

ANNUAL FINANCIAL REPORT

**CITY OF GROVETOWN,
GEORGIA**

YEAR ENDED DECEMBER 31, 2014

**CITY OF GROVETOWN, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Grovetown, Georgia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grovetown, Georgia, as of December 31, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the schedule of funding progress on page 56-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grovetown, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, are presented for the purpose of additional analysis, and are also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedules of expenditures of special purpose local option 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. In our opinion, the combining and individual nonmajor fund financial statements and the schedules of expenditures of special purpose local option sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016, on our consideration of the City of Grovetown, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Grovetown, Georgia's internal control over financial reporting and compliance.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
February 12, 2016

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

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, 2014.

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.

Baird & Company, CPAs, LLC have issued an unmodified opinion on the City of Grovetown, Georgia's financial statements for the year ended December 31, 2014. The independent auditors' report is located at the front of the financial section of this report.

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

As management of the City of Grovetown we offer readers of the City's financial statements this narrative overview and analysis of the City for the fiscal year ended December 31, 2014.

Financial Highlights

The assets of the City of Grovetown, Georgia exceeded its liabilities at the close of the most recent calendar year by \$31,181,457. Of that amount \$22,386,344 reflects net investment in capital assets. At year end, the City's unrestricted balance totaled \$6,518,787 and could be used at the discretion of the Mayor and City Council.

The City reported \$908,043 of revenues in excess of expenses for the year ended December 31, 2014. This is a decrease of \$881,248 under the prior year revenues in excess of expenses.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City of Grovetown, Georgia's basic financial statements. The City's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains the supplementary information in addition the basic financial statements themselves. The basic financial statements include a series of financial statements as described below.

Government Wide Financial Statements

The government-wide financial statements consist of two statements: the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with information about the activities of the City as a whole and present a longer-term view of the City's finances.

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

The Statement of Net Position presents information on all of the City of Grovetown's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds' current financial resources (short term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, and storm drains, etc.), to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting. In the Statement of Net Position and the Statement of Activities, the City is divided into two categories of activities:

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law. However, the City established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants 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 focuses 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 more or less financial resources that can be spent in the near future to finance the City's programs.

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term financing decisions.

The 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 two individual governmental funds.

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 Sales Tax Fund, both of which are considered to be major funds.

Proprietary Funds

The City charges customers for the services provided (water and sewer 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. In fact, the City's enterprise fund (a component of the proprietary fund) is identical to the business-type activities that are reported in the government-wide statements but provides more detail and additional information such as cash flows for proprietary funds.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to 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 page 22 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 can be found on pages 46.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

By far the largest portion of the City's net assets (72 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

Summary of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets	\$ 7,375,640	\$ 5,610,798	\$ 2,125,097	\$ 2,358,534	\$ 9,500,737	\$ 7,969,332
Capital assets	<u>18,971,340</u>	<u>27,881,169</u>	<u>6,336,605</u>	<u>7,116,110</u>	<u>25,307,945</u>	<u>34,997,279</u>
Total assets	26,346,980	33,491,967	8,461,702	9,474,644	34,808,682	42,966,611
Liabilities						
Current liabilities	522,042	425,356	570,568	492,813	1,092,610	918,169
Long-term liabilities	<u>84,160</u>	<u>73,909</u>	<u>2,649,797</u>	<u>2,931,476</u>	<u>2,733,957</u>	<u>3,005,385</u>
Total liabilities	606,202	499,265	3,220,365	3,424,289	3,826,567	3,923,554
Net Position						
Net investment in capital assets	18,971,340	27,881,169	3,415,304	3,975,047	22,386,644	31,856,216
Restricted for:						
Debt service	-	-	229,886	223,068	229,886	223,068
Capital projects	1,846,798	956,181	-	-	1,846,798	956,181
Unrestricted	<u>4,922,640</u>	<u>4,155,352</u>	<u>1,596,147</u>	<u>1,852,240</u>	<u>6,518,787</u>	<u>6,007,592</u>
	<u>\$ 25,740,778</u>	<u>\$ 32,992,702</u>	<u>\$ 5,241,337</u>	<u>\$ 6,050,355</u>	<u>30,982,115</u>	<u>\$ 39,043,057</u>

Governmental Activities

The City's governmental revenues increased by approximately \$36,592 and expenses increased by \$776,234. Both property tax revenue and selective tax revenues contributed to the increase in total revenues. The most significant governmental expenses for the City were public safety and public works expenses. Public safety expenses totaled approximately \$2,133,511 in 2014. Public works expenses totaled approximately \$1,940,102 in 2014. The governmental activities change in net position of \$1,191,265 included a capital contribution from the SPLOST fund to the water and sewer fund. Out of total net position, \$4,922,640 is unrestricted and available for future spending.

Business-type Activities

Revenues of the City's business-type activities were \$2,683,458 which is an increase of \$334,754 from the prior year. Expenses for the City's business-type activities increased by \$476,359 to \$2,966,680. The business activities change in net position of \$(283,222) included a capital contribution from the SPLOST fund. Out of total net position, \$1,596,147 is unrestricted and available for future spending.

Total Primary Government

Overall, governmental and business-type activities decreased the City's net assets by \$908,043 for the year ended December 31, 2014. A summary of this increase is as follows:

CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

	Changes in Net Assets					
	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for services	\$ 1,445,823	\$ 1,596,529	\$ 2,620,959	\$ 2,297,589	\$ 4,066,782	\$ 3,894,118
Operating grants/contributions	126,559	-	-	-	126,559	-
Capital grants/contributions	-	1,625,715	57,483	50,000	57,483	1,675,715
General Revenues						
Property taxes	1,610,560	1,907,796	-	-	1,610,560	1,907,796
Sales Tax	3,100,566	1,635,166	-	-	3,100,566	1,635,166
Selective taxes	1,258,914	731,749	-	-	1,258,914	731,749
Franchise & business taxes	442,715	432,492	-	-	442,715	432,492
Unrestricted investment earnings	2,335	2,974	853	1,115	3,188	4,089
Gain on sale of capital assets	19,100	37,558	4,163	-	23,263	37,558
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>8,006,571</u>	<u>7,969,979</u>	<u>2,683,458</u>	<u>2,348,704</u>	<u>10,690,029</u>	<u>10,318,683</u>
Expenses						
General government	1,796,025	1,685,319	-	-	1,796,025	1,685,319
Judicial	157,527	178,907	-	-	157,527	178,907
Public safety	2,133,511	2,019,172	-	-	2,133,511	2,019,172
Planning and zoning	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-
Public works	1,940,102	1,350,716	-	-	1,940,102	1,350,716
Community services	-	-	-	-	-	-
Health and welfare	48,452	233,095	-	-	48,452	233,095
Culture and recreation	379,684	291,042	-	-	379,684	291,042
Housing and development	360,005	280,821	-	-	360,005	280,821
Water and sewer	-	-	2,966,680	2,490,321	2,966,680	2,490,321
Total expenses	<u>6,815,306</u>	<u>6,039,072</u>	<u>2,966,680</u>	<u>2,490,321</u>	<u>9,781,986</u>	<u>8,529,393</u>
Excess	1,191,265	1,930,907	(283,222)	(141,617)	908,043	1,789,290
Transfers	-	(120,843)	-	120,843	-	-
Change in net position	<u>1,191,265</u>	<u>1,810,064</u>	<u>(283,222)</u>	<u>(20,774)</u>	<u>908,043</u>	<u>1,789,290</u>
Net position, Jan. 1	32,992,701	31,059,210	6,050,355	6,024,429	39,043,056	37,083,639
Prior period adjustment	(8,348,879)	123,427	(404,084)	46,700	(8,752,963)	170,127
Net position, Jan. 1, restated	<u>24,643,822</u>	<u>31,182,637</u>	<u>5,646,271</u>	<u>6,071,129</u>	<u>30,290,093</u>	<u>37,253,766</u>
Net position, Dec. 31	<u>\$ 25,835,087</u>	<u>\$ 32,992,701</u>	<u>\$ 5,363,049</u>	<u>\$ 6,050,355</u>	<u>\$ 31,198,136</u>	<u>\$ 39,043,056</u>

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

Capital Assets

As of December 31, 2014, the City had \$25,307,945 (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 a new addition to the city's walking trail recreation areas, and vehicles purchased for various city departments. More detailed information about the City's capital assets is presented in Note IV to the financial statements.

	Capital Assets at Year-End					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,807,408	\$ 1,945,823	\$ 309,450	\$ 309,450	\$ 2,116,858	\$ 2,255,273
Construction in progress	69,130	186,271	-	-	69,130	186,271
Buildings & improvements	6,737,635	7,517,488	-	-	6,737,635	7,517,488
Machinery & equipment	-	-	-	-	-	-
Vehicles & equipment	3,956,668	4,244,406	473,879	525,710	4,430,547	4,770,116
Furniture & fixtures	-	-	-	-	-	-
Infrastructure	<u>21,925,138</u>	<u>18,505,160</u>	<u>11,572,412</u>	<u>11,138,765</u>	<u>33,497,550</u>	<u>29,643,925</u>
	34,495,979	32,399,148	12,355,741	11,973,925	46,851,720	44,373,073
Accumulated depreciation	<u>(15,524,639)</u>	<u>(4,517,979)</u>	<u>(6,019,136)</u>	<u>(4,708,486)</u>	<u>(21,543,775)</u>	<u>(9,226,465)</u>
Total	<u>\$ 18,971,340</u>	<u>\$ 27,881,169</u>	<u>\$ 6,336,605</u>	<u>\$ 7,265,439</u>	<u>\$ 25,307,945</u>	<u>\$ 35,146,608</u>

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 Note V to the financial statements.

General Fund Budgetary Highlights

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 plan 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; however, over the course of the year, the budget was revised. Even with these revisions, the actual charges to appropriations were \$586,118 below the final budget amounts. The most significant positive variances occurred in two areas, public works & public safety, \$475,123 and \$78,089 respectively.

Additionally, resources available for appropriation were \$169,094 above the final budget amounts. Revenues from taxes, licenses and permits were higher than originally expected.

**CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

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 2015 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.

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 City Administrator, Shirley Beasley, at P.O. Box 120, Grovetown, Georgia 30813.

BASIC FINANCIAL STATEMENTS

CITY OF GROVETOWN, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 6,588,533	\$ 1,710,608	\$ 8,299,141
Receivables	698,918	208,849	907,767
Prepaid	33,577	6,584	40,161
Internal balances	(20)	20	-
Net pension asset	54,632	-	54,632
Restricted cash	-	199,036	199,036
Capital assets			
Non-depreciable assets	1,876,538	309,450	2,185,988
Depreciable assets, net of accumulated depreciation	17,094,802	6,027,155	23,121,957
 Total assets	 26,346,980	 8,461,702	 34,808,682
Liabilities			
Accounts payable	398,264	80,333	478,597
Accrued liabilities	104,037	16,360	120,397
Customer deposits	-	184,346	184,346
Liabilities payable from restricted assets	-	3,306	3,306
Long-term liabilities			
Due within one year	13,927	229,405	243,332
Due in more than one year	89,974	2,706,615	2,796,589
 Total liabilities	 606,202	 3,220,365	 3,826,567
Net Position			
Net investment in capital assets	18,971,340	3,418,610	22,389,950
Restricted for:			
Debt service	-	229,886	229,886
Capital projects	1,846,798	-	1,846,798
Unrestricted	4,922,640	1,592,841	6,515,481
 Total net position	 \$ 25,740,778	 \$ 5,241,337	 \$ 30,982,115

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

CITY OF GROVETOWN, GEORGIA
STATEMENT OF ACTIVITIES
DECEMBER 31, 2014

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,796,025	\$ 41,653	\$ -	\$ -	\$ (1,754,372)	\$ -	\$ (1,754,372)
Judicial	157,527	213,669	-	-	56,142	-	56,142
Public safety	2,133,511	158,361	-	-	(1,975,150)	-	(1,975,150)
Public works	1,940,102	840,510	126,559	-	(973,033)	-	(973,033)
Health and welfare	48,452	16,735	-	-	(31,717)	-	(31,717)
Culture and recreation	379,684	27,457	-	-	(352,227)	-	(352,227)
Housing and development	360,005	147,438	-	-	(212,567)	-	(212,567)
Total governmental activities	<u>6,815,306</u>	<u>1,445,823</u>	<u>126,559</u>	<u>-</u>	<u>(5,242,924)</u>	<u>-</u>	<u>(5,242,924)</u>
Business-type activities:							
Water and Sewer	2,966,680	2,620,959	-	57,483	-	(288,238)	(288,238)
Total business-type activities	<u>2,966,680</u>	<u>2,620,959</u>	<u>-</u>	<u>57,483</u>	<u>-</u>	<u>(288,238)</u>	<u>(288,238)</u>
Total primary government	<u>\$ 9,781,986</u>	<u>\$ 4,066,782</u>	<u>\$ 126,559</u>	<u>\$ 57,483</u>	<u>(5,242,924)</u>	<u>(288,238)</u>	<u>(5,531,162)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,610,560	-	1,610,560
Sales taxes for general purposes					3,100,565	-	3,100,565
Selective taxes					1,258,914	-	1,258,914
Franchise and business taxes					442,715	-	442,715
Unrestricted investment earnings					2,335	853	3,188
Gain on sale of capital assets					19,100	4,163	23,263
Total general revenues					<u>6,434,189</u>	<u>5,016</u>	<u>6,439,205</u>
Change in net position					1,191,265	(283,222)	908,043
Net position, beginning of year					32,992,702	6,050,355	39,043,057
Prior period adjustment					(8,443,189)	(525,796)	(8,968,985)
Net position, beginning of year, restated					<u>24,549,513</u>	<u>5,524,559</u>	<u>30,074,072</u>
Net position, end of year					<u>\$ 25,740,778</u>	<u>\$ 5,241,337</u>	<u>\$ 30,982,115</u>

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

**CITY OF GROVETOWN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General Fund	SPLOST 2011-2016	Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 4,801,745	\$ 1,585,048	\$ 201,740	\$ 6,588,533
Receivables	404,993	277,299	16,626	698,918
Prepaid items	33,577	-	-	33,577
Total assets	<u>5,240,315</u>	<u>1,862,347</u>	<u>218,366</u>	<u>7,321,028</u>
LIABILITIES				
Accounts payable	164,349	233,915	-	398,264
Due to other funds	20	-	-	20
Accrued liabilities	104,037	-	-	104,037
Total liabilities	<u>268,406</u>	<u>233,915</u>	<u>-</u>	<u>502,321</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	153,642	-	-	153,642
Total deferred inflows of resources	<u>153,642</u>	<u>-</u>	<u>-</u>	<u>153,642</u>
FUND BALANCES				
Nonspendable	33,577	-	-	33,577
Restricted for capital projects	-	1,628,432	218,366	1,846,798
Unassigned	4,784,690	-	-	4,784,690
Total fund balances	<u>4,818,267</u>	<u>1,628,432</u>	<u>218,366</u>	<u>6,665,065</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,240,315</u>	<u>\$ 1,862,347</u>	<u>\$ 218,366</u>	<u>\$ 7,321,028</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, 2014**

Total fund balances - governmental funds	\$	6,665,065
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position		18,971,340
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		153,642
Some liabilities, (such as net pension obligations and compensated absences), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
Net pension asset	54,632	
Compensated absences	(103,901)	(49,269)
Net position of governmental activities in the Statement of Net Position		\$ 25,740,778

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
DECEMBER 31, 2014

	General Fund	SPLOST	Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 5,013,526	\$ -	\$ -	\$ 5,013,526
Licenses and permits	147,438	-	-	147,438
Intergovernmental	51,856	1,221,576	171,393	1,444,825
Charges for services	1,154,079	-	-	1,154,079
Fines and forfeitures	213,669	-	-	213,669
Investment earnings	2,335	496	40	2,871
	<u>6,582,903</u>	<u>1,222,072</u>	<u>171,433</u>	<u>7,976,408</u>
EXPENDITURES				
Current:				
General government	1,750,529	-	-	1,750,529
Judicial	157,527	-	-	157,527
Public safety	1,841,149	-	3,956	1,845,105
Public works	1,393,763	-	-	1,393,763
Health and welfare	48,452	-	-	48,452
Culture and recreation	304,916	-	-	304,916
Housing and development	350,351	-	-	350,351
Capital outlay				
General government	-	46,762	-	46,762
Public safety	-	7,535	-	7,535
Public works	-	256,562	21,536	278,098
Culture and recreation	-	133,752	32,164	165,916
	<u>5,846,687</u>	<u>444,611</u>	<u>57,656</u>	<u>6,348,954</u>
Excess (Deficiency) of revenues over expenditures	<u>736,216</u>	<u>777,461</u>	<u>113,777</u>	<u>1,627,454</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of capital asset dispositions	19,100	-	-	19,100
	<u>755,316</u>	<u>777,461</u>	<u>113,777</u>	<u>1,646,554</u>
Net change in fund balances	<u>755,316</u>	<u>777,461</u>	<u>113,777</u>	<u>1,646,554</u>
Fund balances - beginning	4,090,518	851,593	104,589	5,046,700
Prior period adjustment	(27,567)	(622)	-	(28,189)
Fund balances - beginning, restated	<u>4,062,951</u>	<u>850,971</u>	<u>104,589</u>	<u>5,018,511</u>
Fund balances - ending	<u>\$ 4,818,267</u>	<u>\$ 1,628,432</u>	<u>\$ 218,366</u>	<u>\$ 6,665,065</u>

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 STATEMENTS OF ACTIVITIES
DECEMBER 31, 2014**

Net change in fund balances - governmental funds	\$	1,646,554
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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 expense for the period.

Capital outlay	498,310	
Less: capital contribution to water fund from SPLOST 2011-2016 fund	(7,483)	
Less: depreciation expense	(985,655)	(494,828)

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

However, the Statement of Activities uses the accrual method 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.

11,064

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable, available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. An adjustment is required due to a different basis of accounting for:

Net pension obligation	44,540	
Compensated absences	(16,065)	
		28,475

Change in net position of governmental activities	\$	1,191,265
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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
DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		Actual	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,694,200	\$ 4,861,600	\$ 5,013,526	\$ 151,926
License and permits	115,000	123,000	147,438	24,438
Charges for services	1,744,235	1,162,553	1,154,079	(8,474)
Fines and forfeitures	234,000	214,000	213,669	(331)
Intergovernmental	51,856	51,856	51,856	-
Investment	-	-	2,335	2,335
Surplus property sales	12,000	19,000	19,100	100
Use of fund balance	<u>900</u>	<u>900</u>	<u>-</u>	<u>(900)</u>
Total revenues	<u>6,852,191</u>	<u>6,432,909</u>	<u>6,602,003</u>	<u>169,094</u>
Expenditures				
General government	1,656,610	1,734,910	1,750,529	(15,619)
Judicial	182,575	177,100	157,527	19,573
Public safety	1,934,955	1,919,238	1,841,149	78,089
Public works	2,271,156	1,868,886	1,393,763	475,123
Health and welfare	59,450	54,050	48,452	5,598
Culture and recreation	313,600	330,100	304,916	25,184
Housing and development	<u>358,175</u>	<u>348,625</u>	<u>350,351</u>	<u>(1,726)</u>
Total expenditures	<u>6,776,521</u>	<u>6,432,909</u>	<u>5,846,687</u>	<u>586,222</u>
Revenues over expenditures	<u>75,670</u>	<u>-</u>	<u>755,316</u>	<u>755,316</u>
Net change in fund balance	<u>75,670</u>	<u>-</u>	<u>755,316</u>	<u>755,316</u>
Fund balance, beginning of year	4,090,518	4,090,518	4,090,518	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(27,567)</u>	<u>(27,567)</u>
Fund balance, beginning, restated	4,090,518	4,090,518	4,062,951	(27,567)
Fund balance, end of year	<u>\$ 4,166,188</u>	<u>\$ 4,090,518</u>	<u>\$ 4,818,267</u>	<u>\$ 727,749</u>

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

CITY OF GROVETOWN, GEORGIA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014

	Water & Sewer Fund
ASSETS	
Current assets:	
Cash and investments	\$ 1,710,608
Receivables	208,849
Due from other funds	20
Prepaid items	6,584
Total current assets	1,926,061
Non-current assets:	
Restricted cash	199,036
Capital assets:	
Non-depreciable assets	309,450
Depreciable assets, net of accumulated depreciation	6,027,155
Total non-current assets	6,535,641
Total assets	8,461,702
LIABILITIES	
Current liabilities:	
Accounts payable	80,333
Accrued liabilities	16,360
Payable from restricted assets:	
Accrued interest	3,306
Customer deposits	184,346
Current portion of compensated absences	2,825
Current portion of bonds	226,580
Total current liabilities	513,750
Non-current liabilities:	
Compensated absences	15,200
Bonds, notes and loans payable	2,691,415
Total non-current liabilities	2,706,615
Total liabilities	3,220,365
Net position	
Net investment in capital assets	3,418,610
Restricted for debt service	229,886
Unrestricted	1,592,841
Total net position	\$ 5,241,337

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

CITY OF GROVETOWN, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014

	Water & Sewer Fund
Operating Revenues	
Water sales	\$ 1,374,583
Sewer sales	1,051,246
Water and wastewater tap fees	94,725
Late fees	71,220
Other	29,185
 Total operating revenues	 2,620,959
Operating Expenses	
Salaries and benefits	737,099
Professional fees	27,434
Testing and training	28,840
Vehicle expense	43,157
Insurance and pension cost	189,741
Utilities	64,589
Maintenance and repair	481,812
Chemicals	16,371
Postage and supplies	13,412
Bank card merchant fees	23,764
Miscellaneous	27,137
County water and sewerage	911,245
Depreciation	330,164
 Total operating expenses	 2,894,765
 Operating income	 (273,806)
Nonoperating revenues (expenses)	
Investment income	853
Interest expenses	(71,915)
Capital Contribution from SPLOST	7,483
Proceeds of capital asset dispositions	4,163
Capital grant	50,000
 Total non-operating revenues (expenses)	 (9,416)
 Change in net assets	 (283,222)
 Total net position - beginning	 6,050,355
Prior period adjustment	(525,796)
Total net position - beginning, restated	5,524,559
 Total net position- ending	 \$ 5,241,337

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

CITY OF GROVETOWN, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
DECEMBER 31, 2014

	Water & Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 2,481,327
Cash payments to suppliers for goods and services	(1,647,109)
Cash payments to employees for services	(923,900)
Cash received from other funds for services provided	2,090
Net cash provided by operating activities	(87,592)
Cash flows from capital and related financing activities:	
Transfer from SPLOST for capital activities	7,843
Acquisition and construction of capital assets	(7,843)
Proceeds from disposal of capital assets	4,163
Principal payments on debt	(169,762)
Interest payments on debt	(71,915)
Net cash (used) by capital and related financing activities	(237,514)
Cash flows from investing activities:	
Interest earned on cash and investments	853
Net cash provided by investing activities	853
Net increase in cash and cash equivalents	(324,253)
Cash and cash equivalents, beginning of year	2,233,897
Cash and cash equivalents, end of year	\$ 1,909,644
Operating loss	\$ (273,806)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	330,164
Change in assets and liabilities:	
(Increase) in other/accounts receivables	(161,877)
Decrease in due from other funds	2,090
Increase in accounts payable and accrued liabilities	(8,127)
Increase in compensated absences	1,719
Increase in due to other funds	-
Increase in customer deposits	22,245
Total adjustments	186,214
Net cash provided by operating activities	\$ (87,592)
The City had a non-cash transaction relating to GEFA forgiveness of debt:	\$ 50,000

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

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Introduction

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

A. Financial Reporting Entity - Basis of Presentation

Primary Government

The City of Grovetown, Georgia (the "City") was created in 1881. The City provides public safety, streets and highways, public improvements, culture and recreation, and general and administrative services to the population. The accompanying financial statements present the City's primary government, for which the City is financially accountable.

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

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

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Governmental-Wide and Fund Financial Statements (Continued)

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

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

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

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current fiscal period. Grant revenues availability period is generally considered to be one year. Major revenue sources that are susceptible to accrual are Property Taxes, Sales Taxes, Insurance Premium Taxes, and Intergovernmental Revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The government reports the following major governmental funds:

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

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

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The County reports the following proprietary fund:

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

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments 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 provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. All investment income is recognized as revenue in the appropriate fund's statement of activity of revenues, expenditures and changes in fund balance.

2. Receivables and Payables

Accounts Receivable

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

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

3. Deferred Outflows/Inflows of Resources

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, represent a consumption of net position that applies to a future period and so will not be recognized as an inflows of resources (revenue) until then. The City reports the deferred inflows of resources (\$153,642) for unavailable revenues-property taxes in the governmental funds balance sheet.

4. Inventories and Prepaid Expenses

Inventories of the General Fund and Proprietary Fund 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. For the year ended December 31, 2014, prepaid expenses in the governmental and enterprise funds amounted to \$33,577 and \$6,584 respectively.

5. 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 \$1,000 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.

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets - Primary Government (Continued)

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 are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40-50
Improvements	10-40
Infrastructure	25-50
Furniture & Fixtures	5-7
General Equipment	5-10
Trucks	4-7
Cars	4-5
Computer Hardware	3-5

6. Compensated Absences and Post Retirement Benefits

Unpaid vacation is accrued at year end. Accumulated sick pay benefits have not been recorded as a liability because these benefits are only paid upon the illness of an employee, and the amount of such payments cannot be reasonably estimated.

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

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. 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.

8. Unemployment Compensation Benefits

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

9. Fund Equity

Fund equity at the governments fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund balance reported in the governmental funds financial statements generally represents the difference between current assets and current liabilities. Fund balance classifications represent a hierarchy based primarily on the extent to which the City is bound to honor constraints on specific purposes for which amounts in those funds can be spent. These classifications may consist of the following:

- a) **Nonspendable** - Fund balances are classified as nonspendable when amounts cannot be spent because they are either i) in nonspendable form or ii) they are legally contractually required to be maintained intact. The City includes items that are not expected to be converted to cash such as inventories and prepaid amounts.
- b) **Restricted** - Fund balances are reported as restricted when their use is restricted for specific purposes including i) constraints on funds externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or ii) constraints imposed by law through constitutional provisions or enabling legislation.
- c) **Committed** - Fund balances are reported as committed if their use is for a specific purpose as approved by formal action by the City Council (resolution). Amounts committed cannot be used for any other purpose unless Council removes or changes the specific use by approving such action through resolution at a Council meeting. Budget resolutions are considered a plan for specific use.
- d) **Assigned** - Fund balances are reported as assigned when constrained by the City's intent to use the funds for specific purposes that are neither restricted nor committed. Assigned fund balances includes i) all remaining amounts (except negative balances) reported in governmental funds, other than the General fund, that are not classified as nonspendable, restricted or committed, and ii) amounts in the General Fund intended for a specific use identified by either the City Manager or Finance Director, and iii) amounts appropriated to eliminate a projected budget deficit in the subsequent year.

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- e) **Unassigned** - Fund balances are reported as unassigned when the balances do not meet any of the above four criterion for classification. The City reports positive unassigned fund balance in only the General Fund. Negative unassigned fund balances may be reported in all governmental funds.

For purposes of fund balance disbursement, unless otherwise approved by the City Council, the City will expend restricted fund balance when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Next the City will expend committed fund balance when an expenditure is paid for which unrestricted fund balance is available. The City would next disburse fund balance assigned for purposes of the fund before disbursing other assigned fund balance amounts. In the General Fund, the City would disburse unassigned fund balance prior to disbursing fund balance assigned for financial policy reserve levels or amounts assigned to eliminate subsequent year's budget deficit.

Net position is classified in three components in the government-wide financial statements.

- a) **Invested in capital assets, net of related debt** consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) **Restricted net position** consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) **Unrestricted net position** consists of all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

10. 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.

E. Stewardship, Compliance, and Accountability Budgetary Information

During the year preceeding 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:

**CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Stewardship, Compliance, and Accountability Budgetary Information (Continued)

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 course of the year, as long as reserves are available to fund these modifications.

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

NOTE II - 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. The City's investment policy requires deposits in excess of federal depository insurance to be collateralized with securities of the federal government, or its agencies, and held by pledging financial institution's trust department in the City's name. As of December 31, 2014, none of the City's bank balances of \$7,777,391 were exposed to custodial credit risk.

Investments

The City had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Primary Government			
Certificate of deposit	Average of 180 days	\$1,122,515	AAAm
Water and Sewer fund			
Certificate of deposit	Average of 180 days	\$147,236	AAAm

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

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE III - PROPERTY TAXES AND OTHER RECEIVABLES

Receivables

The Columbia County Tax Commissioner bills and collects property taxes, then remits the City its respective share of property taxes. Property taxes for 2014 were levied on August 15, 2014 and were due November 15, 2014. The unpaid taxes became a lien thirty days after the due date. Unpaid property taxes received within 60 day of the year end are recognized and recorded as revenue.

The City receives approximately 9.5% of a 1% local option sales tax on all retail sales within the City. The proceeds of such tax collected each year are used to reduce, on a dollar for dollar basis, the millage equivalent amount of property taxes to be levied in the subsequent year. Local option sales tax received during the year ended December 31, 2014 amounted to \$1,712,402.

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 Special Purpose Local Option Sales Tax received during the year ended December 31, 2014 amounted to \$1,388,164.

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

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

	Governmental Activities	Business-type Activities	Total
Taxes	\$ 404,993	\$ -	\$ 404,993
Intergovernmental Accounts	293,925	-	293,925
	-	215,859	215,859
Gross Receivables	698,918	215,859	914,777
Less allowance for uncollectible	-	(7,000)	(7,000)
Total receivables, net	<u>\$ 698,918</u>	<u>\$ 208,859</u>	<u>\$ 907,777</u>

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE IV - CAPITAL ASSETS

General Government

A summary of changes in capital assets follows:

	<u>Beginning Balance</u>	<u>Beginning Balance as, restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:					
<i>Non-Depreciable Assets:</i>					
Land	\$ 1,945,823	\$ 1,807,408	\$ -	\$ -	\$ 1,807,408
Construction in progress	186,271	192,391	530,698	(653,959)	69,130
	<u>22,451,308</u>	<u>1,999,799</u>	<u>530,698</u>	<u>(653,959)</u>	<u>1,876,538</u>
 <i>Depreciable Assets:</i>					
Infrastructure	18,505,160	21,271,179	653,959	-	21,925,138
Buildings and improvements	4,954,374	6,737,635	-	-	6,737,635
Vehicles & equipment	3,778,336	3,626,221	330,447	-	3,956,668
	<u>27,237,870</u>	<u>31,635,035</u>	<u>984,406</u>	<u>-</u>	<u>32,619,441</u>
 <i>Accumulated Depreciation:</i>					
Infrastructure	-	(10,602,338)	(508,694)	-	(11,111,032)
Buildings and improvements	(1,642,897)	(1,724,504)	(166,162)	-	(1,890,666)
Vehicles & equipment	(2,710,989)	(2,212,142)	(310,799)	-	(2,522,941)
	<u>(4,353,886)</u>	<u>(14,538,984)</u>	<u>(985,655)</u>	<u>-</u>	<u>(15,524,639)</u>
Total capital assets being depreciated, net	<u>22,883,984</u>	<u>17,096,051</u>	<u>(1,249)</u>	<u>-</u>	<u>17,094,802</u>
Total Governmental Activities:	<u>\$ 26,830,132</u>	<u>\$ 19,095,850</u>	<u>\$ 529,449</u>	<u>\$ (653,959)</u>	<u>\$ 18,971,340</u>

Assets with an initial cost of \$1,000 or more and an estimated life in excess of two years are capitalized.

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE IV - CAPITAL ASSETS (CONTINUED)

General Government (Continued)

Depreciation expense for year ended December 31, 2014 was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 73,971
Public safety	288,406
Public works	538,856
Housing and development	74,768
Health and welfare	<u>9,654</u>
Total depreciation expense - governmental activities	<u><u>\$ 985,655</u></u>

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE IV - CAPITAL ASSETS (CONTINUED)

Proprietary Fund

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

	Beginning Balance	Beginning Balance as, restated	Increases	Decreases	Ending Balance
Business-Type Activities:					
<i>Non-Depreciable Assets:</i>					
Land	\$ 309,450	\$ 309,450	\$ -	\$ -	\$ 309,450
	<u>309,450</u>	<u>309,450</u>	<u>-</u>	<u>-</u>	<u>309,450</u>
<i>Depreciable Assets:</i>					
Vehicles	218,152	285,241	-	-	285,241
Machinery and equipment	186,921	181,155	7,483	-	188,638
Utility systems	11,135,683	11,572,412	-	-	11,572,412
	<u>11,540,756</u>	<u>12,038,808</u>	<u>7,483</u>	<u>-</u>	<u>12,046,291</u>
<i>Accumulated Depreciation:</i>					
Vehicles	(216,232)	(140,573)	(31,569)	-	(172,142)
Machinery and equipment	(152,562)	(98,489)	(16,547)	-	(115,036)
Utility systems	(4,254,716)	(5,449,909)	(282,049)	-	(5,731,958)
	<u>(4,623,510)</u>	<u>(5,688,971)</u>	<u>(330,165)</u>	<u>-</u>	<u>(6,019,136)</u>
Total capital assets being depreciated, net	<u>6,917,246</u>	<u>6,349,837</u>	<u>(322,682)</u>	<u>-</u>	<u>6,027,155</u>
Total Business-Type Activities	<u>\$ 7,226,696</u>	<u>\$ 6,659,287</u>	<u>\$ (322,682)</u>	<u>\$ -</u>	<u>\$ 6,336,605</u>

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE V - LONG-TERM DEBT

Governmental activities

Debt under governmental activities consists of the following for the year ended December 31, 2014:

	<u>Balance</u> <u>December 31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2014</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 87,836	\$ 16,065	\$ -	\$ 103,901	\$ 13,927
	<u>\$ 92,847</u>	<u>\$ 16,065</u>	<u>\$ -</u>	<u>\$ 103,901</u>	<u>\$ 13,927</u>

Business-type activities

Debt under business-type activities consists of the following for the year ended December 31, 2014:

	<u>Balance</u> <u>December 31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2014</u>	<u>Due Within</u> <u>One Year</u>
Water & Sewer refunding bond	\$ 875,000	\$ -	\$ (110,000)	\$ 765,000	\$ 115,000
GEFA Note	1,362,757	-	(59,762)	1,302,995	61,580
GEFA Note - forgiven portion	900,000	-	(50,000)	850,000	50,000
Compensated absences	<u>16,306</u>	<u>1,719</u>	<u>-</u>	<u>18,025</u>	<u>2,825</u>
	<u>\$ 3,154,063</u>	<u>\$ 1,719</u>	<u>\$ (219,762)</u>	<u>\$ 2,936,020</u>	<u>\$ 229,405</u>

A summary of notes payable as of December 31, 2014 follows:

On July 21, 2005, the City of Grovetown, Georgia and Wachovia Bank issued Water & Sewerage Revenue Refunding Bond Series 2005 in the amount of \$1,660,000. The purpose of the Series 2005 Bond was to pay the cost, in whole or in part, (a) of the outstanding City's Water & Sewerage Revenue Bond, series 1987 (b) fully funding a debt service reserve for payment of the Series 2005 Bond, and (c) paying the fees and expenses in connection with the issue of the Series 2005 Bond. The interest rate is 3.64% per annum and consists of 15 payments. Interest expense during 2014 was \$31,850.

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE V - LONG-TERM DEBT (CONTINUED)

Principal and interest payments are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2015	\$ 115,000	\$ 35,568	\$ 150,568
2016	120,000	30,568	150,568
2017	125,000	25,568	150,568
2018	130,000	20,568	150,568
2019	135,000	15,568	150,568
2020	140,000	16,136	156,136
Total	<u>\$ 765,000</u>	<u>\$ 143,976</u>	<u>\$ 908,976</u>

In 2009, the City of Grovetown signed a \$2,500,000 note contract along with \$1,000,000 principal forgiveness as part of the American Reinvestment 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.

Principal and interest payments are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2015	\$ 61,580	\$ 38,248	\$ 99,828
2016	63,453	36,375	99,828
2017	65,383	34,445	99,828
2018	67,372	32,456	99,828
2019	69,421	30,407	99,828
2020-2024	380,089	119,048	499,137
2025-2029	441,519	57,619	499,138
2030-2031	154,178	3,883	158,061
Total	<u>\$ 1,302,995</u>	<u>\$ 352,481</u>	<u>\$ 1,655,476</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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE V - LONG-TERM DEBT (CONTINUED)

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal Forgiveness</u>
2015	\$ 50,000	\$ -	\$ 50,000
2016	50,000	-	50,000
2017	50,000	-	50,000
2018	50,000	-	50,000
2019	50,000	-	50,000
2020-2024	250,000	-	250,000
2025-2029	250,000	-	250,000
2030-2031	100,000	-	100,000
Total	<u>\$ 850,000</u>	<u>\$ -</u>	<u>\$ 850,000</u>

NOTE VI - INTERFUND RECEIVABLES/TRANSFERS

Interfund receivable and payable balances as of December 31, 2014, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u> General Fund	<u>Total</u>
Water and Sewer Fund	\$ <u>(20)</u>	\$ <u>(20)</u>

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

Transfers between funds are routine and primarily used to support the operation of the funds receiving transfers. There were no transfers during the year of 2014.

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE VII - 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.

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

NOTE VIII - PENSION PLAN

The City Council approved the adoption of a retirement plan on 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. The City's payroll for employees covered by the Plan for the year ended December 31, 2014 amounted to \$2,345,684. The City's total payroll for the year ended December 31, 2014 amounted to \$2,955,258. The required contribution for 2014 amounted to \$139,708.

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE VIII - PENSION PLAN (CONTINUED)

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

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

Summary of employer costs and contributions:

Summary of employer costs and contributions:

Fiscal Year	Annual Pension Cost	Percentage of Pension Cost Contributed	Actual Contribution	Net Pension Obligation (NPO)
12/31/2014	\$ 139,708	97.99%	\$ 136,898	\$ (54,632)
12/31/2013	\$ 100,917	132.41%	\$ 133,629	\$ (57,442)
12/31/2012	\$ 97,115	133.44%	\$ 129,589	\$ (22,335)

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

Annual required contribution	\$ 139,708
Interest from net pension obligation	-
Adjustment of net pension asset	-
Annual pension cost	<u>139,708</u>
Actual contribution to the plan	<u>136,898</u>
Decrease in net pension obligation	2,810
Net pension obligation as of December 31, 2012	<u>(57,442)</u>
Net pension obligation as of December 31, 2013	<u><u>\$ (54,632)</u></u>

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE VIII - PENSION PLAN (CONTINUED)

Summary of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funds Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B-A) / (C)
7/1/2014	\$ 2,071,841	\$ 2,328,417	\$ 256,576	88.98%	\$ 2,512,292	10.21%
7/1/2013	\$ 1,878,286	\$ 2,115,492	\$ 237,206	88.79%	\$ 2,301,163	10.31%
7/1/2012	\$ 1,688,541	\$ 1,927,068	\$ 238,527	87.62%	\$ 2,345,684	10.17%

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

Economic assumption:	
Interest rate	7.75%
Annual rate of increase in:	
Salaries	3.50%
Future Social Security Wage Base	3.50%
Includes inflation at	3.50%
Demographic assumption:	
Mortality	1983 GAM Table
Disability	50% of 1975 SSA Study
Retirement	Employee: 65 with 5 yrs of service Officials: 65
Form of payment:	Life Annuity
Actuarial Methods	Life Annuity
Normal cost and actuarial Accrued Liability	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Actuarial value of assets	Sum of actuarial value at the beginning of the year and the cash flow during the year plus assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary to be within 20% of market value.

**CITY OF GROVETOWN, GEORGIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE VIII - PENSION PLAN (CONTINUED)

Funding policy and annual contribution - The Board of Trustees of the Georgia Municipal Employees Benefit System has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the level dollar amortization of the unfunded actuarial accrued liability (initial unfunded actuarial accrued liability over 30 years from 1988 and changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year during which such changes arise), and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). Well-funded plans may have a full funding credit applied to reduce the recommended contributions. This credit insures that contributions are not required if a plan's assets exceed the present value of future benefits. The annual recommended contribution is the greater of (1) the minimum contribution described above and (2) normal cost (including administrative expenses) with interest, adjusted by a full funding credit to insure that contributions are not required if a plan's assets exceed the present value of future benefits. As of July 1, 2014 the date of the actuarial report, the current plan membership includes the following categories of participants:

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

Retirees and beneficiaries currently receiving benefits	19	
Terminated employees entitled to benefits but not yet receiving those	9	
Current active employees		
Vested	29	
Nonvested	54	
Total membership in the plan	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">111</td> </tr> </table>	111
111		

However, current and historical trend information is designed to provide information about the Pension Plan's progress in accumulating sufficient assets to pay benefits when due.

NOTE IX - JOINT VENTURE

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

CSRA Regional Commission
 2123 Wrightsboro Road
 Augusta, Georgia 30904-0800

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE X - CONTINGENCIES

Judgments and Claims

Based on the advice of the City attorney, there are no measurable, material claims outstanding against the City at December 31, 2014.

NOTE XI - LANDFILL POST CLOSURE COST

Landfill Closure

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, 2014.

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE XII - PRIOR PERIOD ADJUSTMENTS

General Fund: The City has determined that a restatement of the beginning fund balance of the General Fund is necessary to eliminate amounts due to Water Fund recorded in error in a prior year and to adjust Garbage revenue and accounts receivable to the actual amounts.

Fund Balance December 31, 2013, as previously reported	\$ 4,090,518
Adjust due to water fund	66,744
Adjust Garbage revenue and A/R to actual	(94,311)
Fund Balance December 31, 2013, as restated	\$ 4,062,951

SPLOST 2011-2016: The City has determined that a restatement of the beginning fund balance of the SPLOST 2011-2016 Fund is necessary to adjust accounts payable related to prior year.

Fund Balance December 31, 2013, as previously reported	\$ 851,593
Adjust accounts payable from prior year	(622)
Fund Balance December 31, 2013, as restated	\$ 850,971

Water and Sewer Fund: The City has determined that a restatement of the beginning net position of the Water and Sewer Fund is necessary for the following reasons: (1) adjust asset balances and accumulated depreciation to agree with capital asset schedule, and (2) to eliminate amount due to another fund recorded in error in a prior year and to adjust Water and Sewer Revenue and account receivable to actual amounts.

Fund Balance December 31, 2013, as previously reported	\$ 6,050,355
Adjust asset balances and accumulated depreciation from prior year	(456,824)
Adjust Water and Sewer Revenue and A/R to actual	(121,712)
Adjust accounts payable from prior year	52,740
Fund Balance December 31, 2013, as restated	\$ 5,524,559

Governmental Activities: As a result of the adjustment to the fund level balances and the restatement of the governmental activities capital asset values which are recorded on the Statement of Net Position, the beginning net position of governmental activities on the Statement of Activities has been restated from the prior year.

Fund Balance December 31, 2013, as previously reported	\$ 32,992,702
Adjust SPLOST 2011-2016 accounts payable from prior year	(622)
Adjust Garbage revenue and A/R to actual	(94,311)
Adjust asset balances and accumulated depreciation from prior year	(8,348,256)
Fund Balance December 31, 2013, as restated	\$ 24,549,513

CITY OF GROVETOWN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE XIV - SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditors' report, February 12, 2016, for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosures.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

**CITY OF GROVETOWN, GEORGIA
 COMBINED BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2014**

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>		
	<u>Police Seizure Fund</u>	<u>SPLOST 2006-2010</u>	<u>Transportation SPLOST</u>	<u>Total</u>
Assets				
Cash and investments	\$ 6,248	\$ -	\$ 195,492	\$ 201,740
Accounts receivable	-	-	16,626	16,626
Total assets	<u>6,248</u>	<u>-</u>	<u>212,118</u>	<u>218,366</u>
Liabilities and Fund Balances				
Fund balances:				
Restricted	<u>6,248</u>	<u>-</u>	<u>212,118</u>	<u>218,366</u>
Total fund balances	<u>6,248</u>	<u>-</u>	<u>212,118</u>	<u>218,366</u>
Total liabilities and fund balances	<u>\$ 6,248</u>	<u>\$ -</u>	<u>\$ 212,118</u>	<u>\$ 218,366</u>

**CITY OF GROVETOWN, GEORGIA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2014**

	<u>Special Revenue Fund</u>		<u>Capital Project Funds</u>		<u>Total</u>
	<u>Police Seizure</u>	<u>SPLOST 2006-2010</u>	<u>Transportation SPLOST</u>		
Revenues					
Intergovernmental	\$ 5,339	\$ -	\$ 166,054		\$ 171,393
Investment earnings	-	4	36		40
Total revenues	<u>5,339</u>	<u>4</u>	<u>166,090</u>		<u>171,433</u>
Expenditures					
Current:					
Public safety	3,956	-	-		3,956
Capital outlay					
Public works	-	-	21,536		21,536
Culture and recreation	-	32,164	-		32,164
Public safety	-	-	-		-
Total expenditures	<u>3,956</u>	<u>32,164</u>	<u>21,536</u>		<u>57,656</u>
(Deficiency)/excess of revenues over expenditures	<u>1,383</u>	<u>(32,160)</u>	<u>144,554</u>		<u>113,777</u>
Net changes in fund balance	1,383	(32,160)	144,554		113,777
Fund balances - beginning	<u>4,865</u>	<u>32,160</u>	<u>67,564</u>		<u>104,589</u>
Fund balances - ending	<u>\$ 6,248</u>	<u>\$ -</u>	<u>\$ 212,118</u>		<u>\$ 218,366</u>

**OTHER SUPPLEMENTARY
INFORMATION**

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*

To the Mayor and City Council
City of Grovetown, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Grovetown, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Grovetown, Georgia's basic financial statements and have issued our report thereon dated February 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Grovetown, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 described in the accompanying Schedule of Findings and Responses to be material weaknesses. 2014-1 through 2014-5

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies. 2014-6

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Grovetown, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2014-6.

City of Grovetown, Georgia's Response to Findings

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

Purpose of this Report

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

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
February 12, 2016

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014**

I. SUMMARY OF AUDIT FINDINGS

- A. An unmodified opinion was issued on the financial statements of the City of Grovetown, Georgia.
- B. Our audit of the financial statements disclosed five (5) material weaknesses and one (1) significant deficiency in internal controls over financial reporting.
- C. Our audit of the financial statements disclosed one (1) instance of noncompliance with laws, regulations and the provisions of budgets that are material to the basic financial statements.

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014**

II. FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS OF THE CITY OF GROVETOWN, GEORGIA

Audit findings reported for the year ended December 31, 2014:

Finding: 2014-1

Material Weakness

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.

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.

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 in the general ledger.

Management's Response:

The City accepts the recommendation made by Baird & Company. The City hired an accountant in 2015 to address the various issues of internal control identified during financial statement audits. The city accountant and the city administrator will study the City's procedures relating to preparation, posting and approval and implement new policies as necessary.

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014**

II. FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS OF THE CITY OF GROVETOWN, GEORGIA (CONTINUED)

Finding: 2014-2

Material Weakness

Criteria:

All capital assets should be reflected in the general ledger.

Condition:

The City did not have all new assets added to 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.

Management's Response:

The City accepts the recommendation made by Baird & Company. The City hired an accountant in 2015 to address the various issues of internal control identified during financial statement audits. The city accountant and the purchasing coordinator have implemented procedures to identify and record new capital assets as they are purchased.

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014**

II. FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS OF THE CITY OF GROVETOWN, GEORGIA (CONTINUED)

Finding: 2014-3

Material Weakness

Criteria:

Fund balances should be fairly stated according to generally accepted accounting principles.

Condition:

Beginning fund balances were not fairly stated according to generally accepted accounting principles.

Context:

During our audit, several prior period adjustments were identified which resulted in the restatement of the beginning balances of certain funds as follows:

Water and Sewer Fund - A prior period adjustment was required to correct assets listed on the general ledger.

Entity Wide Statements – A prior period adjustment was required to properly record the adjustments mentioned above and to adjust General Fund capital assets to the correct amount.

Cause:

Internal controls were not sufficient to allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct misstatements in a timely manner.

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

Management's Response:

The City accepts the recommendation made by Baird & Company. The City hired an accountant in 2015 to address the various issues of internal control identified during financial statement audits. The city accountant and the purchasing coordinator researched prior purchases of capital assets and produced a capital asset schedule in support of the balances recorded in the various capital asset accounts. This necessitated the adjustment of prior period balances to reconcile with the capital asset schedule.

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014**

II. FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS OF THE CITY OF GROVETOWN, GEORGIA (CONTINUED)

Finding: 2014-4

Material Weakness

Criteria:

All deposits should be made in a timely manner.

Condition:

During testing of internal controls 12 instances of deposits not being made in a timely manner were found.

Cause:

Deposits were being held to match the revenue by fund and the cash deposited into each fund's bank account.

Effect:

By not making deposits in a timely manner the risk of loss by fire, theft or natural disaster is increased.

Recommendation:

To improve internal control and operating efficiency, management should establish policies and procedures to insure deposits are made in timely manners.

Management's Response:

The City accepts the recommendation made by Baird & Company. The City hired an accountant in 2015 to address the various issues of internal control identified during financial statement audits. In October 2015, the city administrator directed the city clerk to ensure that deposits are made daily and interfund transfers will be used to reimburse amounts due to other funds.

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014**

II. FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS OF THE CITY OF GROVETOWN, GEORGIA (CONTINUED)

Finding: 2014-5

Material Weakness

Criteria:

Revenues are recognized when realized or realizable and earned.

Condition:

During testing of revenues for Water, Sewer and Garbage were found to be understated.

Cause:

The billing system does not book directly to the general ledger. The funds are on cash bases till the end of the year when an adjustment is done to record the true revenue amounts.

Effect:

By not recording revenues in a timely manner there is a risk of the revenue being booked incorrectly. As well as of not having a clear understanding of revenue during the year.

Recommendation:

To improve internal control and operating efficiency, management should establish policies and procedures to insure revenue is being booked in a timely manner to reduce the risk of revenue not being correctly.

Management's Response:

The City accepts the recommendation of Baird & Company. The City's utility billing system was programmed to record transactions on the cash basis. The city accountant and city administrator developed a procedure to address this issue. Starting in January 2016, the city accountant will analyze billing journals from the utility department each month and make the appropriate accrual basis entries to properly record revenue and accounts receivable

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014**

II. FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS OF THE CITY OF GROVETOWN, GEORGIA (CONTINUED)

Finding: 2014-6

Significant Deficiency

Criteria:

A balanced budget should be prepared and approved for the City's Special Revenue Funds annually.

Condition:

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

Cause:

City personnel were not previously aware of the requirement to prepare a balanced budget for the Police Seizure Fund.

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 approve a balanced budget for the Special Revenue Fund.

Management's Response:

The City accepts the recommendation of Baird & Company. Prior to the conclusion of the 2014 financial statement audit, City personnel were not aware of the requirement to publish a budget for the Police Seizure fund. The Police Seizure fund receives revenue from a portion of assets seized and subsequently forfeited during certain criminal cases. The timing of receipt of revenue and the amount of such revenues to be received by the Police Seizure fund are irregular and difficult to predict with any amount of certainty. Nonetheless, the City will comply with the state statute regarding this type of fund, and will publish a budget for the Police Seizure fund for the year 2016 and each subsequent year thereafter.

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF PROJECT EXPENDITURES WITH
SALES TAX PROCEEDS (2006-2010)
DECEMBER 31, 2014**

Project	Original Estimated Cost	Revised Estimated Cost	Prior Year	Current Year	To Date	Percentage of Completion
<u>Tier I</u>						
Water tank	\$ 600,000	\$ 702,000	\$ 701,297	\$ -	\$ 701,297	100.00%
Public works						
Equipment	500,000	515,000	524,920	-	524,920	101.93%
Water/sewer	389,500	850,000	724,343	-	724,343	85.22%
Building/land	400,000	563,000	562,777	-	562,777	99.96%
Soccer/tennis/basketball	125,000	227,000	226,272	-	226,272	99.68%
Euclaw Creek bathrooms	75,000	-	-	-	-	0.00%
Public safety vehicles	<u>50,000</u>	<u>62,250</u>	<u>62,000</u>	<u>-</u>	<u>62,000</u>	99.60%
Total - Tier I	<u>\$ 2,139,500</u>	<u>\$ 2,919,250</u>	<u>\$ 2,801,609</u>	<u>\$ -</u>	<u>\$ 2,801,609</u>	95.97%
<u>Tier II</u>						
Fire engine	\$ 400,000	\$ 850,000	\$ 803,750	\$ -	\$ 803,750	94.56%
Transportation/streets	400,000	638,000	733,158	-	733,158	114.92%
Paving						
parking lots	100,000	100,000	100,000	-	100,000	100.00%
Public safety vehicles	75,000	76,512	76,512	-	76,512	100.00%
Computer upgrade	<u>100,000</u>	<u>100,000</u>	<u>52,621</u>	<u>-</u>	<u>52,621</u>	52.62%
Total - Tier II	<u>\$ 1,075,000</u>	<u>\$ 1,764,512</u>	<u>\$ 1,766,041</u>	<u>\$ -</u>	<u>\$ 1,766,041</u>	100.09%
<u>Tier III</u>						
Turn out gear/ communications	\$ 75,000	\$ 27,000	\$ 26,488	\$ -	\$ 26,488	98.10%
Equipment/maintenance	50,000	50,000	26,251	-	26,251	52.50%
Public safety vehicles	50,000	108,000	107,558	-	107,558	99.59%
Euclaw Creek trail	<u>300,000</u>	<u>167,000</u>	<u>134,184</u>	<u>32,164</u>	<u>166,348</u>	99.61%
Total - Tier III	<u>475,000</u>	<u>352,000</u>	<u>294,481</u>	<u>32,164</u>	<u>326,645</u>	92.80%
Grand Total	<u>\$ 3,689,500</u>	<u>\$ 5,035,762</u>	<u>\$ 4,862,131</u>	<u>\$ 32,164</u>	<u>\$ 4,894,295</u>	97.19%

**CITY OF GROVETOWN, GEORGIA
SCHEDULE OF PROJECT EXPENDITURES WITH
SALES TAX PROCEEDS (2011-2016)
DECEMBER 31, 2014**

Project	Original Estimated Cost	Prior Year	Current Year	To Date	Percentage of Completion
<u>Tier I</u>					
Public works					
Equipment, vehicles, & heavy equipment	\$ 1,000,000	\$ 432,970	\$ 256,562	\$ 689,532	68.95%
Public safety					
Vehicles, fire station, & equipment	1,762,466	2,118,148	7,535	2,125,683	120.61%
City facilities					
Renovations/expansions	1,600,000	752,438	24,265	776,703	0.00%
Security system	100,000	4,039	-	4,039	0.00%
Water & sewer					
Water & sewer improvements	2,000,000	3,082	-	3,082	0.15%
Equipment	200,000	-	-	-	0.00%
Computers - all departments	50,000	3,025	22,497	25,522	51.04%
Transportation	400,000	185	-	185	0.05%
Recreation					
Park improvements	1,200,000	47,100	-	47,100	3.93%
 Total - Tier I	 <u>\$ 8,312,466</u>	 <u>\$ 3,360,987</u>	 <u>\$ 310,859</u>	 <u>\$ 3,671,846</u>	 44.17%

CITY OF GROVETOWN, GEORGIA
SCHEDULE OF PROJECT EXPENDITURES WITH
SALES TAX PROCEEDS (2011-2016) - Continued
DECEMBER 31, 2014

Project	Original Estimated Cost	Prior Year	Current Year	To Date	Percentage of Completion
<u>Tier II</u>					
City facilities					
Renovations/expansions	\$ 800,000	\$ -	\$ -	\$ -	0.00%
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	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.00%
Total -Tier II	<u>2,844,422</u>	<u>-</u>	<u>133,752</u>	<u>133,752</u>	4.70%
<u>Tier III</u>					
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>\$ 12,988,228</u>	<u>\$ 1,923,457</u>	<u>\$ 444,611</u>	<u>\$ 3,805,598</u>	29.30%