



**City of Locust Grove, Georgia**  
**Annual Financial Report**  
**For the Fiscal Year Ended December 31, 2014**  
**Together With**  
**Independent Auditor's Report**

**Vance CPA, LLC**

*Certified Public Accountant*

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**CITY OF LOCUST GROVE, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of The City of Locust Grove, Georgia(The City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Locust Grove, Georgia, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons of the general fund, hotel/motel fund, and the confiscated assets fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

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

The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual Nonmajor fund financial statements 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 June 29, 2015, on our consideration of the City of Locust Grove, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Locust Grove's internal control over financial reporting and compliance.

June 29, 2015  
Atlanta, Georgia

*Vance CPA LLC*

**Vance CPA LLC**

## CITY OF LOCUST GROVE MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Locust Grove, we offer readers of the City of Locust Grove's financial statements this narrative overview and analysis of the financial activities of the City of Locust Grove for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with their reading of the financial statements.

### Financial Highlights

- The assets of the City of Locust Grove exceeded its liabilities at December 31, 2014 by \$26,845,630. Of this amount unrestricted net position of \$5,164,606 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased by \$1,145,075. Of this amount a net increase of \$995,525 was associated with governmental-type activities and a \$149,550 increase was associated with business-type activities.
- As of the close of the current fiscal year, the City of Locust Grove's governmental funds reported combined ending fund balances of \$4,834,930, an increase of \$123,179 in comparison with the prior year. Of this amount \$3,085,493 is unassigned and available for spending and \$1,630,751 is restricted for capital projects and other specific future uses.
- At the end of the current year, unassigned fund balance for the general fund was \$3,110,001 or 74 percent of total General Fund expenditures.
- The City of Locust Grove's total debt obligations (including accrued compensated absences) decreased by \$309,647 to a total of \$7,688,899 as of year-end. The City made principal payments during the year on its long-term debt of \$255,000.

### Overview of the Financial Statements

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

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

The statement of net positions presents information on all of the City's assets and liabilities, with the difference between the two reported as net 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.

The statement of activities 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.

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

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

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

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

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

The City of Locust Grove adopts an annual budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund, the Hotel/Motel Tax Fund and the Confiscated Assets Fund to demonstrate compliance with the FY 14 budget. A project length budget has been adopted for the SPLOST Capital Projects and an annual budget has been prepared for the Development Impact Fee Fund.

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

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

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

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

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At December 31, 2014, the city's assets exceeded liabilities by \$26,845,630. The City's net position reflects its investment in capital assets (74 percent), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Of the total net position, \$1,938,514 (7 percent) is restricted for capital projects and other specified activities and \$5,164,606 (19 percent) is unrestricted.

<b>City of Locust Grove's Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
Current and other assets	\$ 4,868,066	\$ 5,072,754	\$ 2,431,578	\$ 2,809,820	\$ 7,299,644	\$ 7,882,574
Capital assets	<u>7,473,229</u>	<u>8,450,074</u>	<u>19,495,211</u>	<u>19,021,795</u>	<u>26,968,440</u>	<u>27,471,869</u>
Total assets	<u>12,341,295</u>	<u>13,522,828</u>	<u>21,926,789</u>	<u>21,831,615</u>	<u>34,268,084</u>	<u>35,354,443</u>
Current liabilities	284,861	377,980	667,668	912,944	952,529	1,290,924
Long-term liabilities	<u>—</u>	<u>92,889</u>	<u>7,615,000</u>	<u>7,125,000</u>	<u>7,615,000</u>	<u>7,217,889</u>
Total liabilities	<u>284,861</u>	<u>470,869</u>	<u>8,282,668</u>	<u>8,037,944</u>	<u>8,567,529</u>	<u>8,508,813</u>
Net position:						
Net investment in capital assets	7,473,229	8,335,715	11,625,211	11,406,795	19,098,440	19,742,510
Restricted	1,505,864	1,630,751	356,539	307,763	1,862,403	1,938,514
Unrestricted	<u>3,077,341</u>	<u>3,085,493</u>	<u>1,662,371</u>	<u>2,079,113</u>	<u>4,739,712</u>	<u>5,164,606</u>
Total net position	<u>12,056,434</u>	<u>13,051,959</u>	<u>13,644,121</u>	<u>13,793,671</u>	<u>25,700,555</u>	<u>26,845,630</u>

A portion of the net position (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,164,606) may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Locust Grove's Change in Net Position  
For The Years Ended December 31, 2014 and 2013**

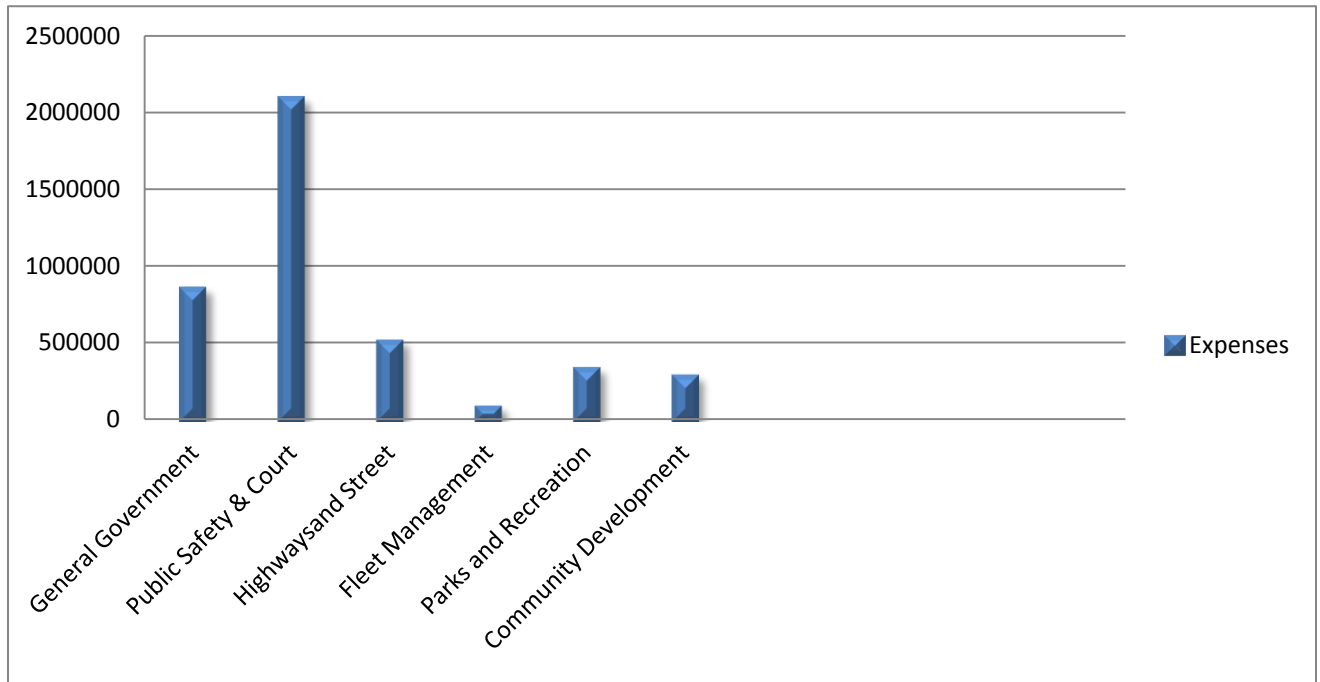
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
<b>REVENUES</b>						
Program Revenues -						
Charges for services	\$ 617,575	\$ 960,436	\$ 2,720,316	\$ 2,899,762	\$ 3,337,891	\$ 3,860,198
Operating grants and contributions	59,369	64,527	—	—	59,369	64,527
Capital grants and contributions	810,809	661,408	—	—	810,809	661,408
General Revenues -						
Franchise taxes	314,416	324,504	—	—	314,416	324,504
Sales taxes	1,614,725	1,878,979	—	—	1,614,725	1,878,979
Other taxes	983,045	1,153,945	—	—	983,045	1,153,945
Interest	7,852	4,708	2,871	—	10,723	4,708
Other	<u>116,171</u>	<u>40,484</u>	<u>—</u>	<u>—</u>	<u>116,171</u>	<u>40,484</u>
Total revenues	<u>4,523,962</u>	<u>5,088,991</u>	<u>2,723,187</u>	<u>2,899,762</u>	<u>7,247,149</u>	<u>7,988,753</u>
<b>EXPENSES</b>						
General government	1,383,241	166,019	—	—	1,383,241	166,019
Public safety and municipal court	1,896,836	677,752	—	—	1,896,836	677,752
Highways and streets	388,734	2,079,688	—	—	388,734	2,079,688
Fleet maintenance	61,852	500,764	—	—	61,852	500,764
Parks and recreation	30,618	72,410	—	—	30,618	72,410
Community development	333,722	322,619	—	—	333,722	322,619
Water	—	274,214	919,532	996,608	919,532	1,270,822
Sewer	—	—	1,240,107	1,216,706	1,240,107	1,216,706
Solid waste	—	—	277,284	281,713	277,284	281,713
Stormwater	<u>—</u>	<u>—</u>	<u>169,559</u>	<u>255,185</u>	<u>169,559</u>	<u>255,185</u>
Total expenditures	<u>4,095,003</u>	<u>4,093,466</u>	<u>2,606,482</u>	<u>2,750,212</u>	<u>6,701,485</u>	<u>6,843,678</u>
Increase (decrease) in net position	428,959	995,525	116,705	149,550	545,664	1,145,075
Net position – beginning of year	<u>11,627,475</u>	<u>12,056,434</u>	<u>13,527,416</u>	<u>13,644,121</u>	<u>25,154,891</u>	<u>25,700,555</u>
Net position – end of year	<u>\$12,056,434</u>	<u>\$ 13,051,959</u>	<u>\$ 13,644,121</u>	<u>\$ 13,793,671</u>	<u>\$25,700,555</u>	<u>\$ 26,845,630</u>

**Governmental activities:** Governmental activities increased the City of Locust Grove's net position by \$995,525. Key elements of this increase are as follows:

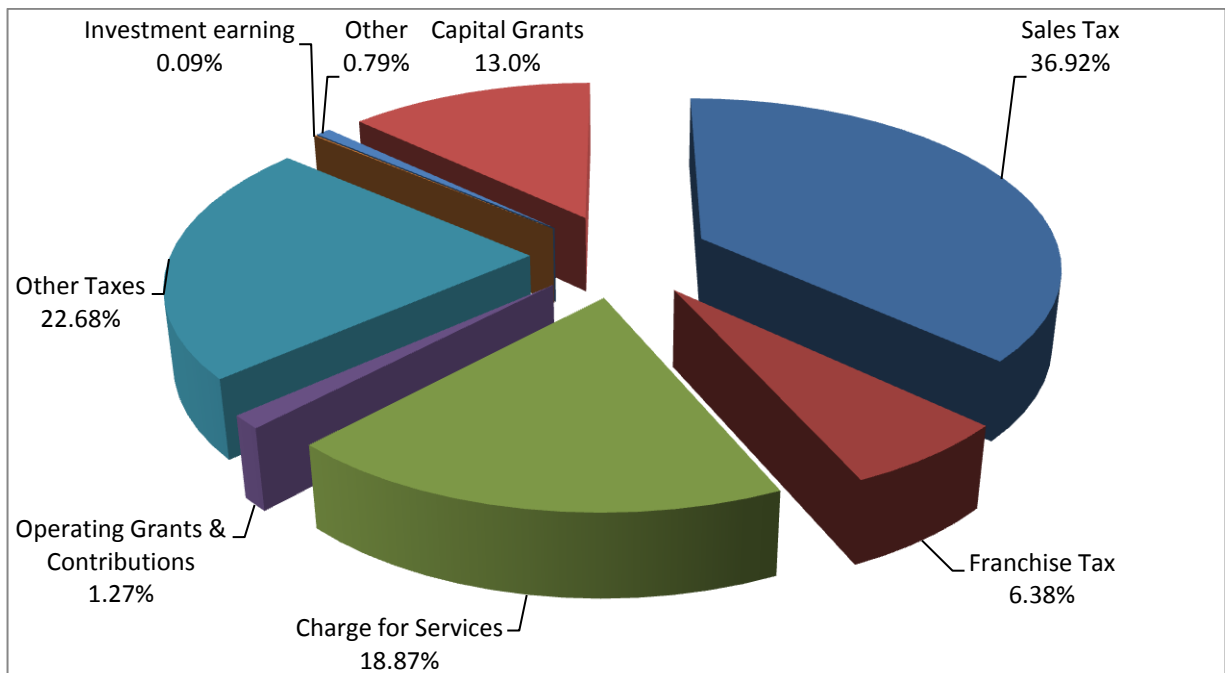
- The city has encountered an up-turn in its economic activities. The increase in various taxes and utility fees both show modest increases.

**Business-type activities;** Business-type activities increased net position by \$149,550.

## Expenses -Governmental Activities

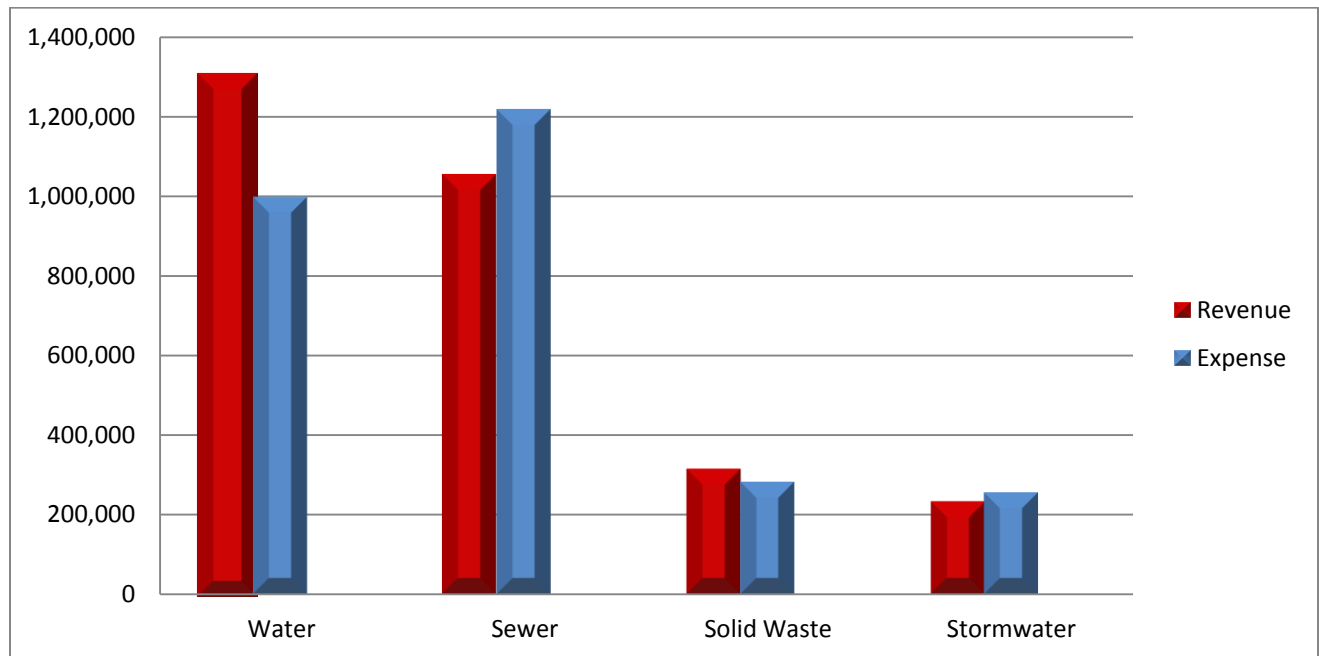


## Revenue by Source-Governmental Activities



Business-type activities. Business-type activities increased the City's net position by \$149,550 of which a decrease of \$163,802 was from Sewer activities, an increase \$32,784 was from Solid Waste management, an increase of \$302,937 from water and a decrease of \$22,396 was from Stormwater Management activities. This is the third year the City has charged stormwater fees.

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



#### Financial Analysis of the Government's Funds

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

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

At December 31, 2014 the City's governmental funds reported combined ending fund balances of \$4,834,930, an increase of \$123,179 in comparison to the prior year. Of this amount, \$3,110,001 (65 percent) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it had already been committed 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax, Development Impact Fees \$1,429,583; 2) to pay for police activities which is funded through confiscations of assets obtained during investigations into illegal drug activities (\$1,143); and 3) restricted for prepaid expenses which are not available for current government's spending discretion \$53,493; 4) restricted for conservation and tourism \$200,025.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,110,001 while the total fund balance totaled \$3,204,179. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 74 percent of the total general fund expenditures, while total fund balance represents 76 percent of that same amount.

During the current fiscal year, the fund balance of the City's general fund decreased by \$1,708. The general fund's revenues increased for the year by \$589,631 or 17% while expenditures increased by \$1,168,668 or 39%.

The City's Hotel/Motel Tax fund received revenues from hotel/motel taxes of 337,798. 43.75% of these taxes must be paid to the Henry County Chamber of Commerce for tourism and promotional purposes. The City also provides funding for other economic development and promotional activities from these funds. At December 31, 2014, the Hotel/Motel Tax fund had a restricted fund balance of \$200,025.

The City created the Confiscated Assets fund during 2005 to account for the assets obtained by the City as a result of investigations into illegal drug activities. As of December 31, 2014, this fund had a fund balance of \$1,143, which was restricted for police activities.

The City of Locust Grove received \$601,408 in Special Purpose Local Option Sales Taxes in 2014 under the new SPLOST III intergovernmental agreement. These monies are restricted for items specified in the referendum voted on by the citizens of Henry County.

During 2005, the City created the Development Impact Fee fund to account for activities financed with revenues generated through the Development Impact Fee Ordinance approved by City Council. The City can expend these monies on major capital improvement for parks, police and highways and streets. The City collected \$49,644 in impact fees during 2014 which is an increase of approximately \$33,736 from 2013. As of December 31, 2014, the Development Impact Fee Fund had a fund balance of \$88,423.

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

Unrestricted net position of the proprietary funds at the end of the year were \$2,079,113 of which the Water and Sewer fund had \$1,361,701, the Solid Waste Management Fund had \$250,017 and the Stormwater Fund had \$467,395. Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

The General fund budgeted expenditures of \$4,186,992 provided a positive variance of \$4,745 compared to actual expenditures of \$4,191,737 is mainly due to the City Council reducing expenditures due to the current economic conditions.

### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities at December 31, 2014 amounts to \$27,471,869 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobiles and equipment, sidewalks, bridges and roads.

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

- \$622,019 in construction and renovation costs of the City's buildings.
- \$472,713 in equipment.

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

**Long-term debt.** At the end of the current fiscal year, the City had \$7,848,045 in outstanding debt consisting of the following:

CITY OF LOCUST GROVE'S OUTSTANDING DEBT

Governmental Activities	<u>Balance</u>
Note payable	\$ 114,359
Accrued compensated absences	<u>118,686</u>
Total	233,045
Business-Type Activities –	
GEFA notes payable	<u>7,615,000</u>
Total	<u>\$ 7,848,045</u>

The City's total debt decreased by \$150,501. Additional information on the City's long-term debt can be found in note 9.

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

- Collections for LOST and SPLOST are continuing to increase at comparative rates as for the state and the region as indication of a continued full economic recovery as well as new retail and services located within the County that all jurisdictions share in overall revenues.
- The City's LOST amount DECREASED in 2015 per settlement between the cities and Henry County in 2013. The city's share of overall LOST decreased to the 2013 percentage amount and then will increase substantially in Years 2016 through 2022. Given a conservative increase in total Henry County Sales, it is expected that collections will be over \$600,000 from the last period of collection and distribution. Even with the reduction, 2015 collections are still slightly above those for 2014, meaning the overall economy of the Region's Economy is robust.
- The unemployment rate for the City of Locust Grove continues to compare reasonably between the state and regional rates, with the rate declining nearly in line with the Atlanta Regional Commission area.
- Inflationary trends in the region continue to compare favorably to national indices, with higher upward swing impacts due to dependency on volatile fuel costs and the considerable distance from the Atlanta Region Core and Construction Costs due to several large capital projects pushing up wages and contract amounts.
- Building permits for residential construction continues to increase towards more normal, yet conservative levels, with expected permits likely to exceed the budget in 2014. Developed lots purchased in the past 2 years finally have multiple permits pulled for new construction. Real estate professionals in the area still report a lack of existing homes to list and that is helping cause the need for new construction. New large-scale commercial permits continue to be slow until demand is there to support more leasing activity.
- The occupancy rate of the city's downtown area remains steady, with one new tenant of a new pizza restaurant concept to transform an existing vacant warehouse space. Completion of the Train Viewing Platform at the end of 2013 helped generate new tourism and, in addition to new construction on I-75 north of the city, helped generate Hotel/Motel tax revenues over 20% above the prior year.

- SPLOST IV collections under the new intergovernmental agreement began in April 2014. These proceeds will continue to be collected through March 2020 and provide much needed financing for improvements to the City's infrastructure. Major projects include renovations to the existing City Hall (mostly complete at costs within budget), a new Public Safety Complex (master concept completed and full design plans finalized but some cost issues related with subcontractor market to be overcome), and some transportation improvements citywide. Collections appear to be above the initial projections.
- More funds will be needed to allocated for basic road maintenance over the coming decades to replace pavement within the recently-developed subdivisions as they age due to both continued wear and tear by traffic or accelerated weather and plant growth within several of the foreclosed subdivisions. Additional funding from the new HB 170 may assist with some of this growing need, as well as some possibility of future funding options from fractional sales tax votes within Henry County or the region under the new legislation.
- The City added several new positions to many of its departments due to previous growth and the anticipated future positive revenues, including Public Works and Police, while there has been some turnover as the economy allows for more movement in the job market..
- Additional expenditures and staffing will be required for the City's Stormwater functions due to the recent classification of Locust Grove to MS 4 Phase II status that requires more reporting, engineering and maintenance of stormwater infrastructure.
- All of these factors were considered in preparing the City of Locust Grove's budget for F/Y 2015.

#### **Requests for Information**

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

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

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,491,428	\$ 1,480,557	\$ 4,971,985
Receivables (net of allowance for uncollectibles)			
Taxes	524,182	—	524,182
Fines	73,353	—	73,353
Accounts	—	330,353	330,353
Interest	—	1,723	1,723
Internal balances	(689,424)	689,424	—
Prepaid Items	53,493	—	53,493
Restricted Assets –			
Cash	1,619,722	307,763	1,927,485
Non-Depreciable Capital Assets	2,863,907	1,423,964	4,287,871
Depreciable Capital Assets, Net	<u>5,586,167</u>	<u>17,597,831</u>	<u>23,183,998</u>
<b>Total Assets</b>	<b><u>13,522,828</u></b>	<b><u>21,831,615</u></b>	<b><u>35,354,443</u></b>
<b>LIABILITIES</b>			
Accounts payable			
Operating	232,736	35,586	268,322
Accrued Liabilities -			
Salaries	—	—	—
Compensated absences	118,686	50,854	169,540
Customer deposits	—	274,298	274,298
Police bonds	5,088	—	5,088
Liabilities Payable from Restricted Assets –			
Notes payable	21,470	490,000	511,470
Accrued interest	—	62,206	62,206
Long-Term Liabilities –			
Due in More Than one Year	<u>92,889</u>	<u>7,125,000</u>	<u>7,217,889</u>
<b>Total Liabilities</b>	<b><u>470,869</u></b>	<b><u>8,037,944</u></b>	<b><u>8,508,813</u></b>
<b>NET POSITION</b>			
Net investment in capital assets	8,335,715	11,406,795	19,742,510
Restricted for			
Police activities	1,143	—	1,143
Debt service	—	307,763	307,763
Capital projects	1,429,583	—	1,429,583
Tourism	200,025	—	200,025
Unrestricted	<u>3,085,493</u>	<u>2,079,113</u>	<u>5,164,606</u>
<b>Total Net Position</b>	<b><u>\$ 13,051,959</u></b>	<b><u>\$ 13,793,671</u></b>	<b><u>\$ 26,845,630</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

		Program Revenues/			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Governmental Activities</b>							
Governing Body	\$ 166,019	\$ —	\$ —	\$ —	\$ (166,019)	\$ —	\$ (166,019)
Financial Administration	677,752	308,485	—	661,408	292,141	—	292,141
Police & Municipal							
Court	2,079,688	637,816	64,527	—	(1,377,345)	—	(1,377,345)
Highways & Streets	500,764	—	—	—	(500,764)	—	(500,764)
Fleet Maintenance	72,410	—	—	—	(72,410)	—	(72,410)
Parks & Recreation	322,619	14,135	—	—	(308,484)	—	(308,484)
Community Development	274,214	—	—	—	(274,214)	—	(274,214)
Total Governmental							
Activities	<u>4,093,466</u>	<u>960,436</u>	<u>64,527</u>	<u>661,408</u>	<u>(2,407,095)</u>	<u>—</u>	<u>(2,407,095)</u>
<b>Business-Type Activities</b>							
Water	996,608	1,299,545	—	—	—	302,937	302,937
Sewer	1,216,706	1,052,904	—	—	—	(163,802)	(163,802)
Solid Waste Management	281,713	314,497	—	—	—	32,784	32,784
Stormwater	<u>255,185</u>	<u>232,816</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(22,369)</u>	<u>(22,369)</u>
Total Business Activities	<u>2,750,212</u>	<u>2,899,762</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>149,550</u>	<u>149,550</u>
<b>Total Government</b>	<b><u>\$ 6,843,678</u></b>	<b><u>\$ 3,860,198</u></b>	<b><u>\$ 64,527</u></b>	<b><u>\$ 661,408</u></b>	<b><u>(2,407,095)</u></b>	<b><u>149,550</u></b>	<b><u>(2,257,545)</u></b>
<b>General Revenues:</b>							
Taxes:							
Intangible					9,658	—	9,658
Franchise					324,504	—	324,504
Local Option Sales					1,878,979	—	1,878,979
Occupational					152,956	—	152,956
Insurance premium					291,410	—	291,410
Alcohol beverage					356,906	—	356,906
Hotel/Motel					337,798	—	337,798
Other Taxes					5,217	—	5,217
Investment earnings					40,484	—	40,484
Other					<u>4,708</u>	<u>—</u>	<u>4,708</u>
Total General Revenues					<u>3,402,620</u>	<u>—</u>	<u>3,402,620</u>
Changes in Net Position					995,525	149,550	1,145,075
Net Position – Beginning of Year Restated					<u>12,056,434</u>	<u>13,644,121</u>	<u>25,700,555</u>
<b>Net Position – End of Year</b>					<b><u>\$ 13,051,959</u></b>	<b><u>\$ 13,793,671</u></b>	<b><u>\$ 26,845,630</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**BALANCE SHEET**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Hotel/ Motel</u>	<u>Confiscated Assets</u>	<u>SPLOST III Capital Projects</u>	<u>Development Impact Fee</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash	\$ 3,491,428	\$ 233,865	\$ 1,143	\$ 1,296,291	\$ 88,423	\$ 5,111,150
Receivables –						
Taxes	449,511	29,802	—	44,869	—	524,182
Fines	73,353	—	—	—	—	73,353
Due from other funds	41,643	—	—	—	—	41,643
Prepaid items	<u>53,493</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>53,493</u>
<b>Total Assets</b>	<b><u>4,109,428</u></b>	<b><u>263,667</u></b>	<b><u>1,143</u></b>	<b><u>1,341,160</u></b>	<b><u>88,423</u></b>	<b><u>5,803,821</u></b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts payable	210,737	21,999	—	—	—	232,736
Accrued police bonds	5,088	—	—	—	—	5,088
Due to other funds	<u>689,424</u>	<u>41,643</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>731,067</u>
<b>Total Liabilities</b>	<b><u>905,249</u></b>	<b><u>63,642</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>968,891</u></b>
<b>Fund Balance</b>						
Nonspendable	53,493	—	—	—	—	53,493
Restricted for:						
Capital projects	—	—	—	1,341,160	88,423	1,429,583
Police activities	—	—	1,143	—	—	1,143
Tourism	—	200,025	—	—	—	200,025
Committed:						
Cemetery	40,685	—	—	—	—	40,685
Unassigned	<u>3,110,001</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,110,001</u>
<b>Total fund balance</b>	<b><u>3,204,179</u></b>	<b><u>200,025</u></b>	<b><u>1,143</u></b>	<b><u>1,341,160</u></b>	<b><u>88,423</u></b>	<b><u>4,834,930</u></b>
<b>Total Liabilities &amp; Fund Balance</b>	<b><u>\$ 4,109,428</u></b>	<b><u>\$ 263,667</u></b>	<b><u>\$ 1,143</u></b>	<b><u>\$ 1,341,160</u></b>	<b><u>\$ 88,423</u></b>	<b><u>\$ 5,803,821</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

Total fund balances – total governmental funds	\$ 4,834,930
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	8,450,074
Long term liabilities are not due and payable in the Current period and, therefore, they are not reported In the governmental funds balance sheet.	
Note payable	(114,359)
Accrued compensated absences	<u>(118,686)</u>
Net position of governmental activities	<b><u>\$ 13,051,959</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Hotel/ Motel</u>	<u>Confiscated Assets</u>	<u>SPLOST III Capital Projects</u>	<u>Development Impact Fee</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 3,019,630	\$ 337,798	\$ —	\$ —	\$ —	\$ 3,357,428
Licenses and permits	222,789	—	—	—	—	222,789
Intergovernmental grants	124,527	—	—	601,408	—	725,935
Charges for services	36,052	—	—	—	49,644	85,696
Fines, fees and forfeitures	637,816	—	—	—	—	637,816
Investment income	3,252	303	—	965	188	4,708
Rental income	14,135	—	—	—	—	14,135
Miscellaneous	17,469	2,035	1,200	—	60	20,764
<b>Total Revenues</b>	<b><u>4,075,670</u></b>	<b><u>340,136</u></b>	<b><u>1,200</u></b>	<b><u>602,373</u></b>	<b><u>49,892</u></b>	<b><u>5,069,271</u></b>
<b>EXPENDITURES</b>						
Current						
Governing Body	125,471	—	—	—	—	125,471
Financial Administration	676,737	—	—	1,015	—	677,752
Municipal Court	359,317	—	—	—	—	359,317
Police	1,558,282	—	645	—	—	1,558,927
Highways and streets	420,407	—	—	—	—	420,407
Fleet Maintenance	72,410	—	—	—	—	72,410
Parks and Recreation	10,538	—	—	—	989	11,527
Community Center	256,707	—	—	—	—	256,707
Community Development	9,726	252,562	—	—	—	262,288
Capital Outlay	<u>702,142</u>	<u>10,799</u>	<u>—</u>	<u>496,690</u>	<u>106,014</u>	<u>1,315,645</u>
<b>Total Expenditures</b>	<b><u>4,191,737</u></b>	<b><u>263,361</u></b>	<b><u>645</u></b>	<b><u>497,705</u></b>	<b><u>107,003</u></b>	<b><u>5,060,451</u></b>
Excess (Deficiency) of Revenues						
Over Expenditures	(116,067)	76,775	555	104,668	(57,111)	8,820
Other Financing Sources (Uses)						
Debt proceeds	<u>114,359</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>114,359</u>
Changes in fund balance	(1,708)	76,775	555	104,668	(57,111)	123,179
Fund balance - beginning	<u>3,205,887</u>	<u>123,250</u>	<u>588</u>	<u>1,236,492</u>	<u>145,534</u>	<u>4,711,751</u>
<b>Fund balance - ending</b>	<b><u>\$ 3,204,179</u></b>	<b><u>\$ 200,025</u></b>	<b><u>\$ 1,143</u></b>	<b><u>\$ 1,341,160</u></b>	<b><u>\$ 88,423</u></b>	<b><u>\$ 4,834,930</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

Net change in fund balances – total governmental funds	\$ 123,179
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,315,645) exceeded depreciation (\$338,800)	976,845
Debt proceeds are reported as other financing sources in governmental funds but increase liabilities in the statement of net position	(114,359)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in long-term portion of accrued compensated absences	<u>9,860</u>
Change in net position of governmental activities	<u><u>\$ 995,525</u></u>

See accompanying notes to the basic financial statements

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Budget Original</b>	<b>Budget Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Taxes	\$ 2,848,500	\$ 2,848,500	\$ 3,019,630	\$ 171,130
Licenses and permits	142,000	142,000	222,789	80,789
Intergovernmental	118,500	118,500	124,527	6,027
Charges for services	9,950	9,950	36,052	26,102
Fines, fees and forfeitures	395,000	395,000	637,816	242,816
Investment	3,000	3,000	3,252	252
Rental income	12,500	12,500	14,135	1,635
Miscellaneous	140,900	140,900	17,469	(123,431)
<b>Total Revenues</b>	<b><u>3,670,350</u></b>	<b><u>3,670,350</u></b>	<b><u>4,075,670</u></b>	<b><u>405,320</u></b>
<b>EXPENDITURES</b>				
Current				
Governing Body	149,000	149,000	125,471	23,529
Financial Administration	598,350	598,350	676,737	(78,387)
Municipal Court	290,300	290,300	359,317	(69,017)
Police	1,781,950	1,721,950	1,558,282	163,668
Highways and streets	389,200	389,200	420,407	(31,207)
Fleet Maintenance	71,000	71,000	72,410	(1,410)
Parks and Recreation	7,300	7,300	10,538	(3,238)
Community Center	241,250	241,250	256,707	(15,457)
Community Development	41,500	16,500	9,726	6,774
Capital Outlay	224,000	702,142	702,142	—
<b>Total Expenditures</b>	<b><u>3,793,850</u></b>	<b><u>4,186,992</u></b>	<b><u>4,191,737</u></b>	<b><u>(4,745)</u></b>
Excess (Deficiency) of Revenues Over Expenditures	(123,500)	(516,642)	(116,067)	400,575
Other Financing Sources (Uses)				
Debt proceeds	—	114,359	114,359	—
Total	—	114,359	114,359	—
Changes in Fund Balance	(123,500)	(402,283)	(1,708)	400,575
Fund balance - beginning	<u>3,205,887</u>	<u>3,205,887</u>	<u>3,205,887</u>	—
<b>Fund balance - ending</b>	<b><u>\$ 3,082,387</u></b>	<b><u>\$2,803,604</u></b>	<b><u>\$ 3,204,179</u></b>	<b><u>\$ 400,575</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL**  
**HOTEL/MOTEL TAX FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Budget Original</b>	<b>Budget Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Taxes	\$ 272,000	\$ 272,000	\$ 337,798	\$ 65,798
Investment income	1,000	1,000	303	(697)
Miscellaneous	<u>—</u>	<u>—</u>	<u>2,035</u>	<u>2,035</u>
<b>Total Revenues</b>	<b><u>273,000</u></b>	<b><u>273,000</u></b>	<b><u>340,136</u></b>	<b><u>67,136</u></b>
<b>EXPENDITURES</b>				
Operating -				
Economic Development -				
Contracted services	500	500	—	500
Payments to others	2,000	2,000	—	2,000
Tourism and Promotion-				
Salaries and benefits	52,200	52,200	51,284	916
Contracted services	5,600	5,600	11,965	(6,365)
Supplies	82,700	82,700	47,924	34,776
Payments to others	110,000	110,000	141,389	(31,389)
Capital Outlay-				
Train Platform	<u>20,000</u>	<u>20,000</u>	<u>10,799</u>	<u>9,201</u>
<b>Total Expenditures</b>	<b><u>273,000</u></b>	<b><u>273,000</u></b>	<b><u>263,361</u></b>	<b><u>9,639</u></b>
Net changes in fund balance	—	—	76,775	76,775
Fund balance – beginning of year	<u>123,250</u>	<u>123,250</u>	<u>123,250</u>	<u>—</u>
<b>Fund balance – End of year</b>	<b><u>\$ 123,250</u></b>	<b><u>\$ 123,250</u></b>	<b><u>\$ 200,025</u></b>	<b><u>\$ 76,775</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA  
CONFISCATED ASSETS SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Budget Original &amp; Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Confiscations	\$ 500	\$ 1,200	\$ 700
Miscellaneous	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Revenues</b>	<b><u>500</u></b>	<b><u>1,200</u></b>	<b><u>700</u></b>
<b>EXPENDITURES</b>			
Current			
Purchased contracted services	<u>—</u>	<u>—</u>	<u>—</u>
Supplies	500	645	(145)
Capital -			
Police equipment	<u>—</u>	<u>—</u>	<u>—</u>
Payment to others	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Expenditures</b>	<b><u>500</u></b>	<b><u>645</u></b>	<b><u>(145)</u></b>
Excess of revenues over (under) expenditures	<u>—</u>	<u>—</u>	<u>—</u>
<b>Other financing sources (uses):</b>			
Proceeds from disposition of capital assets	<u>—</u>	<u>—</u>	<u>—</u>
Net changes in fund balance	<u>—</u>	<u>555</u>	<u>555</u>
Fund balance - beginning	<u>588</u>	<u>588</u>	<u>—</u>
<b>Fund balance - ending</b>	<b><u>588</u></b>	<b><u>1,143</u></b>	<b><u>555</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Stormwater</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	\$ 1,357,669	\$ 9,537	\$ 113,351	\$ 1,480,557
Receivables –				
Accounts (net)	247,592	24,692	43,149	315,433
Unbilled sales	14,920	—	—	14,920
Accrued interest	1,723	—	—	1,723
Due from other funds	152,507	223,046	313,871	689,424
Restricted Assets –				
Cash	<u>307,763</u>	<u>—</u>	<u>—</u>	<u>307,763</u>
<b>Total current assets</b>	<b><u>2,082,174</u></b>	<b><u>257,275</u></b>	<b><u>470,371</u></b>	<b><u>2,809,820</u></b>
<b>Noncurrent assets</b>				
Capital assets				
Land	1,423,964	—	—	1,423,964
Buildings	226,262	—	—	226,262
Improvements other than buildings	13,511,622	—	—	13,511,622
Machinery and equipment	780,583	110,840	81,438	972,861
Water tank	1,698,913	—	—	1,698,913
Sewer treatment plant	7,623,294	—	—	7,623,294
Autos and trucks	180,516	—	—	180,516
Accumulate depreciation	<u>(6,490,093)</u>	<u>(108,713)</u>	<u>(16,831)</u>	<u>(6,615,637)</u>
<b>Total noncurrent assets</b>	<b><u>18,955,061</u></b>	<b><u>2,127</u></b>	<b><u>64,607</u></b>	<b><u>19,021,795</u></b>
<b>Total assets</b>	<b><u>\$ 21,037,235</u></b>	<b><u>\$ 259,402</u></b>	<b><u>\$ 534,978</u></b>	<b><u>\$ 21,831,615</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2014**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Stormwater</u>	<u>Total</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 35,586	\$ —	\$ —	\$ 35,586
Customer deposits	274,298	—	—	274,298
Accrued compensated absences	40,620	7,258	2,976	50,854
Current liabilities payable from restricted assets				
Current portion of notes payable	490,000	—	—	490,000
Accrued interest	<u>62,206</u>	<u>—</u>	<u>—</u>	<u>62,206</u>
<b>Total current liabilities</b>	<b><u>902,710</u></b>	<b><u>7,258</u></b>	<b><u>2,976</u></b>	<b><u>912,944</u></b>
<b>Long-term liabilities</b>				
Notes payable	<u>7,125,000</u>	<u>—</u>	<u>—</u>	<u>7,125,000</u>
<b>Total long-term liabilities</b>	<b><u>7,125,000</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>7,125,000</u></b>
<b>Total liabilities</b>	<b><u>8,027,710</u></b>	<b><u>7,258</u></b>	<b><u>2,976</u></b>	<b><u>8,037,944</u></b>
<b>Net Position</b>				
Net investment in capital assets	11,340,061	2,127	64,607	11,406,795
Restricted for debt service	307,763	—	—	307,763
Unrestricted	<u>1,361,701</u>	<u>250,017</u>	<u>467,395</u>	<u>2,079,113</u>
<b>Total Net Position</b>	<b><u>\$ 13,009,525</u></b>	<b><u>\$ 252,144</u></b>	<b><u>\$ 532,002</u></b>	<b><u>\$ 13,793,671</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSTION**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Water and Sewer</b>	<b>Solid Waste Management</b>	<b>Stormwater</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services -				
Water sales	\$ 1,122,364	\$ —	\$ —	\$ 1,122,364
Sewer charges	1,005,374	—	—	1,005,374
Sanitation fees	—	314,497	—	314,497
Connection fees	154,172	—	—	154,172
Stormwater utility fees	—	—	232,816	232,816
Penalties and reconnect fees	68,123	—	—	68,123
Miscellaneous	335	—	—	335
<b>Total operating revenues</b>	<b><u>2,350,368</u></b>	<b><u>314,497</u></b>	<b><u>232,816</u></b>	<b><u>2,897,681</u></b>
<b>OPERATING EXPENSES</b>				
Purchase of product	45,032	214,748	—	259,780
Salaries and related costs	402,592	58,938	147,822	609,352
Purchased/contracted services	—	—	70,515	70,515
Supplies and materials	298,732	6,907	32,331	337,970
Repairs and maintenance	320,478	—	—	320,478
Utilities	183,498	—	—	183,498
Depreciation	602,714	1,120	4,517	608,351
Other	121,273	—	—	121,273
<b>Total operating expenses</b>	<b><u>1,974,319</u></b>	<b><u>281,713</u></b>	<b><u>255,185</u></b>	<b><u>2,511,217</u></b>
Operating income (loss)	<u>376,049</u>	<u>32,784</u>	<u>(22,369)</u>	<u>386,464</u>
Non-operating revenues and (expenses)				
Interest earned	2,081	—	—	2,081
Interest expense	<u>(238,995)</u>	<u>—</u>	<u>—</u>	<u>(238,995)</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>(236,914)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(236,914)</u></b>
Change in net position	139,135	32,784	(22,369)	149,550
Net Position – Beginning	<u>12,870,390</u>	<u>219,360</u>	<u>554,371</u>	<u>13,644,121</u>
<b>Net Position - Ending</b>	<b><u>\$ 13,009,525</u></b>	<b><u>\$ 252,144</u></b>	<b><u>\$ 532,002</u></b>	<b><u>\$ 13,793,671</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b><u>Water and Sewer</u></b>	<b><u>Solid Waste Management</u></b>	<b><u>Stormwater</u></b>	<b><u>Total</u></b>
<b>Cash flows from operating activities</b>				
Cash received from customers and users	\$ 2,350,914	\$ 313,793	\$ 234,276	\$ 2,898,983
Cash paid to suppliers for goods	(953,967)	(221,655)	(102,405)	(1,278,027)
Cash paid to employees	(414,059)	(61,345)	(151,087)	(626,491)
<b>Net cash provided from operating activities</b>	<b><u>982,888</u></b>	<b><u>30,793</u></b>	<b><u>(19,216)</u></b>	<b><u>994,465</u></b>
<b>Cash from investing activities:</b>				
Interest received	2,081	—	—	2,081
(Purchase) redemption of investments	572,378	—	—	572,378
<b>Net cash from investing activities</b>	<b><u>574,459</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>574,459</u></b>
<b>Cash from non-capital financing activities:</b>				
Change in due to/from other funds	(192,719)	(21,256)	195,981	(17,994)
<b>Net cash flows from non-capital financing activities</b>	<b><u>(192,719)</u></b>	<b><u>(21,256)</u></b>	<b><u>195,981</u></b>	<b><u>(17,994)</u></b>
<b>Cash flows from capital and related financing activities:</b>				
Capital asset acquisitions	(71,521)	—	(63,414)	(134,935)
Principal payments on long-term debt	(255,000)	—	—	(255,000)
Interest paid	(226,109)	—	—	(226,109)
<b>Net cash flows from capital financing activities</b>	<b><u>(552,630)</u></b>	<b><u>—</u></b>	<b><u>(63,414)</u></b>	<b><u>(616,044)</u></b>
Net cash flows	811,998	9,537	113,351	934,886
Cash and cash equivalents - beginning	853,434	—	—	853,434
<b>Cash and cash equivalents - ending</b>	<b><u>\$ 1,665,432</u></b>	<b><u>\$ 9,537</u></b>	<b><u>\$ 113,351</u></b>	<b><u>\$ 1,788,320</u></b>

See accompanying notes to the basic financial statements

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

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

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b><u>Water and Sewer</u></b>	<b><u>Solid Waste Management</u></b>	<b><u>Stormwater</u></b>	<b><u>Total</u></b>
<b>Operating Income (loss)</b>	\$ 376,049	\$ 32,784	\$ (22,369)	\$ 386,464
Adjustments to reconcile operating income to Net cash provided by operating activities:				
Depreciation	602,556	1,120	4,517	608,193
(Increase) decrease in receivables	771	(704)	1,460	1,527
(Increase) decrease in accounts payable	(5,056)	—	—	(5,056)
(Increase) customer deposits	20,035	—	—	20,035
Increase (decrease) in accrued liabilities	<u>(11,467)</u>	<u>(2,407)</u>	<u>(2,824)</u>	<u>(16,698)</u>
Total adjustments	<u>606,839</u>	<u>(1,991)</u>	<u>3,153</u>	<u>608,001</u>
<b>Net cash from operating activities</b>	<b><u>\$ 982,888</u></b>	<b><u>\$ 30,793</u></b>	<b><u>\$ (19,216)</u></b>	<b><u>\$ 994,465</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**B. The Reporting Entity**

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

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

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

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

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

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

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

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

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

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

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

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

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

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

**E. Measurement Focus**

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

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

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

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

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

**F. Basis of Accounting**

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

**1. Accrual**

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

**2. Modified Accrual:**

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

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

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

**G. Cash Investments**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the city. For purposes of the statement of cash flow, the Enterprise Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2014.

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

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

**H. Inventory**

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

**I. Prepaid Expenses**

Payments made to vendors for service that will benefit periods beyond December 31, 2014 are recorded as prepaid items and are expensed during the period benefited.

**J. Restricted Assets**

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

**K. Capital Assets**

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

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

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

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

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

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

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

**M. Revenues**

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

**N. Expenditures**

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

**O. Compensated Absences**

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

**P. Interfund Activity**

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

**Q. Encumbrances**

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

**R. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City's government-wide statement of net position reports \$1,630,751 in restricted net position, of which \$1,630,751 is restricted by enabling legislation.

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

**S. Fund Balance Classification**

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

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

Spendable fund balance:

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

Committed fund balance – Amounts that can be spent only for specific purposes determined by the City's highest decision making authority, the City Council. Commitments may be modified or removed only by the City Council through an adoption through resolution or ordinance, approval through motions, or some other formal action.

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

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

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

**T. Implementation of New GASB Pronouncements**

The City implemented GASB Statement No. 65, *Reporting Items Previously Recognized as Assets and Liabilities*, during the fiscal year ended December 31, 2014. This GASB statement reclassifies certain items reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources, or in other cases to expense/expenditure.

**U. Contributions of Capital**

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

**V. Estimates**

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

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

**W. Budgets and Budgetary Accounting**

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

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

**2. CASH AND INVESTMENTS**

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's financial policies require all deposits in excess of Federal Deposit Insurance collateralized by securities equal to at least 110% of the excess deposits. As of December 31, 2014, \$6,149,470 of the government's bank balance of \$6,899,470 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	—
Uninsured and collateral held by pledging bank's agent		
In the City's name		<u>6,149,470</u>
Total		<u>\$ 6,149,470</u>

**Investments**

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

There were no investments as of December 31, 2014.

**3. PROPERTY TAX**

Property taxes are levied in October of each year and are due 60 days after the receipt of the tax notice. Property taxes attach as an enforceable lien on the property as of January 1. A local option sales tax is in force. Proceeds from this tax are remitted to the City monthly and are utilized to give property owners tax relief. As a result of the local option sales tax no property taxes were levied for the year ended December 31, 2014.

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**4. RECEIVABLES**

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

	<u>General</u>	<u>Hotel/ Motel</u>	<u>SPLOST III</u>	<u>Total</u>
<b>Governmental Funds</b>				
Taxes	\$ 449,511	\$ 29,802	\$ 44,869	\$ 524,182
Fines	<u>78,353</u>	<u>—</u>	<u>—</u>	<u>78,353</u>
Gross Receivables	527,864	29,802	44,869	602,535
Less: Allowance for uncollectibles	<u>(5,000)</u>	<u>—</u>	<u>—</u>	<u>(5,000)</u>
<b>Net Total Receivables</b>	<b><u>\$ 522,864</u></b>	<b><u>\$ 29,802</u></b>	<b><u>\$ 44,869</u></b>	<b><u>\$ 597,535</u></b>

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Stormwater Management</u>	<u>Total</u>
<b>Proprietary Funds</b>				
Accounts	\$ 315,949	\$ 34,692	\$ 43,149	\$ 393,790
Unbilled sales	14,920	—	—	14,920
Interest	<u>1,723</u>	<u>—</u>	<u>—</u>	<u>1,723</u>
Gross Receivables	332,592	34,692	43,149	410,433
Less: Allowance for uncollectibles	<u>(85,000)</u>	<u>(10,000)</u>	<u>—</u>	<u>(95,000)</u>
<b>Net total Receivables</b>	<b><u>\$ 247,592</u></b>	<b><u>\$ 24,692</u></b>	<b><u>\$ 43,149</u></b>	<b><u>\$ 315,433</u></b>

**5. INTER-FUND TRANSACTIONS**

	<u>Payable From</u>		
<u>Payable To</u>	<u>General</u>	<u>Hotel/ Motel</u>	<u>Total</u>
General	\$ —	\$ 41,643	\$ 41,643
Water & Sewer	152,507	—	152,507
Stormwater Management	223,046	—	223,046
Sanitation	<u>313,871</u>	<u>—</u>	<u>313,871</u>
<b>Total</b>	<b><u>\$ 689,424</u></b>	<b><u>\$ 41,643</u></b>	<b><u>\$ 731,067</u></b>

Inter-fund receivables/payables are the result of timing differences and are expected to be repaid during the fiscal year ended December 31, 2014.

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

Capital asset activity for the year ended December 31, 2014 was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,232,815	\$ 205,613	\$ —	\$ 2,438,428
Construction in progress	<u>196,303</u>	<u>229,176</u>	<u>—</u>	<u>425,479</u>
Total capital assets not being depreciated	<u>2,429,118</u>	<u>434,789</u>	<u>—</u>	<u>2,863,907</u>
Capital assets being depreciated:				
Buildings and improvements	1,995,866	392,843	—	2,388,709
Improvements other than buildings	1,465,824	101,372	—	1,567,196
Infrastructure	2,126,608	—	—	2,126,608
Machinery and equipment	967,634	305,963	—	1,273,597
Vehicles, including related equipment	966,055	80,678	—	1,046,733
Furniture and fixtures	<u>79,594</u>	<u>—</u>	<u>—</u>	<u>79,594</u>
Total capital assets being depreciated	<u>7,601,581</u>	<u>880,856</u>	<u>—</u>	<u>8,482,437</u>
Less accumulated depreciation for:				
Buildings and improvements	310,889	86,042	—	396,931
Improvements other than buildings	251,290	44,435	—	295,725
Infrastructure	79,060	12,071	—	91,131
Machinery and equipment	922,924	112,021	—	1,034,945
Vehicles, including related equipment	913,713	84,231	—	997,944
Furniture and fixtures	<u>79,594</u>	<u>—</u>	<u>—</u>	<u>79,594</u>
Total accumulated depreciation	<u>2,557,470</u>	<u>338,800</u>	<u>—</u>	<u>2,896,270</u>
Total capital assets being depreciated, net	<u>5,044,111</u>	<u>542,056</u>	<u>—</u>	<u>5,586,167</u>
<b>Governmental capital assets, net</b>	<b><u>\$ 7,473,229</u></b>	<b><u>\$ 976,845</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 8,450,074</u></b>

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

General Government	\$ 40,548
Police	151,584
Highways and Streets	80,357
Parks and Recreation	54,385
Community Development	<u>11,926</u>
<b>Total depreciation expense</b>	<b><u>\$ 338,800</u></b>

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,423,964	\$ —	\$ —	\$ 1,423,964
Construction in progress	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>1,423,964</u>	<u>—</u>	<u>—</u>	<u>1,423,964</u>
Capital assets being depreciated:				
Buildings and improvements	226,262	—	—	226,262
Improvements other than buildings	13,492,758	18,864	—	13,511,622
Vehicles	127,859	52,657	—	180,516
Water tank	1,698,913	—	—	1,698,913
Sewer treatment plant	7,623,294	—	—	7,623,294
Machinery and equipment	<u>909,447</u>	<u>63,414</u>	<u>—</u>	<u>972,861</u>
Total capital assets being depreciated	<u>24,078,533</u>	<u>134,935</u>	<u>—</u>	<u>24,213,468</u>
Less accumulated depreciation for:				
Buildings and improvements	75,751	5,722	—	81,473
Improvements other than buildings	2,846,418	273,269	—	3,119,687
Vehicles	137,870	17,533	—	155,403
Water tank	472,931	52,706	—	525,637
Sewer treatment plant	1,629,619	190,582	—	1,820,201
Machinery and equipment	<u>844,697</u>	<u>68,539</u>	<u>—</u>	<u>913,236</u>
Total accumulated depreciation	<u>6,007,286</u>	<u>608,351</u>	<u>—</u>	<u>6,615,637</u>
Total capital assets being depreciated, net	<u>18,071,247</u>	<u>(473,416)</u>	<u>—</u>	<u>17,597,831</u>
<b>Business-Type Activities capital assets, net</b>	<b><u>\$ 19,495,211</u></b>	<b><u>\$ (473,416)</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 19,021,795</u></b>
Depreciation expense was charged to functions/programs as follows:				
Water			\$ 186,200	
Sewer			416,514	
Solid Waste Management			1,120	
Stormwater Management			<u>4,517</u>	
Total depreciation expense			<u>\$ 608,351</u>	

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**8. LONG-TERM DEBT**

**Changes in Long-Term Debt**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>Governmental Activities</b>					
Note Payable	\$ —	\$ 114,359	\$ —	\$ 114,359	\$ 21,470
Accrued Compensated Absences	<u>128,546</u>	<u>—</u>	<u>(9,860)</u>	<u>118,686</u>	<u>—</u>
Total Governmental Activities					
Long-Term Debt	<u>\$ 128,546</u>	<u>\$ 114,359</u>	<u>\$ (9,860)</u>	<u>\$ 233,045</u>	<u>\$ 21,470</u>
<b>Business-Type Activities</b>					
Note Payable	<u>\$7,870,000</u>	<u>\$ —</u>	<u>\$ (255,000)</u>	<u>\$ 7,615,000</u>	<u>\$ 490,000</u>
Total Business-Type Activities	<u>\$7,870,000</u>	<u>\$ —</u>	<u>\$ (255,000)</u>	<u>\$ 7,615,000</u>	<u>\$ 490,000</u>

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

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

General Fund long term liabilities are as follows:

Note payable in the amount of \$114,359 with an interest rate of 3.16% principal and interest paid annually. Proceed used to purchase equipment.

**Year Ending  
December 31,**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 21,470	\$ 3,621	\$ 25,091
2016	22,142	2,949	25,091
2017	22,851	2,240	25,091
2018	23,575	1,516	25,091
2019	<u>24,321</u>	<u>770</u>	<u>25,091</u>
<b>Total</b>	<b><u>\$ 114,359</u></b>	<b><u>\$ 11,096</u></b>	<b><u>\$ 125,455</u></b>

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

Note payable in the amount of \$7,870,000 with an interest rate of 2.99%. Principal paid annually and interest paid semi-annually until April 1, 2029. Proceeds were used to refinance prior construction loans.

\$ 7,615,000

Total

\$ 7,615,000

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

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

<u>F/Y/E</u> <u>December 31</u>	<u>NOTES PAYABLE</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 490,000	\$ 227,689	\$ 717,689
2016	505,000	213,037	718,037
2017	515,000	197,938	712,938
2018	530,000	182,539	712,539
2019	550,000	166,693	716,693
2020	565,000	150,247	715,247
2021	585,000	133,354	718,354
2022	580,000	115,862	695,862
2023	585,000	98,521	683,521
2024	600,000	81,029	681,029
2025	575,000	63,089	638,089
2026	595,000	45,897	640,897
2027	415,000	28,106	443,106
2028	365,000	15,698	380,698
2029	<u>160,000</u>	<u>4,784</u>	<u>164,784</u>
<b>TOTALS</b>	<b><u>\$ 7,615,000</u></b>	<b><u>\$ 1,724,483</u></b>	<b><u>\$ 9,339,483</u></b>

The annual retirements to amortize all long-term obligations as they mature are as follows:  
An amount of \$307,763 is available in restricted assets of the Water and Sewer Fund to service the notes payable.

**9. SUBSEQUENT EVENTS**

The City evaluated subsequent events through June 29, 2015, the date which the financial statements were available to be issued. The City did not have any subsequent events requiring disclosure or recording in these financial statements.

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**10. RISK MANAGEMENT**

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

Coverages are as follow:

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

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

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

Deductible:

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

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

Coverage Exceptions: None

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

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

The fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding or compensation therefore, although such suits, other proceedings, allegations or demands by wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceeding defended by member, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**11. HOTEL/MOTEL TAX**

The City levies a 8% hotel/motel tax in accordance with the provisions of OCGA 48-13-51. In order to comply with the expenditure requirements of this code section, the City remits 43.75% of the monies collected under this provision to the Henry County Chamber of Commerce. The following is a summary of the collections and expenditures for the year ended December 31, 2014.

Total Collected	\$333,522	100%
Amount remitted to the Chamber	\$145,916	43.75%

**12. DEFINED BENEFIT PENSION PLAN**

**Plan Description**

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

**Funding Policy**

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

**Annual Pension Cost**

For 2014, the City's annual pension cost of \$159,635 for LGRP was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate (net of administrative expenses), and (b) projected salary increases for inflation of 3.5% per year and for merit of .5 – 2.50 % per year. The actuarial value of LGRP assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a ten year period. LGRP's unfunded actuarial accrued liability is being amortized over a 30 year period from 1987 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provision and 10 years for actuarial assumptions and cost methods as a level dollar amount. The amortization periods, if applicable, are closed for this plan year.

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**12. DEFINED BENEFIT PENSION PLAN (continued)**

**Three-Year Trend Information for LGRP**

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
7/1/2014	\$159,635	100%	\$ —
7/1/2013	\$163,908	100%	\$ —
7/1/2012	\$151,514	100%	\$ —
7/1/2011	\$125,153	100%	\$ —

Trend Information -

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

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

**Plan Description**

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

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

During the year, employees contributed \$45,321 equal to 2.9% gross salaries. Total employer matching contributions for the year ended December 31, 2014 amounted to \$19,602 or 1% of gross salaries. Eligible salaries for the year amounted to \$1,980,960.

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

**14. JOINT VENTURE**

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

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**14. JOINT VENTURE (continued)**

Separate financial statements may be obtained from:

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

**15. COMMITMENTS AND CONTINGENCIES**

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

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

**Water and Sewer Impact Fee Credits** – In a prior period the City received water and sewer impact fees from a private developer in the amount of \$5,600,000. As part of a development agreement with the developer, the developer paid the impact fees prior to being issued a building permit, which is when the fees are actually due. As of December 31, 2014, the developer had actually used approximately \$1,619,879 of its impact fee credits which leaves a balance of impact fee credits to the developer of \$3,980,121. The City recognizes the impact fees as revenues when received and has used the impact fees to finance the City's new sewer treatment plant.

**16. CONTINGENT LIABILITIES:**

The City is subject to various claims and lawsuits, which arise, primarily in the ordinary course of operations. The City does not anticipate any significant losses with respect to such existing or pending claims and lawsuits at December 31, 2014.

**17. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

- A) Deficit fund balances or net position balances of individual funds – As of December 31, 2014, none of the City's funds had deficit net fund balances or deficit net position balances.

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

<b>Actuarial Valuation Date As of July 1</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ( (b-a)/c )</b>
2014	\$ 1,776,271*	\$1,857,733	\$ 81,462	95.61%	\$1,568,086	5.19%
2013	\$ 1,577,271	\$1,791,562	\$ 214,026	88.05%	\$1,747,264	12.25%
2012	\$ 1,381,946	\$1,664,299	\$ 282,353	83.03%	\$1,887,823	14.96%
2011	\$ 1,211,606	\$1,448,199	\$ 236,593	83.7%	\$1,916,537	12.34%
2010	\$ 1,065,260	\$1,288,178	\$ 222,918	82.7%	\$1,972,205	11.3%
2009	\$ 931,914	\$1,153,140	\$ 221,226	80.8%	\$2,028,264	10.91%
2008	\$ 858,244	\$1,000,260	\$ 142,016	85.8%	\$1,917,426	7.4%
2007	\$ 734,214	\$ 952,492	\$ 218,278	77.1%	\$2,192,814	10.0%
2006	\$ 624,256	\$ 753,253	\$ 128,997	82.9%	\$1,805,666	7.1%
2005	\$ 554,689	\$ 671,690	\$ 117,001	82.6%	\$1,625,300	7.2%
2004	\$ 501,176	\$ 606,943	\$ 105,767	82.6%	\$1,283,794	8.2%
2003	\$ 469,054	\$ 555,334	\$ 86,280	84.5%	\$1,063,960	8.1%
2000	\$ 403,446	\$ 346,363	\$ (57,083)	116.5%	\$ 567,297	(10.1)%

\*Market value of assets as of July 1, 2014: \$1,756,514

**UNFUNDED ACTUARIAL ACCRUED LIABILITY**

Changes to the unfunded actuarial accrued liability as of July 1, 2014 were as follows:

Unfunded actuarial accrued liability as July 1, 2014	\$214,026
Normal cost less contributions	(52,648)
Interest	18,693
Change due to actuarial (gains) or losses	<u>(98,609)</u>
Unfunded actuarial accrued liability as of July 1, 2014	<u>\$ 81,462</u>

**CITY OF LOCUST GROVE, GEORGIA  
GENERAL FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 2,443,990	\$ 3,491,428
Investments	916,670	—
Receivables		
Interest	2,313	—
Taxes	499,508	449,511
Fines	77,788	73,353
Due from other funds	50,326	41,643
Prepaid items	<u>65,777</u>	<u>53,493</u>
<b>Total Assets</b>	<b><u>4,056,372</u></b>	<b><u>4,109,428</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	125,327	210,737
Due to other funds	711,642	689,424
Accrued police bonds	5,087	5,088
Accrued salaries	<u>8,429</u>	<u>—</u>
<b>Total Liabilities</b>	<b><u>850,485</u></b>	<b><u>905,249</u></b>
<b>Fund Balance</b>		
Unspendable	65,777	53,493
Committed for:		
Cemetery	21,080	40,685
Unassigned	<u>3,119,030</u>	<u>3,110,001</u>
<b>Total Fund Balance</b>	<b><u>3,205,887</u></b>	<b><u>3,204,179</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 4,056,372</u></b>	<b><u>\$ 4,109,428</u></b>

**CITY OF LOCUST GROVE, GEORGIA**  
**GENERAL FUND**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>REVENUES</b>		
Taxes	\$ 2,704,279	\$ 3,019,630
Licenses and permits	143,463	222,789
Intergovernmental grants	—	124,527
Charges for services	26,193	36,052
Fines, fees and forfeitures	422,254	637,816
Investment income	4,971	3,252
Rental income	9,757	14,135
Miscellaneous	<u>175,122</u>	<u>17,469</u>
<b>Total Revenues</b>	<b><u>3,486,039</u></b>	<b><u>4,075,670</u></b>
<b>EXPENDITURES</b>		
Current		
Governing Body	98,521	125,471
Financial Administration	513,884	676,737
Municipal Court	240,688	359,317
Police	1,430,273	1,558,282
Highways and streets	320,710	420,407
Fleet Maintenance	60,634	72,410
Parks and Recreation	6,242	10,538
Community Development	185,242	266,433
Capital Outlay	<u>166,875</u>	<u>702,142</u>
<b>Total Expenditures</b>	<b><u>3,023,069</u></b>	<b><u>4,191,737</u></b>
Excess (deficiency) of revenues over expenditures	462,970	(116,067)
Other financings sources		
Debt proceeds	<u>—</u>	<u>114,359</u>
Changes in fund balance	462,970	(1,708)
Fund balance - beginning	<u>2,742,917</u>	<u>3,205,887</u>
<b>Fund balance - ending</b>	<b><u>\$ 3,205,887</u></b>	<b><u>\$ 3,204,179</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
HOTEL/MOTEL TAX FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2014, AND 2013**

	<u><b>2013</b></u>	<u><b>2014</b></u>
<b>ASSETS</b>		
Cash	\$ 126,043	\$ 233,865
Receivables		
Taxes	<u>25,526</u>	<u>29,802</u>
<b>Total Assets</b>	<u><b>151,569</b></u>	<u><b>263,667</b></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	17,472	21,999
Due to other funds	<u>10,847</u>	<u>41,643</u>
<b>Total Liabilities</b>	<u><b>28,319</b></u>	<u><b>63,642</b></u>
<b>Fund Balance</b>		
Restricted for tourism	<u>123,250</u>	<u>200,025</u>
<b>Total Fund Balance</b>	<u><b>123,250</b></u>	<u><b>200,025</b></u>
<b>Total Liabilities and Fund Balance</b>	<u><b>\$ 151,569</b></u>	<u><b>\$ 263,667</b></u>

**CITY OF LOCUST GROVE, GEORGIA  
HOTEL/MOTEL TAX FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>REVENUES</b>		
Taxes	\$ 207,907	\$ 337,798
Interest	682	2,035
Miscellaneous	<u>418</u>	<u>303</u>
<b>Total Revenues</b>	<b><u>209,007</u></b>	<b><u>340,136</u></b>
<b>EXPENDITURES</b>		
Operating-		
Economic Development-		
Contracted services	100	182
Payment to others	1,710	1,860
Tourism and Promotion-		
Salaries and benefits	25,520	51,284
Contracted services	5,600	11,965
Supplies	26,922	45,882
Payments to others	79,582	141,389
Capital Outlay-		
Site improvements	<u>246,461</u>	<u>10,799</u>
<b>Total Expenditures</b>	<b><u>385,895</u></b>	<b><u>263,361</u></b>
Net Change in fund balance	(176,888)	76,775
Fund balance - beginning	<u>300,138</u>	<u>123,250</u>
<b>Fund balance - ending</b>	<b><u>\$ 123,250</u></b>	<b><u>\$ 200,025</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
CONFISCATED ASSETS SPECIAL REVENUE FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ <u>588</u>	\$ 1,143
<b>Total Assets</b>	<u>588</u>	<u>1,143</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable	—	—
Deferred revenues	—	—
<b>Total Liabilities</b>	—	—
<b>Fund Equity</b>		
Restricted for police activities	<u>588</u>	1,143
<b>Total Fund Equity</b>	<u>588</u>	<u>1,143</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 588</u>	<u>\$ 1,143</u>

**CITY OF LOCUST GROVE, GEORGIA  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
CONFISCATED ASSETS SPECIAL REVENUE FUND  
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013**

	<u>2013</u>	<u>2014</u>
<b>REVENUES</b>		
Forfeitures	\$ —	\$ 1,200
Miscellaneous	<u>—</u>	<u>—</u>
<b>Total Revenues</b>	<u>—</u>	<u><b>1,200</b></u>
<b>EXPENDITURES</b>		
Current		
Supplies	<u>10</u>	<u>645</u>
<b>Total Expenditures</b>	<u><b>10</b></u>	<u><b>645</b></u>
Change in fund balance	(10)	555
Fund balance - beginning	<u>598</u>	<u>588</u>
<b>Fund balance - ending</b>	<u><b>\$ 588</b></u>	<u><b>\$ 1,143</b></u>

**CITY OF LOCUST GROVE, GEORGIA  
SPLOST III CAPITAL PROJECTS FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 1,155,921	\$ 1,296,291
Taxes receivable	<u>80,571</u>	<u>44,869</u>
<b>Total Assets</b>	<u><b>1,236,492</b></u>	<u><b>1,341,160</b></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	—	—
Due to other funds	<u>—</u>	<u>—</u>
<b>Total Liabilities</b>	<u>—</u>	<u>—</u>
<b>Fund Balance</b>		
Restricted for specified purposes	<u>1,236,492</u>	<u>1,341,160</u>
<b>Total Fund Balance</b>	<u><b>1,236,492</b></u>	<u><b>1,341,160</b></u>
<b>Total Liabilities and Fund balance</b>	<u><b>\$ 1,236,492</b></u>	<u><b>\$ 1,341,160</b></u>

**CITY OF LOCUST GROVE, GEORGIA  
SPLOST III CAPITAL PROJECTS FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>REVENUES</b>		
Taxes	\$ 810,809	\$ 601,408
Interest	<u>2,006</u>	<u>965</u>
<b>Total Revenues</b>	<b><u>812,815</u></b>	<b><u>602,373</u></b>
<b>EXPENDITURES</b>		
Financial Administration	714,727	1,015
Capital Outlay-		
Roads, bridges, sidewalks and transportation facilities	52,867	—
Public safety facilities and equipment	—	222,162
Construction and renovation of municipal buildings	—	179,027
Acquisition of property for public use	52,190	4,928
Parks and recreation facilities	<u>59,455</u>	<u>90,573</u>
<b>Total Expenditures</b>	<b><u>879,239</u></b>	<b><u>497,705</u></b>
Net Change in fund balance	(66,424)	104,668
Fund balance - beginning	<u>1,302,916</u>	<u>1,236,492</u>
<b>Fund balance - ending</b>	<b><u>\$1,236,492</u></b>	<b><u>\$ 1,341,160</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
SPLOST III CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<b>REVENUES</b>				
Taxes	\$ 4,261,754	\$ 601,408	\$ 4,863,162	\$ 7,650,000
Intergovernmental	598,353	—	598,353	—
Interest	<u>31,941</u>	<u>965</u>	<u>32,906</u>	<u>—</u>
<b>Total Revenues</b>	<b><u>4,892,048</u></b>	<b><u>602,373</u></b>	<b><u>5,494,421</u></b>	<b><u>7,650,000</u></b>
<b>EXPENDITURES</b>				
Capital Outlay -				
Roads, bridges, sidewalks and transportation facilities	771,796	222,162	993,958	2,900,000
Public safety facilities and equipment	343,262	—	343,262	2,000,000
Construction and renovation of municipal buildings	792,734	179,027	971,761	750,000
Parks and recreation facilities	474,591	90,573	565,164	500,000
Acquisition or property for public use	<u>1,273,173</u>	<u>5,943</u>	<u>1,279,116</u>	<u>1,500,000</u>
<b>Total Expenditures</b>	<b><u>3,655,556</u></b>	<b><u>497,705</u></b>	<b><u>4,153,261</u></b>	<b><u>7,650,000</u></b>
Excess of revenues over (under) expenditures	1,236,492	104,668	1,341,160	—
<b>Other financing sources (uses):</b>				
Bond proceeds from County	3,279,000	—	3,279,000	—
Repayment to County	<u>(3,279,000)</u>	<u>—</u>	<u>(3,279,000)</u>	<u>—</u>
<b>Total other financing sources (uses):</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net changes in fund balance	<b><u>\$ 1,236,492</u></b>	104,668	<b><u>\$ 1,341,160</u></b>	<b><u>\$ —</u></b>
Fund balance - beginning		<u>1,236,492</u>		
<b>Fund balance - ending</b>		<b><u>\$ 1,341,160</u></b>		

**CITY OF LOCUST GROVE, GEORGIA  
DEVELOPMENT IMPACT FEE FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 145,534	\$ 88,423
<b>Total Assets</b>	<u><b>145,534</b></u>	<u><b>88,423</b></u>
 <b>LIABILITIES AND FUND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable	—	—
<b>Total Liabilities</b>	<u>—</u>	<u>—</u>
 <b>Fund Equity</b>		
Restricted for capital projects	<u>145,534</u>	<u>88,423</u>
<b>Total Fund Equity</b>	<u><b>145,534</b></u>	<u><b>88,423</b></u>
 <b>Total Liabilities and Fund Equity</b>	<u><b>\$ 145,534</b></u>	<u><b>\$ 88,423</b></u>

**CITY OF LOCUST GROVE, GEORGIA**  
**DEVELOPMENT IMPACT FEE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(With comparative actual amounts for the year ended December 31, 2013)**

	<u>2014</u>			<u>2013</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
<b>REVENUES</b>				
Impact fees	\$ 45,750	\$ 49,644	\$ 3,894	\$ 15,908
Interest	<u>550</u>	<u>248</u>	<u>(302)</u>	<u>193</u>
<b>Total Revenues</b>	<u><b>46,300</b></u>	<u><b>49,892</b></u>	<u><b>3,592</b></u>	<u><b>16,101</b></u>
<b>EXPENDITURES</b>				
Current				
Administration	10,000	—	10,000	—
Capital				
Street	25,000	—	25,000	—
Parks	<u>120,050</u>	<u>107,003</u>	<u>13,047</u>	<u>—</u>
<b>Total Expenditures</b>	<u><b>155,050</b></u>	<u><b>107,003</b></u>	<u><b>48,047</b></u>	<u><b>—</b></u>
Change in fund balance	(108,750)	(57,111)	51,639	16,101
Fund balance - beginning	<u>145,534</u>	<u>145,534</u>	<u>—</u>	<u>129,433</u>
<b>Fund balance - ending</b>	<u><b>\$ 36,784</b></u>	<u><b>\$ 88,423</b></u>	<u><b>\$ 51,639</b></u>	<u><b>\$ 145,534</b></u>

**CITY OF LOCUST GROVE, GEORGIA  
WATER AND SEWER ENTERPRISE FUND  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 496,895	\$ 1,357,669
Investments	572,378	—
Receivables		
Accounts (net)	246,005	247,592
Unbilled sales	17,053	14,920
Accrued interest	1,948	1,723
Due from other funds	—	152,507
Restricted assets-		
Cash	<u>356,539</u>	<u>307,763</u>
<b>        Total Current Assets</b>	<b><u>1,690,818</u></b>	<b><u>2,082,174</u></b>
<b>Capital assets</b>		
Land	1,423,964	1,423,964
Buildings	226,262	226,262
Improvements other than buildings	13,492,758	13,511,622
Machinery and equipment	780,583	780,583
Water tank	1,698,913	1,698,913
Sewer treatment plant	7,623,294	7,623,294
Auto and Trucks	<u>127,859</u>	<u>180,516</u>
<b>        Total Capital Assets</b>	<b><u>25,373,633</u></b>	<b><u>25,445,154</u></b>
Accumulated depreciation	<u>(5,888,270)</u>	<u>(6,490,093)</u>
Capital assets (net of depreciation)	<u>19,485,363</u>	<u>18,955,061</u>
<b>        Total Assets</b>	<b><u>\$ 21,176,181</u></b>	<b><u>\$ 21,037,235</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
WATER AND SEWER ENTERPRISE FUND  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2014 AND 2013**

	<u><b>2013</b></u>	<u><b>2014</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable		
Trade	\$ 40,642	\$ 35,586
Customer deposits	254,263	274,298
Accrued liabilities-		
Payroll	9,257	—
Accrued compensated absences	42,830	40,620
Due to General Fund	39,479	—
Current liabilities payable from restricted assets		
Current portion of notes payable	255,000	490,000
Accrued interest	<u>49,320</u>	<u>62,206</u>
<b>        Total Current Liabilities</b>	<u><b>690,791</b></u>	<u><b>902,710</b></u>
<b>Long-Term Liabilities</b>		
Notes payable	<u>7,615,000</u>	<u>7,125,000</u>
<b>        Total Long-Term Liabilities</b>	<u><b>7,615,000</b></u>	<u><b>7,125,000</b></u>
<b>        Total Liabilities</b>	<u><b>8,305,791</b></u>	<u><b>8,027,710</b></u>
<b>Net Position</b>		
Net investment in capital assets	11,615,363	11,340,061
Restricted for debt service	356,539	307,763
Unrestricted	<u>898,488</u>	<u>1,361,701</u>
<b>        Total Net Position</b>	<u><b>\$ 12,870,390</b></u>	<u><b>\$ 13,009,525</b></u>

**CITY OF LOCUST GROVE, GEORGIA**  
**WATER AND SEWER FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Charges for services -		
Water sales	\$ 1,033,193	\$ 1,122,364
Sewer charges	939,761	1,005,374
Connection fees	124,774	154,172
Penalties and reconnect fees	65,863	68,123
Miscellaneous	<u>15,867</u>	<u>335</u>
<b>Total Operating Revenues</b>	<b><u>2,179,458</u></b>	<b><u>2,350,368</u></b>
<b>OPERATING EXPENSES</b>		
Water Department -		
Purchase of product	146,273	45,032
Salaries and related cost	189,119	170,300
Supplies and materials	47,724	90,013
Repairs and maintenance	189,437	168,258
Utilities	33,062	48,494
Depreciation and amortization	182,450	186,200
Other	36,687	38,936
Sewer Department -		
Salaries and related cost	176,192	232,292
Supplies and materials	26,607	208,719
Repairs and maintenance	90,068	152,220
Utilities	110,118	135,004
Depreciation and amortization	410,698	416,356
Other	<u>45,862</u>	<u>82,495</u>
<b>Total Operating Expenses</b>	<b><u>1,684,297</u></b>	<b><u>1,974,319</u></b>
Operating income (loss)	<u>495,161</u>	<u>376,049</u>
<b>Non-operating revenues and (expenses)</b>		
Interest earned	2,871	2,081
Interest expense	(303,147)	(238,995)
Bond costs	<u>(172,195)</u>	<u>—</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>(472,471)</u></b>	<b><u>(236,914)</u></b>
Changes in net position	22,690	139,135
Prior period adjustment (see note 8)	(28,766)	—
NET POSITION - BEGINNING	<u>12,876,466</u>	<u>12,870,390</u>
<b>NET POSITION - ENDING</b>	<b><u>\$12,870,390</u></b>	<b><u>\$ 13,009,525</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
WATER AND SEWER FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 2,126,820	\$ 2,350,914
Cash paid to suppliers for goods	(718,433)	(953,967)
Cash paid to employees	<u>(338,807)</u>	<u>(414,059)</u>
Net cash provided from operating activities	<u>1,069,580</u>	<u>982,888</u>
<b>Cash flows from investing activities:</b>		
Interest received	2,871	2,081
(Purchase) / redemption of investments	<u>(2,714)</u>	<u>572,378</u>
Net cash from investing activities	<u>157</u>	<u>574,459</u>
<b>Cash flows from non-capital financing activities:</b>		
Change in due to/from other funds	<u>(235,521)</u>	<u>(192,719)</u>
Net cash flows from non-capital financing activities	<u>(235,521)</u>	<u>(192,719)</u>
<b>Cash flows from and related capital financing activities:</b>		
Debt proceeds	7,870,000	—
Bond costs	(172,195)	—
Capital asset acquisition	(7,334)	(71,521)
Principal payments on long-term debt	(8,087,798)	(255,000)
Interest paid	<u>(301,409)</u>	<u>(226,109)</u>
Net cash flows from capital financing activities	<u>(698,736)</u>	<u>(552,630)</u>
Net cash flows	135,480	811,998
Cash and cash equivalents - beginning	<u>717,954</u>	<u>853,434</u>
<b>Cash and cash equivalents - ending</b>	<b><u>\$ 853,434</u></b>	<b><u>\$ 1,665,432</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
<b>Operating income (loss)</b>	<b><u>\$ 495,161</u></b>	<b><u>\$ 376,049</u></b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	593,148	602,556
(Increase) decrease in receivables	(52,638)	771
Increase (decrease) in accounts payable	(6,363)	(5,056)
Increase (decrease) in customer deposits	13,768	20,035
Increase (decrease) in accrued liabilities	<u>26,504</u>	<u>(11,467)</u>
Total adjustments	<u>574,419</u>	<u>606,839</u>
<b>Net cash from operating activities</b>	<b><u>\$ 1,069,580</u></b>	<b><u>\$ 982,888</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
SOLID WASTE MANAGEMENT FUND  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ —	\$ 9,537
Receivables, net-		
Accounts	23,988	24,692
Due from general fund	<u>201,790</u>	<u>223,046</u>
<b>Total Current Assets</b>	<u><b>225,778</b></u>	<u><b>257,275</b></u>
<b>Capital assets</b>		
Machinery and equipment	110,840	110,840
Accumulated depreciation	<u>(107,593)</u>	<u>(108,713)</u>
Capital assets (net of depreciation)	<u>3,247</u>	<u>2,127</u>
<b>Total Assets</b>	<u><b>229,025</b></u>	<u><b>259,402</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accrued compensated absences	8,228	7,258
Accrued salaries and wages	<u>1,437</u>	<u>—</u>
<b>Total current liabilities</b>	<u><b>9,665</b></u>	<u><b>7,258</b></u>
<b>Total Liabilities</b>	<u><b>9,665</b></u>	<u><b>7,258</b></u>
<b>NET POSITION</b>		
Net investment in capital assets	3,247	2,127
Unrestricted	<u>216,113</u>	<u>250,017</u>
<b>Total Net Position</b>	<u><b>\$ 219,360</b></u>	<u><b>\$ 252,144</b></u>

**CITY OF LOCUST GROVE, GEORGIA  
SOLID WASTE MANAGEMENT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 313,387	\$ 314,497
<b>Total Operating Revenues</b>	<u><b>313,387</b></u>	<u><b>314,497</b></u>
<b>OPERATING EXPENSES</b>		
Purchased Products and Services		
Dumpster collections	203,956	214,748
Personal services and benefits	62,481	58,938
Supplies	10,735	6,907
Depreciation	<u>112</u>	<u>1,120</u>
<b>Total Operating Expenses</b>	<u><b>277,284</b></u>	<u><b>281,713</b></u>
Operating income (loss)	<u>36,103</u>	<u>32,784</u>
Transfers	<u>—</u>	<u>—</u>
Change in net position	36,103	32,784
Net position- beginning	<u>183,257</u>	<u>219,360</u>
<b>Net Position - ending</b>	<u><b>\$ 219,360</b></u>	<u><b>\$ 252,144</b></u>

**CITY OF LOCUST GROVE, GEORGIA  
SOLID WASTE MANAGEMENT FUND  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 312,354	\$ 313,793
Cash paid to suppliers for goods	(214,691)	(221,655)
Cash paid to employees	<u>(54,466)</u>	<u>(61,345)</u>
Net cash provided from operating activities	<u>43,197</u>	<u>30,793</u>
<b>Cash flows from investing activities:</b>		
Other	<u>—</u>	<u>—</u>
Net cash from investing activities	<u>—</u>	<u>—</u>
<b>Cash flows from non-capital financing activities:</b>		
Change in due to/from other funds	<u>(43,197)</u>	<u>(21,256)</u>
Net cash flows from non-capital financing activities	<u>(43,197)</u>	<u>(21,256)</u>
<b>Cash flows from capital financing activities:</b>		
Proceeds from sale of capital assets	<u>—</u>	<u>—</u>
Net cash flows from capital financing activities	<u>—</u>	<u>—</u>
Net cash flows	—	9,537
Cash and cash equivalents - beginning	<u>—</u>	<u>—</u>
<b>Cash and cash equivalents - ending</b>	<b><u><u>\$ —</u></u></b>	<b><u><u>\$ 9,537</u></u></b>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
<b>Operating income (loss)</b>	<b><u>\$ 36,103</u></b>	<b><u>\$ 32,784</u></b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	112	1,120
(Increase) decrease in receivables	(1,033)	(704)
Increase (decrease) in accrued liabilities	<u>8,015</u>	<u>(2,407)</u>
Total adjustments	<u>7,094</u>	<u>(1,991)</u>
<b>Net cash from operating activities</b>	<b><u><u>\$ 43,197</u></u></b>	<b><u><u>\$ 30,793</u></u></b>

**CITY OF LOCUST GROVE, GEORGIA  
STORMWATER MANAGEMENT FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ —	\$ 113,351
Receivables, net		
Accounts	44,609	43,149
Due from General Fund	<u>509,852</u>	<u>313,871</u>
<b>Total Current Assets</b>	<b><u>554,461</u></b>	<b><u>470,371</u></b>
<b>Capital assets</b>		
Office equipment	18,024	81,438
Accumulated depreciation	<u>(11,423)</u>	<u>(16,831)</u>
<b>Total Capital Assets (net of depreciation)</b>	<b><u>6,601</u></b>	<b><u>64,607</u></b>
<b>Total Assets</b>	<b><u>561,062</u></b>	<b><u>534,978</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accrued salaries and wages	3,265	—
Accrued compensated absences	<u>3,426</u>	<u>2,976</u>
<b>Total Liabilities</b>	<b><u>6,691</u></b>	<b><u>2,976</u></b>
<b>NET POSITION</b>		
Net investment in capital assets	6,601	64,607
Unrestricted	<u>547,770</u>	<u>467,395</u>
<b>Total Net Position</b>	<b><u>\$ 554,371</u></b>	<b><u>\$ 532,002</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
STORMWATER MANAGEMENT FUND  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Stormwater utility fee	<u>227,471</u>	<u>232,816</u>
Total Operating Revenues	<u>227,471</u>	<u>232,816</u>
<b>OPERATING EXPENSES</b>		
Personal services	131,012	147,822
Purchased / contracted services	11,206	70,515
Supplies	26,608	32,331
Depreciation	<u>733</u>	<u>4,517</u>
Total operating expenses	<u>169,559</u>	<u>255,185</u>
Operating income (loss)	<u>57,912</u>	<u>(22,369)</u>
Non-operating revenues (expenses)	<u>—</u>	<u>—</u>
Change in net position	57,912	(22,369)
NET POSITION - BEGINNING	<u>496,459</u>	<u>554,371</u>
NET POSITION - ENDING	<u><b>\$ 554,371</b></u>	<u><b>\$ 532,002</b></u>

**CITY OF LOCUST GROVE, GEORGIA  
STORMWATER MANAGEMENT FUND  
RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2013</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 226,127	\$ 234,276
Cash paid to suppliers for goods	(37,814)	(102,405)
Cash paid to employees	<u>(124,321)</u>	<u>(151,087)</u>
Net cash provided from operating activities	<u>63,992</u>	<u>(19,216)</u>
<b>Cash flows from investing activities:</b>		
Other	<u>—</u>	<u>—</u>
Net cash from investing activities	<u>—</u>	<u>—</u>
<b>Cash flows from non-capital financing activities:</b>		
Change in due to/from other funds	<u>(56,658)</u>	<u>195,981</u>
Net cash flows from non-capital financing activities	<u>(56,658)</u>	<u>195,981</u>
<b>Cash flows from capital financing activities:</b>		
Purchase of capital assets	<u>(7,334)</u>	<u>(63,414)</u>
Net cash flows from capital financing activities	<u>(7,334)</u>	<u>(63,414)</u>
Net cash flows	—	113,351
Cash and cash equivalents - beginning	<u>—</u>	<u>—</u>
<b>Cash and cash equivalents - ending</b>	<b><u>\$ —</u></b>	<b><u>\$ 113,351</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
<b>Operating income (loss)</b>	<b><u>\$ 57,912</u></b>	<b><u>\$ (22,369)</u></b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	733	4,517
(Increase) decrease in receivables	(1,344)	1,460
Increase (decrease) in accounts payable	—	—
Increase (decrease) in accrued liabilities	<u>6,691</u>	<u>(2,824)</u>
Total adjustments	<u>6,080</u>	<u>3,153</u>
<b>Net cash from operating activities</b>	<b><u>\$ 63,992</u></b>	<b><u>\$ (19,216)</u></b>

# Vance CPA, LLC

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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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Locust Grove, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Locust Grove, Georgia's basic financial statements, and have issued our report thereon dated June 29, 2015.

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

In planning and performing our audit of the financial statements, we considered Locust Grove, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Locust Grove, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness 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 in the accompanying schedule of findings and responses, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention

by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (2014-001 and 2014-002).

### **Compliance and Other Matters**

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

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

City of Locust Grove, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Locust Grove, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **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.

Atlanta, Georgia  
June 29, 2015



**Vance CPA LLC**

**CITY OF LOCUST GROVE, GEORGIA  
SUMMARY SCHEDULE OF CURRENT YEAR AUDIT  
FINDINGS AND MANAGEMENT RESPONSES**

**DECEMBER 31, 2014**

**2014-001 (Prior year 2013-01) Failure to Properly Maintain Accounting Records**

The City failed to post material transactions in the general ledger. During the year the City purchased equipment and borrowed fornd for the purchase. The transaction was not recorded in the accounting records of the City. Failure to properly account for such transactions subjects the City to the risk of material misstatements or fraud may occur and not be detected by employees in a timely manner during the performance of their assigned tasks.

**Recommendation** - All transaction should be properly recorded in a timely manner.

**Response** - Management will closely monitor accounting for transactions not routinely processed.

**2014-02 Significant Audit Adjustments**

Significant adjustments were made in order for the financial statements to conform to U.S. Generally Accepted Accounting Principles.

**Recommendation** – Accounting records should be maintained to conform to U.S. Generally Accepted Accounting Principles.

**Response** – Management will routinely monitor accounting for conformity.