

CITY OF GROVETOWN, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2016

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TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General Fund	17
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - SPLOST 2011-2016	18
Statement of Net Position - Proprietary Funds	19
Statements of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Notes to the Basic Financial Statements	22 - 42
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability	43
Schedule of Employer's Contribution	44
Schedule of City's Proportionate Share of the Net Pension Liability	45
Notes to the Required Supplementary Information	46 - 47
COMBINING FUND STATEMENTS	
Combined Balance Sheet - Nonmajor Governmental Funds	48
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	49

**CITY OF GROVETOWN, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2016**

TABLE OF CONTENTS

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50 - 51
Schedule of Findings and Questioned Costs	52 - 55
City's Responses to Findings and Questioned Costs	56 - 57
Summary Schedule of Prior Year Findings and Responses	58 - 59

STATE REPORTING SECTION

Schedule of Project Expenditures with Special Tax Proceeds (2011-2016)	60
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INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Grovetown, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements. These financial statements 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the governmental activities, the business-type activities, the general fund, the water and sewer fund and the stormwater fund.

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 judgement, 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 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
Business-Type Activities	Disclaimer
General Fund	Disclaimer
SPLOST 2011-2016 Fund	Unmodified
Water & Sewer Fund	Disclaimer
Stormwater Fund	Disclaimer
Aggregate Remaining Fund Information	Unmodified

Basis for Disclaimer of Opinions on the Governmental Activities, the Business-Type Activities, the General Fund, the Water & Sewer Fund, and the Stormwater Fund

The City experienced fraud during the year which resulted in a lack of supporting documentation for cash, accounts receivable and revenues. Due to the fraud and subsequent investigations, the City was unable to provide supporting documentation for a majority of the revenue transactions selected for testing during the audit for the General Fund, the Water & Sewer Fund and the Stormwater Fund. Further, we were unable to determine the completeness of the City's cash, accounts receivable and revenues for these funds. As a result of this matter, we were unable to determine whether any adjustments might have been found to determine the accuracy and completeness of the financial statements as a whole.

Disclaimer of Opinions

Because of the significance of the matters described in the "Basis for Disclaimer of Opinions" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the Governmental Activities, the Business-Type Activities, the General Fund, the Water & Sewer Fund and the Stormwater Fund. Accordingly, we do not express opinions on these financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the SPLOST 2011-2016 Fund, and the aggregate remaining fund information of the City of Grovetown, Georgia as of December 31, 2016, and the respective changes in financial position 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, the schedule of changes in net pension liability, the schedule of employer's contributions and schedule of the City's proportionate share of the net pension liability, as listed in the table of contents, 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, which 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

We were engaged to audit the financial statements that collectively comprise the City of Grovetown, Georgia's basic financial statements. The combining fund statements, and the schedules of project expenditures with sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund statements and the schedules of project expenditures with sales tax proceeds 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. Because of the significance of the matters described in the "Basis for Disclaimer of Opinions" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the combining fund statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Serotta Maddocks Evans & Co.".

SEROTTA MADDOCKS EVANS & CO.

Augusta, Georgia
March 5, 2019

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016**

Georgia 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, 2016.

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 was 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 from any material misstatements.

Serotta Maddocks Evans, CPAs (the firm) has issued a disclaimer of opinion on the City of Grovetown, Georgia's financial statements for the year ended December 31, 2016. The independent auditors' report is located at the front of the financial section of this report.

As management of the City of Grovetown, Georgia (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent calendar year by \$32,466,837. Of this amount, \$22,872,733 reflects net investment in capital assets. At year end, the City's unrestricted net position totaled \$7,195,689 and could be used at the discretion of the Mayor and City Council.
- The City reported a \$1,056,263 increase in net position for the year ended December 31, 2016. This is a decrease of \$26,793 from the prior year.
- As of December 31, 2016, the City's combined fund balance of the City's governmental funds was approximately \$7,338,447, a decrease of \$6,376 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The City'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 includes supplementary information intended to furnish additional detail to support the basic financial statements.

CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Government-Wide Financial Statements - The government-wide financial statements consist of two statements: 1) statement of net position and 2) statement of activities.

The *statement of net position* presents information for the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 City'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 the 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 (e.g. uncollected taxes). Both the government-wide financial statements are prepared utilizing the accrual basis of accounting and distinguish functions of the City.

In the government-wide financial statements, 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 the cost of services it provides. The City's water and sewer system and stormwater system are 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 established many other funds to help it control and manage money for purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or 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 the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are 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.

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016**

The relationship or difference between governmental activities (reported in Net Position and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements. The City of Grovetown, Georgia has four individual governmental funds (General Fund, SPLOST 2011-2016 Fund, Police Seizure Fund, and Transportation SPLOST Fund).

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the SPLOST 2011-2016 Fund, both of which are considered major funds. This information is also presented for the non-major funds.

Proprietary funds - The City charges customers for the services provided (water and sewer and stormwater service) to outside customers including other local governments. 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 Position and Statement of Activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and stormwater fund, both of which are considered to be major funds of the City. The proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Notes to the financial statements - The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund statements. The notes to the basic financial statements can be found on pages 22 through 42 of this report.

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 begins on page 43.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

By far the largest portion of the City's net position (73%) 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, 2016**

Summary of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 7,860,793	\$ 7,925,819	\$ 3,164,511	\$ 2,261,718	\$ 11,025,304	\$ 10,187,537
Capital assets	18,784,242	18,613,497	7,029,017	6,594,661	25,813,259	25,208,158
Total assets	26,645,035	26,539,316	10,193,528	8,856,379	36,838,563	35,395,695
Deferred outflows of resources	217,854	106,590	39,610	30,064	257,464	136,654
Liabilities						
Current liabilities	484,395	538,938	612,759	429,058	1,097,154	967,996
Long-term liabilities	1,051,595	487,253	2,347,422	2,585,307	3,399,017	3,072,560
Total liabilities	1,535,990	1,026,191	2,960,181	3,014,365	4,496,171	4,040,556
Deferred inflows of resources	34,269	63,350	6,231	17,869	40,500	81,219
Net Position						
Net investment in capital assets	18,301,678	18,613,497	4,571,055	3,894,328	22,872,733	22,507,825
Restricted for:						
Debt service	-	-	244,936	237,383	244,936	237,383
Capital projects	2,153,479	2,017,951	-	-	2,153,479	2,017,951
Unrestricted	4,744,954	4,924,917	2,450,735	1,722,498	7,195,689	6,647,415
	<u>\$ 25,200,111</u>	<u>\$ 25,556,365</u>	<u>\$ 7,266,726</u>	<u>\$ 5,854,209</u>	<u>\$ 32,466,837</u>	<u>\$ 31,410,574</u>

Governmental Activities

The City's governmental revenues decreased by \$12,077 and expenses increased by \$372,013. Charges for services showed a significant decrease for 2016, approximately \$171,110. The most significant governmental expenses for the City were public safety and public works expenses. Public safety expenses totaled approximately \$2,580,947. Public works expenses totaled approximately \$2,234,625.

The governmental activities change in net position was (\$356,254). Out of total net position, \$4,744,954 is unrestricted and available for future spending.

Business-type Activities

Revenue of the City's business-type activities were \$3,850,373 which is an increase of \$518,339 from the prior year. Expenses for the City's business-type activities increased by \$161,042 to \$3,245,655. The business-type activities change in net position was \$1,412,517. Out of total net position, \$2,450,735 is unrestricted and available for future spending.

Overall, governmental and business-type activities increased the City's net position by \$1,056,263 for the year ended December 31, 2016. A summary of this increase is as follows:

CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for services	\$ 1,383,762	\$ 1,554,872	\$ 3,798,888	\$ 3,280,974	\$ 5,182,650	\$ 4,835,846
Operating grants/contributions	-	86,566	-	-	-	86,566
Capital grants/contributions	1,596,837	1,562,073	50,000	50,000	1,646,837	1,612,073
General Revenues						
Property taxes	1,695,277	1,515,750	-	-	1,695,277	1,515,750
Sales tax	1,793,980	1,738,874	-	-	1,793,980	1,738,874
Selective taxes	1,249,784	1,303,132	-	-	1,249,784	1,303,132
Franchise and business taxes	489,999	459,025	-	-	489,999	459,025
Unrestricted investment earnings	4,533	4,349	1,485	1,060	6,018	5,409
Gain on sale of capital assets	-	1,608	-	-	-	1,608
Total revenues	8,214,172	8,226,249	3,850,373	3,332,034	12,064,545	11,558,283
Expenses						
General government	2,028,177	1,943,279	-	-	2,028,177	1,943,279
Judicial	144,043	145,299	-	-	144,043	145,299
Public safety	2,580,947	2,156,907	-	-	2,580,947	2,156,907
Public works	2,234,625	2,359,784	-	-	2,234,625	2,359,784
Health and welfare	-	43,009	-	-	-	43,009
Culture and recreation	488,690	435,603	-	-	488,690	435,603
Housing and development	286,145	306,733	-	-	286,145	306,733
Business-type	-	-	3,245,655	3,084,613	3,245,655	3,084,613
Total expenses	7,762,627	7,390,614	3,245,655	3,084,613	11,008,282	10,475,227
Excess	451,545	835,635	604,718	247,421	1,056,263	1,083,056
Transfers	(807,799)	(636,241)	807,799	636,241	-	-
Change in net position	(356,254)	199,394	1,412,517	883,662	1,056,263	1,083,056
Net position - beginning	25,556,365	25,740,778	5,854,209	5,241,337	31,410,574	30,982,115
Prior period adjustment	-	-	-	(162,537)	-	(162,537)
Change in accounting principle	-	(383,807)	-	(108,253)	-	(492,060)
Net position - beginning - restated	25,556,365	25,356,971	5,854,209	4,970,547	31,410,574	30,327,518
Net position - ending	\$ 25,200,111	\$ 25,556,365	\$ 7,266,726	\$ 5,854,209	\$ 32,466,837	\$ 31,410,574

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2016, the City had \$25,813,259 (net of accumulated depreciation) being reported as capital assets. This investment in capital assets includes police and fire equipment, buildings, park facilities, roads and utility system upgrades. Major capital asset additions during the year included improvements and expansion of the city's sewer lines, and equipment and vehicles purchased for various city departments. More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016**

Capital Assets at Year-End

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,807,408	\$ 1,807,408	\$ 309,450	\$ 309,450	\$ 2,116,858	\$ 2,116,858
Construction in progress	293,082	351,564	922,109	145,150	1,215,191	496,714
Buildings and improvements	7,100,650	6,737,635	-	-	7,100,650	6,737,635
Vehicles and equipment	4,699,267	4,011,602	1,006,920	965,080	5,706,187	4,976,682
Infrastructure and utility systems	22,589,205	22,270,521	11,586,950	11,583,450	34,176,155	33,853,971
	36,489,612	35,178,730	13,825,429	13,003,130	50,315,041	48,181,860
Accumulated depreciation	(17,705,370)	(16,565,233)	(6,796,412)	(6,408,469)	(24,501,782)	(22,973,702)
Total	\$ 18,784,242	\$ 18,613,497	\$ 7,029,017	\$ 6,594,661	\$ 25,813,259	\$ 25,208,158

Long-Term Liabilities

A majority of the City's long-term obligations were secured to fund its investments in capital assets. Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Notes 5 and 6 to the financial statements.

General Fund Budgetary Highlights

The final budgeted operating revenues decreased by \$235,932 or approximately 3% from the original budget as a result of less reliance on use of prior year fund balance. The final budgeted operating expenditures decreased by \$202,126 or approximately 3% due to cost consciousness displayed by department heads. All departments were cost conscious and aware of decreased revenues from original budget.

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 the City Council members work diligently to prepare for the future while ensuring that current processes work as efficiently as possible and continue to seek improvement. The City's governing body shows great diligence in creating a sound budget. For the year, actual revenues and expenditures were comparable with budgeted amounts.

Economic Factors and Next Year's Budget 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 2016 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. Although Grovetown, Georgia is a small city, the local economy remains strong. The City's growth has been fueled by new residential development over the past several years. Along with the residential growth, the City has attracted several commercial developments.

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016**

Requests for information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be addressed to the Finance Director, P.O. Box 120, Grovetown, Georgia 30813.

BASIC FINANCIAL STATEMENTS

CITY OF GROVETOWN, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 7,225,887	\$ 2,813,550	\$ 10,039,437
Receivables	527,485	204,317	731,802
Prepaid	40,823	7,000	47,823
Internal balances	66,598	(66,598)	-
Restricted cash	-	206,242	206,242
Capital assets			
Non-depreciable assets	2,100,490	1,231,559	3,332,049
Depreciable assets, net of accumulated depreciation	16,683,752	5,797,458	22,481,210
Total assets	<u>26,645,035</u>	<u>10,193,528</u>	<u>36,838,563</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contribution to the pension plan	101,550	18,464	120,014
Pension revenue difference	15,764	2,866	18,630
Pension investment return	100,540	18,280	118,820
	<u>217,854</u>	<u>39,610</u>	<u>257,464</u>
LIABILITIES			
Current liabilities:			
Accounts payable	304,893	301,229	606,122
Accrued liabilities	158,857	-	158,857
Customer deposits	-	62,794	62,794
Accrued interest	-	4,553	4,553
Compensated absences	20,645	3,800	24,445
Notes payable	-	240,383	240,383
Leases payable	92,519	-	92,519
Noncurrent liabilities:			
Compensated absences	75,480	23,285	98,765
Notes payable	-	2,217,579	2,217,579
Leases payable	390,045	-	390,045
Net pension liability	586,070	106,558	692,628
Total liabilities	<u>1,628,509</u>	<u>2,960,181</u>	<u>4,588,690</u>
DEFERRED INFLOWS OF RESOURCES			
Pension experience differences	24,146	4,390	28,536
Changes in pension assumptions	10,123	1,841	11,964
Total deferred inflows of resources	<u>34,269</u>	<u>6,231</u>	<u>40,500</u>
NET POSITION			
Net investment in capital assets	18,301,678	4,571,055	22,872,733
Restricted for:			
Debt service	-	244,936	244,936
Capital projects	2,153,479	-	2,153,479
Unrestricted	4,744,954	2,450,735	7,195,689
Total net position	<u>\$ 25,200,111</u>	<u>\$ 7,266,726</u>	<u>\$ 32,466,837</u>

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

CITY OF GROVETOWN, GEORGIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government	Expenses						
Functions/Programs							
Governmental activities:							
General government	\$ 2,028,177	\$ 12,175	\$ -	\$ 1,596,837	\$ (419,165)	\$ -	\$ (419,165)
Judicial	144,043	154,144	-	-	10,101	-	10,101
Public safety	2,580,947	92,657	-	-	(2,488,290)	-	(2,488,290)
Public works	2,234,625	898,723	-	-	(1,335,902)	-	(1,335,902)
Culture and recreation	488,690	44,015	-	-	(444,675)	-	(444,675)
Housing and development	286,145	182,048	-	-	(104,097)	-	(104,097)
Total governmental activities	<u>7,762,627</u>	<u>1,383,762</u>	<u>-</u>	<u>1,596,837</u>	<u>(4,782,028)</u>	<u>-</u>	<u>(4,782,028)</u>
Business-type activities							
Water and sewer	3,162,031	3,534,307	-	50,000	-	422,276	422,276
Stormwater	83,624	264,581	-	-	-	180,957	180,957
Total business-type activities	<u>3,245,655</u>	<u>3,798,888</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>603,233</u>	<u>603,233</u>
	<u>\$ 11,008,282</u>	<u>\$ 5,182,650</u>	<u>\$ -</u>	<u>\$ 1,646,837</u>	<u>(4,782,028)</u>	<u>603,233</u>	<u>(4,178,795)</u>
General revenues:							
Property taxes					1,695,277	-	1,695,277
Sales taxes					1,793,980	-	1,793,980
Selective taxes					1,249,784	-	1,249,784
Franchise and business taxes					489,999	-	489,999
Unrestricted investment earnings					4,533	1,485	6,018
Total general revenues					<u>5,233,573</u>	<u>1,485</u>	<u>5,235,058</u>
Transfers					(807,799)	807,799	-
Total general revenues					<u>4,425,774</u>	<u>809,284</u>	<u>5,235,058</u>
Change in net position					(356,254)	1,412,517	1,056,263
Net position, beginning of year					<u>25,556,365</u>	<u>5,854,209</u>	<u>31,410,574</u>
Net position, end of year					<u>\$ 25,200,111</u>	<u>\$ 7,266,726</u>	<u>\$ 32,466,837</u>

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

CITY OF GROVETOWN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	SPLOST 2011-2016	Non-major Governmental Activities	Total Governmental Funds
ASSETS				
Cash and investments	\$ 5,239,272	\$ 1,552,165	\$ 434,450	\$ 7,225,887
Receivables	313,456	195,803	18,226	527,485
Prepaid expenses	40,823	-	-	40,823
Due from other funds	71,399	-	-	71,399
Total assets	<u>\$ 5,664,950</u>	<u>\$ 1,747,968</u>	<u>\$ 452,676</u>	<u>\$ 7,865,594</u>
LIABILITIES				
Accounts payable	\$ 257,728	\$ 43,395	\$ 3,770	\$ 304,893
Due to other funds	4,801	-	-	4,801
Accrued liabilities	158,857	-	-	158,857
Total liabilities	<u>421,386</u>	<u>43,395</u>	<u>3,770</u>	<u>468,551</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	28,549	-	-	28,549
Customer deposits	30,047	-	-	30,047
Total deferred inflows of revenues	<u>58,596</u>	<u>-</u>	<u>-</u>	<u>58,596</u>
FUND BALANCES				
Nonspendable	40,823	-	-	40,823
Restricted	-	1,704,573	448,906	2,153,479
Unassigned	5,144,145	-	-	5,144,145
Total fund balances	<u>5,184,968</u>	<u>1,704,573</u>	<u>448,906</u>	<u>7,338,447</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,664,950</u>	<u>\$ 1,747,968</u>	<u>\$ 452,676</u>	<u>\$ 7,865,594</u>

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

CITY OF GROVETOWN, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total fund balances - governmental funds	\$ 7,338,447
Amounts reported for governmental activities in the statement of net position are different because:	
Net capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the funds	18,784,242
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	217,854
Deferred inflows of resources related to pensions	(34,269)
	<u>183,585</u>
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the Governmental Funds Balance Sheet, but are reported in the governmental activities of the Statement of Net Position	58,596
Certain liabilities, which are not due and payable in the current period, are therefore, not reported in the funds	
Capital leases	(482,564)
Net pension liability	(586,070)
Compensated absences	(96,125)
	<u>(1,164,759)</u>
Net position of governmental activities in the Statement of Net Position	<u><u>\$ 25,200,111</u></u>

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

CITY OF GROVETOWN, GEORGIA
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2016

	General Fund	SPLOST 2011-2016	Non-major Governmental Activities	Total Governmental Funds
REVENUES				
Taxes	\$ 5,240,460	\$ -	\$ -	\$ 5,240,460
Licenses and permits	182,048	-	-	182,048
Intergovernmental	-	1,414,586	182,251	1,596,837
Charges for services	1,047,570	-	-	1,047,570
Fines and forfeitures	154,144	-	-	154,144
Investment earnings	3,637	717	179	4,533
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	6,627,859	1,415,303	182,430	8,225,592
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Current:				
General government	1,954,082	-	-	1,954,082
Judicial	143,556	-	-	143,556
Public safety	2,844,993	-	2,233	2,847,226
Public works	1,642,819	-	-	1,642,819
Culture and recreation	383,169	-	-	383,169
Housing and development	283,708	-	-	283,708
Capital outlay	-	593,473	58,700	652,173
Debt Service				
Principal	65,406	-	-	65,406
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	7,317,733	593,473	60,933	7,972,139
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	(689,874)	821,830	121,497	253,453
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES				
Transfer to water and sewer fund for capital purchases	-	(807,799)	-	(807,799)
Inception of capital lease obligation	547,970	-	-	547,970
	<hr/>	<hr/>	<hr/>	<hr/>
	547,970	(807,799)	-	(259,829)
	<hr/>	<hr/>	<hr/>	<hr/>
Net changes in fund balances	(141,904)	14,031	121,497	(6,376)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - beginning	5,326,872	1,690,542	327,409	7,344,823
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 5,184,968	\$ 1,704,573	\$ 448,906	\$ 7,338,447
	<hr/>	<hr/>	<hr/>	<hr/>

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

CITY OF GROVETOWN, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Net change in fund balances - governmental funds	\$	(6,376)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expenses for the period

Current year capital asset additions	\$	1,310,882	
Depreciation expense		(1,140,137)	
			170,745

Governmental funds defer all tax revenues not collected within 60 days of year end.

However, the statement of activities uses the accrual method of accounting and, thus, the entire amount is recognized, regardless of the collection date. This is the amount by which the prior year unearned revenue is less than the current year unearned revenue.

(11,420)

The issuance of long-term debt (e.g., capital leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term related accounts.

Proceeds of capital leases	\$	(547,970)	
Principal payments on capital leases		65,406	
Compensated absences		16,259	
			(466,305)

In the fund financials, contributions to pension plans are expensed when paid. In the statement of activities pension expense is recognized for the change in the City's proportionate share of the collective net pension liability and related deferred inflows/outflows.

(42,898)

Change in net position of governmental activities	\$	(356,254)
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The accompanying notes are an integral part of these financial statements.

CITY OF GROVETOWN, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,210,400	\$ 5,236,594	\$ 5,240,460	\$ 3,866
Licenses and permits	179,000	170,500	182,048	11,548
Charges for services	1,011,156	1,066,156	1,047,570	(18,586)
Fines and forfeitures	182,500	154,000	154,144	144
Investment earnings	3,000	3,100	3,637	537
Surplus property sales	1,200	-	-	-
Use of fund balance	560,527	281,501	-	(281,501)
Total revenues	7,147,783	6,911,851	6,627,859	(283,992)
Expenditures				
General government	2,018,511	1,986,769	1,954,082	32,687
Judicial	162,500	168,300	143,556	24,744
Public safety	2,265,798	2,391,530	2,910,399	(518,869)
Public works	1,877,392	1,608,476	1,642,819	(34,343)
Culture and recreation	397,950	421,550	383,169	38,381
Housing and development	379,000	322,400	283,708	38,692
Debt Service				
Principal	-	-	65,406	(65,406)
Total expenditures	7,101,151	6,899,025	7,317,733	(418,708)
Excess (deficiency) of revenues over expenditures	46,632	12,826	(689,874)	(702,700)
Other Financing Sources (Uses)				
Inception of capital lease obligation	-	-	547,970	(547,970)
Payments on capital lease obligation	-	-	-	-
Total other financing sources (uses)	-	-	547,970	(547,970)
Net changes in fund balances	\$ 46,632	\$ 12,826	(141,904)	\$ (702,700)
Fund balances - beginning of year			5,326,872	
Fund balances - end of year			\$ 5,184,968	

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

CITY OF GROVETOWN, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPLOST 2011-2016
YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 855,000	\$ 1,595,758	\$ 1,414,586	\$ (181,172)
Investment earnings	50	600	717	117
Use of fund balance	1,144,950	403,642	-	(403,642)
Total revenues	2,000,000	2,000,000	1,415,303	(584,697)
Expenditures				
Capital outlay	2,000,000	2,000,000	593,473	1,406,527
Total expenditures	2,000,000	2,000,000	593,473	1,406,527
Excess of revenues over expenditures	-	-	821,830	821,830
OTHER FINANCING SOURCES				
Transfer to water and sewer fund for capital purchases	-	-	(807,799)	(807,799)
Net changes in fund balances	\$ -	\$ -	14,031	\$ 14,031
Fund balances - beginning of year			1,690,542	
Fund balances - end of year			\$ 1,704,573	

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

CITY OF GROVETOWN, GEORGIA
STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2016

	Water & Sewer Fund	Stormwater Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,564,487	\$ 249,063	\$ 2,813,550
Receivables	204,317	-	204,317
Due from other funds	34,801	1,902	36,703
Prepaid items	7,000	-	7,000
Total current assets	<u>2,810,605</u>	<u>250,965</u>	<u>3,061,570</u>
Noncurrent assets			
Restricted cash and cash equivalents	206,242	-	206,242
Due from other funds	346,807	-	346,807
Capital assets:			
Non-depreciable assets	1,231,559	-	1,231,559
Depreciable assets, net of accumulated depreciation	<u>5,790,770</u>	<u>6,688</u>	<u>5,797,458</u>
Total non-current assets	<u>7,575,378</u>	<u>6,688</u>	<u>7,582,066</u>
Total assets	<u>10,385,983</u>	<u>257,653</u>	<u>10,643,636</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	18,464	-	18,464
Pension revenue difference	2,866	-	2,866
Pension investment return	<u>18,280</u>	<u>-</u>	<u>18,280</u>
Total deferred outflows of resources	<u>39,610</u>	<u>-</u>	<u>39,610</u>
LIABILITIES			
Current liabilities			
Accounts payable	295,608	5,621	301,229
Due to other funds	24,368	30,000	54,368
Payable from restricted assets:			
Accrued interest	4,553	-	4,553
Customer deposits	62,794	-	62,794
Current portion of compensated absences	1,877	1,923	3,800
Current portion of bonds, notes, and loans payable	<u>240,383</u>	<u>-</u>	<u>240,383</u>
Total current liabilities	<u>629,583</u>	<u>37,544</u>	<u>667,127</u>
Non-current liabilities			
Compensated absences	20,894	2,391	23,285
Due to other funds	-	395,740	395,740
Net pension liability	106,558	-	106,558
Bonds, notes, and loans payable	<u>2,217,579</u>	<u>-</u>	<u>2,217,579</u>
Total non-current liabilities	<u>2,345,031</u>	<u>398,131</u>	<u>2,743,162</u>
Total liabilities	<u>2,974,614</u>	<u>435,675</u>	<u>3,410,289</u>
DEFERRED INFLOWS OF RESOURCES			
Pension experience differences	4,390	-	4,390
Changes in pension assumptions	<u>1,841</u>	<u>-</u>	<u>1,841</u>
Total deferred inflows of resources	<u>6,231</u>	<u>-</u>	<u>6,231</u>
NET POSITION			
Net investment in capital assets	4,564,367	6,688	4,571,055
Restricted for debt service	244,936	-	244,936
Unrestricted	<u>2,635,445</u>	<u>(184,710)</u>	<u>2,450,735</u>
Total net position	<u>\$ 7,444,748</u>	<u>\$ (178,022)</u>	<u>\$ 7,266,726</u>

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

CITY OF GROVETOWN, GEORGIA
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2016

	Water & Sewer Fund	Stormwater Fund	Total
Operating revenues			
Water sales	\$ 1,897,057	\$ -	\$ 1,897,057
Sewer sales	1,286,310	-	1,286,310
Water and wastewater tap fees	160,904	-	160,904
Stormwater fees	-	264,581	264,581
Late fees	129,169	-	129,169
Other	60,867	-	60,867
Total operating revenue	<u>3,534,307</u>	<u>264,581</u>	<u>3,798,888</u>
Operating expenses			
Salaries and benefits	710,719	46,282	757,001
Professional fees	20,011	11,950	31,961
Technical services	10,805	-	10,805
Testing and training	5,333	758	6,091
Vehicle expense	23,490	4,817	28,307
Insurance and pension cost	138,868	9,128	147,996
Utilities	68,906	-	68,906
Maintenance and repair	425,302	4,557	429,859
Chemicals	14,599	-	14,599
Postage and supplies	20,213	2,756	22,969
Bank card merchant fees	17,465	-	17,465
Miscellaneous	31,112	1,146	32,258
County water and sewerage	1,201,396	-	1,201,396
Depreciation	385,713	2,230	387,943
Total operating expenses	<u>3,073,932</u>	<u>83,624</u>	<u>3,157,556</u>
Operating income	<u>460,375</u>	<u>180,957</u>	<u>641,332</u>
Nonoperating revenues (expenses)			
Investment income	1,395	90	1,485
Interest expense	(60,660)	-	(60,660)
Capital contribution from SPLOST	807,799	-	807,799
Theft loss	(27,439)	-	(27,439)
Capital contribution - loan forgiveness	50,000	-	50,000
Total non-operating revenues (expenses)	<u>771,095</u>	<u>90</u>	<u>771,185</u>
Change in net position	1,231,470	181,047	1,412,517
Net position, beginning of year	<u>6,213,278</u>	<u>(359,069)</u>	<u>5,854,209</u>
Net position - end of year	<u><u>\$ 7,444,748</u></u>	<u><u>\$ (178,022)</u></u>	<u><u>\$ 7,266,726</u></u>

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

CITY OF GROVETOWN, GEORGIA
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
DECEMBER 31, 2016

	Water & Sewer Fund	Stormwater Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 3,578,451	\$ 287,736	\$ 3,866,187
Cash payments to suppliers for goods and services	(1,789,539)	(82,920)	(1,872,459)
Cash payments to employees for services	(867,749)	(45,476)	(913,225)
Net cash from operating activities	<u>921,163</u>	<u>159,340</u>	<u>1,080,503</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(14,500)	-	(14,500)
Principal payments on debt	(183,453)	-	(183,453)
Interest payments on debt	(60,660)	-	(60,660)
Net cash from capital and related financing activities	<u>(258,613)</u>	<u>-</u>	<u>(258,613)</u>
Cash flows from investing activities			
Interest earned on cash and investments	1,395	90	1,485
Net cash from investing activities	<u>1,395</u>	<u>90</u>	<u>1,485</u>
Change in cash and cash equivalents	663,945	159,430	823,375
Cash and cash equivalents, beginning of year	<u>2,106,784</u>	<u>89,633</u>	<u>2,196,417</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,770,729</u></u>	<u><u>\$ 249,063</u></u>	<u><u>\$ 3,019,792</u></u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 460,375	\$ 180,957	\$ 641,332
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	385,713	2,230	387,943
Theft loss	(27,439)	-	(27,439)
Net change in assets and liabilities			
Other and accounts receivable	(31,684)	-	(31,684)
Prepaid items	(7,000)	-	(7,000)
Amounts due from other funds	101,875	23,155	125,030
Accounts payable and accrued liabilities	168,723	4,703	173,426
Customer deposits	1,392	-	1,392
Net pension changes and deferred inflows/outflows related to pension activity	(28,428)	-	(28,428)
Compensated absences	10,266	806	11,072
Accrued interest	623	-	623
Due to other funds	(113,253)	(52,511)	(165,764)
Net cash provided by operating activities	<u><u>\$ 921,163</u></u>	<u><u>\$ 159,340</u></u>	<u><u>\$ 1,080,503</u></u>
Non-cash transactions			
The city had a non-cash transaction relating to GEFA forgiveness of debt	\$ 50,000	\$ -	\$ 50,000
Net capital assets transferred in from governmental funds	807,799	-	807,799
Reconciliation of cash and cash equivalents			
Cash and cash equivalents	2,564,487	249,063	2,813,550
Non-current restricted cash and cash equivalents	206,242	-	206,242
	<u><u>\$ 2,770,729</u></u>	<u><u>\$ 249,063</u></u>	<u><u>\$ 3,019,792</u></u>

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

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 - Summary of significant accounting policies

The accounting and reporting policies of the City of Grovetown (the “City”) reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

A. Financial reporting entity - basis of presentation

Primary Government - The City was created in 1881. The City provides public safety, streets and highways, public improvements, culture and recreation, planning and development, and general and administrative services to its population. The accompanying financial statements present the City’s primary government, for which the City is financially accountable. Additionally, the City is not financially accountable for any component units.

B. Government-wide and fund financial statements

The *government-wide financial statements* include the statement of net position and the statement of activities. Government-wide financial statements report information on all 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 financial 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 capital requirements of a function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

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 are reflected in a single column in the fund balance sheet and the fund statement of revenues, expenditures, and changes in fund balance.

C. Measurement focus, basis of accounting, and financial statement presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing and related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements have been met. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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 as they are both measurable and available. Revenues are considered to be available when they are collected within the current fiscal 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. 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 City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City and is always classified as a 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 acquisitions.

The *Special Purpose Local Option Sales Tax (SPLOST)* Fund is used to account for monies received from intergovernmental revenues (i.e. special purpose local option sales taxes) for various City projects. The fund is classified as a major fund.

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.

Proprietary funds are 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 the goods or services. Non-operating revenues and expenses are items such as investment income and interest expenses that are not a result of the direct operations of the activity.

The City reports the following proprietary funds:

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

Stormwater Fund to account for the City's stormwater operations and related capital projects.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 - Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

a. Cash, cash equivalents and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less. 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 GAAP. All investment income is recognized as revenue in the appropriate fund's statement of activity of revenues, expenditures and changes in fund balance.

b. Receivables and payables

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.

Accounts receivable 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 uncollectible accounts.

c. Deferred outflows/inflows of resources

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

In addition to liabilities, the balance sheet of the governmental funds reports a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 - Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

d. Inventories and prepaid expenses

Inventories of the General and Proprietary Funds are accounted for as expenditures at the time of purchase. Expenditures for insurance and similar services extending over more than one accounting period are allocated between accounting periods. Reported prepaid expenses are equally offset by a nonspendable fund balance reserve.

e. 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 \$5,000 or more. Computers and weapons, regardless of cost, are included as capital assets. Infrastructure assets include City-owned roads, curbs, sidewalks and drainage. 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:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Improvements	10-40
Infrastructure	25-50
Furniture and Fixtures	5-7
General Equipment	5-10
Vehicles	4-7
Computer Hardware	3-5

f. Compensated absences and post-retirement benefits

The vacation policy of the City provides for the accumulation of up to a certain amount of earned vacation leave with such leave being fully vested when earned. For the City's government-wide financial statements and proprietary fund financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded when leave is earned.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 - Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

f. Compensated absences and post-retirement benefits (continued)

The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. No accrual has been established for accumulated sick leave of employees since it is the City's policy to record the cost of sick leave only when it is used.

g. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

h. Unemployment compensation benefits

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

i. Net position

Net position represents the difference between assets, deferred outflows, deferred inflows and liabilities. Net position invested in capital assets, net of related debt, 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 position is reported as restricted as described in the fund balance section below.

j. 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) not in spendable form or (b) legally or contractually required to be maintained intact. The City has the following non-spendable fund balances:

- General fund - \$40,823 in prepaid items.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 - Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

j. Fund balance (continued)

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. The City has the following restricted fund balances:

- SPLOST 2011-2016 Fund - \$1,704,573 externally imposed by laws or regulations of other governments for capital projects.
- Other non-major governmental activities - \$448,906 externally imposed by laws or regulations of other governments. Of this amount \$450,574 is for capital projects and \$2,102 is for public safety.

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.

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. The City has \$5,144,145 in unassigned general fund balance.

The flow assumption for the classification of fund balances are as follows: The City considers an expenditure to be made from the most restrictive first when more than one classification is available. The City would typically use the restricted first, followed by committed resources, and the assigned resources, as appropriate opportunities arrive, but reserve the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 - Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

k. Use of estimates

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

l. Theft loss

The preparation of basic financial statements in conformance with GAAP requires management to record losses due to theft in an amount that is reasonably estimable. In 2016, based on the results of an independent forensic audit, the City reasonably estimates the 2016 loss to be \$27,439.

E. Stewardship, compliance, and accountability budgetary information

During the year preceding 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 Administrator 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 year, if 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, 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 to reserve that portion of the applicable appropriation, is not used by the City.

As of December 31, 2016, the Stormwater fund reported a \$178,022 deficit in fund balance.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2 - Deposits, investments and investment policies

Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. 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. At December 31, 2016, the carrying amount of the City's deposits was \$10,756,419 and is classified as cash and cash equivalents and restricted cash in the accompanying statement of net position. At December 31, 2016, \$10,006,419 of the City's approximate \$10,756,419 bank balance was exposed to custodial credit risk as follows:

Collateral held by pledging bank's trust department not in the City's name	\$ 8,819,216
Collateral held by pledging bank's trust department in the City's name	1,187,203

Investments - The City had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
Primary Government		
Certificates of Deposit	Average of 180 days	\$ 1,024,195
Water and Sewer Fund		
Certificate of Deposit	Average of 180 days	147,236

The City has investments subject to its control and jurisdiction in certificates of deposits of banks which have deposits insured by the Federal Deposit Insurance Corporation, and other legal investments.

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

Note 3 - Receivables

Property tax receivables - The Columbia County Tax Commissioner bills and collects property taxes, then remits the City its respective share of property taxes. Property taxes for 2016 were levied on August 15, 2016 and were due November 15, 2016. Thirty (30) days after the due date, the unpaid taxes became a lien. Unpaid property taxes received within 60 day of the year end are recognized and recorded as revenue.

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.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3 - Receivables (continued)

Intergovernmental receivables - The City receives approximately 9.5% of a 1% local option sales tax on all retail sales within the County. 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 received during the year ended December 31, 2016 amounted to \$1,793,980.

The City also receives approximately 5.8% of 1% (SPLOST) funds, Special Purpose 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 SPLOST funds received during the year ended December 31, 2016 amounted to \$1,414,586.

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 GAAP are as follows:

	Governmental Activities	Business-type Activities	Total
Taxes	\$ 50,957	\$ -	\$ 50,957
Intergovernmental	174,369	-	174,369
Accounts	302,959	205,347	508,306
Gross receivables	528,285	205,347	733,632
Less allowance for uncollectible accounts	(800)	(1,030)	(1,830)
Total receivables, net	<u>\$ 527,485</u>	<u>\$ 204,317</u>	<u>\$ 731,802</u>

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4 - Capital assets

Changes in capital assets for governmental activities are as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental activities:					
<i>Non-depreciable assets:</i>					
Land	\$ 1,807,408	\$ -	\$ -	\$ -	\$ 1,807,408
Construction in progress	351,564	1,070,041	(776,959)	(351,564)	293,082
	<u>2,158,972</u>	<u>1,070,041</u>	<u>(776,959)</u>	<u>(351,564)</u>	<u>2,100,490</u>
<i>Depreciable assets:</i>					
Infrastructure	22,191,262	229,673	-	-	22,420,935
Buildings and improvements	6,737,635	363,015	-	-	7,100,650
Vehicles and equipment	4,011,602	715,005	(27,340)	-	4,699,267
Utility systems	79,259	92,511	(3,500)	-	168,270
	<u>33,019,758</u>	<u>1,400,204</u>	<u>(30,840)</u>	<u>-</u>	<u>34,389,122</u>
<i>Accumulated depreciation:</i>					
Infrastructure	(11,650,399)	(541,177)	-	-	(12,191,576)
Buildings and improvements	(2,056,828)	(169,212)	-	-	(2,226,040)
Vehicles and equipment	(2,856,020)	(425,747)	-	-	(3,281,767)
Utility systems	(1,986)	(4,001)	-	-	(5,987)
	<u>(16,565,233)</u>	<u>(1,140,137)</u>	<u>-</u>	<u>-</u>	<u>(17,705,370)</u>
Total capital assets being depreciated, net	<u>16,454,525</u>	<u>260,067</u>	<u>(30,840)</u>	<u>-</u>	<u>16,683,752</u>
Total Governmental Activities	<u>\$ 18,613,497</u>	<u>\$ 1,330,108</u>	<u>\$ (807,799)</u>	<u>\$ (351,564)</u>	<u>\$ 18,784,242</u>

Assets with an initial cost of \$5,000 or more and an estimated useful life of more than two years are capitalized.

Depreciation expense for the year ended December 31, 2016 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 85,966
Public safety	370,494
Public works	582,056
Recreation	101,621
Total depreciation expense	<u>\$ 1,140,137</u>

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4 - Capital assets (continued)

A summary of changes in capital assets for business-type activities are as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Business-type activities:					
<i>Non-depreciable assets:</i>					
Land	\$ 309,450	\$ -	\$ -	\$ -	\$ 309,450
CIP	145,150	-	776,959	-	922,109
	<u>454,600</u>	<u>-</u>	<u>776,959</u>	<u>-</u>	<u>1,231,559</u>
<i>Depreciable assets:</i>					
Vehicles	312,552	-	-	-	312,552
Machinery and equipment	652,528	14,500	27,340	-	694,368
Utility systems	11,583,450	-	3,500	-	11,586,950
	<u>12,548,530</u>	<u>14,500</u>	<u>30,840</u>	<u>-</u>	<u>12,593,870</u>
<i>Accumulated depreciation:</i>					
Vehicles	(207,272)	(34,148)	-	-	(241,420)
Machinery and equipment	(188,072)	(72,902)	-	-	(260,974)
Utility systems	(6,013,125)	(280,893)	-	-	(6,294,018)
	<u>(6,408,469)</u>	<u>(387,943)</u>	<u>-</u>	<u>-</u>	<u>(6,796,412)</u>
Total capital assets being depreciated, net	<u>6,140,061</u>	<u>(373,443)</u>	<u>30,840</u>	<u>-</u>	<u>5,797,458</u>
Total business-type activities	<u>\$ 6,594,661</u>	<u>\$ (373,443)</u>	<u>\$ 807,799</u>	<u>\$ -</u>	<u>\$ 7,029,017</u>

Note 5 - Capital lease obligations

The City has entered into several long-term lease agreements for machinery and equipment and vehicles. Although the leases contain clauses which provide that the leases are cancelable if funds are not appropriated for periodic payments for any future fiscal periods, the leases meet the criteria of a capital lease as defined by the National Council on Governmental Accounting Statement No. 5, *Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments*. The following is an analysis of the capital assets leases under capital leases as of December 31, 2016:

	Governmental Funds
Machinery and equipment	\$ 307,000
Vehicles	<u>240,970</u>
	547,970
Accumulated depreciation	<u>(134,395)</u>
Carry value	<u>\$ 413,575</u>

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 5 - Capital lease obligations (continued)

The following is a schedule of the future minimum lease payments under capital leases and the present value of the net minimum lease payments as of December 31, 2016:

Year Ending December 31,	Governmental Funds
2017	\$ 92,519
2018	211,197
2019	178,848
Total	<u>\$ 482,564</u>

Note 6 - Long-term debt

Debt under governmental activities consist of the following for the year ended December 31, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 112,384	\$ 83,530	\$ (99,789)	\$ 96,125	\$ 20,645
Leases payable	-	547,970	(65,406)	482,564	92,519
Net Pension Liability	403,481	263,999	(81,410)	586,070	-
	<u>\$ 515,865</u>	<u>\$ 895,499</u>	<u>\$ (246,605)</u>	<u>\$ 1,164,759</u>	<u>\$ 113,164</u>

Debt under business-type activities consists of the following for the year ended December 31, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Water and Sewer refunding bond	\$ 650,000	\$ -	\$ (120,000)	\$ 530,000	\$ 125,000
GEFA Note	1,241,415	-	(63,453)	1,177,962	65,383
GEFA Note - forgiven portion	800,000	-	(50,000)	750,000	50,000
Compensated absences	16,013	23,395	(12,323)	27,085	3,800
Net Pension Liability	113,802	48,000	(55,244)	106,558	-
	<u>\$ 2,821,230</u>	<u>\$ 71,395</u>	<u>\$ (301,020)</u>	<u>\$ 2,591,605</u>	<u>\$ 244,183</u>

A summary of notes payable as of December 31, 2016 follows:

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 City's outstanding 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 relating to the issue of the Series 2005 Bond. The interest rate is 3.64% per annum and consists of 15 payments. Interest expense during 2016 was \$23,660.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 6 - Long-term debt (continued)

Principal and interest payments are as follows:

Year Ending December 31,	Principal	Interest	Total Payment
2017	\$ 125,000	\$ 19,292	\$ 144,292
2018	130,000	14,742	144,742
2019	135,000	10,010	145,010
2020	140,000	5,096	145,096
Total	<u>\$ 530,000</u>	<u>\$ 49,140</u>	<u>\$ 579,140</u>

In 2009, the City of Grovetown signed a \$2,500,000 note payable contract along with \$1,000,000 principal forgiveness as part of the American Reinvestment Recovery Act. This funding is to help finance the water system improvements. Payments of \$8,319 are made monthly on the \$1,500,000 unforgiven portion with interest. The interest rate is 3.00% per annum and interest expense during 2016 was \$36,375.

Principal and interest payments are as follows:

Year Ending December 31,	Principal	Interest	Total Payment
2017	\$ 65,383	\$ 34,445	\$ 99,828
2018	67,372	32,456	99,828
2019	69,421	30,407	99,828
2020	71,532	28,296	99,828
2021	73,708	26,120	99,828
2022-2026	403,562	95,575	499,137
2027-2030	426,984	30,560	457,544
Total	<u>\$ 1,177,962</u>	<u>\$ 277,859</u>	<u>\$ 1,455,821</u>

The notes are expected to be paid with resources of the proprietary funds and thus are reported as liabilities of those funds.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 6 - Long-term debt (continued)

The \$1,000,000 forgiven portion is amortized over the life of the existing note and is considered only as a long-term liability. No interest is accrued. Principal forgiveness is as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 50,000	\$ -	\$ 50,000
2018	50,000	-	50,000
2019	50,000	-	50,000
2020	50,000	-	50,000
2021	50,000	-	50,000
2022-2026	250,000	-	250,000
2027-2030	250,000	-	250,000
Total	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>

Note 7 - Interfund receivables/transfers

Interfund receivable and payable balances as of December 31, 2016, are as follows:

Receivable Fund	Payable Fund	Amount
Water and Sewer Fund	General Fund	\$ 4,801
Water and Sewer Fund	Stormwater Fund	376,807
General Fund	Water and Sewer Fund	22,466
General Fund	Stormwater Fund	48,933
Stormwater Fund	Water and Sewer Fund	1,902

Interfund transfers that occurred during the year ended December 31, 2015, were as follows:

Transfer in	Transfer out	Total
Water and Sewer Fund	SPLOST	<u>\$ 807,799</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 between the Water and Sewer Fund and the General Fund within one year. Approximately \$30,000 of the interfund balance between the Water and Sewer Fund and the Stormwater Fund is considered current and due within one year.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8 - 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.

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' 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.

As of December 31, 2016, 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.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 9 - Pension plan

Plan description - 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 contribution pension plan that acts as a common investment and administrative agent for cities in the state of Georgia. 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. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to GMEBS, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Plan membership - As of July 1, 2016, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to, but not receiving benefits	13
Active vested plan members	31
Active nonvested plan members	<u>63</u>
Total plan membership	<u>125</u>

Contributions - City employees are not required to contribute to the Plan. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The City funds the required minimum contributions. 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 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 the Plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2016, the City's contribution rate was 4.99% of annual payroll. City contributions to the Plan were \$176,599 for the year ended December 31, 2016.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 9 - Pension plan (continued)

Net pension liability - The City's net pension liability was measured as of March 31, 2016, which would make it applicable to the fiscal year beginning January 1, 2016 and ending December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

Actuarial assumptions - The mortality and economic actuarial assumptions used in the July 1, 2016 valuation were approved GMEBS Board of Trustees in December 2014 based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.75%
Projected salary increases	3.25%
Cost of living adjustment	0.00%

Mortality rates for the valuation period were based on the RP-2000 Mortality Tables with sex-distinct rates, set forward two years for males and one year for females. The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.

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 target asset allocation percentage and by adding expected inflation. Best estimates are arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.75%
International equity	20%	7.45%
Real estate	10%	4.55%
Global fixed income	5%	3.30%
Domestic fixed income	20%	1.75%
Total	100%	

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 9 - Pension plan (continued)

Discount rate - The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to actuarially determine contribution rates assumed that City contributions will be made at rates equal to the actuarial determined rates. 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 the projected benefit payments to determine the total pension liability.

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current year.

The City's net pension liability as calculated at the discount rates noted above are as follows:

1% decrease (6.75%)	\$1,167,254
Current rate (7.75%)	\$692,628
1% increase (8.75%)	\$299,975

Changes in net pension liability - The changes in the components of the net pension liability for the City for the year ended December 31, 2016 were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 03/31/2015	\$ 2,919,250	\$ 2,401,967	\$ 517,283
Changes for the year:			
Service cost	104,989	-	104,989
Interest	223,160	-	223,160
Differences between expected and actual experience	21,736	-	21,736
Contributions - employer	-	176,599	(176,599)
Contributions - employee	-	-	-
Net investment income	-	9,111	(9,111)
Benefit payments, including refunds of employee contributions	(79,540)	(79,540)	-
Administrative expense	-	(11,170)	11,170
Other	-	-	-
Net changes	270,345	95,000	175,345
Balances at 03/31/2016	\$ 3,189,595	\$ 2,496,967	\$ 692,628

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 9 - Pension plan (continued)

The required schedule of changes in the City's net pension liability and related ratios in the required supplementary information section presents multiyear trend information about whether the value of plan assets are increasing or decreasing over time relative to the total pension liability.

Pension expense and deferred outflows/inflows of resources related to pensions - For the year ended December 31, 2016, the City recognized pension expense of \$173,776. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,630	\$ (28,536)
Changes of assumptions	-	(11,964)
Net difference between projected and actual earnings on pension plan investments	118,820	-
City contributions subsequent to the measurement date	120,014	-
Total	<u>\$ 257,464</u>	<u>\$ (40,500)</u>

City contributions subsequent to the measurement date of \$120,014 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2017	\$ 23,937
2018	23,937
2019	23,937
2020	32,429
2021	(3,645)
2022 and thereafter	(3,645)
Total	<u>\$ 96,950</u>

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 10 - Joint venture

The City, in conjunction with other cities and counties located in the thirteen county east central Georgia area, is a member of the CSRA Regional Commission and is required to pay annual dues thereto. Membership in a regional commission is required by the Official Code of Georgia Annotated (O.C.G.A.) Section 50-8-34, which provides for the organizational structure of regional commissions in Georgia. The regional commission board membership includes the chief official of each county and municipality of the area. O.C.G.A. Section 50-8-39.1 provides that member governments are liable for any debts or obligations of the regional commission. Separate financial statements may be obtained from:

CSRA Regional Commission
3626 Walton Way Extension, Suite 300
Augusta, GA 30909

Note 11 - Landfill post closure costs

The City contracts with Advanced Disposal, Inc. to dispose of its solid waste materials. During 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 not material. 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 may cause changes in the post closure care cost. If at such time that the post closure care cost is determined, a liability will be recorded and the appropriate disclosure will be reflected in the financial statements. There were no maintenance costs related to post closure care during the year ended December 31, 2016.

Note 12 - Commitments

Significant commitments at December 31, 2016 are composed of the following:

	<u>Project Authorization</u>	<u>Expended through December 31, 2016</u>	<u>Commitment</u>
Water Water Treatment Plant	\$ 23,224,100	\$ 662,999	\$ 22,561,101

The City has entered into an agreement for the future operations and maintenance of a new Waste Water Treatment Plant for the purpose of redirecting all waste water in the City to the new plant. The agreement is between: the City, Turnipseed Engineers and the Georgia Environmental Finance Authority (GEFA). Turnipseed Engineers is responsible for the design and construction of the plant. The City will be responsible for the operations of the plant once it becomes active. Its anticipated completion date is September 2019. The City entered into contract for financing with GEFA in January 2017 for the financing of the project. GEFA has required the City to pledge the use of the City's revenue raising power (including its taxing power) as security for the payments to be made and the obligations required to be performed under the loan agreement.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 13 - Contingencies

The City is a defendant in various lawsuits. In the opinion of the City's management and the City Attorney, the ultimate effect of these matters will not have a material adverse effect on the financial condition of the City.

Note 14 - Subsequent events

In 2016, the City discovered assets relating to billings and collections for charges for services in the Water and Sewer Fund were misappropriated by an employee. In 2016, the Federal Bureau of Investigation and the U.S. Department of the Treasury investigated the employee. Additionally, the City engaged a public accounting firm to perform a forensic audit. The results of the forensic audit indicated that approximately \$382,000 had been misappropriated during April 2015 - June 2016. On September 3, 2018 the City received \$500,000 from the City's insurance company related to the claim filed by the City in response to the losses suffered by the City for misappropriated funds.

Because of the asset misappropriation identified by the Federal Bureau of Investigation, the City was involved in class-action litigation with citizens who may have been affected by the fraudulent activity. The litigation was settled by the City on January 9, 2017. The City was required to pay \$1,500,000 into a Class Action Settlement Fund created under the settlement agreement. Final order and judgement was entered by the court on June 26, 2017. Per the terms of the settlement agreement, all remaining funds in the Settlement Fund following payments of all claims and attorney's fees would be returned to the City. On March 8, 2018, \$602,000 was returned to the City.

In 2016, the City was involved in a lawsuit with a former employee who filed suits against the City based on allegations of retaliation in violation of the whistleblower statute, unlawful retaliation and civil rights violations including claims for back pay. The suit was settled in mediation on March 29, 2017 for \$150,000. The City contributed \$70,000 toward the settlement and the City's insurance contributed \$80,000 toward the settlement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GROVETOWN, GEORGIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
DECEMBER 31, 2016

Total pension liability	
Service cost	\$ 104,989
Interest on total pension liability	223,160
Differences between expected and actual experience	21,736
Benefit payments	(79,540)
Other	<u>-</u>
Net change in total pension liability	270,345
Total pension liability - beginning	<u>2,919,250</u>
Total pension liability - ending (1)	<u><u>\$3,189,595</u></u>
 Plan fiduciary net position	
Employer contributions	\$ 176,599
Net investment income	9,111
Benefit payments	(79,540)
Administrative expense	<u>(11,170)</u>
Net change in fiduciary net position	95,000
Plan fiduciary net position - beginning	<u>2,401,967</u>
Plan fiduciary net position - ending (2)	<u><u>\$2,496,967</u></u>
Net pension liability (1) - (2)	692,628
Plan fiduciary net position as a % of total pension liability	78.28%
Covered-employee payroll	3,121,305
City's net pension liability as a % of covered payroll	22.19%

**Historical information prior to the implementation of GASB 67/68 is not required.*

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
DECEMBER 31, 2016**

Actuarially determined contribution	\$ 159,780
Contributions in relation to the actuarially determined contribution	<u>(146,465)</u>
Contribution deficiency (excess)	<u><u>\$ 13,315</u></u>
 Covered-employee payroll	 3,121,305
 Contributions as a % of covered-employee payroll	 4.69%

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
DECEMBER 31, 2016**

	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered employee payroll	City's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percent of the total pension liability
12/31/2016	21.72%	\$ 692,628	\$ 3,121,305	22.19%	78.28%
12/31/2015	17.72%	\$ 517,283	\$ 2,930,135	17.65%	82.28%

CITY OF GROVETOWN, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

Note 1 - Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1 of the year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for the remaining unfunded liability
Remaining amortization period of 10 years	Varies for the bases, with a net effective amortization period
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial assumptions:

Net investment rate of return	7.75%
Projected salary increases	3.25% plus service based merit increases
Cost of living adjustments	0.00%

Note 2 - Changes in methods and assumptions

Because of the new administrative fee structure, the administrative expense assumption changed as follows:

	<u>Current</u>	<u>Prior</u>
Base fee	\$6,500	\$5,000
Per active and terminated vested participant	\$54	\$50
Per retiree and beneficiary	\$66	\$50
Percentage of the market value of assets	0.06%	0.05%

Based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014, the following assumptions were changed in the July 1, 2016 valuation:

- The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.

CITY OF GROVETOWN, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

Note 2 - Changes in methods and assumptions (continued)

- The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
- The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70. If retirement is not available at a given age or a participant does not meet the plan's service criteria to retire at a given age, no retirement is assumed at that age.
- The inflation assumption was decreased from 3.50% to 3.25%.
- The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

COMBINING FUND STATEMENTS

**CITY OF GROVETOWN, GEORGIA
COMBINED BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	Special Revenue Fund	Capital Project Fund	
	Police Seizure Fund	Transportation SPLOST	Total
Assets			
Cash and investments	\$ 2,102	\$ 432,348	\$ 434,450
Accounts receivable	-	18,226	18,226
Total assets	<u>2,102</u>	<u>450,574</u>	<u>452,676</u>
Liabilities			
Accounts payable	-	3,770	3,770
Total liabilities	<u>-</u>	<u>3,770</u>	<u>3,770</u>
Fund balances			
Restricted	2,102	446,804	448,906
Total fund balances	<u>2,102</u>	<u>446,804</u>	<u>448,906</u>
Total liabilities and fund balances	<u>\$ 2,102</u>	<u>\$ 450,574</u>	<u>\$ 452,676</u>

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

CITY OF GROVETOWN, GEORGIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	Special Revenue Fund	Capital Project Fund	
	Police Seizure Fund	Transportation SPLOST	Total
Revenues			
Intergovernmental	\$ 373	\$ 181,878	\$ 182,251
Investment earnings	-	179	179
Total revenues	<u>373</u>	<u>182,057</u>	<u>182,430</u>
Expenditures			
Current:			
Public safety	2,233	-	2,233
Capital outlay	-	58,700	58,700
Total expenditures	<u>2,233</u>	<u>58,700</u>	<u>60,933</u>
Excess of revenues over expenditures	<u>(1,860)</u>	<u>123,357</u>	<u>121,497</u>
Net changes in fund balance	(1,860)	123,357	121,497
Fund balances - beginning	<u>3,962</u>	<u>323,447</u>	<u>327,409</u>
Fund balances - ending	<u><u>\$ 2,102</u></u>	<u><u>\$ 446,804</u></u>	<u><u>\$ 448,906</u></u>

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

COMPLIANCE SECTION



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

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

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grovetown, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Grovetown, Georgia's basic financial statements and have issued our report thereon dated March 5, 2019. Our report disclaims an opinion on such financial statements because the City experienced fraud during the year which resulted in a lack of supporting documentation for cash, accounts receivable and revenues. Due to the fraud and subsequent investigations, the City was unable to provide supporting documentation for a majority of the revenue transactions selected for testing during the audit. Further, we were unable to determine the completeness of the City's cash, accounts receivable and revenues. As a result of this matter, we were unable to determine whether any adjustments might have been found that would affect the accuracy and completeness of the financial statements as a whole.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the City of Grovetown, Georgia, we considered the City of Grovetown, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Grovetown, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grovetown, 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies identified as items 2016-001, 2016-002, 2016-003, 2016-004 and 2016-005 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency identified as 2016-006 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the City of Grovetown, Georgia, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-006. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

City of Grovetown, Georgia's Response to Findings

City of Grovetown, Georgia's responses to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. City of Grovetown, Georgia's response was not subjected to the auditing procedures applied in the engagement to audit 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 engagement to perform an audit 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.

Serotta Maddocks Evans & Co.
 SEROTTA MADDOCKS EVANS & CO., CPA's

Augusta, Georgia
 March 5, 2019

CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016

A. Summary of Audit Results

1. The auditors' report reflects a disclaimer of opinion on whether the financial statements of the City of Grovetown, Georgia were prepared in accordance with accounting principles generally accepted in the United States of America.
2. Five material weaknesses relating to the audit of the financial statements are reported in the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. One instance of noncompliance with laws, regulations and the provisions of budgets and financial reporting requirements that is material to the basic financial statements of the City of Grovetown, Georgia, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.

B. Findings - Financial Statement Audit

Material Weaknesses:

2016-001: Lack of segregation of duties over journal entry postings

Condition: The City does not have policies and procedures in place for the preparation, processing, and approval of journal entries resulting in a lack of segregation of duties over this process.

Criteria: To control the journal entry process, the City should use journal entry forms which include the name of the preparer, the reason for the journal entry, the type of supporting documentation attached and a signature for the approval of the journal entry. Journal entries should not be prepared and posted by the same individual.

Cause: Effective policies and procedures are not in place to ensure the propriety or completeness of the journal entries. Specifically, there are not processes in place to ensure that journal entries are properly prepared, supported, approved and monitored. Controls are not in place to ensure proper segregation of duties related to the preparation and posting of journal entries.

Effect: Financial statement amounts may be misstated and/or not properly supported. Failure to implement effective processes and procedures could increase the risks of fraud and mismanagement of funds.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures to strengthen controls over the journal entry review and approval process to ensure that all journal entries are complete, accurate, properly supported, and approved prior to posting to the general ledger.

CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016

2016-002: Lack of internal controls over identifying and recording capital assets

Condition: The City did not have all new assets added to the general ledger and assets purchased via capital lease were not recognized as expenditures in the fund financial statements.

Criteria: All capital assets should be reflected in the general ledger.

Cause: The City does not have adequate internal controls in place to identify all new capital assets for the City.

Effect: The financial statements did not accurately report the account balances and activity for the City for the reporting period.

Recommendation: To improve operating efficiency and internal control, management should establish policies and procedures to identify and record all assets owned by the City. As the City grows, it would be prudent to incorporate a capital asset tracking software system.

2016-003: Internal controls over cash receipts, deposits and reconciliations of bank accounts

Condition: During the year, the City experienced a misappropriation of cash due to a lack of segregation of duties over cash, deposits and bank reconciliations.

Criteria: Internal controls should be in place to prevent financial mismanagement and misappropriation of assets.

Cause: Deposits were being held to match the revenue by fund and the cash deposited into each fund's bank account. Total cash receipts were not deposited into the bank accounts. Accounting records were recorded to match actual cash deposited and not actual cash received.

Effect: The City experienced a misappropriation of cash assets. This resulted in inaccurate financial reporting and an understatement of revenues.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures to insure oversight of cash accounts and insure that deposits are made in a timely manner. Management should also agree daily customer receipts to the daily deposits. Controls should be in place to prevent misappropriation of assets.

CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016

2016-004: Revenue recognition in accordance with accounting principles generally accepted in the United States of America and maintaining supporting documentation

Condition: Records were unavailable for the testing of revenues for Water, Sewer and Garbage. Due to lack of records and the misappropriation identified in 2016-003, revenues are understated.

Criteria: Revenues should be recognized when realized or realizable and earned and supporting documentation should be maintained to provide accurate reporting of revenue.

Cause: The billing system is not integrated with the general ledger. The revenues are recorded on the cash basis until the end of the year, when an adjustment is posted to record the true revenue amounts. No reconciliations were performed between daily receipts and cash deposited.

Effect: Revenues are understated. Due to the lack of records, the extent of the understatement is not determinable.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures to insure revenue is being recorded in a timely manner to reduce the risk of revenue not being correctly recognized. Integrating the billing and payment system with the general ledger will improve internal controls over revenue recognition.

2016-005: Recognition of other financing sources in accordance with accounting principles generally accepted in the United States of America

Condition: The City engaged in capital lease financing during the year and the proceeds of the leases were not recognized in the fund financial statements as other financing sources.

Criteria: Financing proceeds should be recognized when proceeds are issued.

Cause: The lease proceeds were used to purchase vehicles and equipment directly from the vendor and were not recorded in the City's general ledger.

Effect: The other financing sources were understated by the amount of the lease proceeds.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures to insure borrowing transactions are recorded in the City's general ledger in accordance with accounting principles generally accepted in the United States of America.

CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016

Significant Deficiency:

2016-006: Issuance of audited financial statements within six months of the City's fiscal year end

Condition: The City did not issue audited financial statements within six months of its fiscal year end.

Criteria: Georgia law requires the City to issue audited financial statements within six months of its fiscal year end.

Cause: The City was unable to complete their audit due to investigations related to the misappropriation of assets that is noted in finding 2016-003.

Effect: The City was not in compliance with state statutes.

Recommendation: To improve internal control, operating efficiency and compliance with state statutes, the City should issue audited financial statements within the prescribed six-month time frame.



**CITY OF
GROVETOWN**
103 Old Wrightsboro Road
P.O. Box 120
GROVETOWN, GEORGIA 30813



City's Responses to Findings and Questioned Costs

Finding 2016-001: Lack of segregation of duties over journal entry postings

***Management's Response:** The City accepts the recommendation of the auditors. The City has created the position of Finance Director and Staff Accountant to help create proper segregation of duties with respect to the journal entry process. The new positions allow for proper segregation of duties related to the creation and posting of the City's journal entries.*

Finding 2016-002: Lack of internal controls over identifying and recording capital assets

***Management's response:** The City accepts the recommendation of the auditors. The City hired a Finance Director and Staff Accountant who will be responsible for the maintenance of the capital asset listing of the City. The policies of the City will be updated to improve recording of the City's capital assets.*

Finding 2016-003: Internal controls over cash receipts, deposits and reconciliations of bank accounts

***Management's response:** The City accepts the recommendation of the auditors. In 2016 the City underwent a fraud investigation that resulted in the exposure of significant deficiencies regarding internal controls over cash, deposits and bank reconciliations. There was no segregation of duties in place regarding cash handling. Beginning July 2016, policies and procedures were developed and implemented to ensure timely deposits as well as daily reconciliation of customer receipts and daily deposits. Once reconciled by the Utility Billing Supervisor, the deposits are reviewed and taken to the bank by the City Clerk. The City Clerk then provides the reviewed deposit to the Staff Accountant for additional review and posting to the City's accounting software. The Staff Accountant then provides posted transactions to the Finance Director for final review and approval.*

Finding 2016-004: Revenue recognition in accordance with accounting principles generally accepted in the United States of America and maintaining supporting documentation.

***Management's response:** The City accepts the recommendation of the auditors. In 2016, the City implemented new controls over the accounting software limiting employee access to the select modules required to perform the duties of their position. The City also implemented additional controls listed in finding 2016-003.*



**CITY OF
GROVETOWN**
103 Old Wrightsboro Road
P.O. Box 120
GROVETOWN, GEORGIA 30813



City's Responses to Findings and Questioned Costs (continued)

Finding 2016-005: Recognition of other financing source in accordance with accounting principles generally accepted in the United States of America.

***Management's response:** The City accepts the recommendation of the auditors. The City has implemented policies and procedures to properly identify other financing sources for proper recognition in the City's financial statements.*

Finding 2016-006: Issuance of audited financial statements within six month of the City's fiscal year end.

***Management's response:** The City accepts the recommendation of the auditors. The City has implemented policies and procedures to assist with timely submission of audited financial statements in the future.*

CITY OF GROVETOWN, GEORGIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2016

A. Prior Year Findings and Questioned Costs - Financial Statement Audit

Material Weaknesses

2015-001: Lack of segregation of duties over journal entry postings

Condition: The City does not have policies and procedures in place for the preparation, processing, and approval of journal entries resulting in a lack of segregation of duties over this process.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures to strengthen controls over the journal entry review and approval process to ensure that all journal entries are complete, accurate, properly supported, and approved prior to posting to the general ledger.

Status: Finding is repeated in 2016.

2015-002: Lack of internal controls over identifying and recording capital assets

Condition: The City did not have all new assets added to the general ledger.

Recommendation: To improve operating efficiency and internal control, management should establish policies and procedures to identify and record all assets owned by the City.

Status: Finding is repeated in 2016.

2015-003: Fund balances should be stated according to accounting principles generally accepted in the United States of America

Condition: Beginning fund balances were not fairly stated according to accounting principles generally accepted in the United States of America.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures sufficient for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Status: The recommendation was adopted by management. No similar findings were noted in 2016.

CITY OF GROVETOWN, GEORGIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2016

2015-004: Internal controls over cash receipts, deposits and reconciliations of bank accounts

Condition: During the year, the City experienced a misappropriation of cash due to a lack of segregation of duties over cash, deposits and bank reconciliations.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures to insure oversight of cash accounts and insure that deposits are made in a timely manner. Management should also agree daily customer receipts to the daily deposits. Controls should be in place to prevent misappropriation of assets.

Status: Finding is repeated in 2016.

2015-005: Revenue recognition in accordance with accounting principles generally accepted in the United States of America and maintaining supporting documentation

Condition: Records were unavailable for the testing of revenues for Water, Sewer and Garbage. Due to lack of records and the misappropriation identified in 2015-004, revenues are understated.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures to insure revenue is being recorded in a timely manner to reduce the risk of revenue not being correctly recognized. Integrating the billing and payment system with the general ledger will improve internal controls over revenue recognition.

Status: Finding is repeated in 2016.

Significant Deficiency:

2015-006: Preparation of a balanced budget for special revenue funds

Condition: The City did not prepare a balanced budget for the Police Seizure Fund.

Recommendation: To improve internal control, operating efficiency and compliance with state statutes, the City should approve a balanced budget for the Special Revenue Fund.

Status: The recommendation was adopted by management. No similar findings were noted in 2016.

STATE REPORTING SECTION

CITY OF GROVETOWN, GEORGIA
SCHEDULE OF PROJECT EXPENDITURES WITH
SALES TAX PROCEEDS (2011-2016)
DECEMBER 31, 2016

Project	Original Estimated Cost	Prior Year	Current Year	To Date	Percentage of completion
Tier I					
Public works equipment, vehicles and heavy equipment	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000	100.00%
Public safety vehicles, fire station, & equipment	1,762,466	2,125,683	-	2,125,683	120.61%
City facilities					
Renovations/expansions	1,600,000	1,227,284	359,925	1,587,209	99.20%
Security system	100,000	4,039	-	4,039	4.04%
Water & sewer					
Water & sewer improvements	2,000,000	375,016	814,800	1,189,816	59.49%
Equipment	200,000	-	-	-	0.00%
Computers - all departments	50,000	62,825	602	63,427	126.85%
Transportation	400,000	91,196	131,170	222,366	55.59%
Recreation					
Park improvements	1,200,000	57,540	94,775	152,315	12.69%
Total - Tier I	<u>\$ 8,312,466</u>	<u>\$ 4,943,583</u>	<u>\$ 1,401,272</u>	<u>\$ 6,344,855</u>	76.33%
Tier II					
City facilities:					
Renovations/expansions	\$ 800,000	\$ 42,161	\$ -	\$ 42,161	5.27%
Public safety:					
Vehicles	725,000	-	-	-	0.00%
Public works:					
Equipment	300,000	-	-	-	0.00%
Recreation					
Park improvements	419,422	-	-	-	0.00%
Walking trail improvements	200,000	133,752	-	133,752	66.88%
Water & sewer					
Improvements & equipment	400,000	-	-	-	0.00%
Total - Tier II	<u>\$ 2,844,422</u>	<u>\$ 175,913</u>	<u>\$ -</u>	<u>\$ 175,913</u>	6.18%
Tier III					
Museum/media center/land	<u>\$ 1,831,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.00%
Total - Tier III	<u>\$ 1,831,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.00%
Grand Total	<u><u>\$ 12,988,228</u></u>	<u><u>\$ 5,119,496</u></u>	<u><u>\$ 1,401,272</u></u>	<u><u>\$ 6,520,768</u></u>	50.21%

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