,150
2024	605,000	59,250	664,250
2025	575,000	47,250	622,250
2026	590,000	35,450	625,450
2027-2029	895,000	45,350	940,350
Totals	<u>\$ 3,855,000</u>	<u>\$ 341,650</u>	<u>\$ 4,196,650</u>

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

9. Long-Term Debt (continued)

Notes from Direct Borrowings

During the year ended December 31, 2020, the City entered into a \$174,000 note payable with a financial institution to purchase a vehicle. The note has a balance of \$140,842 at December 31, 2021, bears interest at 2.285%, requires annual payments of \$37,365, and matures on August 10, 2025. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. Note payments and performance obligations are secured by revenues on taxes, fees, and charges collected by the City.

During the year ended December 31, 2019, the City entered into a \$154,000 note payable with a financial institution to purchase equipment. The note has a balance of \$95,592 at December 31, 2021, bears interest at 3.385%, requires annual payments of \$34,046, and matures on December 19, 2024. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. Note payments and performance obligations are secured by revenues on taxes, fees, and charges collected by the City.

During the year ended December 31, 2018, the City entered into a \$104,000 note payable with a financial institution to purchase equipment. The note has a balance of \$22,397 at December 31, 2021, bears interest at 3.445%, requires annual payments of \$23,034, and matures on September 1, 2022.

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

Year Ending December 31,	Principal	Interest	Total
2022	\$ 87,123	\$ 8,264	\$ 95,387
2023	66,605	6,429	73,034
2024	68,620	5,340	73,960
2025	36,483	882	37,365
Totals	<u>\$ 258,831</u>	<u>\$ 20,915</u>	<u>\$ 279,746</u>

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

10. Long-Term Liabilities

Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Compensated absences	\$ 459,311	\$ 259,308	\$ (194,218)	\$ 524,401	\$ 524,401
Business-type activities					
Bonds from direct placement	\$ 4,465,000	\$ 0	\$ (610,000)	\$ 3,855,000	\$ 595,000
Notes from direct borrowings	343,240	0	(84,409)	258,831	87,123
Compensated absences	46,247	42,112	(38,642)	49,717	49,717
Total business-type activities	<u>\$ 4,854,487</u>	<u>\$ 42,112</u>	<u>\$ (733,051)</u>	<u>\$ 4,163,548</u>	<u>\$ 731,840</u>

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

Total interest expense in the business-type activities for the current year is \$88,716.

11. Unearned Revenue

In a prior period the City received water and sewer connection fees from private developers in the amount of \$7,369,600. As a result of the payment, the developers own credits to be applied to future water and sewer connections for subsequent development projects. The developers subsequently transferred the credits to a bank as part of a settlement agreement. At year end, the bank held \$2,676,870 in connection fee credits toward future water and sewer connections in the City. During the year the City recognized \$339,893 in water and sewer connection fees related to the use of these credits.

The City is also holding \$1,539,118 in American Rescue Plan Act funds that will be spent in subsequent periods.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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

The following is a summary of nonspendable, restricted, committed, and assigned fund balances of the governmental funds for the year ended December 31, 2021:

	<u>General</u>	<u>SPLOST</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid items	\$ 40,777	\$ 0	\$ 1,140	\$ 41,917
Restricted for:				
Public Safety				
Police facilities and equipment	\$ 0	\$ 0	\$ 9,238	\$ 9,238
Public Works				
Cemetery	19,284	0	0	19,284
Tree Replacement	54,120	0	0	54,120
Housing and Development				
Promotion of tourism, conventions and trade shows	0	0	369,519	369,519
Capital Projects	0	2,328,820	1,468,850	3,797,670
	<u>\$ 73,404</u>	<u>\$ 2,328,820</u>	<u>\$ 1,847,607</u>	<u>\$ 4,249,831</u>
Assigned for:				
Subsequent year's budget	\$ 924,380	\$ 0	\$ 0	\$ 924,380
Housing and Development				
Promotion of tourism, conventions and trade shows	0	0	406,616	406,616
	<u>\$ 924,380</u>	<u>\$ 0</u>	<u>\$ 406,616</u>	<u>\$ 1,330,996</u>

13. Pension Plan

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

Control over the operation and administration of the plan is vested with GMEBS along with custody of the plan assets. The plan provides that the City has no liability with respect to payments or benefits or otherwise under the plan except to pay over to GMEBS such actuarially determined contributions as are required to meet minimum funding standards of the Public

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

13. Pension Plan (continued)

Retirement Systems Standards Law and provide benefits thereunder. If terminated, the plan provides that if there are funds remaining after the satisfaction of all liabilities, such funds shall not revert to the City but shall be allocated to employees. All employees are eligible for immediate participation. Officials are covered under the plan and are eligible for immediate participation.

There are no loans to any of the City officials or other “party-in-interest,” and there are no prohibited transactions. The plan assets do not include any securities or investments in the City of Locust Grove. The funds are managed by independent money managers.

The annual report and more detailed information regarding the plan can be obtained from the Plan Administrator, the Georgia Municipal Employees Benefit System.

At July 1, 2021, the date of the most recent actuarial valuation, the City had the following participants:

Retirees and beneficiaries currently receiving benefits	20
Terminated vested participants entitled to but not yet receiving benefits	28
Active participants	74
Total number of participants	122

Benefits Provided. The plan provides retirement, disability, and death benefits. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 65 with no reduction in benefit. Members with thirty years of total service are eligible to retire at age 62 with no reduction in benefit. Officials are eligible to retire at age 65 with no reduction of benefits. Members are eligible for early retirement with reduced benefits at age 55 after 10 years of service. The benefit formula is 2.0% with a ten year vesting schedule for terminations.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

13. 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. The City's actuarially determined contribution rate for the current year was \$230,906, or 6.13% of covered payroll. The City's covered payroll for employees participating in the Plan for the current year was \$3,769,489. The Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy. The administrative expenses set by contract with GMEBS are in addition to the state-required annual funding requirement. This funding policy, as specified by ordinance, has been the same since the inception of the plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At the end of the current year, the City reported a net pension liability of \$1,217,489. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2021. For the governmental activities, the net pension liability is liquidated by the General Fund. For the current year, the City recognized pension expense in the amount of \$264,573.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 478,120	\$ (35,712)
Changes of assumptions	12,790	(6,332)
Net difference between projected and actual earnings on pension plan investments	74,024	(74,024)
Changes in participant fund allocation	0	(544,745)
City contributions subsequent to the measurement date	173,950	0
Totals	<u>\$ 738,884</u>	<u>\$ (660,813)</u>

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

13. Pension Plan (continued)

The \$173,950 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net position liability during the next year. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31,	
<u>2022</u>	\$ (18,680)
2023	25,869
2024	(12,890)
2025	<u>(90,178)</u>
Totals	<u>\$ (95,879)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The mortality and economic actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2019.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

13. Pension Plan (continued)

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	6.40%
International equity	20%	7.05%
Domestic fixed income	20%	1.15%
Real estate	10%	4.50%
Global fixed income	5%	1.25%
Total	<u>100%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.375 percent. The projection of cash flows used to determine the discount rate assumed that contributions from employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

13. Pension Plan (continued)

Changes in Net Pension Liability

	<u>Total Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at 3/31/2020	\$ 4,274,646	\$ 2,649,948	\$ 1,624,698
Changes for the year:			
Service cost	141,761	0	141,761
Interest	321,625	0	321,625
Differences between expected and actual experience	566,669	0	566,669
Contributions—employer	0	231,163	(231,163)
Net investment income	0	1,216,728	(1,216,728)
Benefit payments, including refunds of employee contributions	(110,772)	(110,772)	0
Administrative expense	0	(10,627)	10,627
Net changes	<u>919,283</u>	<u>1,326,492</u>	<u>(407,209)</u>
Balances at 3/31/2021	<u>\$ 5,193,929</u>	<u>\$ 3,976,440</u>	<u>\$ 1,217,489</u>

Plan fiduciary net position as a percentage of the total pension liability	76.56%
Covered payroll	\$ 3,461,296
Employer's net pension liability as percentage of covered payroll	35.17%

Sensitivity of the Net Pension Asset/Liability to Changes in the Discount Rate. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.375 percent) or one percentage-point higher (8.375 percent) than the current rate:

	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% decrease	6.375%	\$ 2,021,875
Current discount rate	7.375%	1,217,489
1% increase	8.375%	554,134

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

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

14. Deferred Compensation Plans

The City provides retirement benefits for its employees through a deferred compensation plan called The City of Locust Grove Deferred Compensation Plan ("Plan"). The Plan is created under Internal Revenue Code Sections 457. The Plan is administered by the Securian Retirement Services, an independent third party. Investments are managed by the Plan trustee under one of three investment options, or a combination thereof, as selected by the participant. The Plan, which is available to all employees, permits them to defer a portion of their salary until future years. Participation in the Plan is elective and is not mandatory. The City Council provides for the benefits and funding policy through a City ordinance and maintains the authority to change the policy.

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

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

During the current year, the City contributed \$34,564 to the plans based on covered salaries of \$1,360,809. Plan members made voluntary contributions of \$90,351 to the plans. Total payroll was \$3,767,519.

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

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

15. Joint Ventures

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

16. 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(b)(2). The City is required to spend, of the total taxes collected, an amount equal to at least 43.75% for the purpose of promoting tourism, conventions, and trade shows and 18.75% for the purpose of tourism product development in the downtown area. A summary of the transactions for the year ending December 31, 2021 follows:

Lodging tax receipts	\$806,220
Disbursements to promote tourism, conventions, and trade shows and tourism product development in the downtown area.	\$511,215 63.41% of tax receipts
Transfers to General Fund	\$ 90,000 11.16% of tax receipts

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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17. Risk Management

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

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

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

18. Contingencies

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

19. Subsequent Events

On February 7, 2022, the City issued general obligation sales tax bonds in the amount of \$6,955,000 to forward fund projects related to the transportation special purpose local option sales tax (TSPLOST). The required payments of these bonds will be funded by the collection of future TSPLOST revenues.

On August 16, 2022, the City received their second payment of American Rescue Plan Act funds in the amount of \$1,539,118.

20. Changes in Beginning Balances

Prior year numbers have been restated for the Water and Sewer Fund and the Business-type Activities to report an unrecorded unearned revenue for future water and sewer taps. This decreased beginning net position in the amount of \$1,769,600.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOCUST GROVE, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST TEN FISCAL YEARS
For the year ended December 31, 2021
(Unaudited)

	Fiscal Year						
	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 141,761	\$ 130,947	\$ 102,392	\$ 114,007	\$ 119,528	\$ 104,748	\$ 74,722
Interest	321,625	304,198	264,456	236,950	227,535	206,702	181,677
Differences between expected and actual experience	566,669	(21,369)	2,589	70,462	(137,342)	41,791	167,555
Changes of assumptions	0	(10,451)	0	38,371	0	0	(17,971)
Changes of benefit terms	0	0	233,519			0	0
Benefit payments, including refunds of employee contributions	(110,772)	(107,415)	(95,823)	(91,224)	(85,250)	(83,598)	(82,566)
Net change in total pension liability	919,283	295,910	507,133	368,566	124,471	269,643	323,417
Total pension liability - beginning	4,274,646	3,978,736	3,471,603	3,103,037	2,978,566	2,708,923	2,385,506
Total pension liability - ending (a)	5,193,929	4,274,646	3,978,736	3,471,603	3,103,037	\$ 2,978,566	\$ 2,708,923
Plan fiduciary net position							
Contributions - employer	\$ 231,163	\$ 183,219	\$ 157,901	\$ 157,840	\$ 141,537	\$ 114,820	\$ 124,851
Net investment income	1,216,728	(204,152)	96,959	288,521	254,578	6,713	171,322
Benefit payments, including refunds of employee contributions	(110,772)	(107,415)	(95,823)	(91,224)	(85,250)	(83,598)	(82,566)
Administrative expense	(10,627)	(11,325)	(11,721)	(10,094)	(10,015)	(6,438)	(5,206)
Net change in total pension liability	1,326,492	(139,673)	147,316	345,043	300,850	31,497	208,401
Plan fiduciary net position - beginning	2,649,948	2,789,621	2,642,305	2,297,262	1,996,412	1,964,915	1,756,514
Plan fiduciary net position - ending (b)	\$ 3,976,440	\$ 2,649,948	\$ 2,789,621	\$ 2,642,305	\$ 2,297,262	\$ 1,996,412	\$ 1,964,915
Net pension liability (asset) - ending : (a) - (b)	\$ 1,217,489	\$ 1,624,698	\$ 1,189,115	\$ 829,298	\$ 805,775	\$ 982,154	\$ 744,008
Plan's fiduciary net position as a percentage of the total pension liability	76.56%	61.99%	70.11%	76.11%	74.03%	67.03%	72.53%
Covered payroll	\$ 3,461,296	\$ 3,159,596	\$ 2,594,568	\$ 2,143,962	\$ 2,173,333	\$ 2,278,667	\$ 2,152,833
Net pension liability as a percentage of covered payroll	35.17%	51.42%	45.83%	38.68%	37.08%	43.10%	34.56%

Note: Fiscal year 2015 was the first year of implementation. Therefore, years prior to 2015 are not reported.

CITY OF LOCUST GROVE, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
For the year ended December 31, 2021
(Unaudited)

	Fiscal Year						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 230,906	\$ 167,323	\$ 154,360	\$ 167,323	\$ 159,400	\$ 135,583	\$ 107,899
Contributions in relation to the actuarially determined contribution	<u>(230,906)</u>	<u>(167,323)</u>	<u>(154,360)</u>	<u>(167,323)</u>	<u>(159,400)</u>	<u>(135,583)</u>	<u>(107,899)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered payroll	\$ 3,769,489	\$ 3,461,296	\$ 2,594,568	\$ 2,143,962	2,173,333	\$ 2,278,667	\$ 2,152,833
Contributions as a percentage of covered payroll	6.13%	4.83%	5.95%	7.80%	7.33%	5.95%	5.01%

Note: Fiscal year 2015 was the first year of implementation. Therefore, years prior to 2015 are not reported.

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

1. Valuation Date

The actuarially determined contribution rate was determined as of January 1, 2021, 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, 2022.

2. Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method = Projected unit credit

Amortization method = Closed level dollar for remaining unfunded liability

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

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

Net investment rate of return = 7.375%

Projected salary increases = 2.25% plus service based merit increases

Cost of living adjustments = 0%

Retirement age for inactive vested participants = 65

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

Exhibit B-3, continued

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

3. Changes in Benefits

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

4. Changes of Assumptions

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

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

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

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

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

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

Exhibit B-3, continued

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

4. Changes of Assumptions (continued)

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

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

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

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

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

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

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

Exhibit B-3, continued

CITY OF LOCUST GROVE, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

4. Changes of Assumptions (continued)

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

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

4. Benefit Changes

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

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COMBINING STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

CITY OF LOCUST GROVE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2021

	<u>Special Revenue</u>		<u>Capital</u>	<u>Total</u>
	<u>Confiscated</u>	<u>Hotel/Motel</u>	<u>Projects</u>	<u>Nonmajor</u>
	<u>Assets</u>	<u>Tax</u>	<u>Developmental</u>	<u>Governmental</u>
			<u>Impact</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 9,238	\$ 696,098	\$ 1,468,850	\$ 2,174,186
Taxes receivable	0	76,253	0	76,253
Prepaid items	0	1,140	0	1,140
Due from other funds	0	5,823	0	5,823
Total assets	<u>\$ 9,238</u>	<u>\$ 779,314</u>	<u>\$ 1,468,850</u>	<u>\$ 2,257,402</u>
LIABILITIES				
Accrued salaries and expenses	0	2,039	0	2,039
Total liabilities	<u>0</u>	<u>2,039</u>	<u>0</u>	<u>2,039</u>
FUND BALANCES				
Nonspendable for prepaid items	0	1,140	0	1,140
Restricted:				
Public Safety	9,238	0	0	9,238
Housing and Development	0	369,519	0	369,519
Capital projects			1,468,850	1,468,850
Assigned for Housing and Development	0	406,616	0	406,616
Total fund balances	<u>9,238</u>	<u>777,275</u>	<u>1,468,850</u>	<u>2,255,363</u>
Total liabilities and fund balances	<u>\$ 9,238</u>	<u>\$ 779,314</u>	<u>\$ 1,468,850</u>	<u>\$ 2,257,402</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, 2021

	Special Revenue		Capital Projects	Total
	Confiscated Assets	Hotel/Motel Tax	Developmental Impact	Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 0	\$ 806,220	\$ 0	\$ 806,220
Fines, fees, and forfeitures	7,995	0	0	7,995
Charges for services			809,487	809,487
Interest	24	73	243	340
Total revenues	8,019	806,293	809,730	1,624,042
EXPENDITURES				
Current				
Public Safety	88,627	0	0	88,627
Housing and Development	0	511,215	0	511,215
Capital outlay	0	0	153,048	153,048
Total expenditures	88,627	511,215	153,048	752,890
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(80,608)	295,078	656,682	871,152
Other Financing Sources (Uses)				
Transfers in	22,915	0	0	22,915
Transfers out	0	(90,000)	0	(90,000)
Total other financing sources (uses)	22,915	(90,000)	0	(67,085)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(57,693)	205,078	656,682	804,067
Fund balances, January 1	66,931	572,197	812,168	1,451,296
Fund balances, December 31	\$ 9,238	\$ 777,275	\$ 1,468,850	\$ 2,255,363

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GENERAL FUND

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

CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 5,058,712	\$ 5,032,637
Restricted assets		
Cash and cash equivalents	73,404	94,585
Receivables (net)		
Accounts	4,880	106,216
Taxes	828,675	721,540
Due from other funds	56,910	56,910
Prepaid items	40,777	37,366
Total assets	\$ 6,063,358	\$ 6,049,254
 LIABILITIES		
Accounts payable	\$ 14,205	\$ 71,068
Accrued salaries and expenses	92,812	60,079
Due to other funds	470,700	408,391
Due to others	90,777	91,995
Total liabilities	668,494	631,533
 FUND BALANCES		
Nonspendable prepaid items	40,777	37,366
Restricted for Public Safety	0	22,915
Restricted for Public Works	73,404	71,670
Assigned for budget	924,380	1,788,540
Unassigned	4,356,303	3,497,230
Total fund balances	5,394,864	5,417,721
Total liabilities and fund balances	\$ 6,063,358	\$ 6,049,254

CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Taxes	\$ 5,265,458	\$ 4,596,208
Licenses and permits	988,189	463,319
Fines, fees and forfeitures	537,743	485,342
Charges for services	1,026,248	883,384
Intergovernmental	170,864	537,166
Interest	12,720	9,860
Contributions	0	1,157
Other	54,980	124,229
	<u>8,056,202</u>	<u>7,100,665</u>
Total revenues		
EXPENDITURES		
Current		
General Government	1,534,260	1,520,431
Judicial	346,015	272,755
Public Safety	2,894,875	2,488,606
Public Works	2,540,096	1,177,704
Culture and Recreation	52,083	18,132
Housing and Development	861,315	676,347
	<u>8,228,644</u>	<u>6,153,975</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(172,442)</u>	<u>946,690</u>
Other Financing Sources (Uses)		
Transfers in (out)		
Hotel/Motel Tax Fund	90,000	0
Confiscated Assets Fund	(22,915)	0
Proceeds from sale of assets	82,500	0
Total other financing sources (uses)	<u>149,585</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(22,857)</u>	<u>946,690</u>
Fund balances, January 1 (original)	5,417,721	4,262,136
Prior period adjustment	0	208,895
Fund balances, January 1 (restated)	<u>5,417,721</u>	<u>4,471,031</u>
Fund balances, December 31	<u><u>\$ 5,394,864</u></u>	<u><u>\$ 5,417,721</u></u>

CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2021
(with comparative totals for the year ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
Motor vehicle and title ad valorem tax	\$ 285,000	\$ 335,371	\$ 50,371	\$ 220,118
Local option sales tax	2,700,000	3,103,441	403,441	2,749,237
Intangible tax	72,500	85,608	13,108	56,302
Real estate transfer tax	32,500	37,299	4,799	21,666
Franchise tax	459,000	556,320	97,320	457,141
Insurance premium tax	480,000	480,477	477	464,923
Alcohol tax	425,000	432,688	7,688	420,824
Occupational tax	232,500	218,820	(13,680)	194,104
Street Lighting tax	15,000	15,434	434	11,893
Other taxes	250	0	(250)	0
Total taxes	<u>4,701,750</u>	<u>5,265,458</u>	<u>563,708</u>	<u>4,596,208</u>
Licenses and Permits				
Building permits	875,000	870,489	(4,511)	412,454
Alcohol licenses and penalties	83,000	92,600	9,600	28,000
Regulatory fees	52,500	25,100	(27,400)	22,865
Total licenses and permits	<u>1,010,500</u>	<u>988,189</u>	<u>(22,311)</u>	<u>463,319</u>
Fines, fees and forfeitures	<u>708,500</u>	<u>537,743</u>	<u>(170,757)</u>	<u>485,342</u>
Charges for Services				
Cemetery lot sales	14,530	8,600	(5,930)	1,350
Police charges	11,200	9,538	(1,662)	6,446
Planning and zoning charges	202,000	191,450	(10,550)	56,788
Indirect expenses	905,250	815,250	(90,000)	818,800
Other	21,700	1,410	(20,290)	0
Total charges for services	<u>1,154,680</u>	<u>1,026,248</u>	<u>(128,432)</u>	<u>883,384</u>
Intergovernmental	<u>287,500</u>	<u>170,864</u>	<u>(116,636)</u>	<u>537,166</u>
Interest	<u>10,020</u>	<u>12,720</u>	<u>2,700</u>	<u>9,860</u>
Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,157</u>
Other	<u>63,200</u>	<u>54,980</u>	<u>(8,220)</u>	<u>124,229</u>
Total revenues	<u>\$ 7,936,150</u>	<u>\$ 8,056,202</u>	<u>\$ 120,052</u>	<u>\$ 7,100,665</u>

CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2021
(with comparative totals for the year ended 2020)

	2021			2020
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Mayor and Council				
Personal services	\$ 87,150	\$ 85,593	\$ 1,557	\$ 84,179
Contractual services	91,650	61,750	29,900	25,187
Materials and supplies	2,350	1,220	1,130	5,290
Total Mayor and Council	<u>181,150</u>	<u>148,563</u>	<u>32,587</u>	<u>114,656</u>
Administration				
Personal services	814,500	778,816	35,684	780,854
Contractual services	476,500	429,973	46,527	466,054
Materials and supplies	103,650	134,332	(30,682)	66,796
Capital outlay	381,000	42,576	338,424	92,071
Total Administration	<u>1,775,650</u>	<u>1,385,697</u>	<u>389,953</u>	<u>1,405,775</u>
Total General Government	<u>1,956,800</u>	<u>1,534,260</u>	<u>422,540</u>	<u>1,520,431</u>
Judicial				
Municipal Court				
Personal services	123,000	104,614	18,386	103,484
Contract services	70,600	46,318	24,282	40,198
Materials and supplies	18,950	16,583	2,367	6,602
Capital outlay	15,250	0	15,250	0
Payments to others	167,500	178,500	(11,000)	122,471
Total Municipal Court	<u>395,300</u>	<u>346,015</u>	<u>49,285</u>	<u>272,755</u>
Public Safety				
Police				
Personal services	2,207,000	2,052,590	154,410	1,862,682
Contractual services	453,500	396,166	57,334	287,379
Materials and supplies	171,000	220,614	(49,614)	159,890
Capital outlay	285,000	225,505	59,495	178,655
Payments to others	5,000	0	5,000	0
Total Police	<u>3,121,500</u>	<u>2,894,875</u>	<u>226,625</u>	<u>2,488,606</u>

CITY OF LOCUST GROVE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2021
(with comparative totals for the year ended 2020)

	<u>2021</u>			<u>2020</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Public Works				
Streets				
Personal services	\$ 721,000	\$ 717,156	\$ 3,844	\$ 630,400
Contractual services	539,010	1,180,450	(641,440)	247,761
Materials and supplies	337,750	309,852	27,898	251,815
Capital outlay	1,075,500	318,174	757,326	31,000
Total Streets	<u>2,673,260</u>	<u>2,525,632</u>	<u>147,628</u>	<u>1,160,976</u>
Fleet Maintenance				
Personal services	11,550	0	11,550	0
Contractual services	6,000	(76)	6,076	1,016
Materials and supplies	10,000	7,664	2,336	274
Capital outlay	1,800	0	1,800	0
Total Fleet Maintenance	<u>29,350</u>	<u>7,588</u>	<u>21,762</u>	<u>1,290</u>
Cemetery				
Contractual services	6,500	5,076	1,424	15,438
Materials and supplies	50	1,800	(1,750)	0
Capital outlay	8,000	0	8,000	0
Total Cemetery	<u>14,550</u>	<u>6,876</u>	<u>7,674</u>	<u>15,438</u>
Total Public Works	<u>2,717,160</u>	<u>2,540,096</u>	<u>177,064</u>	<u>1,177,704</u>
Culture and Recreation				
Parks and Recreation				
Contractual services	31,000	26,148	4,852	4,893
Materials and supplies	20,000	17,293	2,707	13,239
Capital outlay	21,000	8,642	12,358	0
Total Parks and Recreation	<u>72,000</u>	<u>52,083</u>	<u>19,917</u>	<u>18,132</u>
Housing and Development				
Community Development				
Personal services	404,200	375,296	28,904	315,161
Contractual services	457,450	402,770	54,680	339,550
Materials and supplies	28,240	50,474	(22,234)	21,636
Capital outlay	55,500	32,775	22,725	0
Total Community Development	<u>945,390</u>	<u>861,315</u>	<u>84,075</u>	<u>676,347</u>
Total expenditures	<u>\$ 9,208,150</u>	<u>\$ 8,228,644</u>	<u>\$ 979,506</u>	<u>\$ 6,153,975</u>

SPECIAL REVENUE FUNDS

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

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

American Rescue Plan Act Fund - Used to account for projects financed from the assistance from the American Rescue Plan Act of 2021.

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

CITY OF LOCUST GROVE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 9,238	\$ 66,931
 FUND BALANCES		
Restricted for Public Safety	\$ 9,238	\$ 66,931

CITY OF LOCUST GROVE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2021
(with comparative totals for the year ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Variance	Actual
REVENUES				
Fines, fees, and forfeitures	\$ 110,000	\$ 7,995	\$ (102,005)	\$ 110,749
Interest	0	24	24	0
Total revenues	<u>110,000</u>	<u>8,019</u>	<u>(101,981)</u>	<u>110,749</u>
EXPENDITURES				
Current				
Public Safety				
Materials and supplies	0	364	(364)	7,476
Capital outlay	110,000	88,263	21,737	36,500
Total expenditures	<u>110,000</u>	<u>88,627</u>	<u>21,373</u>	<u>43,976</u>
Excess (deficiency) of revenues over (under) expenditures	0	(80,608)	(80,608)	66,773
Other Financing Sources (Uses)				
Transfers in (out)				
General Fund	0	22,915	22,915	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(57,693)	(57,693)	66,773
Fund balances, January 1	0	66,931	66,931	158
Fund balances, December 31	<u>\$ 0</u>	<u>\$ 9,238</u>	<u>\$ 9,238</u>	<u>\$ 66,931</u>

CITY OF LOCUST GROVE, GEORGIA
AMERICAN RESCUE PLAN ACT SPECIAL REVENUE FUND
BALANCE SHEET
December 31, 2021

ASSETS

Cash and cash equivalents \$ 1,539,118

Total assets \$ 1,539,118

LIABILITIES

Unearned revenue \$ 1,539,118

Total liabilities 1,539,118

FUND BALANCES

Restricted for grant specifications 0

Total fund balances 0

Total liabilities and fund balances \$ 1,539,118

CITY OF LOCUST GROVE, GEORGIA
AMERICAN RESCUE PLAN ACT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2021

	Final Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 1,575,000	\$ 0	\$ (1,575,000)
Total revenues	1,575,000	0	(1,575,000)
EXPENDITURES			
Current			
Public Works	1,575,000	0	1,575,000
Total expenditures	1,575,000	0	1,575,000
Excess (deficiency) of revenues over (under) expenditures	0	0	0
Fund balances, January 1	0	0	0
Fund balances, December 31	\$ 0	\$ 0	\$ 0

CITY OF LOCUST GROVE, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 696,098	\$ 544,313
Taxes receivable	76,253	93,578
Prepaid items	1,140	1,230
Due from other funds	5,823	5,823
Total assets	\$ 779,314	\$ 644,944
LIABILITIES		
Accounts payable	\$ 0	\$ 72,747
Accrued salaries and expenses	2,039	0
Total liabilities	2,039	72,747
FUND BALANCES		
Nonspendable prepaid items	1,140	1,230
Restricted for Housing and Development	369,519	376,801
Assigned for Housing and Development	406,616	194,166
Total fund balances	777,275	572,197
Total liabilities and fund balances	\$ 779,314	\$ 644,944

CITY OF LOCUST GROVE, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the years ended December 31, 2021 and 2020
(with comparative totals for the year ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/motel taxes	\$ 720,600	\$ 806,220	\$ 85,620	\$ 497,245
Contributions	100	0	(100)	0
Interest	100	73	(27)	74
Total revenues	720,800	806,293	85,493	497,319
EXPENDITURES				
Current				
Housing and Development				
Personal services	115,000	93,753	21,247	98,984
Contract services	177,700	48,088	129,612	141,651
Materials and supplies	45,600	17,589	28,011	22,997
Capital outlay	64,500	0	64,500	0
Agency allocations	318,000	351,785	(33,785)	216,177
Total expenditures	720,800	511,215	209,585	479,809
Excess (deficiency) of revenues over (under) expenditures	0	295,078	295,078	17,510
Other Financing Sources (Uses)				
Transfers in (out)				
General Fund	0	(90,000)	(90,000)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	205,078	205,078	17,510
Fund balances, January 1 (original)	0	572,197	572,197	517,245
Prior period adjustment	0	0	0	37,442
Fund balances, January 1 (restated)	0	572,197	572,197	554,687
Fund balances, December 31	\$ 0	\$ 777,275	\$ 777,275	\$ 572,197

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CAPITAL PROJECTS FUNDS

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

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

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

CITY OF LOCUST GROVE, GEORGIA
DEVELOPMENTAL IMPACT CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,468,850	\$ 812,648
 LIABILITIES		
Accounts payable	\$ 0	\$ 480
 FUND BALANCES		
Restricted for capital projects	1,468,850	812,168
Total liabilities and fund balances	\$ 1,468,850	\$ 812,648

CITY OF LOCUST GROVE, GEORGIA
DEVELOPMENTAL IMPACT CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the years ended December 31, 2021 and 2020

	2021	2020
REVENUES		
Charges for services	\$ 809,487	\$ 386,332
Interest	243	285
	Total revenues	386,617
	809,730	386,617
EXPENDITURES		
Capital outlay		
Recreation	153,048	1,003,922
	Total expenditures	1,003,922
	153,048	1,003,922
Excess (deficiency) of revenues over (under) expenditures	656,682	(617,305)
Fund balances, January 1	812,168	1,429,473
Fund balances, December 31	\$ 1,468,850	\$ 812,168

CITY OF LOCUST GROVE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,492,317	\$ 987,167
Intergovernmental receivable	840,596	0
Total assets	\$ 2,332,913	\$ 987,167
LIABILITIES		
Accounts payable	\$ 4,093	\$ 366
FUND BALANCES		
Restricted for capital projects	2,328,820	986,801
Total liabilities and fund balances	\$ 2,332,913	\$ 987,167

CITY OF LOCUST GROVE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Intergovernmental	\$ 1,447,447	\$ 362,360
Interest	1,630	4,269
	<u>1,449,077</u>	<u>366,629</u>
Total revenues		
EXPENDITURES		
Capital outlay		
Public Works		
Streets	107,058	633,428
Culture and Recreation		
Recreation	0	5,400
	<u>107,058</u>	<u>638,828</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	1,342,019	(272,199)
Fund balances, January 1	<u>986,801</u>	<u>1,259,000</u>
Fund balances, December 31	<u><u>\$ 2,328,820</u></u>	<u><u>\$ 986,801</u></u>

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ENTERPRISE FUNDS

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

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

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

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

CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,191,295	\$ 696,014
Accounts receivables (net)	486,539	424,274
Prepaid items	4,061	4,218
Total current assets	1,681,895	1,124,506
Restricted assets		
Extension and Renewal		
Cash and cash equivalents	2,687,129	1,699,781
Debt Redemption		
Cash and cash equivalents	520,129	534,241
Customer Deposits		
Cash and cash equivalents	680,247	577,586
Total restricted assets	3,887,505	2,811,608
Capital assets		
Land	2,355,375	1,423,964
Buildings	226,262	226,262
Vehicles and equipment	1,863,062	1,972,297
Infrastructure	26,487,845	23,676,540
Construction in progress	468,013	2,226,563
Accumulated depreciation	(11,810,877)	(11,014,824)
Total capital assets (net of accumulated depreciation)	19,589,680	18,510,802
Total assets	25,159,080	22,446,916
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	61,778	55,214
LIABILITIES		
Current liabilities		
Accounts payable	143,306	72,041
Retainages payable	0	94,990
Accrued salaries and expenses	8,076	6,699
Compensated absences	29,604	29,392
Due to other funds	56,910	56,910
Unearned revenue	2,676,870	3,016,763
Notes payable	49,343	48,032
Total current liabilities	2,964,109	3,324,827

CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2021 and 2020

	2021	2020
LIABILITIES		
Current liabilities payable from restricted assets		
Customer deposits payable	\$ 680,587	\$ 577,586
Interest payable	19,170	22,203
Bonds payable	595,000	610,000
Total current liabilities payable from restricted assets	1,294,757	1,209,789
Noncurrent liabilities		
Net pension liability	113,398	151,584
Notes payable	139,295	188,638
Bonds payable	3,260,000	3,855,000
Total noncurrent liabilities	3,512,693	4,195,222
Total liabilities	7,771,559	8,729,838
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	104,969	57,216
NET POSITION		
Net investment in capital assets	15,419,080	13,664,675
Restricted for:		
Capital	2,687,129	1,699,781
Debt service	500,959	512,038
Unrestricted	(1,262,838)	(2,161,418)
Total net position	\$ 17,344,330	\$ 13,715,076

CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Charges for sales and services		
Water sales	\$ 2,372,221	\$ 2,170,174
Sewer charges	1,952,457	1,637,490
Tap fees	274,055	168,840
Other	180,834	104,126
	<u>4,779,567</u>	<u>4,080,630</u>
OPERATING EXPENSES		
Costs of sales and services	2,695,158	2,285,346
Personal services	461,930	441,884
Depreciation	872,894	846,632
	<u>4,029,982</u>	<u>3,573,862</u>
Operating income (loss)	<u>749,585</u>	<u>506,768</u>
Non-operating revenues (expenses)		
Interest revenue	369	591
Interest expense	(86,567)	(94,916)
Distribution of capital assets to the Governmental Activities	(127,600)	0
	<u>(213,798)</u>	<u>(94,325)</u>
Income (loss) before capital contributions	<u>535,787</u>	<u>412,443</u>
Capital contributions		
Impact fees	1,484,251	892,801
Capital contributions	1,609,216	0
	<u>3,093,467</u>	<u>892,801</u>
Change in net position	<u>3,629,254</u>	<u>1,305,244</u>
Net position, January 1 (original)	13,715,076	14,282,242
Prior period adjustment	0	(1,872,410)
Net position, January 1 (restated)	<u>13,715,076</u>	<u>12,409,832</u>
Net position, December 31	<u><u>\$ 17,344,330</u></u>	<u><u>\$ 13,715,076</u></u>

CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from customers	\$ 4,480,410	\$ 3,661,099
Payments to suppliers	(2,845,688)	(2,546,809)
Payments to employees	(457,338)	(439,690)
	<u>1,177,384</u>	<u>674,600</u>
Cash flows from non-capital financing activities:		
Payments to other funds	<u>0</u>	<u>(10,808)</u>
Cash flows from capital and related financing activities:		
Receipts from capital contributions	1,484,251	892,801
Interest paid	(89,600)	(97,945)
Acquisition of capital assets	(343,194)	(1,583,715)
Principal payments - bonds payable	(610,000)	(595,000)
Proceeds from notes payable	0	174,000
Principal payments - notes payable	(48,032)	(14,330)
	<u>393,425</u>	<u>(1,224,189)</u>
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities:		
Interest received	<u>369</u>	<u>591</u>
Net increase (decrease) in cash and cash equivalents	1,571,178	(559,806)
Cash and cash equivalents, January 1	<u>3,507,622</u>	<u>4,067,428</u>
Cash and cash equivalents, December 31	<u><u>\$ 5,078,800</u></u>	<u><u>\$ 3,507,622</u></u>

CITY OF LOCUST GROVE, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

	2021	2020
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 749,585	\$ 506,768
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	872,894	846,632
(Increase) decrease in accounts receivable	(62,265)	(61,146)
(Increase) decrease in prepaid items	157	(7,561)
(Increase) decrease in pension deferred outflows	(6,564)	(28,527)
Increase (decrease) in accounts payable	(55,697)	(348,892)
Increase (decrease) in retainages payable	(94,990)	94,990
Increase (decrease) in accrued salaries and expenses	1,377	6,699
Increase (decrease) in compensated absences	212	(2,505)
Increase (decrease) in unearned revenue	(339,893)	(421,941)
Increase (decrease) in deposits payable	103,001	63,556
Increase (decrease) in pension deferred inflows	47,753	49,910
Increase (decrease) in net pension liability	(38,186)	(23,383)
Total adjustments	427,799	167,832
Net cash provided (used) by operating activities	\$ 1,177,384	\$ 674,600
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	\$ 1,191,295	\$ 696,014
Extension and Renewal		
Cash and cash equivalents	2,687,129	1,699,781
Debt Redemption		
Cash and cash equivalents	520,129	534,241
Customers Deposits		
Cash and cash equivalents	680,247	577,586
Total cash and cash equivalents	\$ 5,078,800	\$ 3,507,622

Noncash investing, capital, and financing activities:

Contributions of capital assets from developers totaled \$1,609,216 for the year ended December 31, 2021.

Cost of assets transferred from governmental activities totaled \$39,543 for the year ended December 31, 2021.

Acquisition of capital assets through accounts payable totaled \$126,962 for the year ended December 31, 2021.

CITY OF LOCUST GROVE, GEORGIA
SOLID WASTE MANAGEMENT ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Accounts receivable (net)	\$ 64,590	\$ 54,877
Due from other funds	148,000	85,691
Prepaid items	<u>593</u>	<u>551</u>
Total current assets	<u>213,183</u>	<u>141,119</u>
Capital assets		
Vehicles and equipment	113,340	113,340
Accumulated depreciation	<u>(111,965)</u>	<u>(111,465)</u>
Total capital assets (net of accumulated depreciation)	<u>1,375</u>	<u>1,875</u>
Total assets	<u>214,558</u>	<u>142,994</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred inflows related to pensions	<u>4,018</u>	<u>22,881</u>
LIABILITIES		
Current liabilities		
Accounts payable	245	245
Accrued salaries and expenses	0	454
Compensated absences	<u>2,142</u>	<u>1,255</u>
Total current liabilities	2,387	1,954
Noncurrent liabilities		
Net pension liability	<u>16,161</u>	<u>43,379</u>
Total liabilities	<u>18,548</u>	<u>45,333</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	<u>7,788</u>	<u>1,971</u>
NET POSITION		
Investment in capital assets	1,375	1,875
Unrestricted	<u>190,865</u>	<u>116,696</u>
Total net position	<u>\$ 192,240</u>	<u>\$ 118,571</u>

CITY OF LOCUST GROVE, GEORGIA
SOLID WASTE MANAGEMENT ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Charges for sales and services		
Sanitation fees	\$ 597,600	\$ 533,060
Other	6,160	3,682
	<u>603,760</u>	<u>536,742</u>
OPERATING EXPENSES		
Costs of sales and services	492,189	523,480
Personal services	37,402	44,658
Depreciation	500	500
	<u>530,091</u>	<u>568,638</u>
Operating income (loss)	<u>73,669</u>	<u>(31,896)</u>
Net position, January 1 (original)	118,571	144,459
Prior period adjustment	0	6,008
Net position, January 1 (restated)	<u>118,571</u>	<u>150,467</u>
Net position, December 31	<u><u>\$ 192,240</u></u>	<u><u>\$ 118,571</u></u>

CITY OF LOCUST GROVE, GEORGIA
SOLID WASTE MANAGEMENT ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from customers	\$ 594,047	\$ 527,805
Payments to suppliers	(492,231)	(524,121)
Payments to employees	(39,507)	(41,316)
	<u>62,309</u>	<u>(37,632)</u>
Cash flows from non-capital financing activities		
Receipts from other funds	0	37,632
Payments to other funds	(62,309)	0
	<u>(62,309)</u>	<u>37,632</u>
Net increase (decrease) in cash and cash equivalents	0	0
Cash and cash equivalents, January 1	<u>0</u>	<u>0</u>
Cash and cash equivalents, December 31	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 73,669	\$ (31,896)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	500	500
(Increase) decrease in accounts receivable	(9,713)	(8,937)
(Increase) decrease in prepaid items	(42)	(886)
(Increase) decrease in pension deferred outflows	18,863	(22,572)
Increase (decrease) in accounts payable	0	245
Increase (decrease) in accrued salaries and expenses	(454)	454
Increase (decrease) in compensated absences	887	(393)
Increase (decrease) in pension deferred inflows	5,817	1,886
Increase (decrease) in net pension liability	(27,218)	23,967
Total adjustments	<u>(11,360)</u>	<u>(5,736)</u>
Net cash provided by operating activities	<u>\$ 62,309</u>	<u>\$ (37,632)</u>

CITY OF LOCUST GROVE, GEORGIA
STORM WATER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 153,247	\$ 116,253
Accounts receivable (net)	72,070	65,593
Due from other funds	316,877	316,877
Prepaid items	1,186	1,167
Total current assets	543,380	499,890
Capital assets		
Vehicles and equipment	536,041	428,343
Infrastructure	591,118	0
Accumulated depreciation	(270,530)	(156,088)
Total capital assets (net of accumulated depreciation)	856,629	272,255
Total assets	1,400,009	772,145
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	17,651	7,871
LIABILITIES		
Current liabilities		
Accounts payable	3,330	735
Accrued salaries and expenses	3,776	2,141
Compensated absences	17,971	15,600
Notes payable	37,780	36,376
Total current liabilities	62,857	54,852
Noncurrent liabilities		
Net pension liability	32,322	21,608
Notes payable	32,413	70,194
Total noncurrent liabilities	64,735	91,802
Total liabilities	127,592	146,654
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	39,213	36,347
NET POSITION		
Net investment in capital assets	786,436	165,685
Unrestricted	464,419	431,330
Total net position	\$ 1,250,855	\$ 597,015

CITY OF LOCUST GROVE, GEORGIA
STORM WATER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Charges for sales and services		
Storm water charges	\$ 390,330	\$ 330,024
Total operating revenues	<u>390,330</u>	<u>330,024</u>
OPERATING EXPENSES		
Costs of sales and services	135,141	148,886
Personal services	153,440	134,548
Depreciation	36,878	39,072
Total operating expenses	<u>325,459</u>	<u>322,506</u>
Operating income (loss)	64,871	7,518
Non-operating revenues (expenses)		
Interest expense	(2,149)	(5,094)
Income (loss) before capital contributions	62,722	2,424
Capital contributions	591,118	0
Change in net position	<u>653,840</u>	<u>2,424</u>
Net position, January 1	597,015	557,448
Prior period adjustment	0	37,143
Net position, January 1 (restated)	<u>597,015</u>	<u>594,591</u>
Net position, December 31	<u>\$ 1,250,855</u>	<u>\$ 597,015</u>

CITY OF LOCUST GROVE, GEORGIA
STORM WATER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from customers	\$ 383,853	\$ 315,082
Payments to suppliers	(132,565)	(150,322)
Payments to employees	(145,634)	(137,806)
	<u>105,654</u>	<u>26,954</u>
Net cash provided (used) by operating activities		
Cash flows from non-capital financing activities:		
Payments to other funds	<u>0</u>	<u>(1,002)</u>
Cash flows from capital and related financing activities:		
Principal payments - notes payable	(36,377)	(34,963)
Interest paid	(2,149)	(5,094)
Acquisition of capital assets	(30,134)	0
	<u>(68,660)</u>	<u>(40,057)</u>
Net cash provided (used) by capital and related financing activities		
Net increase (decrease) in cash and cash equivalents	36,994	(14,105)
Cash and cash equivalents, January 1	<u>116,253</u>	<u>130,358</u>
Cash and cash equivalents, December 31	<u><u>\$ 153,247</u></u>	<u><u>\$ 116,253</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 64,871</u>	<u>\$ 7,518</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	36,878	39,072
(Increase) decrease in accounts receivable	(6,477)	(14,942)
(Increase) decrease in prepaid items	(19)	(2,171)
(Increase) decrease in pension deferred outflows	(9,780)	4,631
Increase (decrease) in accounts payable	2,595	735
Increase (decrease) in accrued salaries and expenses	1,635	2,141
Increase (decrease) in compensated absences	2,371	421
Increase (decrease) in pension deferred inflows	2,866	32,924
Increase (decrease) in net pension liability	10,714	(43,375)
	<u>40,783</u>	<u>19,436</u>
Total adjustments		
Net cash provided (used) by operating activities	<u><u>\$ 105,654</u></u>	<u><u>\$ 26,954</u></u>

Noncash investing, capital, and financing activities:

Contributions of capital assets from developers totaled \$591,118 for the year ended December 31, 2021.

OTHER REPORTING SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Locust Grove, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Locust Grove, Georgia's basic financial statements and have issued our report thereon dated October 7, 2022.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies to be material weaknesses.

Comment 2021-001

Condition: The 2020 financial statements were restated in the Water and Sewer Enterprise Fund and the Business-Type Activities.

Criteria: Generally accepted accounting principles require that assets and liabilities be properly calculated and recorded.

Effect: Failure to properly apply generally accepted accounting principles led to financial statements that were materially misstated.

Cause: The City did not properly calculate and record liabilities for reporting in the financial statements before issuing financial statements.

Recommendation: Management should review their year-end procedures for recording assets and liabilities.

Comment 2021-001, continued

Management Response: Management concurs with this finding. The City Manager and City Clerk will review all year-end balances to ensure they are properly calculated and recorded.

Comment 2021-002

Condition: City personnel may require additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the external auditor. This does not indicate that City personnel is not trained to perform the daily accounting functions, but that the City has elected as a cost benefit to outsource this expertise to their auditors. Though it is not unusual for governments of this size to rely on the auditor to assist with the preparation of the financial statements, the inability of the staff to prepare the complete financial statements, including the required note disclosures, without the auditor's assistance, indicates a material weakness over the year-end reporting process.

Criteria: Internal controls should be in place to ensure the City can perform timely and accurate year-end close procedures to enable reporting in accordance with Generally Accepted Accounting Principles.

Effect: Failure to properly design and implement internal controls over year-end close may lead to financial statements that are materially misstated and may result in delays in the City's reporting process.

Cause: City personnel do not have the necessary training in the application of generally accepted accounting principles and the preparation of financial statements.

Recommendation: We recommend that the City Manager and City Clerk continue the City's efforts to provide the specialized training and experience necessary to perform these duties and continue to implement and/or strengthen controls over the year-end closeout procedures.

Management Response: Management concurs with this finding. The City Manager and City Clerk will continue the City's efforts to provide this training and continue to implement and/or strengthen controls over the year-end closeout procedures.

Comment 2021-003

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

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

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.

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

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

Management Response: Management concurs with this finding. The City Manager and City Clerk will ensure that proper internal controls over the year-end close procedures are designed and implemented. Also, the City Manager and City Clerk will ensure that account balances are reconciled monthly to the subsidiary ledgers.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency.

Comment 2021-004

Condition: The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. As a result, there is not appropriate segregation of duties between custody, reconciliation, authorization, and accounting in the areas of cash receipts and receivables, cash disbursements and payables and payroll.

Criteria: Segregation of duties is a key internal control whereby the authorization, custody, record keeping, and reconciling duties are separated among several persons.

Effect: Failure to properly segregate the duties exposes the City to a greater risk of loss due to fraud.

Cause: Segregation of duties could be improved in the areas of cash receipts and receivables, cash disbursements and payables, and payroll.

Recommendation: Segregation of duties should be implemented to the extent practical and accounting records should be reviewed by responsible officials on a regular basis.

Management Response: Management concurs with this finding. The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. City management will work to continually improve and implement as many procedures as possible to improve internal controls in these areas. This action was taken immediately upon receipt of the comment from our auditors.

Report on Compliance and Other Matters

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

City of Locust Grove, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Locust Grove, Georgia's response to the findings identified in our audit and described previously. The City of Locust Grove, Georgia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion the response.

Purpose of this Report

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

Rushton, LLC

Gainesville, Georgia
October 7, 2022

CITY OF LOCUST GROVE, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2021

<u>Project</u>	<u>Estimated Cost *</u>		<u>Expenditures</u>		
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<u>SPLOST IV</u>					
Roads, Bridges, Sidewalks and Transportation Facilities	\$ 1,550,000	\$ 1,550,000	\$ 1,224,072	\$ 107,058	\$ 1,331,130
Public Safety Facilities and Equipment	2,750,000	2,750,000	3,538,917	0	3,538,917
Construction and Renovation of Municipal Buildings	525,000	525,000	525,000	0	525,000
Parks and Recreation Facilities	275,000	275,000	5,400	0	5,400
Stormwater Improvements	200,000	200,000	0	0	0
Total	\$ 5,300,000	\$ 5,300,000	\$ 5,293,389	\$ 107,058	\$ 5,400,447

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

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