

City of Grovetown, Georgia

"a Friendly, Little City"

Annual Financial Report

For the Year-Ended

December 31, 2011



PENNINGTON & BERRY, LLC
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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**CITY OF GROVETOWN, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2011**

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PENNINGTON & BERRY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Grovetown, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Grovetown, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grovetown, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but do not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, 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 Grovetown, Georgia, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2011, on our consideration of the City of Grovetown, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on

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the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison, and other information on pages 6 through 13 and 45 through 47, respectfully are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Grovetown, Georgia's basic financial statements. The required supplementary information and Schedule of Project Expenditures with special tax proceeds for the year ended December 31, 2011 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Project Expenditures with special tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pennington + Berry LLC

Pennington & Berry, LLC
June 29, 2011

**CITY OF GROVETOWN, GEORGIA
PRINCIPAL OFFICIALS
DECEMBER 31, 2011**

ELECTED OFFICIALS

MAYOR AND CITY COUNCIL

Mayor
Mayor Pro Tem
City Council
City Council
City Council

George W. James III
Bruce M. Stoddard
Jennifer Jones
Sonny McDowell
Dennis O. Trudeau

CONSTITUTIONAL OFFICERS

Municipal Judge
Associate Judge
Clerk of Court
City Attorney

Travers Chance
James Grady Blanchard
Laura McManus
Brendan N. Fleming

APPOINTED OFFICIALS

City Administrator
City Clerk
Director of Parks/Recreation
Director of Public Safety
Director of Planning/Zoning
Director of Public Works

Shirley Beasley
Vickey Capetillo
Eddie Jones
Al Robinson
Connie Smith
Mike Woods



**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Pennington & Berry, LLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Grovetown, Georgia's financial statements for the year ended December 31, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements.

As management of the City of Grovetown (the City), we offer readers of the City's financial statements this narrative overview and analysis of the City for the fiscal year ended December 31, 2011. This discussion and analysis does include comparative data for prior years, as this information is now available subsequent to the implementation of Governmental Accounting Standards Board (GASB) Statement Number 34.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year ending December 31, 2011 by \$101 million, of that amount \$5.4 million (unassigned net assets) may be used to meet the City's ongoing obligations to the citizens and creditors.
- The City's total net assets increased by approximately \$2 million for the year ended December 31, 2011. The increase in net assets was due primarily from an increase in construction of capital assets.
- As of December 31, 2011, the City's governmental fund reported combined ending net assets of \$93.9 million, an increase of \$1 million in comparison with the prior year.
- The City's total long term liabilities decreased \$1.3 million during the year. Long-term liabilities consisted of one GEFA loan and one Bond Series loan.

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City of Grovetown, Georgia's basic financial statements. The City's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and 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 Grovetown's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City of Grovetown's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, and storm drains, etc.), to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net assets changes during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two categories of activities:

Governmental activities – Most of the City's basic services are reported in this category, including the police, fire, transportation, culture and recreation, and general administration. Property taxes, sales taxes, insurance premium taxes, and franchise fees finance most of these activities.

Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of services it provides. The City's water and sewer system is reported in this category.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law. However, the City establishes

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

Reporting the City's Most Significant Funds (Continued)

Fund Financial Statements (Continued)

many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds. The balances left in the funds at year-end are those available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash, and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short term view of the City's general government operations and the basic services less it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term financing decisions.

The relationships or difference between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements. The City of Grovetown, Georgia maintains two individual governmental funds.

Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Sales Tax Fund, both of which are considered to be major funds.

Proprietary funds – The City charges customers for the services it provides (water and sewer service), whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and Statement of Activities. In fact, the City's enterprise fund (a component of proprietary fund) is identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information such as cash flows, for proprietary funds.

Notes to the basic financial statements – The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 24 of this report.

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

Reporting the City's Most Significant Funds (Continued)

Fund Financial Statements (Continued)

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees, budgetary comparative information for the general fund and proprietary fund and infrastructure modified approach. Supplementary information can be found on pages 45 through 47.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$101 million at the close of the current fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

By far the largest portion of the City's net assets (95 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is 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.

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

Summary of Net Assets

	Governmental Activities		Business type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other						
assets	\$ 4,690,418	\$ 4,684,431	\$ 2,315,850	\$ 1,702,431	\$ 7,006,269	\$ 6,386,862
Capital assets	89,630,593	88,438,376	7,385,893	8,489,600	97,016,486	96,927,976
Total assets	94,321,011	93,122,807	9,701,743	10,192,031	104,022,755	103,314,838
Long term liabilities						
outstanding			2,405,755	3,702,602	2,405,755	3,702,602
Other liabilities	338,706	173,482	242,677	159,741	581,383	333,223
Total liabilities	338,706	173,482	2,648,432	3,862,343	2,987,138	4,035,825
Net assets:						
Invested in capital assets,						
Net of related						
debt	89,630,593	88,501,705	4,795,893	4,686,998	94,426,486	93,188,703
Restricted	1,164,365	1,662,422	187,122	329,878	1,351,487	1,992,300
Unrestricted	3,187,347	2,785,198	2,070,296	1,312,812	5,257,643	4,098,010
Total net assets	\$ 93,982,305	\$ 92,949,325	\$ 7,053,311	\$ 6,329,688	\$ 101,035,616	\$ 99,279,013

Governmental Activities

The City's governmental revenues decreased by \$4,014,678. The City is no longer receiving grant income from GEFA due to the project being complete.

The most significant governmental expense for the City was in public safety expense which consists of construction in progress for the new fire station. Public safety expenses totaled more than \$1,817,136 in 2011. These expenses were offset by revenues from fines and forfeitures, which totaled more than \$219,154. Another significant governmental expense in 2011 was providing for the general government. General government expenses totaled \$1,623,917, which was offset by revenues from taxes of \$5,571,414.

Business-type activities

Revenue of the City's business-type activities were \$ 2,768,666 (including transfers from governmental funds) for the year ended December 31, 2011. Expenses for the City's business-type activities were \$ 2,045,043 resulting in net gain of \$723,623.

CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Governmental and business type activities increased the City's net assets by \$1,756,603 as of December 31, 2011. A summary of this increase are as follows:

	Changes in Net Assets					
	Governmental Activities		Business type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for service:\$	1,273,092	\$ 1,195,870	\$ 2,503,856	\$ 2,233,924	\$ 3,776,948	\$ 3,429,794
Operating grants	8,658	75,845	2,925	-	11,583	75,845
Capital Grants/Contributions	1,563	4,580,450	-	-	-	4,580,450
General revenues:						
Taxes	2,362,957	2,299,475	-	-	2,362,957	2,299,475
Sales Tax	3,044,629	2,590,477	-	-	3,044,629	2,590,477
Other	83,627	47,087	-	16,418	83,627	63,505
Total Revenues	6,774,526	10,789,204	2,506,781	2,250,342	9,279,744	13,039,546
Expenses:						
General government	1,623,917	98,123	-	-	1,623,917	98,123
Public Safety	1,817,136	620,000	-	-	1,817,136	620,000
Judicial	140,327	1,976,667	-	-	140,327	1,976,667
Planning & Zoning	210,288	260,372	-	-	210,288	260,372
Maintenance	175,629	206,729	-	-	175,629	206,729
Streets & Sanitation	1,193,929	209,066	-	-	1,193,929	209,066
Community Services	63,574	1,162,787	-	-	63,574	1,162,787
Culture & Recreation	254,861	475,581	-	-	254,861	475,581
Interest on long- term debt	-	-	-	50,712	-	50,712
Water & sewer	-	-	2,045,043	1,965,414	2,045,043	1,965,414
Total expenses	5,479,661	5,009,325	2,045,043	2,016,126	7,524,704	7,025,451
Excess	1,294,865	5,779,879	461,738	234,216	1,756,603	6,014,095
Transfers	(261,885)	(389,450)	261,885	293,064	-	(96,386)
Increase (decrease) in net assets	1,032,980	5,390,429	723,623	527,280	1,756,603	5,917,709
Net assets, Jan 1	92,949,325	87,558,896	6,329,688	5,802,408	99,279,013	93,361,304
Net assets, Dec. 31	\$ 93,982,305	\$ 92,949,325	\$ 7,053,311	\$ 6,329,688	\$ 101,035,616	\$ 99,279,013

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2011, the City had \$97 million (net of accumulated depreciation). This investment in capital assets includes police and fire equipment, buildings, park facilities, roads, and utility system upgrades. Major capital asset additions were the improvements to the water system, construction in progress for new a fire station, and a fire engine and other vehicles for the public safety department.

Capital Assets at year-end

	Governmental Activities	Business type Activities	Total
Land	\$ 1,945,823	\$ 309,450	\$ 2,255,273
Buildings & Improvements	4,954,374	-	4,954,374
Vehicle & equipment	3,774,918	405,073	4,179,991
Infrastructure	82,675,024	-	82,675,024
Construction in progress	276,256	-	276,256
Utility system	-	11,135,683	11,135,683
	<u>93,626,395</u>	<u>11,850,206</u>	<u>105,476,601</u>
Less accumulated depreciation	<u>3,995,802</u>	<u>4,464,313</u>	<u>8,460,115</u>
Total	<u>\$ 89,630,593</u>	<u>\$ 7,385,893</u>	<u>\$ 97,016,486</u>
This year the major additions were:			
Land	\$ -	\$ -	\$ -
Buildings & Improvements	226,272	-	226,272
Vehicle & equipment	483,284	-	483,284
Infrastructure	564,489	-	564,489
Construction in Progress	276,256	-	276,256
Water & sewer system expansion	-	1,753,068	1,753,068
Total	<u>\$ 1,550,301</u>	<u>\$ 1,753,068</u>	<u>\$ 3,303,369</u>

See the notes to the financial statements for more detailed information on the capital asset activity.

Debt

At year end the City had the following debt outstanding:

	2011	2010
Water & sewer bonds	\$ 985,000	\$ 1,090,000
GEFA loan	1,420,755	-
	<u>\$ 2,405,755</u>	<u>\$ 1,090,000</u>

See the notes to the financial statements for more detailed information on the City's debt.

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

General Fund Budgetary Highlights

Both the original and amended budget included reserve funds in order to balance the revenues with expenditures. Every year, the City's overall goal is to provide essential services to our citizens as cost effectively and professionally as possible. The Mayor and City Council members work diligently to plan for the future while ensuring that current processes work as efficiently as possible and we continue to seek improvement. The City is proactive in cutting its costs of operations in order to stay financially sound during these economic times. For the year, revenues were \$81,528 more than expected and the expenditures were \$250,946 less than the budgeted amount. The increase in revenue was primarily from property taxes, sales tax, and other taxes.

Economic Factors and Next Year's Budgets and Rates

The Mayor, City Council members and their appointed officials have continued to aggressively address the current and future needs of the City. The City's elected and appointed officials consider many factors when setting the fiscal year 2011 budget, property tax rates, expected sales tax and insurance premium tax and various fees that will be collected. One of the factors is the economy. Grovetown, Georgia is a small rural city with a population of approximately 11,216 in 2010. The United States and Georgia per capita income is \$36,744 and \$32,208, respectively, compared to the City of Grovetown, \$13,256; however, the local economy remains strong.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Mayor, the City of Grovetown, at 103 Old Wrightsboro Rd., Grovetown, Georgia 30813.



CITY OF GROVETOWN, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

ASSETS		Governmental Activities	Business-Type Activities	Total	LIABILITIES		Governmental Activities	Business-Type Activities	Total
Current assets					Current liabilities				
Cash & cash equivalents		\$ 4,035,192	\$ 1,995,375	\$ 6,030,566	Accounts payable		\$ 149,596	\$ 55,126	\$ 204,722
Receivables, net					Accrued expenses				
Taxes		334,831		334,831	Due to enterprise	66,063			66,063
Accounts/notes		70,521	232,793	303,314	Due to other	78,008			78,008
Other		171,866		171,866	Current portion of long-term debt		184,245		184,245
Internal balances		78,008	66,063	144,070	Other liabilities	34,900	3,306		38,206
Prepaid expenses			21,620	21,620					
Total current assets		4,690,418	2,315,850	7,006,269	Total current liabilities		328,567	242,677	571,244
NONCURRENT ASSETS					LONG TERM LIABILITIES				
Capital assets					Long term debt, net of current portion			2,405,755	2,405,755
Land	1,945,823		309,450	2,255,273	Net Pension Obligation	10,139			10,139
Buildings & improvements	4,954,374			4,954,374	Total long term liabilities	10,139		2,405,755	2,415,894
Vehicle & equipment	3,774,918		405,073	4,179,991					
Infrastructure	82,675,024		11,135,683	93,810,707	Total liabilities	338,706		2,648,432	2,987,138
Construction in progress	276,256			276,256	Net assets				
	93,626,395		11,850,206	105,476,601	Invested in capital assets net of related debt	89,630,593	4,795,893		94,426,486
Less accumulated depreciation	3,995,802		4,464,313	8,460,115	Restricted for:				
					Capital Projects	1,164,365			1,164,365
Total noncurrent assets	89,630,593		7,385,893	97,016,486	Debt services		187,122		187,122
					Unrestricted	3,187,347	2,070,296		5,257,643
Total assets	\$ 94,321,011	\$ 9,701,743	\$ 104,022,755		Total net assets	\$ 93,982,305	\$ 7,053,311	\$ 101,035,616	

The Notes to Financial Statements are an integral part of this statement.

CITY OF GROVETOWN, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government Functions/Programs							
Governmental Activities							
General government	\$ 1,623,917	\$ -	\$ -	\$ -	\$ (1,623,917)	\$ -	\$ (1,623,917)
Public Safety	1,817,136	219,154	-	1,563	(1,596,419)	-	(1,596,419)
Judicial	140,327	-	-	-	(140,327)	-	(140,327)
Planning & Zoning	210,288	224,753	-	-	14,466	-	14,466
Maintenance	175,629	-	-	-	(175,629)	-	(175,629)
Streets & Sanitation	1,193,929	790,561	-	-	(403,368)	-	(403,368)
Community Services	63,574	-	-	-	(63,574)	-	(63,574)
Culture & Recreation	254,861	38,623	-	-	(216,238)	-	(216,238)
Interest	-	-	8,658	-	8,658	-	8,658
Total Governmental Activities	<u>5,479,661</u>	<u>1,273,092</u>	<u>8,658</u>	<u>1,563</u>	<u>(4,196,348)</u>	<u>-</u>	<u>(4,196,348)</u>
Business Type Activities							
Water	2,045,043	2,503,856	2,925	-	-	461,738	461,738
Total Business Type Activities	<u>2,045,043</u>	<u>2,503,856</u>	<u>2,925</u>	<u>-</u>	<u>-</u>	<u>461,738</u>	<u>461,738</u>
Total Primary Government	<u>\$ 7,524,704</u>	<u>\$ 3,776,948</u>	<u>\$ 11,583</u>	<u>\$ 1,563</u>	<u>\$ (4,196,348)</u>	<u>\$ 461,738</u>	<u>\$ (3,734,611)</u>
General revenues							
Property taxes					2,362,957	-	2,362,957
Sales taxes					3,044,629	-	3,044,629
Other					83,627	-	83,627
Total General Revenues					<u>5,491,213</u>	<u>-</u>	<u>5,491,213</u>
Transfers					(261,885)	261,885	-
Total General Revenues & Transfers					<u>5,229,328</u>	<u>261,885</u>	<u>5,491,213</u>
Change in Net Assets					1,032,980	723,623	1,756,603
Net Assets - Beginning of Year					92,949,325	6,329,688	99,279,013
Net Assets - End of Year					<u>\$ 93,982,305</u>	<u>\$ 7,053,311</u>	<u>\$ 101,035,616</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF GROVETOWN, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2011**

ASSETS	General Fund	SPLOST Fund	Combined Totals
Cash & Cash equivalents	\$ 2,971,815	\$ 1,063,377	\$ 4,035,192
Accounts receivable			
Taxes	155,836	178,996	334,831
Garbage	70,521	-	70,521
Other	171,866	-	171,866
Prepaid expenses	-	-	-
Due from enterprise fund	-	-	-
Due from other governmental funds	78,008	-	78,008
Total assets	\$ 3,448,046	\$ 1,242,373	\$ 4,690,418
LIABILITIES			
Accounts Payable	\$ 149,596	\$ -	\$ 149,596
Due to other governmental funds	-	78,008	78,008
Due to enterprise fund	66,063	-	66,063
Other liabilities	45,039	-	45,039
Total liabilities	260,698	78,008	338,706
FUND BALANCE			
Reserved for:			
Capital Projects	-	1,164,365	1,164,365
Unassigned	3,187,347	-	3,187,347
	<u>3,187,347</u>	<u>1,164,365</u>	<u>4,351,712</u>
Total liabilities and fund balance	\$ 3,448,046	\$ 1,242,373	\$ 4,690,418

The Notes to Financial Statements are an integral part of this statement.

**CITY OF GROVETOWN, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

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

Total fund balances - Governmental funds	\$ 4,351,712
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds	<u>89,630,593</u>
Net assets of governmental activities	<u><u>\$ 93,982,305</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF GROVETOWN, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

REVENUE	General Fund	SPLOST Fund	Combined Totals
Taxes	\$ 2,362,957	\$ -	\$ 2,362,957
Permits & licenses	224,753	-	224,753
Fines & forfeitures	219,154	-	219,154
Intergovernmental revenue	1,731,177	1,313,452	3,044,629
Charges for services	790,561	-	790,561
Uses of money/property	7,219	1,439	8,658
Culture & recreation	38,623	-	38,623
Grants	1,563	-	1,563
Other	67,142	-	67,142
Total revenue	<u>5,443,150</u>	<u>1,314,891</u>	<u>6,758,041</u>
EXPENDITURES			
Current Operating			
General government	1,586,471	1,511	1,587,982
Public safety	1,618,543	731,840	2,350,383
Judicial	140,327	-	140,327
Planning & zoning	203,545	-	203,545
Maintenance	159,144	26,951	186,095
Streets & sanitation	1,104,961	564,489	1,669,450
Community services	58,676	-	58,676
Culture & recreation	249,148	226,272	475,420
Total expenditures	<u>5,120,815</u>	<u>1,551,063</u>	<u>6,671,878</u>
Excess (deficiency) of revenues over expenditures	<u>322,335</u>	<u>(236,172)</u>	<u>86,163</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	16,485	-	16,485
Transfers in (out)	-	(261,885)	(261,885)
Total other financing sources and (uses)	<u>16,485</u>	<u>(261,885)</u>	<u>(245,400)</u>
Net change in fund balances	338,820	(498,057)	(159,237)
Fund balance -			
Beginning of year	2,848,527	1,662,422	4,510,949
End of year	<u>\$ 3,187,347</u>	<u>\$ 1,164,365</u>	<u>\$ 4,351,712</u>

The Notes to Financial Statements are an integral part of this statement.



**CITY OF GROVETOWN, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

Net change in fund balances - total governmental funds	\$ (159,237)
--	--------------

Governmental funds report capital outlay as expenditures. However,
in the statement of activities the cost of those assets are allocated
over their estimated useful lives and reported as depreciation expense.
in the current period.

Capital Outlays	1,550,301	
Less: Depreciation	<u>(358,084)</u>	<u>1,192,217</u>
Changes in net assets of governmental activities		<u>\$ 1,032,980</u>

The Notes to Financial Statements are an integral part of this statement.



CITY OF GROVETOWN, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,481,231	\$ 2,481,231	\$ 2,362,957	\$ (118,274)
Permits & licenses	130,000	130,000	224,753	94,753
Fines & forfeitures	286,000	286,000	219,154	(66,846)
Intergovernmental revenue	1,572,000	1,572,000	1,731,177	159,177
Charges for services	775,800	775,800	790,561	14,761
Uses of money/property	20,000	20,000	7,219	(12,781)
Culture & recreation	38,500	38,500	38,623	123
Grants	1,563	1,563	1,563	(0)
Other	56,528	56,528	67,142	10,614
Total revenues	5,361,622	5,361,622	5,443,150	81,528
EXPENDITURES				
General government	1,679,840	1,679,840	1,586,471	(93,369)
Public Safety	1,675,947	1,675,947	1,618,543	(57,404)
Judicial	166,290	166,290	140,327	(25,963)
Planning & Zoning	209,500	209,500	203,545	(5,955)
Maintenance	164,700	164,700	159,144	(5,556)
Streets & Sanitation	1,145,600	1,145,600	1,104,961	(40,639)
Community Services	64,245	64,245	58,676	(5,569)
Culture & Recreation	255,500	255,500	249,148	(6,352)
Total expenditures	5,361,622	5,361,622	5,120,815	(240,807)
Revenue over expenditures	-	-	322,335	322,335
OTHER FINANCING SOURCES				
Sale of assets	-	-	16,485	16,485
	-	-	16,485	16,485
Net change in fund balance	-	-	338,820	338,820
Fund balance, beginning of year	2,848,527	2,848,527	2,848,527	-
Fund balance, end of year	\$ 2,848,527	\$ 2,848,527	\$ 3,187,347	\$ 338,820

The Notes to Financial Statements are an integral part of this statement.



**CITY OF GROVETOWN, GEORGIA
 PROPRIETARY FUND
 STATEMENT OF NET ASSETS
 WATER & SEWER FUND
 DECEMBER 31, 2011**

ASSETS

Current assets	2011
Cash in bank	\$ 1,995,375
Receivables - water & sewer	232,793
Prepaid expenses	21,620
Due from others	-
Due from governmental funds	66,063
Total current assets	<u>2,315,850</u>
Property plant and equipment, at cost	
Land	309,450
Water and sewer plant system	11,135,683
Construction in process	-
Vehicles	218,152
Machinery & equipment	186,921
	<u>11,850,206</u>
Less accumulated depreciation	4,464,313
	<u>7,385,893</u>
Total assets	<u><u>\$ 9,701,743</u></u>

LIABILITIES

Current Liabilities	
Accounts payable	\$ 55,126
Current Maturities of Long Term Debt	184,245
Accrued liabilities	3,306
Due to governmental funds	-
Total current liabilities	<u>242,677</u>
Long term liabilities	
Long-term debt	985,000
Construction loan payable - GEFA	1,420,755
Total long term liabilities	<u>2,405,755</u>
Net Assets	
Invested in capital assets net of related debt	4,795,893
Restricted for debt services	187,122
Unrestricted	2,070,296
Total net assets	<u><u>\$ 7,053,311</u></u>

The Notes to Financial Statements are an integral part of this statement.



CITY OF GROVETOWN, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING REVENUES

Water and sewer sales	\$ 2,129,322
Sewer taps	243,741
Service charge/penalties	94,487
Other	36,305
Total operating revenues	<u>2,503,856</u>

OPERATING EXPENSE

Salaries and wages	571,228
Insurance and pension cost	183,287
Utilities	66,595
Maintenance and repair	74,670
Chemicals	8,196
Postage and supplies	30,486
Miscellaneous	103,137
County water and sewerage charges	621,271
Depreciation & amortization	246,910
Professional fees	11,329
Testing and training	23,855
Vehicle expense	45,321
Total operating expenses	<u>1,986,284</u>

Operating income (Loss)	517,572
-------------------------	---------

NON-OPERATING REVENUE (EXPENSE)

Interest income	2,925
Grant Income	-
Gain on sale of asset	-
Interest expense	(58,759)
Total non-operating expenses	<u>(55,834)</u>

Income (loss) before transfers and contributions	461,738
--	---------

Transfers in (out)	261,885
--------------------	---------

Capital Contribution	-
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Change in net assets	723,623
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Total net assets, beginning of year	6,329,688
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Total net assets, end of year	<u>\$ 7,053,311</u>
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The Notes to Financial Statements are an integral part of this statement.



**CITY OF GROVETOWN, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED DECEMBER 31, 2011**

Cash flows from operating activities:

Cash received from customers and others	\$ 2,451,140
Cash payment to suppliers	(1,169,455)
Cash payment to employees	(571,228)
	<u>710,457</u>

Cash flows from noncapital financing activities:

Transfers from other funds	261,885
Transfers to other funds	
	<u>261,885</u>

Cash flows from capital and related activities:

Receipts from special assessments	108,624
Acquisition of capital assets	(1,753,068)
Disposition of capital assets	-
Principal paid on long-term debt	(184,245)
Interest paid on long-term debt	(58,759)
Loan proceeds	1,500,000
Capital contributions	-
	<u>(387,448)</u>

Cash flows from investing activities:

Interest on cash and investment	<u>2,925</u>
Net increase in cash and cash equivalents	587,819
Cash and cash equivalents, beginning of year	1,407,556
Cash and cash equivalents, end of year	<u>\$ 1,995,375</u>

**Reconciling operating income to net cash
provided by operating activities:**

Operating income (loss)	\$ 517,572
Adjustment	
Depreciation & amortization	246,910
Decrease in accounts receivable	15,816
Increase in Prepaid Expenses	(2,499)
Increase in other receivables	(66,033)
Decrease in accounts and other payables	(1,309)
Net cash provided by operating activities	<u><u>\$ 710,457</u></u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

The City of Grovetown was chartered by the Georgia Legislature and officially incorporated in 1881. The name of the small town came from the old Grove Baptist Church that was founded in 1808.

A Southern poet famous in the post-Civil War era, Paul Hamilton Hayne, moved to Copse Hill (in the Parham Road area) in the 1860s. Hayne solicited the postal service to establish the Grovetown Post Office. The first U.S. mail service was established in Grovetown on September 28, 1877. Charles Clifford served as the postmaster and also as the railroad train depot agent for the town.

The first railroad depot was a small structure, built in 1878-79. The last depot was a more elaborate structure built in 1891 at a cost of \$5,041.74. It served the residents of Grovetown until 1970 when passenger trains no longer ran from Augusta to Atlanta. It was demolished in 1973. Several country stores were established on Old Wrightsboro Road near the railroad crossing. The last of these was S.F. Poole's store, where the gazebo now stands, with the "philosophers' bench" by the door. The old Rosland Hotel, later known as the "Eagle," had a huge rotunda which was frequently used by the City's residents for church gatherings, suppers, parties, and dances. The Church of Christ is now occupies the property where the hotel was once located.

In an effort to try to escape the heat and disease of the swampy river areas of the city, many wealthy and influential Augustans had summer homes in Grovetown. They commuted on the old "Picayune" train, relying on its frequent service. In addition, the City of Grovetown had many famous residents including: Hayne, a literary figure; Stewart Phinizy and James Tobin, cotton brokers; Charles Phinizy, a banker and railroad president; Dr. H.H. Steiner, a prominent physician; and John Dodge, a pharmacist and harness racing enthusiast. Mr. Dodge brought his stable from Ohio, built a large home and race track on Dodge Lane.

With the construction of Camp Gordon in 1942, Grovetown experienced rapid growth. No longer the small agricultural town, Camp Gordon, which later became Fort Gordon, took advantage of the railroad and many military families looked to Grovetown for housing. Gradually more and more retired military saw the benefits of living in this small town, and population began to grow and stabilize.

According to the 2010 U.S. Census, Grovetown currently has a population of 11,216, up from the 2000 census figure of 6,089. It is one of two chartered cities in Columbia County. Current annexation and residential construction have increased the population potential. A variety of stores, dining establishments, schools, and churches have added to the town's growth. City services have increased along with an expanded public safety department and the establishment of new recreational facilities, fire stations, a new city hall, senior center, and the Grovetown Museum. A "quiet village" no more, it is still a great place to live.

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments.

Introduction

The City of Grovetown, Georgia (City) complies with Generally Accepted Accounting Principles (GAAP) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The City of Grovetown, Georgia has no component unit entities for which the City is considered to be financially accountable.

A. Financial Reporting Entity – Basis of Presentation

Primary Government

The City of Grovetown, Georgia (hereafter referred to as the “City”) was created in 1881. The City provides the following services: public safety, streets and highways, public improvements, culture and recreation, and general and administrative services. The accompanying financial statements present the City’s primary government which the City is financially accountable.

B. Government-wide and Fund Financial Statements

The **government-wide financial statements** include the statement of net assets and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements if applicable. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Separate **fund financial statements** are provided for governmental funds and proprietary funds. Each major fund is reported in separate columns in the fund financial statements. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. Major revenue sources that are susceptible to accrual are Property Taxes, Sales Taxes, Insurance Premium Taxes, and intergovernmental revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The government reports the following major governmental funds:

The **General Fund** is the general operating fund of the City and is always classified as major fund. The General fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public works, streets, recreation and capital acquisition.

Sales Tax Fund is used to account for monies received from intergovernmental revenues (i.e. Special Purpose Sales Taxes) for various City projects. The fund classification is considered a major fund.

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary Fund financial statements are used to account for activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows.

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred. 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 those 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.

The County reports the following proprietary fund:

Water and Sewerage Fund to account for water and sewer operations as well as construction and maintenance of water and sewerage projects.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments. State statutes and the City's official Investment Policy authorize the City to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements, Banker's acceptances, money market mutual funds and direct obligations of the State of Georgia. The City records investments at fair market value in accordance with provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. All investment income is recognized as revenue in the appropriate fund's statement of activity of revenues, expenditures and changes in fund balance.

2. Receivables and Payables

Accounts Receivable

Property tax receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible accounts.

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables (Continued)

Accounts receivables from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

3. Inventories and Prepaid Expenses

Inventories of the General and Proprietary funds are accounted for as expenditures at the time of purchase and are not inventoried at year end due to the amounts being immaterial. Expenditures for insurance are similar services extending over more than one accounting period are allocated between accounting periods. For the year ended December 31, 2011, prepaid expenses in the governmental funds amounted to \$0.

4. Capital Assets – Primary Government

Capital assets, which include land, buildings and infrastructure assets (e.g., roads and bridges), are reported in the government-wide financial statements. Capital assets such as vehicles, furniture and equipment are defined as assets with a cost of \$2,500 or more. Infrastructure assets include city-owned roads and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets except for infrastructure are depreciated using the straight line method over the following estimated useful lives:

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Capital Assets – Primary Government (Continued)

<u>Assets</u>	<u>Years</u>
Buildings	40 – 50
Furniture & Fixtures	5 – 7
General Equipment	5 – 10
Trucks	4 – 7
Cars	4 – 5
Computer Hardware	3 – 5

The City uses the modified approach to report its infrastructure assets in the government-wide statement of net assets. Infrastructure assets are listed at their historical cost but they are not depreciated. Rather, under the modified approach allowed by GASB Statement No. 34, the City reports annual expenses for maintaining roads and highways and preserving them at a 2.5 level of a 4.0 scale.

5. Compensated Absences and Post Retirement Benefits

The cost of vacation pay is not recorded until such benefits are paid. Unpaid vacation is accrued at year end if the amount exceeds normal year's accumulations. Unpaid vacation pay at December 31, 2011 did not exceed normal year's accumulation. Accumulated sick pay benefits have not been recorded as a liability because these benefits are only paid upon the illness of an employee, and the amount of such payments cannot be reasonably estimated.

<u>Vacation Time:</u>	<u>Regular Employees</u>	<u>Public Safety Employees</u>
After completion of 1 year	40 hours	48 hours
After completion of 2 years	80 hours	96 hours
After completion of 10 years	120 hours	148 hours
After completion of 20 years	160 hours	192 hours
 Sick Leave:		
Sick leave will be accumulated per pay period at the rate of	3.75 hours	5 hours

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Long – Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in statement of net assets.

7. Unemployment Compensation Benefits

The City is the reimbursing employer for unemployment compensation benefits. Reimbursements are made on the basis of regular billings received from the Georgia Unemployment Commission.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist 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 assets are reported as restricted as described in the fund balance section below.

9. Fund Balance

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) non in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of resolution. Only the City Council may modify or rescind the commitment.

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance committee or the City's finance director to assign fund balances.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

10. Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

E. Stewardship, Compliance, and Accountability Budgetary Information

During the year proceeding the budget year, the City follows the below administrative and fiscal procedures in establishing the budgetary data reflected in the accompanying financial statements of the General Fund:

In October, the City clerk and other department heads prepare a tentative budget to be given to the mayor for review. After the review is completed, the City publishes notice of a public hearing on the proposed budget. The hearing is held a week from the date the notice is published. After the public hearing has been held, the budget is voted on and approved at the first city council meeting in December. Changes in and amendments to the adopted budget are approved during the course of the year, as long as reserves are available to fund these modifications.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual, for the General Fund and Proprietary Fund (water and sewer), presents a comparison of the legally adopted budget with actual operating results on a budgetary basis. The City's budget is prepared using GAAP. Encumbrance accounting, under which purchase orders and contracts are recorded in order to reserve that portion of the applicable appropriation, is not used by the City.

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of assets

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net assets as reported in the government-wide statement of net assets. The details of this difference of \$89,630,593 are as follows:

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

\$

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds

89,630,593

\$ 89,630,593

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balance-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of net assets. The details of this difference of \$1,192,217 are as follows:

Repayment of long-term debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

Debt repayments in 2011 were \$0.

\$

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

1,192,217

\$ 1,192,217

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE III – DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES

Primary Government

The City's reporting entity considers highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents. The carrying amount of cash is a reasonable estimate of fair value. Investment fair values are based on quoted market prices or dealer quotes.

Deposits

It is the City's policy for cash to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insured Corporation insurance. The City's cash deposits are categorized to give an indication of the level of risk assumed by the City.

The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uncollateralized.

Deposits by level of risk are:

	Bank	Category			Reported
	Balance	1	2	3	Amount/ Fair Value
Governmental activities	\$ 4,035,192	\$ -	\$ 4,035,192	\$ -	\$ 4,035,192
Business-type activities	1,995,375	-	1,995,375	-	1,995,375
	<u>\$ 6,030,567</u>	<u>\$ -</u>	<u>\$ 6,030,567</u>	<u>\$ -</u>	<u>\$ 6,030,567</u>

Investments

The City can invest money subject to its control and jurisdiction in obligations of the United States, bonds or certificates of indebtedness of the State of Georgia, certificates of deposits of banks which have deposits insured by the Federal Deposit Insurance Corporation, and other legal investments. All investments held by the City are in accordance with this policy.

CITY OF GROVEOTWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE IV – PROPERTY TAXES AND OTHER RECEIVABLES

Receivables

The Columbia County Tax Commissioner bills and collects property taxes, then remits the City its respective share of property taxes. Property taxes for 2011 were levied on August 15, 2011 and were due November 15, 2011. The unpaid taxes became a lien thirty days after the due date. Unpaid property taxes received within 60 days of the year end are recognized and recorded as revenue.

The City receives approximately 9.5% of a 1% local option sales tax on all retail sales within the City. The proceeds of such tax collected each year are used to reduce, on a dollar for dollar basis, the millage equivalent amount of property taxes to be levied in the subsequent year. Local option sales tax collections collected during the year ended December 31, 2011 totaled \$1,731,177.

The city also receives approximately 5.8% of 1% (SPLOST) funds, special local option sales tax to be used as designated and approved after public hearings. The approved expenditures are generally for capital projects in the City. The special local option sales tax received during the year ended December 31, 2011 totaled \$1,313,452.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied prior to November 15, and are delinquent after that date.

Receivables as of year end for the governmental activities and business type activities, individual major governmental funds, including the applicable allowances for uncollectible accounts, as required by GASB Statement No. 34 are as follows:

	Governmental Activities	Business-type Activities	Total
Taxes	\$ 334,831	\$ -	\$ 334,831
Accounts	71,321	239,793	311,114
Other	<u>171,866</u>	<u>-</u>	<u>171,866</u>
Gross receivables	578,018	239,793	817,811
Less allowance for uncollectible	<u>(800)</u>	<u>(7,000)</u>	<u>(7,800)</u>
Total Receivables, net	<u>\$ 577,218</u>	<u>\$ 232,793</u>	<u>\$ 810,011</u>

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE V - CAPITAL ASSETS

General Government

A summary of changes in capital assets follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,945,823	\$ -	\$ -	\$ 1,945,823
Construction in progress	-	276,256		276,256
Infrastructure	82,110,535	564,489	-	82,675,024
Total capital assets, not being depreciated	84,056,358	840,745	-	84,897,103
Capital assets, being depreciated				
Buildings & improvements	4,728,102	226,272	-	4,954,374
Vehicles & equipment	3,291,634	483,284	-	3,774,918
	8,019,736	709,556	-	8,729,292
Less accumulated depreciation				
Buildings & improvements	1,442,091	100,403		1,542,494
Vehicles & equipment	2,195,627	257,681		2,453,308
	3,637,718	358,084	-	3,995,802
Total capital assets being depreciated, net	4,382,018	1,067,640	-	4,733,490
Governmental activities capital assets, net	<u>\$ 88,438,376</u>	<u>\$ 1,908,385</u>	<u>\$ -</u>	<u>\$ 89,630,593</u>

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE V - CAPITAL ASSETS (CONTINUED)

General Government (Continued)

In implementing GASB Statement No. 34, assets with an initial cost of \$2,500 or more and an estimated life in excess of two years are capitalized. Additionally, infrastructure has been added to the capital assets balance.

Depreciation expense for year ended December 31, 2011 was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 36,684
Public safety	198,593
Sanitation	17,749
Planning & zoning	6,743
Senior Center	4,898
Public works	93,417
Total depreciation expense - governmental activities	<u>\$ 358,084</u>

Proprietary Fund

A summary of changes in Business-type activities capital assets follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 309,450	\$ -	\$ -	\$ 309,450
Construction in progress	2,612,602	-	2,612,602	-
Total capital assets, not being depreciated	<u>2,922,052</u>	<u>-</u>	<u>2,612,602</u>	<u>309,450</u>
Capital assets, being depreciated				
Vehicles	218,152	-	-	218,152
Machinery & equipment	186,921	-	-	186,921
Utility systems	9,382,615	1,753,068	-	11,135,683
Total capital assets, being depreciated	<u>9,787,688</u>	<u>1,753,068</u>	<u>-</u>	<u>11,540,756</u>
Less accumulated depreciation				
Vehicles	214,037	10,508	-	224,545
Machinery & equipment	198,655	10,031	-	208,686
Utility systems	3,807,448	223,634	-	4,031,082
Total accumulated depreciation	<u>4,220,140</u>	<u>244,173</u>	<u>-</u>	<u>4,464,313</u>
Total capital assets being depreciated, net	<u>5,567,548</u>	<u>1,508,895</u>	<u>-</u>	<u>7,076,443</u>
Capital assets, net	<u>\$ 8,489,600</u>	<u>\$ 1,508,895</u>	<u>\$ 2,612,602</u>	<u>\$ 7,385,893</u>

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE VI - LONG-TERM DEBT

Bonds - Water & Sewer Fund

On July 21, 2005, the City of Grovetown, Georgia and Wachovia Bank issued Water & Sewerage Revenue Refunding Bonds Series 2005 in the amount of \$1,660,000. The purpose of the Series 2005 Bond was to pay the cost, in whole or in part, (a) of the outstanding City's Water & Sewerage Revenue Bond, series 1987 (b) fully funding a debt service reserve for payment of the Series 2005 Bond, and (c) paying the fees and expenses in connection with the issue of the Series 2005 Bond. The interest rate is 3.64% per annum and consists of 15 payments. Interest expense of 2011 was \$43,316.

Principal and interest payments are as follows:

	Principal	Interest	Total Payment
2012	105,000	40,568	145,568
2013	110,000	35,568	145,568
2014	110,000	35,568	145,568
2015	115,000	30,568	145,568
2016	120,000	25,568	145,568
2017-2020	530,000	52,272	582,272
	<u>\$ 1,090,000</u>	<u>\$ 220,112</u>	<u>\$ 1,310,112</u>

In 2009, the City of Grovetown signed a \$2,500,000 note contract along with \$1,000,000 principal forgiveness as part of the American Reinvestment and Recovery Act. This funding is to help finance the water system improvements. Payments of \$8,319 are made monthly.

Principal and interest payments are as follows:

	Principal	Interest	Total Payment
2012	79,245	62,177	141,422
2013	57,998	41,830	99,828
2014	59,762	40,066	99,828
2015	61,580	38,248	99,828
2016	63,453	36,375	99,828
2017-2021	347,415	151,703	499,118
2022-2026	403,563	95,574	499,137
2027-2031	426,984	30,560	457,544
	<u>\$ 1,500,000</u>	<u>\$ 496,533</u>	<u>\$ 1,996,533</u>

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE VI - LONG-TERM DEBT (continued)

A summary of the increases and decreases in notes payable is as follows:

	Balance January 1, 2011	2011		Balance December 31, 2011
		Additions	Reductions	
W&S Revenue				
Bonds Series 2005	\$ 1,090,000	\$ -	\$ 105,000	\$ 985,000
GEFA	-	1,500,000	79,245	1,420,755
	<u>\$ 1,090,000</u>	<u>\$ 1,500,000</u>	<u>\$ 184,245</u>	<u>\$ 2,405,755</u>

NOTE VII - INTERFUND RECEIVABLES/TRANSFERS

Interfund receivable and payable balances as of December 31, 2011, are as follows:

Due to:	Due from:	
	General Fund	Total
<u>Water & Sewer Fund</u>	<u>\$ 66,063</u>	<u>\$ 66,063</u>

Interfund receivables and payables result from timing differences related to charges for services or reimbursable expenses. The City expects to repay these interfund balances within one year.

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE VII – INTERFUND RECEIVABLES/TRANSFERS (CONTINUED)

Interfund transfers for the year ended December 31, 2011, consisted of the following:

Transfers between funds were routine and primarily to support the operation of the funds receiving transfers.

	<u>Transfers from:</u>
	Sales
	Tax
<u>Transfers to:</u>	<u>Fund</u>
Water Fund	<u>\$ 261,885</u>

NOTE VIII – RISK MANAGEMENT

The City carries property and liability insurance through commercial insurance companies. Annual premiums are based on the amount of coverage and policy deductibles requested by the City.

Risk Pool

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Worker's Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE VIII – RISK MANAGEMENT (CONTINUED)

Risk Pool (Continued)

As part of their agreement, the City must assist and cooperate in the defense and settlement of claims against the City. The City must furnish full cooperation to the pools' attorneys, claims adjusters, and any agent or independent contractor of the pools. In addition, the City must report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.

The fund is to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the City's insurance coverage.

NOTE IX – PENSION PLAN

The City Council approved the adoption of a retirement plan May 11, 1987 and contributes to the Georgia Municipal Employees Benefit System (GMEBS) Pension Plan ("Plan"), an agent multiple employer defined benefit pension plan that acts as a common investment and administrative agent for cities in the state of Georgia. The City's payroll for employees covered by the Plan for the year ended December 31, 2011 was \$2,217,429. The City's total payroll for the year ended December 31, 2011 was \$2,334,355. The required contribution for 2011 was \$93,973.

All full-time City employees are eligible to participate in the Plan after one year of service. Benefits vest after ten years of service. City employees may retire at age 55 under the early retirement provisions if they have completed ten years of service. Normal retirement is at age 65. Benefits are payable for life in an amount of covered compensation plus 2% of Participant Final Average Earnings, multiplied by years of service. The plan also provides death and disability benefits. These benefit provisions and all other requirements are established by the GMEBS Pension Trust and Adoption Agreement executed by the City.

City employees are not required to contribute to the Plan. The City is required to contribute the amounts necessary to fund the Plan using the actuarial basis specified by the Plan.

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE IX - PENSION PLAN (CONTINUED)

Summary of employer costs and contributions:

Fiscal Year	Annual Pension Cost	Percentage of Pension Cost Contributed	Actual Contribution	Net Pension Obligation (NPO)
12/31/2011	93,973	94.36%	88,674	10,139
12/31/2010	88,674	94.54%	83,834	-
12/31/2009	83,834	87.61%	73,443	-

The City's annual pension cost and net pension asset for the current year were as follows:

Annual required contribution	\$ 93,973
Interest from net pension obligation	-
Adjustment of net pension asset	-
Annual pension cost	93,973
Actual contributions to the plan	83,834
Increase in net pension obligation	10,139
Net pension obligation as of December 31, 2010	-
Net pension obligation as of December 31, 2011	<u>\$ 10,139</u>

Summary of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funds Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B-A) / (C)
7/1/2011	\$ 1,510,792	\$ 1,750,362	\$ 239,570	86.31%	\$ 2,217,429	10.80%
7/1/2010	1,311,448	1,558,848	247,400	84.13%	1,997,289	12.39%
7/1/2009	898,006	1,450,624	552,618	61.90%	1,974,361	27.99%

Actual assumptions and method used to determine actual value of assets are:

Economic assumption:

Interest rate 8.00%

Annual rate of increase in:

Salaries 5.50%

Future Social Security Wage Base 5.50%

Includes inflation at 2.00%

Demographic assumption:

Mortality 1983 GAM Table

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE IX – PENSION PLAN (CONTINUED)

Disability	50% of 1975 SSA Study
Retirement	Employee: 65 with 5 yrs of service
	Officials: 65
Form of payment:	Life annuity
Actuarial Methods	Life annuity
Normal cost and actuarial	
Accrued liability	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Actuarial value of assets	Sum of actuarial value at the beginning of the year and the cash flow during the year plus assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary to be within 20% of market value.

Funding policy and annual contribution – The Board of Trustees of the Georgia Municipal Employees Benefit System has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the level dollar amortization of the unfunded actuarial accrued liability (initial unfunded actuarial accrued liability over 30 years from 1988 and changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year during which such changes arise), and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly. Well-funded plans may have a full funding credit applied to reduce the recommended contributions. This credit insures that contributions are not required if a plan's assets exceed the present value of future benefits. The annual recommended contribution is the greater of (1) the minimum contribution described above and (2) normal cost (including administrative expenses) with interest, adjusted by a full funding credit to insure that contributions are not required if a plan's assets exceed the present value of future benefits. As of July 1, 2011 the date of the actuarial report, the current plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	13
Terminated employees entitled to benefits but not yet receiving those	8
Current active employees	
Vested	27
Nonvested	50
Total membership in the plan	<u>98</u>

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE IX – PENSION PLAN (CONTINUED)

The Georgia Municipal Employees Benefit System (GMEBS) issues a separate, stand-alone report which can be obtained from City Hall or from GMEBS.

However, current and historical trend information is designed to provide information about the Pension Plan's progress in accumulating sufficient assets to pay benefits when due. This data is presented as supplemental information on page 45.

NOTE X – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Central Savannah River Area, is a member of the Central Savannah River area Regional Development Center (RDC) and is required to pay annual dues thereto. During its year ended December 31, 2011, the City paid \$1,899 in such dues and service charges. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 that provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from: CSRA Regional Development Center, 3023 River Watch Parkway, Augusta, GA 30907.

NOTE XI – CONTINGENCIES

Judgments and Claims

The City is a defendant in several lawsuits. Management intends to contest these open cases vigorously. The City's legal counsel has stated that the outcome of these lawsuits is not presently determinable.

NOTE XII – EXPENDITURES IN EXCESS OF BUDGET

The City's financial statements reflect no expenditures in excess of budgeted amounts at the department level in the General Fund for the year ending December 31, 2011.

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE XIII – LANDFILL POST CLOSURE COST

Landfill Closure

The City contracts with the County to dispose of its solid waste materials collected. In prior years the City maintained a landfill; however, it has been closed for several years. The state of Georgia requires the City to perform certain maintenance and monitoring functions at the closed landfill and to make periodic reports to the appropriate agencies. The estimated liability for post closure cost is undeterminable; however, the City believes the maintenance cost is immaterial. However, changes in the post closure care may occur for increases or decreases in cost due to inflation or deflation, changes in technology, changes to post closure care requirements, and changes in the extent of environmental remediation required by law. If at such time that the post closure care cost is determined and is a material liability appropriate disclosure will be reflected in the financial statements. The maintenance costs for 2011 were \$ 0.

**CITY OF GROVETOWN, GEORGIA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PENSION FUNDING
LAST THREE FISCAL YEARS (UNAUDITED)
DECEMBER 31, 2011**

For year ending December 31, 2011 the annual pension cost was \$93,973 The requested contribution was suggested in the valuation report dated July 1, 2011.

The following table discloses three-year historical trend information relating to the pension plan:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Actual Contribution	Net Pension Obligation (NPO)
12/31/2011	\$ 93,973	94.36%	\$ 88,674	10,139
12/31/2010	88,674	94.54%	83,834	-
12/31/2009	83,834	87.61%	73,443	-

The following table discloses certain three-year historical trend information presenting the City's progress is accountability sufficient assets to pay benefits when due.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funds Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B-A) (C)
7/1/2011	\$ 1,510,792	\$ 1,750,362	\$ 239,570	86.31%	\$ 2,217,429	10.80%
7/1/2010	1,311,448	1,558,848	247,400	84.13%	1,997,289	12.39%
7/1/2009	898,006	1,450,624	552,618	61.90%	1,974,361	27.99%

**CITY OF GROVETOWN, GEORGIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011**

Budgetary Data

The City adopts an annual budget which covers the General Fund. The SPLOST funds are designated to be spent in accordance with the Special Local Option Sales Tax Resolution approved by the citizens of the City of Grovetown in 2011.

The Budgetary Comparison Schedule on page 20 presents a comparison of budgetary data to actual results of operations for the General Fund.

**CITY OF GROVETOWN, GEORGIA
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
INFRASTRUCTURE ASSETS - MODIFIED APPROACH
DECEMBER 31, 2011**

The City elected to use the modified approach method and not depreciate the infrastructure asset consisting of roads in the City.

The Chairman of the City along with the City's Public Works Department performed a physical inventory and assessment of every City road. The following conditions were defined associated to a rating:

<u>Condition</u>	<u>Rating</u>
Excellent	4
Good	3
Fair	2
Poor	1

The review of the overall road conditions remain in rating at 2.5 or better. The City constantly expends considerable resources annually for maintenance and preservation of the road system.



PENNINGTON & BERRY, LLC
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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

Honorable Mayor and Members of City Council
City of Grovetown, Georgia

We have audited the financial statements of governmental activities, the business-type activities, and each major fund of the City of Grovetown, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City of Grovetown, Georgia's basic financial statements and have issued our report thereon dated June 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Grovetown, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Grovetown, Georgia's internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be significant deficiencies or material weaknesses. However, we noted certain deficiencies in internal control over financial reporting and its operation that we consider to be 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

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over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies. Our responses are described in the accompanying Schedule of Findings and Response. A significant deficiency is a deficiency, or 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Grovetown, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The City of Grovetown, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the audit committee, management, commission and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pennington + Berry LLC

Pennington & Berry, LLC
June 29, 2011

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR YEAR ENDED DECEMBER 31, 2011**

Section I – Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified _____ Yes ___X___ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ Yes ___X___ No
- Noncompliance material financial statements noted? _____ Yes ___X___ No

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified _____ Yes ___X___ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ Yes ___X___ No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit finding disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 _____ Yes ___X___ No

Identification of Major Programs: None noted

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR YEAR ENDED DECEMBER 31, 2011**

Section II – Financial Statement Findings

None Reported

Section IV – Prior Year Audit Findings

None Reported

Section III – Schedule of Findings and Questioned Costs for Major Federal Award Programs

None Reported



PENNINGTON & BERRY, LLC
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT
ON SPECIAL LOCAL OPTION
ONE PERCENT SALES AND USE TAX
2006-2010 AND 2011-2016**

Honorable Mayor and Members of City Council
City of Grovetown, Georgia

We have audited the accompanying Schedules of Special Purpose Local Option Sales Tax for the City of Grovetown, Georgia for the year ended December 31, 2011. This is the responsibility of the City of Grovetown, Georgia's management. Our responsibility is to express an opinion of the Schedules of Special Purpose Local Option Sales Tax based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedules of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described on Note I and is not intended to be a complete presentation of the City of Grovetown, Georgia's revenues and expenditures.

In our opinion, the Schedules of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in the City of Grovetown, Georgia's resolution ordinance calling for the tax for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Pennington & Berry LLC

June 29, 2011

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CITY OF GROVETOWN, GEORGIA
SCHEDULE OF PROJECT EXPENDITURES WITH
SALES TAX PROCEEDS (2006-2010)
FOR THE YEAR ENDED DECEMBER 31, 2011

Project	Original Estimated Cost	Prior Year	Current Year	To Date	Percentage of Completion
Utility System Improvements					
Water Tank	\$ 600,000	\$ -	\$ -	\$ -	0.00%
Equipment	500,000	119,457	-	119,457	23.89%
Water & sewer lines	389,500	1,166,571	261,885	1,428,456	100.00%
Infrastructure		-	564,489	564,489	0.00%
Public Safety					
Building & Equipment	400,000	1,335,015	457,095	1,792,110	100.00%
Recreation					
Soccer & tennis center	125,000	236,587	226,272	462,859	100.00%
Bathroom facilities	75,000	94,114	-	94,114	100.00%
Vehicles	50,000	160,584	26,951	187,535	100.00%
	<u>\$ 2,139,500</u>	<u>\$ 3,112,328</u>	<u>\$ 1,536,692</u>	<u>\$ 4,649,020</u>	

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF PROJECT EXPENDITURES WITH
SALES TAX PROCEEDS (2011-2016)
FOR THE YEAR ENDED DECEMBER 31, 2011**

Project	Original Estimated Cost	Prior Year	Current Year	To Date	Percentage of Completion
Tier I					
Public Works					
Equipment, Vehicles, & Heavy Equipment	\$ 1,000,000	\$ -	\$ -	\$ -	0%
Public Safety					
Vehicles, Fire Station, & Equipment	1,762,466	-	276,256	276,256	16%
City Facilities					
Renovations/Expansions	1,600,000	-	-	-	0%
Security System	100,000	-	-	-	0%
Water & Sewer					
Water & Sewer improvements	2,000,000	-	-	-	0%
Equipment	200,000	-	-	-	0%
Computers-All Departments	50,000	-	-	-	0%
Transportation	400,000	-	-	-	0%
Recreation					
Park Improvements	1,200,000	-	-	-	0%
Total - Tier I	8,312,466	-	276,256	276,256	
Tier II					
City Facilities					
Renovations/Expansions	800,000	-	-	-	0%
Public Safety					
Vehicles	725,000	-	-	-	0%
Public Works					
Equipment	300,000	-	-	-	0%
Recreation					
Park Improvements	419,422	-	-	-	0%
Walking Trail Improvements	200,000	-	-	-	0%
Water & Sewer					
Improvements & equipment	400,000	-	-	-	0%
Total - Tier II	2,844,422	-	-	-	
Tier III					
Museum/Media Center/Land	1,831,340	-	-	-	0%
Total - Tier III	1,831,340	-	-	-	
Grand Total	\$ 12,988,228	\$ -	\$ 276,256	\$ 276,256	