



**City of Locust Grove, Georgia**  
**Annual Financial Report**  
**For the Fiscal Year Ended December 31, 2015**  
**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, 2015

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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, 2015, 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, 2015, 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 September 6, 2016, 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.

November 02, 2016  
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, 2015. 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, 2015 by \$30,716,581. Of this amount unrestricted net position of \$5,440,527 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased by \$4,330,381. Of this amount a net increase of \$3,746,740 was associated with governmental-type activities and a \$583,641 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 \$7,938,248, an increase of \$3,103,318 in comparison with the prior year. Of this amount \$3,960,755 is unassigned and available for spending and \$3,917,383 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 \$3,960,755 or 100 percent of total General Fund expenditures.
- The City of Locust Grove's total debt obligations (including accrued compensated absences) decreased by \$511,420 to a total of \$7,217,939 as of year-end. The City made principal payments during the year on its long-term debt of \$511,470.

### 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 Capital Project Fund, 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, 2015, the city's assets exceeded liabilities by \$30,716,581. The City's net position reflects its investment in capital assets (69 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, \$3,626,655 (12 percent) is restricted for capital projects and other specified activities and \$5,440,527 (18 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>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Current and other assets	\$ 7,995,588	\$ 5,072,754	\$ 2,711,998	\$ 2,809,820	\$ 10,707,586	\$ 7,882,574
Capital assets	<u>9,029,759</u>	<u>8,450,074</u>	<u>19,299,858</u>	<u>19,021,795</u>	<u>28,329,617</u>	<u>27,471,869</u>
Total assets	<u>17,025,347</u>	<u>13,522,828</u>	<u>22,011,856</u>	<u>21,831,615</u>	<u>39,037,203</u>	<u>35,354,443</u>
Deferred Outflows	<u>145,675</u>	<u>—</u>	<u>42,653</u>	<u>—</u>	<u>188,328</u>	<u>—</u>
Current liabilities	72,853	377,980	904,000	912,944	976,853	1,290,924
Long-term liabilities	<u>622,046</u>	<u>92,889</u>	<u>6,867,645</u>	<u>7,125,000</u>	<u>7,489,691</u>	<u>7,217,889</u>
Total liabilities	<u>694,899</u>	<u>470,869</u>	<u>7,771,645</u>	<u>8,037,944</u>	<u>8,466,544</u>	<u>8,508,813</u>
Deferred Inflows	<u>32,802</u>	<u>—</u>	<u>9,604</u>	<u>—</u>	<u>42,406</u>	<u>—</u>
Net position:						
Net investment in capital assets	9,029,759	8,335,715	12,081,919	11,406,795	21,111,678	19,742,510
Restricted	3,917,383	1,630,751	246,993	307,763	4,164,376	1,938,514
Unrestricted	<u>3,496,179</u>	<u>3,085,493</u>	<u>1,944,348</u>	<u>2,079,113</u>	<u>5,440,527</u>	<u>5,164,606</u>
Total net position	<u>16,443,321</u>	<u>13,051,959</u>	<u>14,273,260</u>	<u>13,793,671</u>	<u>30,716,581</u>	<u>26,845,630</u>

A portion of the net position (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,440,527) 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, 2015 and 2013**

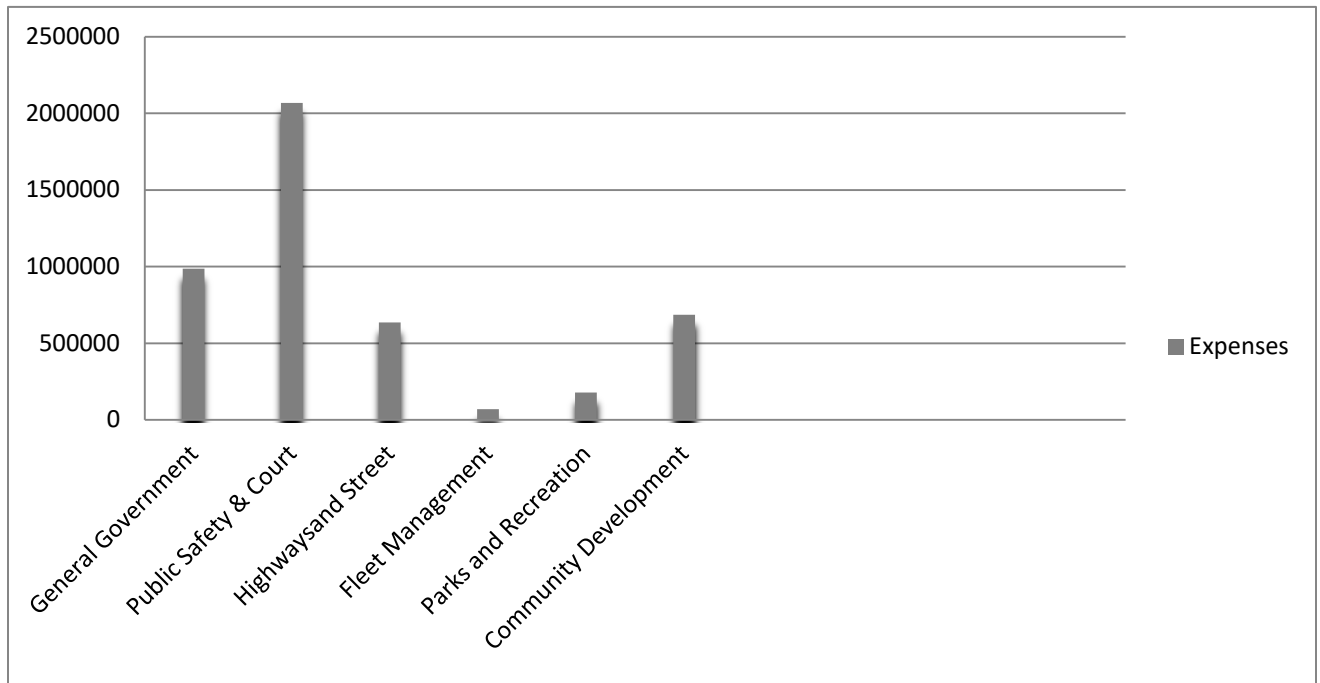
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>						
Program Revenues -						
Charges for services	\$ 1,098,976	\$ 960,436	\$ 3,482,284	\$ 2,899,762	\$ 4,581,260	\$ 3,860,198
Operating grants and contributions	114,757	64,527	—	—	114,757	64,527
Capital grants and contributions	179,951	661,408	—	—	179,951	661,408
General Revenues -						
Franchise taxes	428,635	324,504	—	—	428,635	324,504
Sales taxes	2,326,487	1,878,979	—	—	2,326,487	1,878,979
Other taxes	1,269,669	1,153,945	—	—	1,269,669	1,153,945
Interest	42,493	4,708	—	—	42,493	4,708
Other	155,029	40,484	—	—	155,029	40,484
Intergovernmental	<u>2,750,857</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,750,857</u>	<u>—</u>
Total revenues	<u>8,366,854</u>	<u>5,088,991</u>	<u>3,482,284</u>	<u>2,899,762</u>	<u>11,849,138</u>	<u>7,988,753</u>
<b>EXPENSES</b>						
General government	984,858	843,771	—	—	984,858	843,771
Public safety and municipal court	2,067,462	2,079,688	—	—	2,067,462	2,079,688
Highways and streets	634,232	500,764	—	—	634,232	500,764
Fleet maintenance	70,031	72,410	—	—	70,031	72,410
Parks and recreation	177,987	322,619	—	—	177,987	322,619
Community development	685,544	274,217	—	—	685,544	274,217
Water	—	—	884,772	996,608	884,772	996,608
Sewer	—	—	1,434,556	1,216,706	1,434,556	1,216,706
Solid waste	—	—	308,030	281,713	308,030	281,713
Stormwater	<u>—</u>	<u>—</u>	<u>271,285</u>	<u>255,185</u>	<u>271,285</u>	<u>255,185</u>
Total expenditures	<u>4,620,114</u>	<u>4,093,466</u>	<u>2,898,643</u>	<u>2,750,212</u>	<u>7,518,757</u>	<u>6,843,678</u>
Increase (decrease) in net position	3,746,740	995,525	583,641	149,550	4,330,381	1,145,075
Net position – beginning of year (restated)	<u>12,696,581</u>	<u>12,056,434</u>	<u>13,689,619</u>	<u>13,644,121</u>	<u>26,386,200</u>	<u>25,700,555</u>
Net position – end of year	<u>\$16,443,321</u>	<u>\$ 13,051,959</u>	<u>\$ 14,273,260</u>	<u>\$13,793,671</u>	<u>\$30,716,581</u>	<u>\$ 26,845,630</u>

**Governmental activities:** Governmental activities increased the City of Locust Grove's net position by \$3,746,740. Key elements of this increase are as follows:

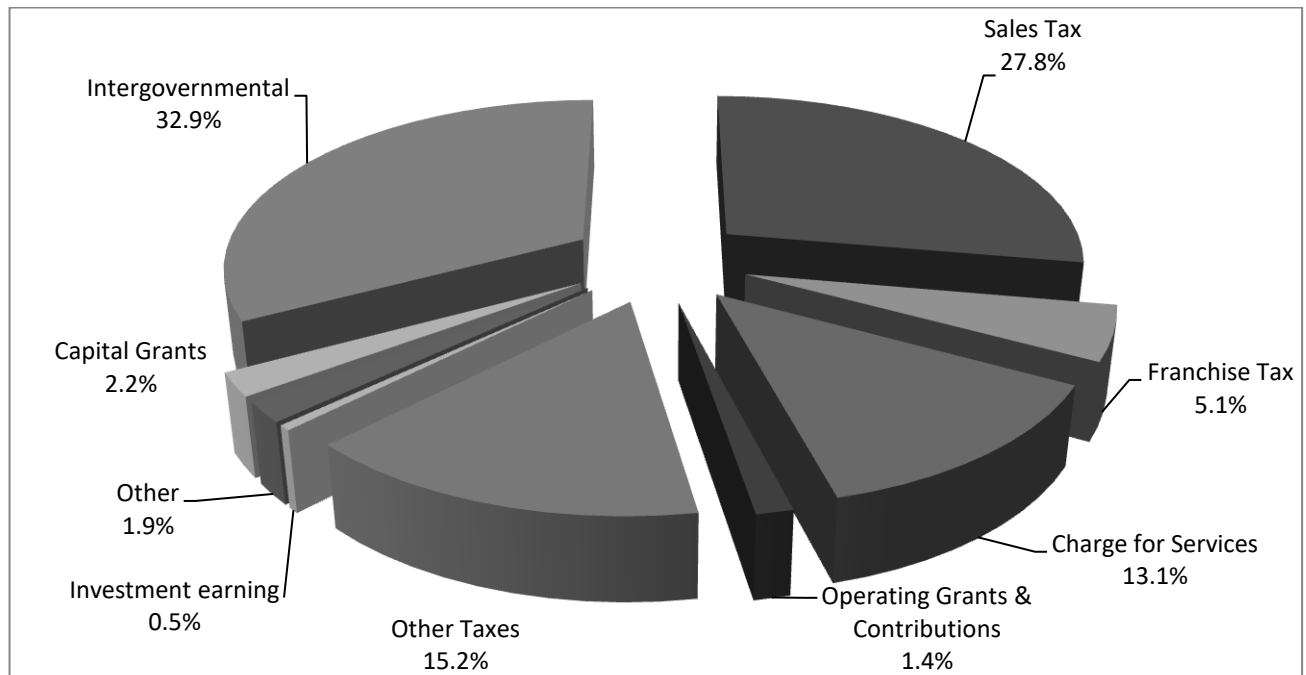
- The city has encountered an up-turn in its economic activities. The increase in various taxes and utility fees both show increases.
- The City received an advance on SPLOST revenue in amount of \$2,750,857.

**Business-type activities;** Business-type activities increased net position by \$583,641.

## Expenses -Governmental Activities

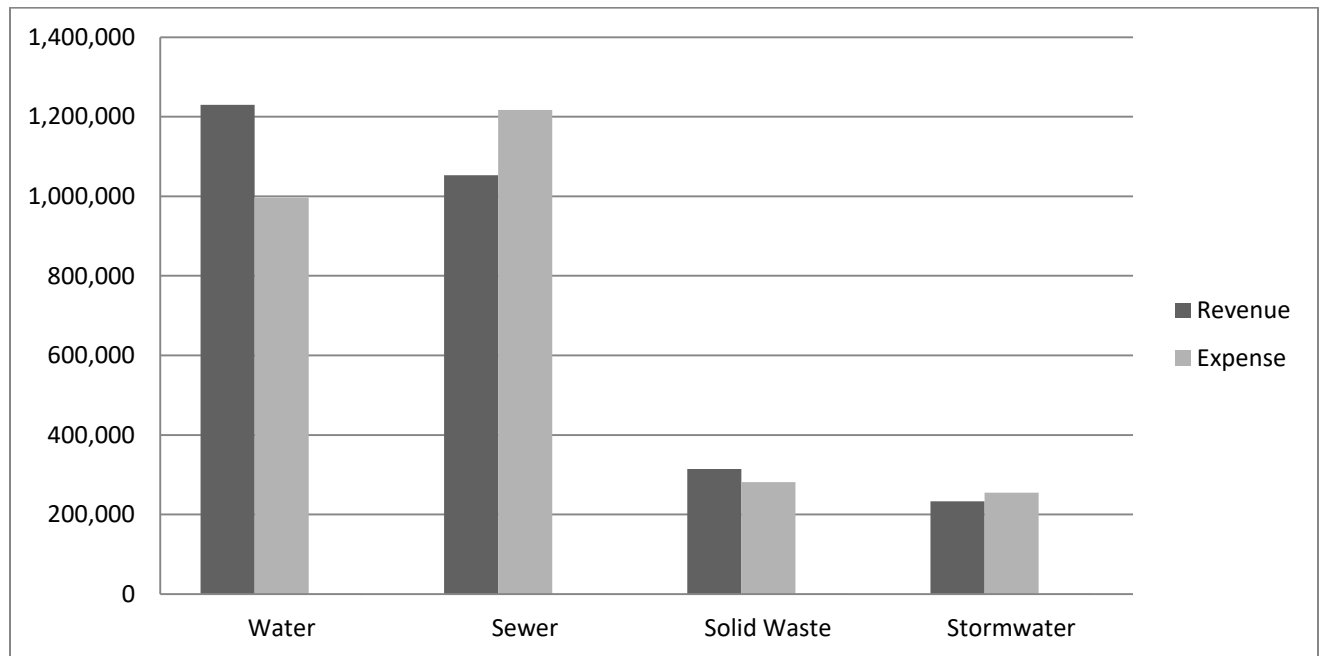


## Revenue by Source-Governmental Activities



Business-type activities. Business-type activities increased the City's net position by \$583,641 of which an increase of \$233,897 was from Sewer activities, an increase \$32,784 was from Solid Waste management, an increase of \$302,937 from water and a decrease of \$55,459 was from Stormwater Management activities. This is the fourth 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, 2015 the City's governmental funds reported combined ending fund balances of \$7,938,248, an increase of \$3,103,318 in comparison to the prior year. Of this amount, \$3,960,755 (50 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 \$3,626,655; 2) to pay for police activities which is funded through confiscations of assets obtained during investigations into illegal drug activities \$173; and 3) restricted for prepaid expenses which are not available for current government's spending discretion \$40,504; 4) restricted for conservation and tourism \$290,555.

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 \$3,960,755 while the total fund balance totaled \$4,020,865. 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 99 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 increased by \$816,686. The general fund's revenues increased for the year by \$768,051 or 19% while expenditures decreased by \$164,702 or 4%.

The City's Hotel/Motel Tax fund received revenues from hotel/motel taxes of 390,456. 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, 2015, the Hotel/Motel Tax fund had a restricted fund balance of \$290,555.

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, 2015, this fund had a fund balance of \$173, which was restricted for police activities.

The City of Locust Grove received \$179,951 in Special Purpose Local Option Sales Taxes in 2015 under the new SPLOST IV intergovernmental agreement. The City also received an advance on future collections in the amount of \$2,750,857. 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 \$98,511 in impact fees during 2015 which is an increase of approximately \$48,867 from 2014. As of December 31, 2015, the Development Impact Fee Fund had a fund balance of \$114,823.

**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 \$1,944,348 of which the Water and Sewer fund had \$1,325,818, the Solid Waste Management Fund had \$255,130 and the Stormwater Fund had \$363,400. 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 \$4,586,339 provided a positive variance of \$559,304 compared to actual expenditures of \$4,027,035 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, 2015 amounts to \$28,329,617 (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:

- \$520,693 in construction and renovation costs of the City's buildings.
- \$792,715 in utility improvements.

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 \$7,217,939 in outstanding debt consisting of the following:

#### CITY OF LOCUST GROVE'S OUTSTANDING DEBT

Governmental Activities	<u>Balance</u>
Accrued compensated absences	<u>\$ 62,054</u>
Total	62,054
Business-Type Activities –	
Note payable	92,939
Notes payable	<u>7,125,000</u>
Total	<u>\$ 7,217,939</u>

The City's total debt decreased by \$568,102. 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 still continue to increase at comparative rates as for the state and the region as indication of a 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 percentage decreased in 2015 per settlement between the cities and Henry County in 2013. In the coming years, the city's portion of overall LOST will increase 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 10-year 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 and that the 2016 Year should see revenues top \$2 million.
- 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 more volatility in swings either up or down due to dependency on volatile fuel costs and the considerable distance from the Atlanta Region Core, with Construction Costs markedly higher due to several large capital projects pushing up wages and contract amounts related to distance from the Core of Atlanta.
- Building permits for residential construction have increased markedly in 2015. Developed lots purchased in the past several years finally have generated several speculative residential home constructions that should only increase further into 2016. New large-scale commercial permits continue to be slow until demand is there to support more leasing activity, although there are more redevelopment and repurposing of existing commercial tracts. This shows that new development will follow as more new homes are occupied in the next several years.
- 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. Tourism also increases to new construction on I-75 north of the city, helping Hotel/Motel tax revenues to steadily increase over 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 (approximately \$800,000 over budget), and some transportation improvements citywide (supplemented by LMIG). Collections remain above the initial conservative 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 HB 170 will 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. This is expected to increase in 2016 as well as upward pressures on salaries due to competitive job market.
- ▣ There was a recent change in the City Clerk position at the beginning of 2016. As part of this change, we have begun more intensive training on the computerized financial system (including additional on-site training with and accounting expert a minimum of three times per year) as well as more training through the Carl Vinson Institute on Financial Management.
- ▣ Additional expenditures and staffing/consultants 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 2016.

### **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, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,039,483	\$ 1,507,794	\$ 9,547,277
Receivables (net of allowance for uncollectibles)			
Taxes	513,877	—	513,877
Fines	91,147	—	91,147
Accounts	—	267,788	267,788
Internal balances	(689,423)	689,423	—
Prepaid Items	40,504	—	40,504
Restricted Assets –			
Cash	—	246,993	246,993
Non-Depreciable Capital Assets	3,637,415	1,423,964	5,061,379
Depreciable Capital Assets, Net	<u>5,392,344</u>	<u>17,875,894</u>	<u>23,268,238</u>
<b>Total Assets</b>	<b><u>17,025,347</u></b>	<b><u>22,011,856</u></b>	<b><u>39,037,203</u></b>
<b>DEFERRED OUTFLOWS</b>			
Employee Pension Contributions	<u>145,675</u>	<u>42,653</u>	<u>188,328</u>
<b>Total Deferred Outflows</b>	<b><u>145,675</u></b>	<b><u>42,653</u></b>	<b><u>188,328</u></b>
<b>LIABILITIES</b>			
Accounts payable			
Operating	52,253	25,805	78,058
Accrued Liabilities -			
Compensated absences	15,513	2,781	18,294
Customer deposits	—	293,829	293,829
Police bonds	5,087	—	5,087
Liabilities Payable from Restricted Assets –			
Notes payable	—	527,142	527,142
Accrued interest	—	54,443	54,443
Long-Term Liabilities –			
Accrued compensated absences	46,541	8,344	54,885
Notes payable due in more than one year	—	6,690,797	6,690,797
Net pension liability	<u>575,505</u>	<u>168,504</u>	<u>744,009</u>
<b>Total Liabilities</b>	<b><u>694,899</u></b>	<b><u>7,771,645</u></b>	<b><u>8,466,544</u></b>
<b>DEFERRED INFLOWS</b>			
Pension Earnings	<u>32,802</u>	<u>9,604</u>	<u>42,406</u>
<b>Total Deferred Inflows</b>	<b><u>32,802</u></b>	<b><u>9,604</u></b>	<b><u>42,406</u></b>
<b>NET POSITION</b>			
Net investment in capital assets	9,029,759	12,081,919	21,111,678
Restricted for			
Police activities	173	—	173
Debt service	—	246,993	246,993
Capital projects	3,626,655	—	3,626,655
Tourism	290,555	—	290,555
Unrestricted	<u>3,496,179</u>	<u>1,944,348</u>	<u>5,440,527</u>
<b>Total Net Position</b>	<b><u>\$ 16,443,321</u></b>	<b><u>\$ 14,273,260</u></b>	<b><u>\$ 30,716,581</u></b>

See accompanying notes to the basic financial statements



**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

		Program Revenues/			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating Grants and	Capital Grants and	Governmental	Business Type	
Functions/Programs	Expenses	Services	Contributions	Contributions	Activities	Activities	Total
Governmental Activities							
Governing Body	\$ 116,309	\$ 219,022	\$ —	\$ —	\$ (116,309)	\$ —	\$ (116,309)
Financial Administration	868,549	776,462	60,293	179,951	(409,283)	—	(409,283)
Police & Municipal							
Court	2,067,462	13,537	—	—	(1,291,000)	—	(1,291,000)
Highways & Streets	634,232	—	—	—	(620,695)	—	(620,695)
Fleet Maintenance	70,031	—	—	—	(70,031)	—	(70,031)
Parks & Recreation	177,987	89,955	—	—	(88,032)	—	(88,032)
Community Development	<u>685,544</u>	<u>—</u>	<u>54,464</u>	<u>—</u>	<u>(631,080)</u>	<u>—</u>	<u>(631,080)</u>
Total Governmental							
Activities	<u>4,620,114</u>	<u>1,098,976</u>	<u>114,757</u>	<u>179,951</u>	<u>(3,226,430)</u>	<u>—</u>	<u>(3,226,430)</u>
Business-Type Activities							
Water	884,772	1,462,352	—	—	—	577,580	577,580
Sewer	1,434,556	1,504,651	—	—	—	70,095	70,095
Solid Waste Management	308,030	321,824	—	—	—	13,794	13,794
Stormwater	<u>271,285</u>	<u>193,457</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(77,828)</u>	<u>(77,828)</u>
Total Business Activities	<u>2,898,643</u>	<u>3,482,284</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>583,641</u>	<u>583,641</u>
Total Government	<u>\$7,518,757</u>	<u>\$4,581,260</u>	<u>\$ 114,757</u>	<u>\$ 179,951</u>	<u>(3,226,430)</u>	<u>583,641</u>	<u>(2,642,789)</u>
General Revenues:							
Taxes:							
					12,248	—	12,248
					428,635	—	428,635
					1,896,487	—	1,896,487
					177,976	—	177,976
					311,324	—	311,324
					369,701	—	369,701
					390,456	—	390,456
					7,964	—	7,964
					155,029	—	155,029
					472,493	—	472,493
					<u>2,750,857</u>	<u>—</u>	<u>2,750,857</u>
					<u>6,973,170</u>	<u>—</u>	<u>6,973,176</u>
Changes in Net Position					3,746,740	583,641	4,330,381
Net Position – Beginning of Year (restated)					<u>12,696,581</u>	<u>13,689,619</u>	<u>26,386,200</u>
Net Position – End of Year					<u>\$ 16,443,321</u>	<u>\$ 14,273,260</u>	<u>\$ 30,716,581</u>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**BALANCE SHEET**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Hotel/ Motel</u>	<u>Confiscated Assets</u>	<u>SPLOST Capital Projects</u>	<u>Development Impact Fee</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash	\$ 4,148,251	\$ 264,404	\$ 173	\$ 3,511,832	\$ 114,823	\$ 8,039,483
Receivables –						
Taxes	487,726	26,151	—	—	—	513,877
Fines	91,147	—	—	—	—	91,147
Prepaid items	<u>40,504</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>40,504</u>
<b>Total Assets</b>	<b><u>4,767,628</u></b>	<b><u>290,555</u></b>	<b><u>173</u></b>	<b><u>3,511,832</u></b>	<b><u>114,823</u></b>	<b><u>8,685,011</u></b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts payable	52,253	—	—	—	—	52,253
Accrued police bonds	5,086	—	—	—	—	5,086
Due to other funds	<u>689,424</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>689,424</u>
<b>Total Liabilities</b>	<b><u>746,763</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>746,763</u></b>
<b>Fund Balance</b>						
Nonspendable	40,504	—	—	—	—	40,504
Restricted for:						
Capital projects	—	—	—	3,511,832	114,823	3,626,655
Police activities	—	—	173	—	—	173
Tourism	—	290,555	—	—	—	290,555
Committed:						
Cemetery	19,606	—	—	—	—	19,606
Unassigned	<u>3,960,755</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,960,755</u>
<b>Total fund balance</b>	<b><u>4,020,865</u></b>	<b><u>290,555</u></b>	<b><u>173</u></b>	<b><u>3,511,832</u></b>	<b><u>114,823</u></b>	<b><u>7,938,248</u></b>
<b>Total Liabilities &amp; Fund Balance</b>	<b><u>\$ 4,767,628</u></b>	<b><u>\$ 290,555</u></b>	<b><u>\$ 173</u></b>	<b><u>\$ 3,511,832</u></b>	<b><u>\$ 114,823</u></b>	<b><u>\$ 8,685,011</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, 2015**

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

Total fund balances – total governmental funds	\$ 7,938,248
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	9,029,759
Pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in government funds, nor are reported deferred outflows and inflows.	(462,632)
Long term liabilities are not due and payable in the Current period and, therefore, they are not reported In the governmental funds balance sheet.	
Accrued compensated absences	<u>(62,054)</u>
Net position of governmental activities	<b><u>\$ 16,443,321</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, 2015**

	<b>General Fund</b>	<b>Hotel/ Motel</b>	<b>Confiscated Assets</b>	<b>SPLOST Capital Projects</b>	<b>Development Impact Fee</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Taxes	\$ 3,621,504	\$ 390,456	\$ —	\$ —	\$ —	\$ 4,011,960
Licenses and permits	196,200	—	—	—	—	196,200
Intergovernmental grants	60,293	54,464	—	179,951	—	294,708
Charges for services	24,648	—	—	—	98,511	123,159
Fines, fees and forfeitures	764,967	—	—	—	—	764,967
Investment income	6,430	239	—	35,724	100	42,493
Rental income	14,650	—	—	—	—	14,650
Miscellaneous	155,029	12,831	—	—	—	167,860
<b>Total Revenues</b>	<b><u>4,843,721</u></b>	<b><u>457,990</u></b>	<b><u>—</u></b>	<b><u>215,675</u></b>	<b><u>98,611</u></b>	<b><u>5,615,997</u></b>
<b>EXPENDITURES</b>						
Current						
Governing Body	112,494	—	—	—	—	112,494
Financial Administration	613,286	—	—	213,711	—	826,997
Municipal Court	380,665	—	—	—	—	380,665
Police	1,577,960	—	970	—	—	1,578,930
Highways and streets	536,910	—	—	—	—	536,910
Fleet Maintenance	67,264	—	—	—	—	67,264
Parks and Recreation	114,458	—	—	—	3,600	118,058
Community Center	294,077	—	—	—	—	294,077
Community Development	—	367,460	—	—	—	367,460
Capital Outlay	<u>329,921</u>	<u>—</u>	<u>—</u>	<u>582,149</u>	<u>68,611</u>	<u>980,681</u>
<b>Total Expenditures</b>	<b><u>4,027,035</u></b>	<b><u>367,460</u></b>	<b><u>970</u></b>	<b><u>795,860</u></b>	<b><u>72,211</u></b>	<b><u>5,263,536</u></b>
Excess (Deficiency) of						
Revenues Over Expenditures	816,686	90,530	(970)	(580,185)	26,400	352,461
<b>Other Financing Sources (Uses)</b>						
Received from County	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,750,857</u>	<u>—</u>	<u>2,750,857</u>
Changes in fund balance	816,686	90,530	(970)	2,170,672	26,400	3,103,318
Fund balance - beginning	<u>3,204,179</u>	<u>200,025</u>	<u>1,143</u>	<u>1,341,160</u>	<u>88,423</u>	<u>4,834,930</u>
<b>Fund balance - ending</b>	<b><u>\$ 4,020,865</u></b>	<b><u>\$ 290,555</u></b>	<b><u>\$ 173</u></b>	<b><u>\$ 3,511,832</u></b>	<b><u>\$ 114,823</u></b>	<b><u>\$ 7,938,248</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, 2015**

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

Net change in fund balances – total governmental funds	\$ 3,103,318
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 (\$980,681) exceeded depreciation (\$286,637)	694,044
Pension contributions are reported as expenditures in the funds while pension expense is reported in the government-wide statements.	(107,254)
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 accrued compensated absences	<u>56,632</u>
Change in net position of governmental activities	<u><b>\$ 3,746,740</b></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, 2015**

	<b>Budget Original</b>	<b>Budget Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Taxes	\$ 2,848,500	\$ 3,170,700	\$ 3,621,504	\$ 450,804
Licenses and permits	142,000	212,000	196,200	(15,800)
Intergovernmental	118,500	60,350	60,293	(57)
Charges for services	9,950	10,000	24,648	14,648
Fines, fees and forfeitures	395,000	756,500	764,967	8,467
Investment	3,000	6,000	6,430	430
Rental income	12,500	16,300	14,650	(1,650)
Miscellaneous	140,900	20,700	155,029	134,329
<b>Total Revenues</b>	<b><u>3,670,350</u></b>	<b><u>4,252,550</u></b>	<b><u>4,843,721</u></b>	<b><u>591,171</u></b>
<b>EXPENDITURES</b>				
Current				
Governing Body	149,000	109,200	112,494	(3,294)
Financial Administration	698,350	924,480	613,286	311,194
Municipal Court	290,300	417,700	380,665	37,035
Police	1,781,950	1,723,300	1,577,960	145,340
Highways and streets	389,200	591,238	536,910	54,328
Fleet Maintenance	71,000	72,400	67,264	5,136
Parks and Recreation	7,300	123,000	114,458	8,542
Community Center	241,250	294,600	294,077	523
Community Development	41,500	500	—	500
Capital Outlay	—	329,921	329,921	—
<b>Total Expenditures</b>	<b><u>3,669,850</u></b>	<b><u>4,586,339</u></b>	<b><u>4,027,035</u></b>	<b><u>559,304</u></b>
Changes in Fund Balance	500	(333,789)	816,686	1,150,475
Fund balance - beginning	<u>3,204,179</u>	<u>3,204,179</u>	<u>3,204,179</u>	<u>—</u>
<b>Fund balance - ending</b>	<b><u>\$ 3,204,679</u></b>	<b><u>\$2,870,390</u></b>	<b><u>\$ 4,020,865</u></b>	<b><u>\$ 1,150,475</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, 2015**

	<b>Budget Original</b>	<b>Budget Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Taxes	\$ 272,000	\$ 395,000	\$ 390,456	\$ (4,544)
Intergovernmental grants	—	64,400	54,464	(9,936)
Investment income	239	500	239	(261)
Miscellaneous	<u>250</u>	<u>1,000</u>	<u>12,831</u>	<u>11,831</u>
<b>Total Revenues</b>	<b><u>272,489</u></b>	<b><u>460,900</u></b>	<b><u>457,990</u></b>	<b><u>(2,910)</u></b>
<b>EXPENDITURES</b>				
Operating -				
Economic Development -				
Tourism and Promotion-				
Salaries and benefits	50,700	57,050	55,884	1,166
Contracted services	20,000	100,900	88,194	12,706
Supplies and operating expense	72,550	114,600	41,684	72,916
Payments to others	110,000	175,000	170,283	4,717
Train Platform	<u>20,000</u>	<u>12,500</u>	<u>11,415</u>	<u>1,085</u>
<b>Total Expenditures</b>	<b><u>273,250</u></b>	<b><u>460,050</u></b>	<b><u>367,460</u></b>	<b><u>92,590</u></b>
Net changes in fund balance	(761)	850	90,530	89,680
Fund balance – beginning of year	<u>200,025</u>	<u>200,025</u>	<u>200,025</u>	<u>—</u>
<b>Fund balance – End of year</b>	<b><u>\$ 199,264</u></b>	<b><u>\$ 200,875</u></b>	<b><u>\$ 290,555</u></b>	<b><u>\$ 89,680</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, 2015**

	<b>Budget Original &amp; Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Confiscations	\$ 500	\$ —	\$ (500)
Miscellaneous	—	—	—
<b>Total Revenues</b>	<b><u>500</u></b>	<b><u>—</u></b>	<b><u>(500)</u></b>
<b>EXPENDITURES</b>			
Current			
Purchased contracted services	—	—	—
Supplies	500	970	(470)
Capital -			
Police equipment	—	—	—
Payment to others	—	—	—
<b>Total Expenditures</b>	<b><u>500</u></b>	<b><u>970</u></b>	<b><u>(470)</u></b>
Excess of revenues over (under) expenditures	—	—	—
<b>Other financing sources (uses):</b>			
Proceeds from disposition of capital assets	—	—	—
Net changes in fund balance	—	(970)	(970)
Fund balance - beginning	<u>1,143</u>	<u>1,143</u>	—
<b>Fund balance - ending</b>	<b><u><u>\$ 1,143</u></u></b>	<b><u><u>\$ 173</u></u></b>	<b><u><u>\$ (970)</u></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, 2015**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Stormwater</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	\$ 1,419,071	\$ 25,035	\$ 63,688	\$ 1,507,794
Receivables –				
Accounts (net)	216,197	25,888	16,059	258,144
Unbilled sales	9,644	—	—	9,644
Due from other funds	152,507	223,046	313,870	689,423
Restricted Assets –				
Cash	<u>246,993</u>	<u>—</u>	<u>—</u>	<u>246,993</u>
<b>Total current assets</b>	<b><u>2,044,412</u></b>	<b><u>273,969</u></b>	<b><u>393,617</u></b>	<b><u>2,711,998</u></b>
<b>Noncurrent assets</b>				
Capital assets				
Land	1,423,964	—	—	1,423,964
Buildings	226,262	—	—	226,262
Improvements other than buildings	14,304,367	—	—	14,304,367
Machinery and equipment	780,583	110,840	195,847	1,087,270
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>(7,099,549)</u>	<u>(109,833)</u>	<u>(35,346)</u>	<u>(7,244,728)</u>
<b>Total noncurrent assets</b>	<b><u>19,138,350</u></b>	<b><u>1,007</u></b>	<b><u>160,501</u></b>	<b><u>19,299,858</u></b>
<b>Total assets</b>	<b><u>21,182,762</u></b>	<b><u>274,976</u></b>	<b><u>554,118</u></b>	<b><u>22,011,856</u></b>
<b>Deferred Outflows</b>				
Employee pension contribution	<u>29,120</u>	<u>4,018</u>	<u>9,515</u>	<u>42,653</u>
<b>Total deferred outflows</b>	<b><u>\$ 29,120</u></b>	<b><u>\$ 4,018</u></b>	<b><u>\$ 9,515</u></b>	<b><u>\$ 42,653</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2015**

	<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>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 25,805	\$ —	\$ —	\$ 25,805
Accrued compensated absences	1,261	1,520	—	2,781
Customer deposits	293,829	—	—	293,829
Current liabilities payable from restricted assets				
Current note payable	505,000	—	22,142	527,142
Accrued interest	<u>54,443</u>	<u>—</u>	<u>—</u>	<u>54,443</u>
<b>Total current liabilities</b>	<b><u>880,338</u></b>	<b><u>1,520</u></b>	<b><u>22,142</u></b>	<b><u>904,000</u></b>
<b>Noncurrent liabilities</b>				
Bond payable	6,620,000	—	70,797	6,690,797
Compensated absences	3,784	4,560	—	8,344
Net pension liability	<u>115,042</u>	<u>15,872</u>	<u>37,590</u>	<u>168,504</u>
<b>Total noncurrent liabilities</b>	<b><u>6,738,826</u></b>	<b><u>20,432</u></b>	<b><u>108,387</u></b>	<b><u>6,867,645</u></b>
<b>Total liabilities</b>	<b><u>7,619,164</u></b>	<b><u>21,952</u></b>	<b><u>130,529</u></b>	<b><u>7,771,645</u></b>
<b>Deferred Inflows</b>				
Pension earnings	<u>6,557</u>	<u>905</u>	<u>2,142</u>	<u>9,604</u>
<b>Total deferred inflows</b>	<b><u>6,557</u></b>	<b><u>905</u></b>	<b><u>2,142</u></b>	<b><u>9,604</u></b>
<b>Net Position</b>				
Net investment in capital assets	12,013,350	1,007	67,562	12,081,919
Restricted for debt service	246,993	—	—	246,993
Unrestricted	<u>1,325,818</u>	<u>255,130</u>	<u>363,400</u>	<u>1,944,348</u>
<b>Total Net Position</b>	<b><u>\$ 13,586,161</u></b>	<b><u>\$ 256,137</u></b>	<b><u>\$ 430,962</u></b>	<b><u>\$ 14,273,260</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, 2015**

	<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 Revenues</b>				
Charges for services -				
Water sales	\$ 1,183,731	\$ —	\$ —	\$ 1,183,731
Sewer charges	1,084,802	—	—	1,084,802
Sanitation fees	—	321,824	—	321,824
Connection fees	215,837	—	—	215,837
Stormwater utility fees	—	—	193,457	193,457
Penalties and reconnect fees	61,915	—	—	61,915
Miscellaneous	419,849	—	—	419,849
<b>Total operating revenues</b>	<b><u>2,966,134</u></b>	<b><u>321,824</u></b>	<b><u>193,457</u></b>	<b><u>3,481,415</u></b>
<b>Operating ExpenseS</b>				
Purchase of product	79,017	—	—	79,017
Salaries and related costs	411,224	59,319	155,817	626,360
Purchased/contracted services	—	228,686	59,807	288,493
Supplies and materials	211,485	18,905	33,525	263,915
Repairs and maintenance	415,997	—	—	415,997
Utilities	215,652	—	—	215,652
Depreciation	609,456	1,120	18,515	629,091
Other	104,387	—	—	104,387
<b>Total operating expenses</b>	<b><u>2,047,218</u></b>	<b><u>308,030</u></b>	<b><u>267,664</u></b>	<b><u>2,622,912</u></b>
Operating income (loss)	<u>918,916</u>	<u>13,794</u>	<u>(74,207)</u>	<u>858,503</u>
Non-operating revenues and (expenses)				
Interest earned	869	—	—	869
Interest expense	<u>(272,110)</u>	<u>—</u>	<u>(3,621)</u>	<u>(275,731)</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>(271,241)</u></b>	<b><u>—</u></b>	<b><u>(3,621)</u></b>	<b><u>(274,862)</u></b>
Change in net position	647,675	13,794	(77,828)	583,641
Net Position – Beginning (restated)	<u>12,938,486</u>	<u>242,343</u>	<u>508,790</u>	<u>13,689,619</u>
<b>Net Position - Ending</b>	<b><u>\$ 13,586,161</u></b>	<b><u>\$ 256,137</u></b>	<b><u>\$ 430,962</u></b>	<b><u>\$ 14,273,260</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, 2015**

	<b>Water and Sewer</b>	<b>Solid Waste Management</b>	<b>Stormwater</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Cash received from customers and users	\$ 3,228,646	\$ 320,628	\$ 220,547	\$ 3,769,821
Cash paid to suppliers for goods	(1,219,466)	(244,633)	(86,326)	(1,550,425)
Cash paid to employees	(446,799)	(60,497)	(158,793)	(666,089)
<b>Net cash provided from operating activities</b>	<b><u>1,562,381</u></b>	<b><u>15,498</u></b>	<b><u>(24,572)</u></b>	<b><u>1,553,307</u></b>
<b>Cash from investing activities:</b>				
Interest received	869	—	—	869
<b>Net cash from investing activities</b>	<b><u>869</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>869</u></b>
<b>Cash flows from capital and related financing activities:</b>				
Capital asset acquisitions	(792,745)	—	—	(792,745)
Principal payments on long-term debt	(490,000)	—	(21,470)	(511,470)
Interest paid	(279,873)	—	(3,621)	(283,494)
<b>Net cash flows from capital financing activities</b>	<b><u>(1,562,618)</u></b>	<b><u>—</u></b>	<b><u>(25,091)</u></b>	<b><u>(1,587,709)</u></b>
Net cash flows	632	15,498	(49,663)	(33,533)
Cash and cash equivalents - beginning	<u>1,665,432</u>	<u>9,537</u>	<u>113,351</u>	<u>1,788,320</u>
<b>Cash and cash equivalents - ending</b>	<b><u>\$ 1,666,064</u></b>	<b><u>\$ 25,035</u></b>	<b><u>\$ 63,688</u></b>	<b><u>\$ 1,754,787</u></b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position – Proprietary Funds</b>				
Cash-statement of net position	1,419,071	25,035	63,688	1,507,794
Restricted cash-statement of net position	<u>246,993</u>	<u>—</u>	<u>—</u>	<u>246,993</u>
<b>Cash and cash equivalents</b>	<b><u>\$ 1,666,064</u></b>	<b><u>\$ 25,035</u></b>	<b><u>\$ 63,688</u></b>	<b><u>\$ 1,754,787</u></b>

**Non-cash Transactions:**

As of December 31, 2015 the stormwater fund had purchased \$114,409 in capital assets on account.

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, 2015**

	<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>	\$ 918,916	\$ 13,794	\$ (74,207)	\$ 858,503
Adjustments to reconcile operating income to Net cash provided by operating activities:				
Depreciation	609,456	1,120	18,515	629,091
(Increase) decrease in receivables	38,394	(1,196)	27,090	64,288
(Increase) decrease in accounts payable	(9,781)	—	—	(9,781)
(Increase) customer deposits	19,531	—	—	19,531
Increase (decrease) in accrued liabilities	<u>(14,135)</u>	<u>1,780</u>	<u>4,030</u>	<u>(8,325)</u>
Total adjustments	<u>643,465</u>	<u>1,704</u>	<u>49,635</u>	<u>694,804</u>
<b>Net cash from operating activities</b>	<b><u>\$ 1,562,381</u></b>	<b><u>\$ 15,498</u></b>	<b><u>\$ (24,572)</u></b>	<b><u>\$ 1,553,307</u></b>

See accompanying notes to the basic financial statements

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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, 2015**

**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, 2015**

**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.

**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, 2015**

**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, 2015**

**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, 2015 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, 2015**

**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, 2015**

**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 \$3,917,383 in restricted net position, of which \$3,917,383 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, 2015**

**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. 68, *Accounting and Financial Reporting for Pensions*, and GASB 71, *Pension Transitions for Contributions, made subsequent to measurement date*, during the fiscal year ended December 31, 2015. This GASB statement changes the governments accounting for pensions.

**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, 2015**

**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.

**X. Deferred Outflow/Inflows of Resources**

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Government has one item that qualifies for reporting in this category. The contributions made by the Government to their pension plans before year end but subsequent to the measurement date of the Government's net pension liability are reported as deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Government has one type of item that qualifies for reporting in this category. The item relates to the Government's defined benefit pension plans and are reported in the government-wide and proprietary fund Statement of Net Position, under the heading Pension. Experience differences result from periodic studies by the Government's actuary, which adjust the net pension liability for actual experience for certain trend information that was previously assumed. These experience differences are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in the actuarial assumptions which adjust the net pension liability are also recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period.

**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, 2015, \$9,794,270 of the government's bank balance 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>9,794,270</u>
Total	<u>\$ 9,794,270</u>

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**2. CASH AND INVESTMENTS (continued)**

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the

**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, 2015.

**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, 2015.

**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>Total</u>
<b>Governmental Funds</b>			
Taxes	\$ 492,726	\$ 26,151	\$ 518,877
Fines	<u>91,147</u>	<u>—</u>	<u>91,147</u>
Gross Receivables	583,873	26,151	610,024
Less: Allowance for uncollectibles	<u>(5,000)</u>	<u>—</u>	<u>(5,000)</u>
<b>Net Total Receivables</b>	<b><u>\$ 578,873</u></b>	<b><u>\$ 26,151</u></b>	<b><u>\$ 605,024</u></b>

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	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Stormwater Management</u>	<u>Total</u>
<b>Proprietary Funds</b>				
Accounts	\$ 301,197	\$ 35,888	\$ 16,059	\$ 353,144
Unbilled sales	<u>9,644</u>	<u>—</u>	<u>—</u>	<u>9,644</u>
Gross Receivables	310,841	35,888	16,059	362,788
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>\$ 225,841</u></b>	<b><u>\$ 25,888</u></b>	<b><u>\$ 16,059</u></b>	<b><u>\$ 267,788</u></b>

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**5. INTER-FUND TRANSACTIONS**

	<u>Payable From</u>	
<u>Payable To</u>	<u>General</u>	<u>Total</u>
Water and Sewer	\$ 152,507	\$ 152,507
Stormwater Management	223,046	223,046
Sanitation	<u>313,871</u>	<u>313,871</u>
<b>Total</b>	<b><u>\$ 689,424</u></b>	<b><u>\$ 689,424</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, 2015.

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

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,438,428	\$ 252,815	\$ —	\$ 2,691,243
Construction in progress	<u>425,479</u>	<u>520,693</u>	<u>—</u>	<u>946,172</u>
Total capital assets not being depreciated	<u>2,863,907</u>	<u>773,508</u>	<u>—</u>	<u>3,637,415</u>
Capital assets being depreciated:				
Buildings and improvements	2,388,709	—	—	2,388,709
Improvements other than buildings	1,567,196	76,402	—	1,643,598
Infrastructure	2,126,608	53,665	—	2,180,273
Machinery and equipment	1,273,597	49,706	(114,359)	1,208,944
Vehicles, including related equipment	1,046,733	27,400	—	1,074,133
Furniture and fixtures	<u>79,594</u>	<u>—</u>	<u>—</u>	<u>79,594</u>
Total capital assets being depreciated	<u>8,482,437</u>	<u>207,173</u>	<u>(114,359)</u>	<u>8,575,251</u>
Less accumulated depreciation for:				
Buildings and improvements	396,931	86,042	—	482,973
Improvements other than buildings	295,725	48,256	—	343,981
Infrastructure	91,131	13,413	—	104,544
Machinery and equipment	1,034,945	124,202	—	1,159,147
Vehicles, including related equipment	997,944	14,724	—	1,012,668
Furniture and fixtures	<u>79,594</u>	<u>—</u>	<u>—</u>	<u>79,594</u>
Total accumulated depreciation	<u>2,896,270</u>	<u>286,637</u>	<u>—</u>	<u>3,182,907</u>
Total capital assets being depreciated, net	<u>5,586,167</u>	<u>(79,464)</u>	<u>(114,359)</u>	<u>5,392,344</u>
<b>Governmental capital assets, net</b>	<b><u>\$ 8,450,074</u></b>	<b><u>\$ 694,044</u></b>	<b><u>\$ (114,359)</u></b>	<b><u>\$ 9,029,759</u></b>



**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**6. PROPERTY, PLANT AND EQUIPMENT – GOVERNMENTAL ACTIVITIES (continued)**

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

General Government	\$ 40,548
Police	87,541
Highways and Streets	86,693
Parks and Recreation	59,929
Community Development	11,926
<b>Total depreciation expense</b>	<b><u>\$ 286,637</u></b>

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

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,423,964	\$ —	\$ —	\$ 1,423,964
Construction in progress	—	—	—	—
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	13,511,622	792,745	—	14,304,367
Vehicles	180,516	—	—	180,516
Water tank	1,698,913	—	—	1,698,913
Sewer treatment plant	7,623,294	—	—	7,623,294
Machinery and equipment	972,861	114,409	—	1,087,270
Total capital assets being depreciated	<u>24,213,468</u>	<u>907,154</u>	<u>—</u>	<u>25,120,622</u>
Less accumulated depreciation for:				
Buildings and improvements	81,473	5,722	—	87,195
Improvements other than buildings	3,119,687	293,088	—	3,412,775
Vehicles	155,403	17,533	—	172,936
Water tank	525,637	52,706	—	578,343
Sewer treatment plant	1,820,201	190,582	—	2,010,783
Machinery and equipment	913,236	69,460	—	982,696
Total accumulated depreciation	<u>6,615,637</u>	<u>629,091</u>	<u>—</u>	<u>7,244,728</u>
Total capital assets being depreciated, net	<u>17,597,831</u>	<u>278,063</u>	<u>—</u>	<u>17,875,894</u>
<b>Business-Type Activities capital assets, net</b>	<b><u>\$ 19,021,795</u></b>	<b><u>\$ 278,063</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 19,299,858</u></b>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 190,672
Sewer	418,784
Solid Waste Management	1,120
Stormwater Management	18,515
<b>Total depreciation expense</b>	<b><u>\$ 629,091</u></b>

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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, 2015:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>Governmental Activities</b>					
Accrued Compensated Absences	\$ 118,686	\$ —	\$ (56,632)	\$ 62,054	\$ 15,513
Total Governmental Activities					
Long-Term Debt	<u>\$ 118,686</u>	<u>\$ —</u>	<u>\$ (56,632)</u>	<u>\$ 62,054</u>	<u>\$ 15,513</u>
<b>Business-Type Activities</b>					
Note Payable - Bobcat	\$ 114,409	\$ —	\$ (21,470)	\$ 92,939	\$ 22,142
Note Payable	<u>7,615,000</u>	<u>—</u>	<u>(490,000)</u>	<u>7,125,000</u>	<u>505,000</u>
Total Business-Type Activities	<u>\$7,729,409</u>	<u>\$ —</u>	<u>\$ (511,470)</u>	<u>\$ 7,217,939</u>	<u>\$ 527,142</u>

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

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

Enterprise Fund long term liabilities are as follows:

Note payable in the amount of \$92,939 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>
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>\$ 92,889</u></b>	<b><u>\$ 7,475</u></b>	<b><u>\$ 100,364</u></b>

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.

	<u>\$ 7,125,000</u>
Total	<u>\$ 7,217,939</u>

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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>	
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>\$ 7,125,000</b>	<b>\$ 1,496,794</b>	<b>\$ 8,621,794</b>

The annual retirements to amortize all long-term obligations as they mature are as follows:  
An amount of \$246,993 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 other than the following:

In April 2016 the City refinanced the water and sewer fund bond issue, lowering the interest rate to 2%, while maintaining the same maturity date.

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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)	\$20,071,800
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, 2015**

**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, 2015.

Total Collected	\$390,456	100%
Amount remitted to the Chamber	\$170,825	43.75%

**12. DEFINED BENEFIT PENSION PLAN**

**Primary Government**

**Georgia Municipal Employees Benefit System Plan**

**Plan Description**

Employees from the City of Locust Grove are covered under the Georgia Municipal Employees Benefit System (GMEBS), a multiple-employer defined benefit pension plan. The BMEBS Plan provides pension benefits, deferred allowances, and death and disability benefits. Participation in this plan is mandatory for all new employees. These benefit provisions and all other requirements including amendments are established by Government ordinance. A participant may retire after reaching the age of 65 if the participant is not classified as public safety personnel; participating public safety personnel may retire at age 65 or age 55 with 25 years of total credited service, whichever is earlier. Early retirement may be taken at age 55 with 10 years of credited service. Benefits vest after 10 years of service. Employees who retire at or after age 55 with 10 or more years of service are entitled to pension payments for the remainder of their lives equal to 1.25% of their final five-year average salary times the number of years of which they were employed as a participant in the GMEBS. The final five-year average salary is the average salary of the employee during the final five years of full-time employment. Pension provisions include deferred allowances, whereby an employee may terminate his or her employment with the Government after accumulating 10 years of service but before reaching the age of 55. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching the age of 55. Employees must contribute 4% of their gross earnings to the Plan. In addition the Government must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as amended by GMEBS. The GMEBS Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Employees Benefit System, 201 Pryor Street, SW, Atlanta, Georgia 30303.

*Plan membership.* At July 1, 2015, the date of the most recent actuarial valuation, there were 92 participants as follows:

Active participants	57
Retirees and beneficiaries	24
Vested terminated	11
	<u><u>92</u></u>

**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

*Contributions.* The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the Commission, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Government is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the Commission. For the year ended December 31, 2015, the active member contribution rate was 4.3% of annual pay and the Government's contribution rate was 6.5% of annual payroll. Government contributions to the Plan were \$210,307 for the year ended December 31, 2015.

**Net Pension Liability of the Government**

Effective January 1, 2015, the Government implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the Government's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The Government's net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2015, with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2015.

*Actuarial assumptions.* The total pension liability in the January 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary Increases	3.25%, plus service based merit increases
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2010 – December 31, 2013.

Cost of living adjustments were assumed to be 3.25% although the Plan allowance for annual cost of living adjustment is variable, as established by the Commission, in an amount not to exceed 3.25%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2015, are summarized in the following table:

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**12. DEFINED BENEFIT PENSION PLAN (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic equity	50%	5.95%
International equity	15%	6.45%
Fixed income	25%	1.55%
Real estate	10%	3.75%
Cash	—%	
<b>Total</b>	<b>100%</b>	

\* Rates shown are net of the 3.25% assumed rate of inflation.

*Discount rate.* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Government contributions will be made at rate equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

*Changes in the Net Pension Liability of the Government.* The changes in the components of the net pension liability of the Government for the year ended December 31, 2015, were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
<b>Balances at 12/31/2014</b>	<b>\$ 2,385,506</b>	<b>\$ 1,756,514</b>	<b>\$ 628,992</b>
<b>Changes for the year:</b>			
Service cost	74,722	—	74,722
Interest	181,677	—	181,677
Differences between expected and actual experience	167,555	—	167,555
Contributions - employer	—	124,851	(124,851)
Contributions - employee	—	—	—
Net investment income	—	171,322	(171,322)
Benefit payments, including refunds of employee contributions	(82,566)	(82,566)	—
Other	(17,971)	—	(17,971)
Administrative expense	—	(5,206)	5,206
<b>Net changes</b>	<b>323,417</b>	<b>208,401</b>	<b>115,016</b>
<b>Balances at 12/31/2015</b>	<b>\$ 2,708,923</b>	<b>\$ 1,964,915</b>	<b>\$ 744,008</b>

The Plan's fiduciary net position as a percentage of the total pension liability - 72.5%

The required schedule of changes in the Government's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

**CITY OF LOCUST GROVE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Government, calculated using the discount rate of 7.75 percent, as well as what the Government's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<b>1% Decrease (6.75%)</b>	<b>Current Rate (7.75%)</b>	<b>1% Increases (8.75%)</b>
City's net pension liability	\$ 1,239,876	\$ 744,008	\$ 343,180

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2015, and the current sharing pattern of costs between employer and employee.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2015, the Government recognized pension expense of \$138,657. At December 31, 2015, the Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	143,616	—
Changes of assumptions	—	(15,402)
Net difference between projected and actual earnings on pension plan investments	—	(27,004)
Government contributions subsequent to the measurement date	44,711	—
Total	<u>\$ 188,327</u>	<u>\$ (42,406)</u>

Government contributions subsequent to the measurement date of \$44,711 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2016	\$ (9,318)
2017	(9,318)
2018	(9,318)
2019	(9,318)
2020	(5,134)
Total	<u>\$ (42,406)</u>



**CITY OF LOCUST GROVE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 \$57,284 equal to 2.9% gross salaries. Total employer matching contributions for the year ended December 31, 2015 amounted to \$19,753 or 1% of gross salaries. Eligible salaries for the year amounted to \$1,975,312.

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.

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 2014 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 \$2,750,000 from the County under this agreement.

**CITY OF LOCUST GROVE, GEORGIA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**DECEMBER 31, 2015**

**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, 2015, the developer had actually used approximately \$1,796,308 of its impact fee credits which leaves a balance of impact fee credits to the developer of \$3,803,692. 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, 2015.

**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, 2015, none of the City's funds had deficit net fund balances or deficit net position balances.

**18. CHANGE IN ACCOUNTING PRINCIPLE**

As discussed in Note 1, the Government implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 205 and July 1, 2014, respectively. The new standards significantly changed the Government accounting for pension amounts. As a result of these changes in accounting principles, the Government was required to restate beginning net position as shown below:

	<u>Governmental</u>	<u>Business-Type</u>		
Net position, as previously reported	\$ 13,051,959	\$13,644,121		
Restatement for implementation of GASB Statement No. 68 and 71:				
Net pension liability and deferred outflow of resources as of December 31, 2014	(355,378)	(104,052)		
Net position , as restated	<u>\$ 12,696,581</u>	<u>\$ 13,540,069</u>		

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	<u>Water and Sewer System</u>	<u>Solid Waste Management</u>	<u>Stormwater</u>
Net position, as previously reported	\$ 13,009,525	\$ 252,144	\$ 532,002
Restatement for implementation of GASB Statement No. 68 and 71:			
Net pension liability and deferred outflow of resources as of December 31, 2014	(71,039)	(23,212)	(9,801)
Net position, as restated	<u>\$ 12,938,486</u>	<u>\$ 228,932</u>	<u>\$ 522,201</u>

## **Required Supplementary Information**

**CITY OF LOCUST GROVE, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM PLAN  
SCHEDULE OF CHANGES IN THE GOVERNMENT'S  
NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u><b>2015</b></u>
<b>Total pension liability</b>	
Service Cost	\$ 74,722
Interest on total pension liability	181,677
Differences between expected and actual experience	167,555
Change of assumptions	(17,971)
Benefit payments, including refunds of employee contributions	<u>(82,566)</u>
<b>Net change in total pension liability</b>	<b>323,417</b>
<b>Total pension liability - beginning</b>	<u>2,385,506</u>
<b>Total pension liability – ending (a)</b>	<u><u>\$ 2,708,923</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 124,851
Contributions - member	—
Net investment income	171,322
Benefit payments, including refunds of member contributions	(82,566)
Administrative expenses	<u>(5,206)</u>
<b>Net change in plan fiduciary net position</b>	<b>208,401</b>
<b>Plan fiduciary net position - beginning</b>	<u>1,756,514</u>
<b>Total fiduciary net position – ending (b)</b>	<u><u>\$ 1,964,915</u></u>
<b>Government's net pension liability (asset) – ending (a) – (b)</b>	<u><u>\$ 744,008</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>72.53%</b>
<b>Covered-employee payroll</b>	<b>\$ 2,152,833</b>
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	<b>34.56%</b>

**Notes to the Schedule:**

The Schedule will present 10 years of information once it is accumulated.

**CITY OF LOCUST GROVE, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM PLAN  
SCHEDULE OF GOVERNMENT CONTRIBUTIONS**

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	<b>2015</b>
Actuarially determined contribution	\$ —*
Contributions in relation to the actuarially determined contribution	—*
Contribution deficiency (excess)	\$ —*
Covered-employee payroll	—*
Contributions as a percentage of covered-employee payroll	—*

**Notes to Schedule:**

\* 2015 information will be determined after fiscal year end and will be included in the 2016 actuarial report.

(1) The schedule will present 10 years of information once it is accumulated.

## **Supplementary Information**

**CITY OF LOCUST GROVE, GEORGIA  
GENERAL FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 4,148,251	\$ 3,491,428
Receivables		
Taxes	487,726	449,511
Fines	91,147	73,353
Due from other funds	—	41,643
Prepaid items	<u>40,504</u>	<u>53,493</u>
<b>Total Assets</b>	<b><u>4,767,628</u></b>	<b><u>4,109,428</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	52,253	210,737
Due to other funds	689,424	689,424
Accrued police bonds	<u>5,086</u>	<u>5,088</u>
<b>Total Liabilities</b>	<b><u>746,763</u></b>	<b><u>905,249</u></b>
<b>Fund Balance</b>		
Unspendable	40,504	53,493
Committed for:		
Cemetery	19,606	40,685
Unassigned	<u>3,960,755</u>	<u>3,110,001</u>
<b>Total Fund Balance</b>	<b><u>4,020,865</u></b>	<b><u>3,204,179</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 4,767,628</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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Taxes	\$ 3,621,504	\$ 3,019,630
Licenses and permits	196,200	222,789
Intergovernmental grants	60,293	124,527
Charges for services	24,648	36,052
Fines, fees and forfeitures	764,967	637,816
Investment income	6,430	3,252
Rental income	14,650	14,135
Miscellaneous	<u>155,029</u>	<u>17,469</u>
<b>Total Revenues</b>	<b><u>4,843,721</u></b>	<b><u>4,075,670</u></b>
<b>EXPENDITURES</b>		
Current		
Governing Body	112,494	125,471
Financial Administration	613,286	676,737
Municipal Court	380,665	359,317
Police	1,577,960	1,558,282
Highways and streets	536,910	420,407
Fleet Maintenance	67,264	72,410
Parks and Recreation	114,458	10,538
Community Development	294,077	266,433
Capital Outlay	<u>329,921</u>	<u>702,142</u>
<b>Total Expenditures</b>	<b><u>4,027,035</u></b>	<b><u>4,191,737</u></b>
Excess (deficiency) of revenues over expenditures	—	(116,067)
Other financings sources		
Debt proceeds	<u>—</u>	<u>114,359</u>
Changes in fund balance	816,686	(1,708)
Fund balance - beginning	<u>3,204,179</u>	<u>3,205,887</u>
<b>Fund balance - ending</b>	<b><u>\$ 4,020,865</u></b>	<b><u>\$ 3,204,179</u></b>



**CITY OF LOCUST GROVE, GEORGIA  
HOTEL/MOTEL TAX FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2015, AND 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<b>ASSETS</b>		
Cash	\$ 264,404	\$ 233,865
Receivables		
Taxes	<u>26,151</u>	<u>29,802</u>
<b>Total Assets</b>	<u><b>290,555</b></u>	<u><b>263,667</b></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	—	21,999
Due to other funds	<u>—</u>	<u>41,643</u>
<b>Total Liabilities</b>	<u>—</u>	<u><b>63,642</b></u>
<b>Fund Balance</b>		
Restricted for tourism	<u>290,555</u>	<u>200,025</u>
<b>Total Fund Balance</b>	<u><b>290,555</b></u>	<u><b>200,025</b></u>
<b>Total Liabilities and Fund Balance</b>	<u><b>\$ 290,555</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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Taxes	\$ 390,456	\$ 337,798
Intergovernmental grants	54,464	2,035
Investment income	239	—
Miscellaneous	<u>12,831</u>	<u>303</u>
<b>Total Revenues</b>	<b><u>457,990</u></b>	<b><u>340,136</u></b>
<b>EXPENDITURES</b>		
Operating-		
Economic Development-		
Contracted services	—	182
Payment to others	—	1,860
Tourism and Promotion-		
Salaries and benefits	—	51,284
Contracted services	—	11,965
Supplies	—	45,882
Payments to others	—	141,389
Community development	367,460	—
Capital Outlay-		
Site improvements	<u>—</u>	<u>10,799</u>
<b>Total Expenditures</b>	<b><u>367,460</u></b>	<b><u>263,361</u></b>
Net Change in fund balance	90,530	76,775
Fund balance - beginning	<u>200,025</u>	<u>123,250</u>
<b>Fund balance - ending</b>	<b><u>\$ 290,555</u></b>	<b><u>\$ 200,025</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
CONFISCATED ASSETS SPECIAL REVENUE FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ <u>173</u>	\$ <u>1,143</u>
<b>Total Assets</b>	<u><u>173</u></u>	<u><u>1,143</u></u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable	<u>—</u>	<u>—</u>
Deferred revenues	<u>—</u>	<u>—</u>
<b>Total Liabilities</b>	<u>—</u>	<u>—</u>
<b>Fund Equity</b>		
Restricted for police activities	<u>173</u>	<u>1,143</u>
<b>Total Fund Equity</b>	<u><u>173</u></u>	<u><u>1,143</u></u>
<b>Total Liabilities and Fund Equity</b>	<u><u>\$ 173</u></u>	<u><u>\$ 1,143</u></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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Forfeitures	\$ —	\$ 1,200
Miscellaneous	<u>—</u>	<u>—</u>
<b>Total Revenues</b>	<u>—</u>	<u>1,200</u>
<b>EXPENDITURES</b>		
Current		
Supplies	<u>970</u>	<u>645</u>
<b>Total Expenditures</b>	<u>970</u>	<u>645</u>
Change in fund balance	(970)	555
Fund balance - beginning	<u>1,143</u>	<u>588</u>
<b>Fund balance - ending</b>	<u><b>\$ 173</b></u>	<u><b>\$ 1,143</b></u>

**CITY OF LOCUST GROVE, GEORGIA  
SPLOST CAPITAL PROJECTS FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 3,511,832	\$ 1,296,291
Taxes receivable	<u>—</u>	<u>44,869</u>
<b>Total Assets</b>	<u><b>3,511,832</b></u>	<u><b>1,341,160</b></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	<u>—</u>	<u>—</u>
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>3,511,832</u>	<u>1,341,160</u>
<b>Total Fund Balance</b>	<u><b>3,511,832</b></u>	<u><b>1,341,160</b></u>
<b>Total Liabilities and Fund balance</b>	<u><b>\$ 3,511,832</b></u>	<u><b>\$ 1,341,160</b></u>

**CITY OF LOCUST GROVE, GEORGIA  
SPLOST CAPITAL PROJECTS FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Taxes	\$ 2,930,808	\$ 601,408
Interest	<u>35,724</u>	<u>965</u>
<b>Total Revenues</b>	<b><u>2,966,532</u></b>	<b><u>602,373</u></b>
<b>EXPENDITURES</b>		
Financial Administration	213,711	1,015
Capital Outlay-		
Roads, bridges, sidewalks and transportation facilities	53,665	—
Public safety facilities and equipment	520,693	222,162
Construction and renovation of municipal buildings	—	179,027
Acquisition of property for public use	—	4,928
Parks and recreation facilities	<u>7,791</u>	<u>90,573</u>
<b>Total Expenditures</b>	<b><u>795,860</u></b>	<b><u>497,705</u></b>
Net Change in fund balance	2,170,672	104,668
Fund balance - beginning	<u>1,341,160</u>	<u>1,236,492</u>
<b>Fund balance - ending</b>	<b><u>\$ 3,511,832</u></b>	<b><u>\$ 1,341,160</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
SPLOST CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<b>REVENUES</b>				
Taxes	\$ 4,375,487	\$ —	\$ 4,375,487	\$ 7,650,000
Intergovernmental	598,353	—	598,353	—
Interest	<u>32,906</u>	<u>4,784</u>	<u>37,690</u>	<u>—</u>
<b>Total Revenues</b>	<b><u>5,006,746</u></b>	<b><u>4,784</u></b>	<b><u>5,011,530</u></b>	<b><u>7,650,000</u></b>
<b>EXPENDITURES</b>				
Capital Outlay -				
Roads, bridges, sidewalks and transportation facilities	993,958	53,665	1,047,623	2,900,000
Public safety facilities and equipment	343,262	520,693	863,955	2,000,000
Construction and renovation of municipal buildings	971,761	—	971,761	750,000
Parks and recreation facilities	565,164	7,791	572,955	500,000
Acquisition or property for public use	<u>1,279,116</u>	<u>—</u>	<u>1,279,116</u>	<u>1,500,000</u>
<b>Total Expenditures</b>	<b><u>4,153,261</u></b>	<b><u>582,149</u></b>	<b><u>4,735,410</u></b>	<b><u>7,650,000</u></b>
Excess of revenues over (under) expenditures	853,485	(577,365)	276,120	—
<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>\$ 853,485</u></b>	(577,365)	<b><u>\$ 276,120</u></b>	<b><u>\$ —</u></b>
Fund balance - beginning		<u>853,485</u>		
<b>Fund balance - ending</b>		<b><u>\$ 276,120</u></b>		

**CITY OF LOCUST GROVE, GEORGIA  
SPLOST IV CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<b>REVENUES</b>				
Taxes	\$ 487,675	\$ 179,951	\$ 667,626	\$ 5,300,000
Intergovernmental	—	—	—	—
Interest	—	30,940	30,940	—
<b>Total Revenues</b>	<u><b>487,675</b></u>	<u><b>210,891</b></u>	<u><b>698,566</b></u>	<u><b>5,300,000</b></u>
<b>EXPENDITURES</b>				
Capital Outlay -				
Roads, bridges, sidewalks and transportation facilities	—	62,500	62,500	1,550,000
Public safety facilities and equipment	—	110,888	110,888	2,750,000
Construction and renovation of municipal buildings	—	21,169	21,169	525,000
Parks and recreation facilities	—	11,089	11,089	275,000
Stormwater	—	8,065	8,065	200,000
<b>Total Expenditures</b>	<u>—</u>	<u><b>213,711</b></u>	<u><b>213,711</b></u>	<u><b>5,300,000</b></u>
Excess of revenues over (under) expenditures	487,675	(2,820)	484,855	—
<b>Other financing sources (uses):</b>				
Bond proceeds from County	—	2,750,857	2,750,857	—
<b>Total other financing sources (uses):</b>	<u>—</u>	<u><b>2,750,857</b></u>	<u><b>2,750,857</b></u>	<u>—</u>
Net changes in fund balance	<u><b>\$ 487,675</b></u>	2,748,037	<u><b>\$ 3,235,712</b></u>	<u><b>\$ —</b></u>
Fund balance - beginning		487,675		
<b>Fund balance - ending</b>		<u><b>\$ 3,235,712</b></u>		



**CITY OF LOCUST GROVE, GEORGIA  
DEVELOPMENT IMPACT FEE FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 114,823	\$ 88,423
<b>Total Assets</b>	<u><b>114,823</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>114,823</u>	<u>88,423</u>
<b>Total Fund Equity</b>	<u><b>114,823</b></u>	<u><b>88,423</b></u>
 <b>Total Liabilities and Fund Equity</b>	<u><b>\$ 114,823</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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)**

	<u>2015</u>			<u>2014</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
<b>REVENUES</b>				
Impact fees	\$ 82,150	\$ 98,511	\$ 16,361	\$ 49,644
Interest	<u>90</u>	<u>100</u>	<u>10</u>	<u>248</u>
<b>Total Revenues</b>	<u><b>82,240</b></u>	<u><b>98,611</b></u>	<u><b>16,371</b></u>	<u><b>49,892</b></u>
<b>EXPENDITURES</b>				
Current				
Administration	51,300	3,600	47,700	—
Capital				
Parks	<u>100,000</u>	<u>68,611</u>	<u>31,389</u>	<u>107,003</u>
<b>Total Expenditures</b>	<u><b>151,300</b></u>	<u><b>72,211</b></u>	<u><b>79,089</b></u>	<u><b>107,003</b></u>
Change in fund balance	(69,060)	26,400	95,460	(57,111)
Fund balance - beginning	<u>88,423</u>	<u>88,423</u>	<u>88,423</u>	<u>145,534</u>
<b>Fund balance - ending</b>	<u><b>\$ 19,363</b></u>	<u><b>\$ 114,823</b></u>	<u><b>\$ 95,460</b></u>	<u><b>\$ 88,423</b></u>

**CITY OF LOCUST GROVE, GEORGIA  
WATER AND SEWER ENTERPRISE FUND  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,419,071	\$ 1,357,669
Receivables		
Accounts (net)	216,197	247,592
Unbilled sales	9,644	14,920
Interest	—	1,723
Due from other funds	152,507	152,507
Restricted assets-		
Cash	<u>246,993</u>	<u>307,763</u>
<b>Total Current Assets</b>	<b><u>2,044,412</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	14,304,367	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>180,516</u>	<u>180,516</u>
<b>Total Capital Assets</b>	<b><u>26,237,899</u></b>	<b><u>25,445,154</u></b>
Accumulated depreciation	<u>(7,099,549)</u>	<u>(6,490,093)</u>
Capital assets (net of depreciation)	<u>19,138,350</u>	<u>18,955,061</u>
<b>Total Assets</b>	<b><u>\$ 21,182,762</u></b>	<b><u>\$ 21,037,235</u></b>
<b>DEFERRED OUTFLOW</b>		
Employee Pension Contributions	<u>29,120</u>	<u>—</u>
<b>Total Deferred Outflows</b>	<b><u>\$ 29,120</u></b>	<b><u>\$ —</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
WATER AND SEWER ENTERPRISE FUND  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 25,805	\$ 35,586
Accrued compensated absences	1,261	40,620
Customer deposits	293,829	274,298
Current portion of notes payable	505,000	490,000
Accrued interest	<u>54,443</u>	<u>62,206</u>
<b>Total Current Liabilities</b>	<b><u>880,338</u></b>	<b><u>902,710</u></b>
<b>Non-current Liabilities</b>		
Bond payable	6,620,000	7,125,000
Compensated absences	3,784	—
Net pension liability	<u>115,042</u>	<u>—</u>
<b>Total non-current Liabilities</b>	<b><u>6,738,826</u></b>	<b><u>7,125,000</u></b>
<b>Total Liabilities</b>	<b><u>7,619,164</u></b>	<b><u>8,027,710</u></b>
<b>DEFERRED INFLOWS</b>		
Pension earnings	<u>6,557</u>	<u>—</u>
<b>Total Deferred Inflows</b>	<b><u>6,557</u></b>	<b><u>—</u></b>
<b>Net Position</b>		
Net investment in capital assets	12,013,350	11,340,061
Restricted for debt service	246,993	307,763
Unrestricted	<u>1,325,818</u>	<u>1,361,701</u>
<b>Total Net Position</b>	<b><u>\$ 13,586,161</u></b>	<b><u>\$ 13,009,525</u></b>

**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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Charges for services -		
Water sales	\$ 1,183,731	\$ 1,122,364
Sewer charges	1,084,802	1,005,374
Connection fees	215,837	154,172
Penalties and reconnect fees	61,915	68,123
Miscellaneous	<u>419,849</u>	<u>335</u>
<b>Total Operating Revenues</b>	<b><u>2,966,134</u></b>	<b><u>2,350,368</u></b>
<b>OPERATING EXPENSES</b>		
Water Department -		
Purchase of product	79,017	—
Salaries and related cost	411,224	402,592
Supplies and materials	211,485	298,732
Repairs and maintenance	415,997	320,478
Utilities	215,652	183,498
Depreciation and amortization	609,456	602,556
Other	<u>104,387</u>	<u>121,431</u>
<b>Total Operating Expenses</b>	<b><u>2,047,218</u></b>	<b><u>1,974,319</u></b>
Operating income (loss)	<u>918,916</u>	<u>376,049</u>
<b>Non-operating revenues and (expenses)</b>		
Interest earned	869	2,081
Interest expense	<u>(272,110)</u>	<u>(238,995)</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>(271,241)</u></b>	<b><u>(236,914)</u></b>
Change in net position	647,675	139,135
Net Position – Beginning (restated)	<u>12,938,486</u>	<u>12,870,390</u>
<b>NET POSITION - ENDING</b>	<b><u>\$13,586,161</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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 3,228,646	\$ 2,350,914
Cash paid to suppliers for goods	(1,219,466)	(953,967)
Cash paid to employees	<u>(446,799)</u>	<u>(414,059)</u>
Net cash provided from operating activities	<u>1,562,381</u>	<u>982,888</u>
<b>Cash flows from investing activities:</b>		
Interest received	<u>869</u>	<u>2,081</u>
Net cash from investing activities	<u>869</u>	<u>574,459</u>
<b>Cash flows from and related capital financing activities:</b>		
Capital asset acquisition	(792,745)	(71,521)
Principal payments on long-term debt	(490,000)	(255,000)
Interest paid	<u>(279,873)</u>	<u>(226,109)</u>
Net cash flows from capital financing activities	<u>(1,562,618)</u>	<u>(552,630)</u>
Net cash flows	632	811,998
Cash and cash equivalents - beginning	<u>1,665,432</u>	<u>853,434</u>
<b>Cash and cash equivalents - ending</b>	<b><u>\$ 1,666,064</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>\$ 918,916</u></b>	<b><u>\$ 376,049</u></b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	609,456	602,556
(Increase) decrease in receivables	38,394	771
Increase (decrease) in accounts payable	(9,781)	(5,056)
Increase (decrease) in customer deposits	19,531	20,035
Increase (decrease) in accrued liabilities	<u>(14,135)</u>	<u>(11,467)</u>
Total adjustments	<u>643,465</u>	<u>606,839</u>
<b>Net cash from operating activities</b>	<b><u>\$ 1,562,381</u></b>	<b><u>\$ 982,888</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
SOLID WASTE MANAGEMENT FUND  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 25,035	\$ 9,537
Receivables, net-		
Accounts	25,888	24,692
Due from general fund	<u>223,046</u>	<u>223,046</u>
<b>Total Current Assets</b>	<b><u>273,969</u></b>	<b><u>257,275</u></b>
<b>Capital assets</b>		
Machinery and equipment	110,840	110,840
Accumulated depreciation	<u>(109,833)</u>	<u>(108,713)</u>
Capital assets (net of depreciation)	<u>1,007</u>	<u>2,127</u>
<b>Total Assets</b>	<b><u>274,976</u></b>	<b><u>259,402</u></b>
<b>DEFERRED OUTFLOW</b>		
Employee Pension Contributions	<u>4,018</u>	<u>—</u>
<b>Total Deferred Outflows</b>	<b><u>4,018</u></b>	<b><u>—</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accrued compensated absences	<u>1,520</u>	<u>7,258</u>
<b>Total current liabilities</b>	<b><u>1,520</u></b>	<b><u>7,258</u></b>
<b>Non-current Liabilities</b>		
Compensated absences	4,560	—
Net pension liability	<u>15,872</u>	<u>—</u>
<b>Total non-current liabilities</b>	<b><u>20,432</u></b>	<b><u>7,258</u></b>
<b>Total Liabilities</b>	<b><u>21,952</u></b>	<b><u>7,258</u></b>
<b>DEFERRED INFLOWS</b>		
Pension earnings	<u>905</u>	<u>—</u>
<b>Total Deferred Inflows</b>	<b><u>905</u></b>	<b><u>—</u></b>
<b>NET POSITION</b>		
Net investment in capital assets	1,007	2,127
Unrestricted	<u>255,130</u>	<u>250,017</u>
<b>Total Net Position</b>	<b><u>\$ 256,137</u></b>	<b><u>\$ 252,144</u></b>

**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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 321,824	\$ 314,497
<b>Total Operating Revenues</b>	<u><b>321,824</b></u>	<u><b>314,497</b></u>
<b>OPERATING EXPENSES</b>		
Purchased Products and Services		
Dumpster collections	228,686	214,748
Personal services and benefits	59,319	58,938
Supplies	18,905	6,907
Depreciation	<u>1,120</u>	<u>1,120</u>
<b>Total Operating Expenses</b>	<u><b>308,030</b></u>	<u><b>281,713</b></u>
Operating income (loss)	<u>13,794</u>	<u>32,784</u>
Change in net position	13,794	32,784
Net position- beginning (restated)	<u>242,343</u>	<u>219,360</u>
<b>Net Position - ending</b>	<u><b>\$ 256,137</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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 320,628	\$ 313,793
Cash paid to suppliers for goods	(244,633)	(221,655)
Cash paid to employees	<u>(60,497)</u>	<u>(61,345)</u>
Net cash provided from operating activities	<u>15,498</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 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	15,498	9,537
Cash and cash equivalents - beginning	<u>9,537</u>	<u>—</u>
<b>Cash and cash equivalents - ending</b>	<b><u>\$ 25,035</u></b>	<b><u>\$ 9,537</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
<b>Operating income (loss)</b>	<b><u>\$ 13,794</u></b>	<b><u>\$ 32,784</u></b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,120	1,120
(Increase) decrease in receivables	(1,196)	(704)
Increase (decrease) in accrued liabilities	<u>1,780</u>	<u>(2,407)</u>
Total adjustments	<u>1,704</u>	<u>(1,991)</u>
<b>Net cash from operating activities</b>	<b><u>\$ 15,498</u></b>	<b><u>\$ 30,793</u></b>

**CITY OF LOCUST GROVE, GEORGIA  
STORMWATER MANAGEMENT FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 63,688	\$ 113,351
Receivables, net		
Accounts	16,059	43,149
Due from General Fund	<u>313,870</u>	<u>313,871</u>
<b>Total Current Assets</b>	<b><u>393,617</u></b>	<b><u>470,371</u></b>
<b>Capital assets</b>		
Machinery	195,847	81,438
Accumulated depreciation	<u>(35,346)</u>	<u>(16,831)</u>
<b>Total Capital Assets (net of depreciation)</b>	<b><u>160,501</u></b>	<b><u>64,607</u></b>
<b>Total Assets</b>	<b><u>554,118</u></b>	<b><u>534,978</u></b>
<b>DEFERRED OUTFLOWS</b>		
Pension earnings	<u>9,515</u>	<u>—</u>
<b>Total Deferred Outflows</b>	<b><u>9,515</u></b>	<b><u>—</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Current note payable	<u>22,142</u>	<u>2,976</u>
<b>Total Current Liabilities</b>	<b><u>22,142</u></b>	<b><u>2,976</u></b>
<b>Non-current Liabilities</b>		
Bond payable	70,797	—
Net pension liability	<u>37,590</u>	<u>—</u>
<b>Total Non-current Liabilities</b>	<b><u>108,387</u></b>	<b><u>—</u></b>
<b>Total Liabilities</b>	<b><u>130,529</u></b>	<b><u>2,976</u></b>
<b>DEFERRED INFLOWS</b>		
Pension earnings	<u>2,142</u>	<u>—</u>
<b>Total Deferred Inflows</b>	<b><u>2,142</u></b>	<b><u>—</u></b>
<b>NET POSITION</b>		
Net investment in capital assets	67,562	64,607
Unrestricted	<u>363,400</u>	<u>467,395</u>
<b>Total Net Position</b>	<b><u>\$ 430,962</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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Stormwater utility fee	<u>193,457</u>	<u>232,816</u>
Total Operating Revenues	<u>193,457</u>	<u>232,816</u>
<b>OPERATING EXPENSES</b>		
Personal services	155,817	147,822
Purchased / contracted services	59,807	70,515
Supplies	33,525	32,331
Depreciation	<u>18,515</u>	<u>4,517</u>
Total operating expenses	<u>267,664</u>	<u>255,185</u>
Operating income (loss)	<u>(74,207)</u>	<u>(22,369)</u>
<b>Non-operating revenues and (expenses)</b>		
Interest expense	<u>(3,621)</u>	<u>—</u>
<b>Total non-operating revenues (expenses)</b>	<u>(3,621)</u>	<u>—</u>
Change in net position	(77,828)	(22,369)
Net Position - Beginning (restated)	<u>508,790</u>	<u>554,371</u>
<b>NET POSITION - ENDING</b>	<u><b>\$ 430,962</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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 220,547	\$ 234,276
Cash paid to suppliers for goods	(86,326)	(102,405)
Cash paid to employees	<u>(158,793)</u>	<u>(151,087)</u>
Net cash provided from operating activities	<u>(24,572)</u>	<u>(19,216)</u>
<b>Cash flows from capital financing activities:</b>		
Principal payment	(21,470)	—
Interest paid	<u>(3,621)</u>	<u>(63,414)</u>
Net cash flows from capital financing activities	<u>(25,091)</u>	<u>(63,414)</u>
Net cash flows	(49,663)	113,351
Cash and cash equivalents - beginning	<u>113,351</u>	<u>—</u>
<b>Cash and cash equivalents - ending</b>	<b><u>\$ 63,688</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>\$ (74,207)</u></b>	<b><u>\$ (22,369)</u></b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	18,515	4,517
(Increase) decrease in receivables	27,090	1,460
Increase (decrease) in accrued liabilities	<u>4,030</u>	<u>(2,824)</u>
Total adjustments	<u>49,635</u>	<u>3,153</u>
<b>Net cash from operating activities</b>	<b><u>\$ (24,572)</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, 2015, 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 September 6, 2016.

### **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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. (2015-001 and 2015-002)

### **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  
November 02, 2016

*Vance CPA LLC*

**Vance CPA LLC**

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

**DECEMBER 31, 2015**

**2015-001 (Prior year 2014-001 and 2013-01) Failure to Properly Maintain Accounting Records**

The City improperly classified material transactions in the general ledger. Material general journal entries were made without proper approval or review resulting in material errors in the general ledger. 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 and management should review and approve all classifications and journal entries. The general ledger should be periodically reviewed for correct classification and accuracy.

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

**2015-02 (Prior year 2014-002) 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.