CITY OF GROVETOWN, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2010

CITY OF GROVETOWN, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2010

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BERRY & ASSOCIATES, P.C.

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INDEPENDENT AUDITOR'S REPORT

City of Grovetown
City of Grovetown, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of The City of Grovetown, Georgia, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The City of Grovetown, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the City of Grovetown, Georgia, as of and for the year ended December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, on our consideration of The City of Grovetown, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison, and other information on pages 5 through 13 and 42 through 47, respectfully are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Supplementary information for the City's insurance in force is included for financial institutions and others on pages 58 through 61. We have applied certain limited procedures; however, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The City of Grovetown, Georgia's basic financial statements. The introductory section and combining individual fund financial statements are present for purposes of additional analysis are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 52 through 55 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Grovetown, Georgia. The schedule of expenditures of federal awards and the combining and individual fund financial statements have been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berry & Associates, P.C.
June 30, 2011

CITY OF GROVETOWN, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

As management of the City of Grovetown (the City), we offer readers of the City's financial statements this narrative overview and analysis of the City for the fiscal year ended December 31, 2010. This discussion and analysis does include comparative data for prior years, as this information is now available subsequent to the implementation of Governmental Accounting Standards Board (GASB) Statement Number 34.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year ending December 31, 2010 by $99.7 million (net assets). Of that amount approximately $4.0 million of unrestricted net assets may be used to meet the City's ongoing obligations to the citizens and creditors.

- The City's total net assets increased by 6,231,409. Donated infrastructure amount to $4,580,450 is included in the increase in net assets.

- As of the close of the current fiscal year, the City's governmental activities reported combined ending net assets of $93 million, an increase of $5,704,129 in comparison with the prior year. Approximately $2,849,000 is available for spending at the City's discretion (unreserved net assets).

- At the end of the current fiscal year, unreserved fund balance for the General Fund was $2,461,740, or 51.7% of total General Fund expenditures.

- The special local Sales Tax Fund Balance had a net increase of $486,522 as of the close of the most recent fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

For many years, the primary focus of local government financial statements has been summarized by fund type information presented on a current financial resources basis. Governmental Accounting Standards Board Statement 34 (GASB 34) has modified this presentation by presenting two kinds of statements, each with a different picture of the City's financial operation. These statements focus on the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial health. The fund financial statements, which have been included in the past, focus on the individual components of City government and report the City's operations in greater detail than the government-wide presentations.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial statements. These statements present financial information about the City as a whole. When evaluating the City's overall financial health it is appropriate to present information to determine "Is the City as a whole better or worse off as a result of the current year's activities?" The Statement of Net Assets and the Statement of Activities provide a response to this question. These statements, prepared under the full-accrual basis of accounting, present information about all assets and liabilities of the city in a manner similar to the consolidated business statements for private companies. Under this basis, all of the current year's revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Assets reflects the City's net assets at the end of the fiscal year. The net assets of the City are the difference between assets: what the citizens own, and liabilities: what the citizens owe. Over time, increases or decreases in the City's net assets become an indicator in determining if the City's financial health is improving or declining. However, a comprehensive evaluation of the City's financial health should also include other non-financial information such as changes in the City's property tax base and the condition of the City's capital assets (roads, bridges, water, and sewage, etc.).

The Statement of Activities reflects the changes in the City's net assets that occurred during the fiscal year. These changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Accordingly, revenues and expenses are reported for some items that will only result in cash flows in future fiscal years (i.e., uncollected property taxes and earned but unused vacation leave).

The government-wide financial statements are divided into two types of activities:

Governmental Activities. These activities of the City include general government, public safety, transportation, and cultural and recreational. These activities are principally supported by property taxes, sales taxes, and insurance premiums taxes and franchise fees.

Business-type Activities. The City charges fees to recover all or some of the costs associated with providing certain services. The City's water and sewer services are reported here.

There are no component units of the City included in this report.

The government-wide financial statements are located on pages 14 and 15 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Governmental funds - Most of the City's basic services are reported in governmental funds that focus on how money flows in/out of the fund and balances remaining at year-end that are available for spending in future years. The narrower focus of the governmental funds allows the reader to compare the information presented for each fund with similar information presented for governmental activates in the government-wide financial statements. This comparison allows the reader to better understand the long-term impact of the City's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provided a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Grovetown maintains two individual Governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, and the Capital Project Fund (SPLOST), all of which are considered to be major funds.

The City of Grovetown adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 – 19 of this report.

Proprietary funds - The City maintains one proprietary fund: enterprise fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer services.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund, which is considered to be a major fund of the City.

The City adopts an annual appropriated budget for its proprietary funds. A budgetary comparison statement has been provided in other supplementary information to demonstrate compliance with this budget.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The basic proprietary fund financial statements can be found on pages 20 – 22 of this report.

Notes to the Financial Statements - The notes contain additional essential information necessary for the reader to gain a more complete understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 – 42 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees, budgetary comparative information for the general fund and proprietary fund and infrastructure modified approach. Required supplementary information can be found on pages 42 – 47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately $99.7 million for the fiscal year ended December 31, 2010.

The largest portion of the City's net assets (93.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment): less any related debt used to acquire those assets that is 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
Current and	2010	2009	2010	2009	2010	2009
other assets	$ 4,684,431	$ 3,803,473	$ 1,675,286	$ 1,374,886	$ 6,359,717	$ 5,178,359
Capital assets	88,438,376	83,921,255	8,949,895	5,786,450	97,388,271	89,707,705
Total assets	93,122,807	87,724,728	10,625,181	7,161,336	103,747,988	94,886,064
Long term liabilities outstanding	-	-	3,702,602	1,285,000	3,702,602	1,285,000
Other liabilities	173,482	165,833	159,741	73,928	333,223	239,761
Total liabilities	173,482	165,833	3,862,343	1,358,928	4,035,825	1,524,761
Net assets						
Invested in capital assets, net of related debt	88,501,705	83,921,255	5,120,144	4,501,450	93,621,849	88,422,705
Restricted	1,662,422	1,175,900	359,760	296,917	2,022,182	1,472,817
Unrestricted	2,785,198	2,461,740	1,282,934	1,004,041	4,068,132	3,465,781
Total net assets	$ 92,949,325	$ 87,558,895	$ 6,762,838	$ 5,802,408	$ 99,712,163	$ 93,361,303

A portion of the City's net assets, $1,662,422, consisting of special local option sales tax and other resources restricted for capital projects, and debt service represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $4,068,132, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Financial Indicators and Ratios

The following financial indicators and ratios can be used to assist the reader in assessing the financial strength of the City. When used in conjunction with other financial information contained in this report, these indicators help users to assess the City's financial strengths and weaknesses.

Working Capital - is the difference between current assets and current liabilities. Sources of working capital are income from operating activities, sales of non-current assets or the issuance of long-term debt. Uses of working capital include losses from operating activities, purchase of non-current assets or retirement of long-term debt.

Financial Indicators and Ratios (CONTINUED)

The working capital of the City is $6,026,494, which consists of $4,510,949 from governmental activities and $1,518,315 from business-type activities. This represents a 2.2% increase in working capital from last year. This increase resulted entirely from the change in working capital balances in the City's governmental and business-type activities, where last years working capital totaled $4,938,598. This is caused by an increase in current asset primarily from increase in cash.

Current Ratio - is the ratio of total current assets to current liabilities. This ratio is an indicator of the City's ability to meet its short-term obligations, and is expressed as current assets divided by current liabilities. The City's current ratio is 19.1 on a city-wide basis, 27.0 for governmental activities and 10.5 for business-type activities. More simply stated the City has $19.10 of current assets for each $1.00 of current liabilities on a city-wide basis. Last year, the City had $21.60 of current assets for each $1.00 of current liabilities on a city-wide basis. Consistent with the change in working capital ratios, business-type activities had $8.60 of current assets for each $1.00 of current liabilities for last year.

Days Cash and Investments in Reserve - represents the number of days that normal operations of the City could continue with no revenue collections. The results of this ratio indicate that the City could operate 298 days on a city-wide basis, 315 days for governmental activities and 52 days for business-type activities. Consistent with the ratios already discusses, this is an increase over last year, when the City could operate for 235 days on a city-wide basis, 207 for governmental activities and 155 days for business-type activities.

Total Liabilities to Net Assets - This ratio, expressed as a percentage, compares the total obligations (liabilities) of the City to current equity (net assets). It represents the extent to which borrowing has been used to finance short-term operations. Total liabilities to net assets for the City is 4.0% on a city-wide basis, less than 0.1% for governmental activities and 55% for business-type activities. Last year, the ratio of total liabilities to net assets was 16% city-wide, less than 0.1% for governmental activities and 23% for business-type activities.

Total Liabilities to Total Assets - The ratio compares the total obligations of the City to total assets. It is an indicator of the level of borrowing that has been used to finance operations of the City on a long-term basis. Total liabilities to total assets for the City is 3.9% on a city-wide basis, less than 0.1% for governmental activities, and 3.6% for business-type activities. Last year when total liabilities compared to total assets was 16% city-wide, less than 0.1% for governmental activities and 19% for business-type activities.

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
REVENUES	2010	2009	2010	2009	2010	2009
Program Revenues						
Charges for services	$ 1,195,870	$ 1,184,347	$ 2,233,924	$ 1,954,805	$ 3,429,794	$ 3,139,152
Operating grants and contributions	75,845	98,214	-	-	75,845	98,214
Capital grants and contributions	4,580,450	3,617,900	-	-	4,580,450	3,617,900
General revenues:						
Property taxes	2,299,475	2,168,766	-	-	2,299,475	2,168,766
Other taxes	2,590,477	2,473,157	-	-	2,590,477	2,473,157
Unrestricted investment Earnings	47,087	53,046	16,418	18,786	63,505	71,832
Total Revenues	$ 10,789,204	$ 9,595,430	$ 2,250,342	$ 1,973,591	$ 13,039,546	$ 11,569,021
EXPENSES						
Administration	$ 98,123	$ 113,272	$ -	$ -	$ 98,123	$ 113,272
General government	620,000	523,390	-	-	620,000	523,390
Public safety	1,976,667	1,955,260	-	-	1,976,667	1,955,260
Judicial	260,372	232,982	-	-	260,372	232,982
Zoning	206,729	207,912	-	-	206,729	207,912
Maintenance	209,066	209,873	-	-	209,066	209,873
Street & Sanitation Public Works	1,162,787	1,149,269	-	-	1,162,787	1,149,269
Senior Center	106,385	86,527	-	-	106,385	86,527
Recreation	369,196	280,672	-	-	369,196	280,672
Water & Sewer	-	-	1,965,414	1,998,576	1,965,414	1,998,576
Capital outlay	96,386	-	-	-	96,386	
Interest on long term debt water & sewer	-	1,182	50,712	49,944	50,712	51,126
Total Expenses	5,105,711	4,760,339	2,016,126	2,048,520	7,121,837	6,808,859
Transfers	(293,064)	(488,280)	293,064	(488,280)	-	-
Increase in net assets	5,390,429	4,346,811	527,280	413,351	5,917,709	4,760,162
Net assets, beginning of year	87,558,894	83,212,083	5,802,408	5,389,057	93,361,302	88,601,140
Net assets, end of year	$ 92,949,323	$ 87,558,894	$ 6,329,688	$ 5,802,408	$ 99,279,011	$ 93,361,302

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2010, the City had $9.28 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, and bridges. This amount represents an increase of $10,838,133 in capital assets, including infrastructure, during the fiscal year with the exclusion of depreciation.

	Capital Assets at year-end		
	Governmental Activities	Business type Activities	Total
Land	$ 1,945,823	$ 309,450	$ 2,255,273
Buildings improvements	4,728,102	-	4,728,102
Vehicle & equipment	3,291,634	390,143	3,681,777
Infrastructure	82,110,535	-	82,110,535
Utility system		9,397,543	9,397,543
	92,076,094	10,097,136	102,173,230
Less accumulated depreciation	3,637,718	4,220,140	
Total	$ 88,438,376	$ 5,876,996	$ 94,315,372
This year the major additions were:			
Infrastructure	$ 4,580,450	$ -	$ 4,580,450
Building	-	-	-
Equipment	166,366	3,200	169,566
Vehicles	68,094	-	68,094
Water & sewer system expansion	-	289,864	289,864
	$ 4,814,910	$ 293,064	$ 5,107,974

Debt

In July 2005, The City liquidated the Sewer Revenue Bonds, Series 1987 with interest at 5% per annum with the principal amount of $1,645,000, by way of issuing Water and Sewer Revenue Refunding Bonds Series 2005, in the principal amount $1,660,000 with interest at 3.64% per annum.

At the end of the current fiscal year the City had totaled bonded debt outstanding was $1,190,000. The net revenue in the Water and Sewer fund is pledged to service the payment agreed to be paid on the outstanding bonds.

At year end the City had the following debt outstanding:

	Business-type Activities	
	2010	2009
Water and Sewer Revenue Refunding Bond	$ 1,190,000	$ 1,285,000

General Fund Budgetary Highlights

During the year the City did not amend any of the governmental funds budget.

Economic Factors and Next Year's Budgets and Rates

Significant factors considered in preparing the City's budget for year 2010 were:

- Revenue estimates contained in the City's fiscal year 2010 Annual Budget were developed in response to continued economic factors in the City.

- Increased growth in the area is expected to continue to increase the tax base, and as a result, increase property taxes. The growth is also anticipated in our water and sewer utility customer base.

- Sales tax has continued to grow and we anticipate moderate growth in this revenue source in the foreseeable future.

All of these factors were considered in preparing the City's budget for the 2010 year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Mayor, the City of Grovetown, at 103 Old Wrightsboro Road, P.O. Box 120, Grovetown, Georgia 30813.

CITY OF GROVETOWN, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Current assets			
Cash & cash equivalents	$ 4,415,637	$ 451,081	$ 4,866,718
Receivables, net			
Taxes	182,919	-	182,919
Accounts	70,521	248,609	319,130
Other	15,354	-	15,354
Prepaid expenses	-	19,121	19,121
Restricted assets			
Certificate of deposit	-	147,236	147,236
Sinking fund	-	182,642	182,642
Renewal & extension fund	-	626,597	626,597
Total current assets	4,684,431	1,675,286	6,359,717
NONCURRENT ASSETS			
Capital assets			
Land	1,945,823	309,450	2,255,273
Buildings & improvements	4,728,102		4,728,102
Vehicle & equipment	3,291,634	515,672	3,807,306
Infrastructure	82,110,535		82,110,535
Utility system	-	11,884,618	11,884,618
	92,076,094	12,709,740	104,785,834
Less accumulated depreciation	3,637,718	4,220,140	7,857,858
	88,438,376	8,489,600	96,927,976
Deferred Charges	-	27,145	27,145
Total assets	$ 93,122,807	$ 10,192,031	$ 103,314,838

	Governmental Activities	Business type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable	$ 173,482	$ 56,131	$ 229,613
Accrued expenses	-	-	-
Current portion of long-term debt	-	100,000	100,000
Accrued interest	-	3,610	3,610
Total current liabilities	173,482	159,741	333,223
LONG TERM LIABILITIES			
Long term debt, net of current portion	-	1,090,000	1,090,000
GEFA loan	-	2,612,602	2,612,602
Total long term liabilities	-	3,702,602	3,702,602
Total liabilities	173,482	3,862,343	4,035,825
Net assets			
Invested in capital assets related debt	88,501,705	4,686,998	93,188,703
Restricted for:			
Debt service	-	329,878	329,878
Capital projects	1,662,422	-	1,662,422
Unrestricted	2,785,198	1,312,812	4,098,010
Total net assets	$ 92,949,325	$ 6,329,688	$ 99,279,013

Notes to the Financial Statements are an integral part of these statements.

CITY OF GROVETOWN, GEORGIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets: Governmental Activities	Net (Expenses) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expenses) Revenue and Changes in Net Assets: Total
Primary Government	$	$	$	$	$	$	$
Governmental Activities							
Administration	98,123	-	-	-	(98,123)	-	(98,123)
General government	620,000	31,636		-	(588,364)	-	(588,364)
Public safety	1,976,667	26,688	75,845	-	(1,874,134)	-	(1,874,134)
Judicial	260,372	263,744	-	-	3,372	-	3,372
Zoning	206,729	194,882	-	-	(11,847)	-	(11,847)
Maintenance	209,066		-	-	(209,066)	-	(209,066)
Recreation	369,196	9,861	-	-	(359,335)	-	(359,335)
Health & welfare/Senior Center	106,385	31,619	-	-	(74,766)	-	(74,766)
Public works, street, & sanitation	1,162,787	637,440	-	4,580,450	4,055,103	-	4,055,103
Capital outlay	96,386	-	-	-	(96,386)	-	(96,386)
Total Governmental Activities	5,105,711	1,195,870	75,845	4,580,450	746,454	-	746,454
Business Type Activities							
Water & Sewer	2,016,126	2,233,924	-	-	-	217,798	-
Total Business Type Activities	2,016,126	2,233,924	-	-	-	217,798	-
Total Primary Government	$ 7,121,837	$ 3,429,794	$ 75,845	$ 4,630,450	746,454	217,798	964,252
General revenues							
Property taxes					2,299,475	-	2,299,475
Sales taxes					2,590,477	-	2,590,477
Unrestricted investment earnings					47,089	16,418	63,507
Transfers					(293,064)	293,064	-
Total general revenues and transfers					4,643,977	309,482	4,953,459
Change in Net Assets					5,390,431	527,280	5,917,711
Net Assets - beginning of year					87,558,894	5,802,408	93,361,302
Net Assets - ending of year					$ 92,949,325	$ 6,329,688	$ 99,279,013

Notes to the Financial Statements are an integral part of these statements.

CITY OF GROVETOWN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

ASSETS	General	2010 Sales Tax	Total Governmental Funds
Cash and cash equivalents	$ 2,838,225	$ 1,577,412	$ 4,415,637
Receivables			
Taxes	97,909	85,010	182,919
Garbage	70,521		70,521
Due from other funds	-		-
Other	15,354		15,354
Total assets	$ 3,022,009	$ 1,662,422	$ 4,684,431
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	$ 173,482	$ -	$ 173,482
Accrued liabilities		-	-
Due to other funds		-	-
Total liabilities	173,482	-	173,482
Fund balance			
Reserved for:			
Capital projects	-	1,662,422	1,662,422
Unreserved	2,848,527	-	2,848,527
Total fund balance	2,848,527	1,662,422	4,510,949
Total Liabilities and fund balance	$ 3,022,009	$ 1,662,422	$ 4,684,431

The notes to the financial statements are an integral part of this statement.

CITY OF GROVETOWN, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010

Total fund balances - Governmental funds	$	4,510,949
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds		88,438,376
Net assets of governmental activities	$	92,949,325

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

CITY OF GROVETOWN, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	2010 Sales Tax	Total Governmental Funds
REVENUES			
Taxes	$ 2,299,476	$ -	$ 2,299,476
Licenses and permits	194,882	-	194,882
Intergovernmental	1,521,105	1,069,372	2,590,477
Charges for services	696,920	-	696,920
Fines & Forfeitures	272,432	-	272,432
Use of money and property	23,826	23,261	47,087
Other	107,481	-	107,481
Total revenues	5,116,122	1,092,633	6,208,755
EXPENDITURES			
Current			
Administration	98,122	-	98,122
General government	574,315	-	574,315
Public safety	1,867,833	-	1,867,833
Judicial	260,372	-	260,372
Planning & Zoning	203,142	-	203,142
Maintenance	188,541	-	188,541
Streets/Sanitation/Public Works	1,136,222	-	1,136,222
Senior Center	94,542	-	94,542
Recreation	306,246	-	306,246
Capital outlay	-	313,048	313,048
Total expenditures	4,729,335	313,048	5,042,383
Excess of revenues over expenditures	386,787	779,585	1,166,372
OTHER FINANCING SOURCES (USES)			
Transfers	-	(293,064)	(293,064)
Total other financing sources and (uses)	-	(293,064)	(293,064)
Net change in fund balances	386,787	486,521	873,308
Fund balance -			
Beginning of year	2,461,740	1,175,901	3,637,641
End of year	$ 2,848,527	$ 1,662,422	$ 4,510,949

The notes to the financial statements are an integral part of this statement.

CITY OF GROVETOWN, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances - total governmental funds	$	873,308
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		4,830,821
Changes in net assets of governmental activities	$	5,704,129

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

CITY OF GROVETOWN, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS-WATER & SEWER
DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
Current Assets		
Cash and cash equivalent	$ 451,081	$ 316,900
Receivables, net of allowance for uncollectible accounts		
Water and sewer	248,609	164,396
Prepaid expenses	19,121	14,083
	718,811	495,379
Restricted assets, cash and temporary investment		
Certificate of deposit	147,236	147,236
Cash renewal and extensions fund	626,597	552,708
Cash and investments sinking fund	182,642	149,681
	956,475	849,625
Total current assets	1,675,286	1,345,004
Non-current assets		
Capital Assets		
Land	309,450	309,450
Machinery & equipment	515,672	401,873
Water and sewer systems	9,272,016	9,092,751
Contract in progress	2,612,602	-
	12,709,740	9,804,074
Less accumulated depreciation	4,220,140	4,017,624
	8,489,600	5,786,450
Deferred charges	27,145	29,882
Total assets	$ 10,192,031	$ 7,161,336

LIABILITIES	2010	2009
Current Liabilities		
Accounts payable	$ 56,131	$ 70,030
Current portion long term debt	100,000	95,000
Accrued interest	3,610	3,898
Total current liabilities	159,741	168,928
Non-Current Liabilities		
Long term debt, net of current portion	1,090,000	1,190,000
GEFA loan	2,612,602	-
Total long term debt	3,702,602	1,190,000
Total liabilities	3,862,343	1,358,928
Net assets		
Invested in capital assets net of related debt	4,686,998	4,501,450
Restricted for:		
Debt services	329,878	296,917
Unrestricted	1,312,812	1,004,041
Total net assets	$ 6,329,688	$ 5,802,408

The notes to the financial statements are an integral part of this statement.

CITY OF GROVETOWN, GEORGIA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING REVENUE		
Water and sewer sale	$ 1,924,506	$ 1,690,652
Sewer taps	168,076	119,150
Service charge	87,028	56,915
Other	54,314	88,088
Total operating revenue	2,233,924	1,954,805
OPERATING EXPENSES		
Salaries and wages	567,523	591,885
Insurance and pension costs	310,608	175,567
Utilities	59,405	53,790
Maintenance and repair	116,806	260,731
Chemicals	22,257	26,026
Postage and supplies	64,649	59,413
Miscellaneous	16,606	69,447
County water and sewerage charges	605,044	560,572
Depreciation & Amortization	202,516	201,145
Total operating expenses	1,965,414	1,998,576
Operating income (loss)	268,510	(43,771)
NON-OPERATING REVENUE (EXPENSES)		
Interest income	16,418	18,786
Interest expense	(50,712)	(49,944)
Total non-operating revenue (expenses)	(34,294)	(31,158)
Income (loss) before contributions	234,216	(74,929)
Transfers	293,064	488,280
Change in net assets	527,280	413,351
Total net assets, beginning of year	5,802,408	5,389,057
Total net assets, end of year	$ 6,329,688	$ 5,802,408

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

CITY OF GROVETOWN, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND WATER & SEWER
FOR YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash flows from operating activities:		
Cash received from customers	$ 2,149,711	$ 1,922,595
Cash payment to suppliers	(1,211,863)	(1,187,703)
Cash payment to employees	(567,523)	(591,885)
	370,325	143,007
Cash flows from capital and related activities:		
Acquisition and construction of capital assets	293,064	(488,279)
Principal paid on bonds	(95,000)	(95,000)
Interest paid on debt	(50,712)	(49,944)
Contribution in aid of construction	(293,064)	488,279
	(145,712)	(144,944)
Cash flows from investing activities:		
Interest income received	16,418	18,787
	16,418	18,787
Net increase (decrease) in cash and cash equivalents	241,031	16,850
Cash and cash equivalents, beginning of year	1,166,525	1,149,675
Cash and cash equivalents, end of year	$ 1,407,556	$ 1,166,525
Reconciling operating income to net cash provided by operating activities:		
Operating income (Loss)	268,510	(43,771)
Adjustment		
Depreciation & Amortization	205,253	201,145
Decrease (increase) in accounts receivable	(84,213)	(32,210)
(Increase) in prepaid expenses	(5,038)	
(Decrease) increase in accounts payable and accrued expence	(14,187)	17,843
Net cash provided by operating activities	$ 370,325	$ 143,007

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Introduction

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

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

A. Financial Reporting Entity – Basis of Presentation

Primary Government

The City of Grovetown, Georgia (hereafter referred to as the "City") was created on September 20, 1881. The City provides the following services: public safety, streets and highways, public improvements, judicial, health and welfare, recreation, and general and administrative services. The accompanying financial statements present the City's primary government which is the City is financially accountable.

B. Government-wide and fund financial statements

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and fund financial statements (Continued)

Fund financial statements focus on individual major funds in either the governmental or business-type categories.

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

The **government-wide financials statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. 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 revenues 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. However, expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable are due within the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

Capital Projects Fund is used to account for monies received from intergovernmental revenues (i.e. Special Purpose Sales Taxes), for various City capital projects.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary fund level financial statements are used to account for activities which are similar to those often found in the private sector. The measurement focus is up on determination of net income, financial position and cash flows. The City's only Proprietary Fund is the water and sewer fund.

The **Proprietary fund** is accounted for using the accrual basis of accounting as follows.

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

Fiduciary fund level financial statements include funds which are used to account for assets held by the City for individuals, (i.e. deferred compensation plan participants).

When both restricted and unrestricted resources are available for use, it is the City's policy to use unrestricted resources when budgeted first, then restricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments. State statues 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 recorded 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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity (Continued)

2. Receivables and Payables

Property taxes were levied based on taxable value at January 1 prior to December 31, 2010 and became due August 15, 2010 and past due after November 15, 2010. Accordingly, 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 receivables from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

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

3. Inventories and Prepaid Items

Inventories for all governmental funds are valued at cost. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are reported as assets. There were no material inventories on hand at December 31, 2010.

4. Restricted Funds – Proprietary Fund

The Proprietary Fund (water and sewer) is required to establish and maintain prescribed amounts of resources (consisting of cash and long-term investments) that can be used only to service outstanding debt.

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 vehicle, furniture and equipment are defined as assets with a cost of $2.500 or more. Infrastructure assets include the City-owned roads and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity (Continued)

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

Assets	Years
Buildings	40 – 50
Furniture & Fixtures	5 – 7
General equipment	5 – 10
Trucks	4 – 7
Cars	4 – 5
Computer hardware	3 – 5
Utility systems	10 – 75

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

6. Compensated Absences and Post Retirement Benefits

Vacation and sick leave are accrued as follows for the following employees:

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

6. Compensated Absences and Post Retirement Benefits (Continued)

At December 31, 2010 unrecorded General Fund accumulated unpaid vacation and sick pay was not material in amount and does not exceed normal years accumulation.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under proprietary fund type (water and sewer fund) statement of net assets.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity (Continued)

8. Unemployment Compensation Benefits

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

9. Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties of use for a specific purpose. Fund reservations include amounts for debt services and capital projects.

In the government-wide financial statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduces this category.

Restricted net assets – This category represents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through Constitutional provision enabling legislation.

Unrestricted net assets – This category represents the net assets of the City which are not restricted for any project or other purpose.

10. Use of Estimates

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Stewardship, Compliance and Accountability Budgetary Information

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

- In October, the City clerk and other departmental head prepare a tentative budget to be given to the mayor for review. After the review is completed, a notice is published of public hearing on the proposed budget a week from the published notice.

- After the public hearing has been held the budget is voted on and approved in the first 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 (Budgetary Basis) and Actual, for the General Fund and Proprietary Fund (water and sewer), presents comparison of the legally adopted budget with actual operating results on a budgetary basis. 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 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net assets as reported in the government-wide statement of net assets. The details of this difference of $88,438,376 are as follows:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds	$ 88,438,376

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balance – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of net assets. The details of this difference of $3,640,103 are as follows:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	$ 4,814,910

NOTE III – DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES

Primary Government

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

Deposits

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

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

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

Category 3 – Uncollateralized.

NOTE III – DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES (CONTINUED)

Deposits (Continued)

Deposits by level of risk are:

	Bank Balance	Category 1	Category 2	Category 3	Reported Amount/ Fair Value
Governmental activities	$ 4,415,637	$ -	$ 4,415,637	$ -	$ 4,415,637
Business-type activities	1,527,437	-	1,527,437	-	1,527,437
	$ 5,943,074	$ -	$ 5,945,074	$ -	$ 5,943,074

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 Federal Deposit Insurance Corporation, and other legal investments. All investments held by the City are in accordance with policy.

NOTE IV – PROPERTY TAXES AND OTHER RECEIVABLES

The Columbia County Tax Commissioner bills and collects property taxes, then remits the City its respective share of property taxes. Property taxes for 2010 were levied on August 15, 2010 and were due November 15, 2010. The unpaid taxes became a lien thirty days after the due date. Unpaid property taxes received within 60 days of the year end are recognized and recorded as revenue (considered measurable and available).

The City receives approximately 9.5% of a 1% local option sales tax on all retail sales within the City. The proceeds of such tax collected each year are used to reduce, on a dollar for dollar basis, the millage equivalent amount of property taxes to be levied in the subsequent year. Local option sales tax collections collected during the year ended December 31, 2010 totaled $1,521,105.

The City also receives approximately 5.8% of 1% (SPLOST) funds, special local option sales tax to be used as designated and approved after public hearings. The approved expenditures are generally for capital projects in the City. The special local option sales tax received during the year ended December 31, 2010 totaled $1,069,372.

NOTE IV – PROPERTY TAXES AND OTHER RECEIVABLES (CONTINUED)

The following is a summary of the 2010 property tax levy:

General Fund

2010 mileage rate – City wide	7.0
Net Property Tax Levy – All Taxes (except vehicles & mobile homes)	$ 1,275,529
Property Taxes Receivable – Real and Personal Property Taxes, Net	$ 97,909

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

Property taxes attach as an enforceable lean 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:

Receivables	Governmental Activities	Business-type Activities	Total
Taxes	$ 182,919	$ -	$ 182,919
Accounts	70,521	253,732	324,253
Other	16,154	1,877	18,031
Gross receivables	269,594	255,609	525,203
Less, allowance for uncollectible	800	7,000	7,800
Net total receivable	$ 268,794	$ 248,609	$ 517,403

NOTE V – CAPITAL ASSETS

General Government

A summary of changes in governmental activities capital assets follows:

Governmental activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated				
Land	$ 1,945,823	$ -	$ -	$ 1,945,823
Infrastructure	77,530,085	4,580,450	-	82,110,535
Total capital assets, not being depreciated	79,475,908	4,580,450	-	84,056,358
Capital assets, being depreciated				
Buildings & improvement	4,728,102	-	-	4,728,102
Furniture & equipment	981,600	166,366	-	1,147,966
Vehicles	2,075,574	68,094	-	2,143,668
	7,785,276	234,460	-	8,019,736
Less accumulated depreciation				
Buildings & improvement	1,349,586	92,505	-	1,442,091
Furniture & equipment	729,529	71,446	-	800,975
Vehicles	1,260,814	133,838	-	1,394,652
	3,339,929	297,789	-	3,637,718
Total capital assets being depreciated, net	4,445,347	(63,329)	-	4,382,018
Governmental activities capital assets, net	$ 83,291,255	$ 4,517,121	$ -	$ 88,438,376

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-wide Statement of Net Assets. The City elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the "Modified Approach" is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the Basic Approach whereby accumulated depreciation and depreciation expense have been recorded. Also in implementing GASB Statement No. 34, assets with an initial cost of $2.500 or more and an estimated life in excess of two years were capitalized.

NOTE V – CAPITAL ASSETS (CONTINUED)

General Government (Continued)

Depreciation expense for year ended December 31, 2010 was charged to functions/programs of the primary government as follows:

Governmental activities	
Administration	$ -
General government	45,685
Public safety	126,634
Planning & zoning	3,587
Maintenance	20,525
Streets & sanitation/Public works	26,565
Senior Center	11,843
Recreation	62,950
Total depreciation expense – governmental activities	$ 297,789

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

Business-type activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated				
Land	$ 309,450	$ -	$ -	$ 309,450
Utility & water tower In progress	-	2,612,602	-	2,612,602
Total capital assets, not being depreciated	309,450	2,612,602	-	2,922,052
Capital assets, being depreciated				
Vehicles	199,402	3,200	-	218,152
Machinery & equipment	313,070	-	-	186,921
Utility systems	8,982,452	289,864	-	9,382,615
Total capital assets, being depreciated	9,494,624	293,064	-	9,787,688
Less accumulated depreciation for				
Vehicles	203,009	11,028	-	214,037
Machinery & equipment	167,890	30,765	-	198,655
Utility systems	3,646,724	160,724	-	3,807,448
Total accumulated depreciation	4,017,623	202,517	-	4,220,140
Total capital assets being depreciated, net	5,477,001	90,547	-	5,567,548
Capital assets, net	$ 5,786,451	$ 2,703,149	$ -	$ 8,489,600

NOTE VI – LONG-TERM DEBT

Bonds Payable – Water and Sewer Utility

On July 21, 2005 the City of Grovetown, Georgia through the Wachovia Bank NA issued Water & Sewerage Revenue Refunding Bonds Series 2005 in the amount of $1,660,000. The purpose of the Series 2005 Bond was to pay the cost, in whole or in part, (a) of the outstanding City of Grovetown 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 expense in connection with the issue of the Series 2005 Bond. The amount of the Series 2005 Bond issued was $1,660,000 with interest at 3.64% per annum. Principal and interest paid on the bonds on December 1, 2010 was $95,000 and $50,332 respectfully. A schedule of bonds outstanding and the principal and interest payment at 3.64% per annum on the Series 2005 Bonds is as follows:

Balance at December 31, 2010

	Payment	Interest	Principal	
12/1/2011	$ 141,316	$ 43,316	$ 100,000	$ 1,090,000
12/1/2012	144,676	39,676	105,000	985,000
12/1/2013	145,884	35,854	110,000	875,000
12/1/2014	141,850	31,850	110,000	765,000
12/1/2015	142,845	27,846	115,000	650,000
12/1/2016	143,660	23,660	120,000	530,000
12/1/2017	144,292	19,292	125,000	405,000
12/1/2018	144,742	14,742	130,000	275,000
12/1/2019	145,010	10,010	135,000	140,000
12/1/2020	145,096	5,096	140,000	-
	$ 1,441,342	$ 251,342	$ 1,190,000	

The Series 2005 Bond resolution provides for the establishment of a sinking fund reserve of $145,236 and at December 31, 2010 that amount was on deposit in the sinking fund reserve account.

NOTE VI – LONG-TERM DEBT (CONTINUED)

Bonds Payable – Water and Sewer Utility (Continued)

The City is in substantial compliance with all covenants of the bond resolutions.

A summary of changes in long-term debt for business-type activities is as follows:

	Balance January 1, 2010	2010 Additions	2010 Deductions	Balance December 31, 2010
FHA Water & Sewerage Revenue Bonds Series 2005	$ 1,190,000	$ -	$ 100,000	$ 1,090,000

NOTE VII – WATER SYSTEM GEFA LOAN

On December 9, 2009 Grovetown signed a $2,500,000 note contract along with $1,000,000 principal forgiveness as part of the American Reinvestment and Recovery Act Funding to help finance the water system improvements, construct a 750,000 gallon elevated water tank and demolish the existing tanks. The loan was approved and drawn down in the loan are payments to contractors on the project began in January 2010. The proposed funding of the project are as follows:

GEFA SRF Clean Water Loan	$ 2,500,000
SPLOST Fund	600,000
General Fund	500,000
	$ 3,600,000

As of December 31, 2010 the project was still in progress and the cost to date is $2,612,602.

NOTE VIII – RISK MANAGEMENT

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

Risk Pool

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

NOTE VIII – RISK MANAGEMENT (CONTINUED)

Risk Pool (Continued)

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 GIRMA's attorneys, claims adjusters, and any agent or independent contractor of GIRMA. In addition, the City must report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in GIRMA or any Fund established by GIRMA 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 cost 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.

NOTE IX – 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") a defined benefit plan, an agent multiple – public employee retirement system 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, 2010 was $1,997,289. The City's total payroll for the year ended December 31, 2010 was $2,578,763.

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. For the year ending December 31, 2010 the annual pension contribution summary was $127,857.

NOTE IX – PENSION PLAN (CONTINUED)

Summary of required contributions:

Fiscal Year	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (NPO)
5/1/2010	$ 88,674	100.00%	$ -
5/1/2009	83,834	100.00%	-
5/1/2008	73,443	86.10%	-
5/1/2007	88,055	87.61%	1,357

Summary of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded Accrued Liability (B-A)	Funds Ratio (A/B)	Covered Payroll (C)	Percentage of Covered Payroll (B-A)(C)
5/1/2010	$ 1,311,448	$ 1,558,848	$ 247,400	84.13%	$ 1,997,289	12.39%
5/1/2009	898,006	1,450,624	552,618	61.90%	1,974,361	27.99%
5/1/2008	1,148,480	1,334,547	186,067	86.10%	1,721,437	10.80%
5/1/2007	1,041,235	1,188,462	147,227	87.61%	1,546,796	9.52%

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

Economic assumption:	
Interest rate	8.00%
Annual inflation rate of increase in:	
Salaries	5.50%
Future Social Security Wage Basis	5.50%
Demographic assumption:	
Morality	1983 GAM Table
Disability	50% of 1975 SSA Study
Retirement	Employee: 65 with 5 years of service Official: 65
Form of payment	Life annuity
Actuarial Methods	Life annuity
Normal cost and actuarial accrued liability	Projected unit credit

NOTE IX – PENSION PLAN (CONTINUED)

Actuarial value of assets – Calculate Expected Actuarial Value of by rolling forward prior year's Actuarial Value with contributions, disbursements, and expected return on investments. Preliminary Actuarial Value of Assets is Expected Actuarial Value of Assets plus (minus) 10% of the amount that Market Value of Assets exceeds (is less than) Expected Actuarial Value of Assets. In addition, the Actuarial Value of Assets will not be less than 70% or greater than 130% of the Market Value of Assets. This 30% corridor will be reduced by 5% each year until 2007, after which time the

Actuarial Value of Assets will not be less than 80% or greater than 120 % of the Market Value of Assets.

Funding policy and annual contribution – The Board of Trustees of the Georgia 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 n 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). The amortization periods, if applicable, are closed for this plan year. 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. However, any amount over the minimum contribution will be phased in over five years, starting in 2007. Therefore, 20% of the amount over the minimum contribution (if any) is recognized for the 2010 recommended contribution.

Current plan membership – As of May 1, 2010, the date of the actuarial report, the current plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	12
Terminated employees entitled to benefits but not yet receiving them	4
Current active employees	
Vested	25
Non-vested	48
Total membership in the plan	73

NOTE IX – PENSION PLAN (CONTINUED)

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

However, current and historical trend information is designed to provide information about the Pension Plan's progress in accumulating sufficient assets to pay benefits when due. This data is presented as supplemental information on page 46.

NOTE X – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Central Savannah River Area, is a member of the Central Savannah River area Regional Development Center (RDC) and is required to pay annual dues thereto. During its year ended December 31, 2010, the City paid $4,567 in such dues and service charges. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 that provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from CSRA Regional Development Center, 3023 River Watch Parkway, Augusta, GA 30907.

NOTE XI – COMMITMENTS

New Special 1% Sales Tax for Transportation, Water and Sewer and Other Projects

On July 1, 2006, a new special 1% sales tax went into effect. The sales tax is to remain in effect not exceeding 20 quarters (5 years) or until $2,395,000 is collected. The sales tax proceeds are to be allocated to the following projects and other governments in the City:

New Special 1% Sales Tax for Transportation, Water and Sewer and Other Projects (Continued)

500,000 Gallon Water Tank	$ 600,000
Equipment	500,000
Sewer/Water lines	389,500
Building/Land Acquisition (Fire Dept.)	400,000
Soccer, Tennis, Basketball Courts	125,000
Bathroom Facilities	75,000
Vehicles	50,000
	$ 2,139,500

NOTE XII – CONTINGENCIES

Judgments and Claims

As of the report date, the City has threatened litigation as a result of an injury to a resident sustained on a sidewalk of the City. Since the litigation has not been completed, no accrual has been recorded related to any judgments and claims against the City.

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

NOTE XIII – LANDFILL POST CLOSURE COST

Landfill Closure

The City contracts with the County to dispose of its solid waste materials collected. In prior years the City maintained a landfill; however, it has been closed for several years. The state of Georgia requires the City to perform certain maintenance and monitoring functions at the closed landfill and to make periodic reports to the appropriate agencies. The estimated liability for post closure cost is undeterminable; however, the City believes the maintenance cost is immaterial. However, changes in the post closure care may occur for increases or decreases in cost due to inflation or deflation, changes in technology, changes to post closure care requirements, and changes in the extent of environmental remediation required by law. If at such time that the post closure care cost is determined and is a material liability appropriate disclosure will be reflected in the financial statements. The maintenance costs for 2010 and 2009 were $0 and $3,844, respectively. These costs are reflected in the sanitation department.

NOTE XIV – INTERFUND TRANSFERS

	Transfer In		
Transfer Out	General	Water	Total
SPLOST	$ 293,064	$ 293,064	$ -

The interfund transfer into the Water Fund was primarily for the purchase of capital assets.

NOTE XV – EXPENDITURES IN EXCESS OF BUDGET

The City's financial statements reflect expenditures in excess of budget amounts in the General Fund as follows:

	Final Budget	Actual	Excess
General Government	$ 562,400	$ 574,315	$ 11,915
Senior Center	82,552	94,542	11,990
	644,952	668,857	23,905

NOTE XVI – FEDERAL FINANCIAL ASSISTANCE

The City of Grovetown received the following financial assistance in 2010:

	Federal CFDA Number	Pass-Through Grant Number	Expenditures
Major Programs			
U.S. Environmental Protection Agency passed through the Georgia Environmental Facilities Authority Drinking Water ARRA Program	66.468	DWSRE 09-025	$ 2,612,602

CITY OF GROVETOWN, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE BUDGETED ACTUAL GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts			Variance with
REVENUES	Original	Final	Actual	Final Budget
Taxes	$ 2,299,386	$ 2,299,386	$ 2,299,476	$ 90
Licenses and Permits	120,000	120,000	194,882	74,882
Intergovernmental	1,440,000	1,440,000	1,521,105	81,105
Charges for service	725,800	725,800	696,920	(28,880)
Fines & Forfeitures	202,000	202,000	272,432	70,432
Use of money and property	30,000	30,000	23,826	(6,174)
Other	55,000	55,000	107,481	52,481
Total revenues	4,872,186	4,872,186	5,116,122	243,936
EXPENDITURES				
Current operating				
Administration	100,968	100,968	98,122	(2,846)
General government	562,400	562,400	574,315	11,915
Public safety	1,947,022	1,947,022	1,867,833	(79,189)
Magistrate Court & Probate	278,165	278,165	260,372	(17,793)
Planning & zoning	234,442	234,442	203,142	(31,300)
Maintenance	193,209	193,209	188,541	(4,668)
Street & sanitation/Public works	1,143,363	1,143,363	1,136,222	(7,141)
Senior center	82,552	82,552	94,542	11,990
Recreation	330,065	330,065	306,246	(23,819)
Total expenditure	4,872,186	4,872,186	4,729,335	(142,851)
Excess of revenues over expenditures	-	-	386,787	386,787
Fund balance				
Beginning of year	2,461,740	2,461,740	2,461,740	-
End of year	$ 2,461,740	$ 2,461,740	$ 2,848,527	$ 386,787

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

CITY OF GROVETOWN, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET ASSETS
BUDGETED ACTUAL - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts			Variance with
OPERATING REVENUES	Original	Final	Actual	Final Budget
Water and sewer sales	$ 1,775,000	$ 1,775,000	$ 1,924,506	$ 149,506
Sewer taps	150,000	150,000	168,076	18,076
Service charge	82,000	82,000	87,028	5,028
Other	73,000	73,000	54,314	(18,686)
Total operating revenues	2,080,000	2,080,000	2,233,924	153,924
OPERATING EXPENSE				
Salaries and wages	578,100	578,100	567,523	(10,577)
Insurance and pension cost	351,400	351,400	310,608	(40,792)
Utilities	61,600	61,600	59,405	(2,195)
Maintenance and repair	173,850	173,850	116,806	(57,044)
Chemicals	32,000	32,000	22,257	(9,743)
Postage and supplies	82,450	82,450	64,649	(17,801)
Miscellaneous	53,025	53,025	16,606	(36,419)
County water and sewerage charges	631,000	631,000	605,044	(25,956)
Depreciation & amortization	-	-	202,516	202,516
Total operating expenses	1,963,425	1,963,425	1,965,414	1,989
Operating income	116,575	116,575	268,510	151,935
NON-OPERATING REVENUE (EXPENSE)				
Interest income	20,000	20,000	16,418	(3,582)
Interest expense	(146,000)	(146,000)	(50,712)	95,288
Total non-operating income (expense)	(126,000)	(126,000)	(34,294)	91,706
Income before contribution	(9,425)	(9,425)	234,216	234,216
Contribution in aid of construction	-	-	293,064	293,064
Change in net assets	(9,425)	(9,425)	527,280	536,705
Total net assets, beginning of year	5,802,408	5,802,408	5,802,408	-
Total net assets, end of year	$ 5,792,983	$ 5,792,983	$ 6,329,688	$ 536,705

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

CITY OF GROVETOWN, GEORGIA
NOTE TO BUDGETARY INFORMATION
DECEMBER 31, 2010

Budgetary Data

The City adopts an annual budget which covers the General Fund and Water and Sewer Fund. For the Capital Project Governmental Fund which consists of one fund and is designated to be spent in accordance with the Special Local Option Sales Tax Resolution approved by the citizens of the City of Grovetown in 2010.

The Budgetary Comparison Schedule, included in the required supplementary information, presents a comparison of budgetary data to actual results of operations for the General Fund, and Water and Sewer Fund, for which annual operating budgets are legally adopted.

CITY OF GROVETOWN, GEORGIA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PENSION FUNDING
LAST THREE FISCAL YEARS (UNAUDITED)
DECEMBER 31, 2010

For year ending December 31, 2010 the annual pension cost was $96,016. The requested contribution was suggested in the valuation report dated May 1, 2009.

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

Fiscal year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
May 1, 2010	$ 88,674	100%	$
May 1, 2009	83,834	100.0%	-
May 1, 2008	73,443	86.1%	-

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funds Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B-A) (C)
5/1/2010	$ 1,311,448	$ 1,558,848	$ 247,400	84.10%	$ 1,997,289	12.39%
5/1/2009	898,006	1,450,624	552,618	61.9%	1,974,361	28.0%
5/1/2008	1,148,480	1,334,547	186,067	86.1%	1,721,437	10.8%

CITY OF GROVETOWN, GEORGIA
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
INFRASTRUCTURE ASSETS - MODIFIED APPROACH
DECEMBER 31, 2010

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

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

Condition	Rating
Excellent	4
Good	3
Fair	2
Poor	1

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

During the year ended December 31, 2010 the expenditures through Public works of the General Fund and Special Revenue Sales Tax fund was in excess of $500,000 for road maintenance.

BERRY & ASSOCIATES, P.C.

Certified Public Accountants

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

City of Grovetown
City of Grovetown, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of The City of Grovetown, Georgia, as of and for the year ended December 31, 2010, which collectively comprise The City of Grovetown, Georgia's basic financial statement and have issued our report thereon dated June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance

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

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

This report is intended solely for the information and use of management, others within the entity, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berry - Associates P.C.

June 30, 2011

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& ASSOCIATES, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City of Grovetown
City of Grovetown, Georgia

Compliance

We have audited The City of Grovetown, Georgia's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Grovetown, Georgia's major federal programs for the year ended December 31, 2010. The City of Grovetown, Georgia's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The City of Grovetown's management. Our responsibility is to express an opinion on the City of Grovetown, Georgia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grovetown, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides basis for our opinion. Our audit does not provide a legal determination of The City of Grovetown, Georgia's compliance with those requirements.

In our opinion, The City of Grovetown, Georgia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control over Compliance

The management of The City of Grovetown, Georgia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The City of Grovetown, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The City of Grovetown, Georgia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

Berry & Associates, P.C.
June 30, 2011

CITY OF GROVETOWN, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Federal Expenditures
Major Programs			
U.S. Federal Environmental Protection Agency passed through Georgia Environmental Facilities Authority Drinking Water ARRA Program	66.468	DWSRE 09-025	$ 2,612,602

CITY OF GROVETOWN, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITUERS OF FEDERAL AWARDS
DECEMBER 31, 2010

Note I – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the City of Grovetown, Georgia under programs of the federal government for the year ended December 31, 2010. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OBM) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the City of Grovetown, Georgia, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Grovetown, Georgia.

Note II – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

CITY OF GROVETOWN, GEORGIA
REPORTING REQUIREMNETS AND COMMUNICATION CONSIDERATIONS
FOR YEAR ENDED DECEMBER 31, 2010

Schedule of findings and questioned costs
Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

• Material weakness(es) identified	____ yes	_X_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	____ yes	_X_ no
• Noncompliance material financial statements noted?	____ yes	_X_ no

Federal Awards

The criteria for Type A programs were the greater of $300,000 or 3% of fund awards. The grants were audited during the last two years with no audit findings and are classified as a *low risk* Type A program.

Internal control over financial reporting:

• Material weakness(es) identified	____ yes	_X_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	____ yes	_X_ no

Type of auditor's report issued on Compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	____ yes	_X_ no
Auditee qualified as low-risk auditee?	____ yes	_X_ no

CITY OF GROVETOWN, GEORGIA
REPORTING REQUIREMNETS AND COMMUNICATION CONSIDERATIONS
FOR YEAR ENDED DECEMBER 31, 2010

Schedule of findings and questioned costs
Section I – Summary of Auditor's Results (continued)

Identification of major programs:
U.S. Federal Environmental Protection Agency

Section II – Schedule of Findings and Questioned Costs in Relation to the Financial Statements

NONE REPORTED

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

NONE REPORTED

Section IV – Schedule of Prior Year Findings

FINDING 2010 – 1 SEGREGATION OF DUTIES

Criteria – The city did not maintain adequate segregation of duties regarding the internal control functions.

Condition – Due to the small size of the office staff, the City did not maintain adequate segregation of duties regarding the internal control functions. Therefore, there is a possibility that accounting errors may not be detected promptly.

Status – Resolved.

BERRY & ASSOCIATES, P.C.

Certified Public Accountants

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(706) 863-5906 • FAX: (706) 863-6872

INDEPENDENT AUDITOR'S REPORT ON SPECIAL LOCAL OPTION ONE PERCENT SALES AND USE TAX (SPLOST – 2006-2010)

City of Grovetown
City of Grovetown, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Grovetown, Georgia for the year ended December 31, 2010. This schedule is the responsibility of the City of Grovetown, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax based on our audit.

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

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described on Note 1 and is not intended to be a complete presentation of the City of Grovetown, Georgia's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in the City of Grovetown, Georgia's resolution ordinance calling for the tax for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Berry & Associates P.C.

June 30, 2011

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

Project	Original Estimated Cost	Prior Year	Current Year	Total To Date	Estimated Percentage of Completion
500,000 Gallon Water Tank	$ 600,000	$ -	$ -	$ -	-
Equipment	500,000	106,547	12,910	119,457	
Water & Sewer Lines	389,500	875,223	291,348	1,166,571	
Fire Department Land Building & Equipment	400,000	1,091,877	243,138	1,335,015	
Soccer, Tennis Recreation Center	125,000	202,402	34,185	236,587	
Bathroom Facilities	75,000	92,845	1,269	94,114	
Vehicles	50,000	160,584	-	160,584	
	$ 2,139,500	$ 2,529,478	$ 582,850	$ 3,112,328	

THE CITY OF GROVETOWN, GEORGIA
INSURANCE COVERAGE
YEAR ENDED DECEMBER 31, 2010

The City maintains the following insurance:

Workman's compensation is provided by Georgia Municipal Association Workers Compensation Self-Insurance Fund (GMA-WCSIF). The coverage period: January 1, 2010 to December 31, 2010.

Combined property, casualty and crime insurance coverage is provided by Georgia Interlocal Risk Management Agency (GIRMA). The coverage period: May 1, 2010 to May 1, 2011.

COVERAGE DESCRIPTION – General Liability:	Limit of Liability
Each Occurrence	$ 1,000,000
Personal & Advertising injury	1,000,000
Products/Completed Operations	1,000,000
Failure to Supply Utilities	1,000,000
Fire Legal Liabilities	1,000,000
General Aggregate	Unlimited
Products/Completed Ops Aggregate	5,000,000
Failure to Supply Utilities Aggregate	5,000,000
Medical Payments	Excluded
Form	Occurrence
DEDUCTIBLE:	0
Employee Benefits Liability	1,000,000
Employee Benefits Aggregate	5,000,000
Form	Occurrence
Retroactive Date	3/1/2000
DEDUCTIBLE:	0

COVERAGE FEATURES:	
No premium audits	Defense costs outside the limit
Special events liability	Athletic participants' liability
Fireworks display liability	Cemetery professional liability
Limited pollution liability	Non-owned aircraft
Non-owned watercraft	Host liquor liability
Worldwide territory	Garage liability
Garage keepers' liability	Personal Injury Liability
Authorized Moonlighting by Police Officers	Jail Cell Operations
Police Animal Liability	Assault and Battery
Sexual Abuse Coverage	Sexual Molestation Coverage

THE CITY OF GROVETOWN, GEORGIA
INSURANCE COVERAGE
YEAR ENDED DECEMBER 31, 2010

COVERAGE DESCRIPTION – Law Enforcement Liability:

Each Occurrence	$ 1,000,000
Aggregate Limit	Unlimited
Form	Occurrence
Retroactive Date	N/A
DEDUCTIBLE:	0

COVERAGE FEATURES:

No premium audits	Defense costs outside the limit
Personal injury coverage	Sexual abuse coverage
Sexual molestation coverage	Assault & battery
False arrest/wrongful imprisonment	Police animal liability
Civil rights violations	

COVERAGE DESCRIPTION – Public Officials & Employment Practices Liability:

Each Claim	$ 1,000,000
Aggregate Limit	5,000,000
Form	Occurrence
Retroactive Date	3/1/2000
DEDUCTIBLE:	0

COVERAGE FEATURES:

No premium audits	Defense costs outside the limit
Personal injury coverage	Employment practices liability
Civil rights violations	Pay on Behalf Basis
Zoning Claims – depending upon allegation	Americans with Disabilities Act
Service Performed Under a Mutal Aid Agreement	

COVERAGE DESCRIPTION – Automobile Liability:

Bodily injury – per person	$ 1,000,000
Bodily injury – per occurrence	1,000,000
Property damage	1,000,000
Uninsured/Uninsured Motorists	75,000
Hired & Non-Owned Liability	1,000,000
Medical Payments	Excluded
DEDUCTIBLE:	0

THE CITY OF GROVETOWN, GEORGIA
INSURANCE COVERAGE
YEAR ENDED DECEMBER 31, 2010

COVERAGE DESCRPITION – Automobile Physical Damage:	
Limit	Actual Cash Value
Hired Physical Damage	Included
Vehicles Covered	Scheduled Vehicles Only
DEDUCTIBLE:	
Comprehensive Deductible	$ 1,000
Collision Deductible	1,000
Hired Physical Damage Deductible	1,000
COVERAGE FEATURES:	
Automatic coverage for vehicles up to $100,000 in value	
Automatic Liability Coverage for new vehicles	
Deductible Per Occurrence	
COVERAGE DESCRIPTION – Crime/Fidelity:	
Blanket Employee Dishonesty	$ 500,000
Forgery or Alteration	500,000
Computer Crime	500,000
Money and Securities	500,000
DEDUCTIBLE:	1,000
COVERAGE FEATURES:	
Faithful performance included	
Includes all local and state required bonds	
COVERAGE DESCRIPTION – Property:	
Blanket Building & Personal Property	$ 10,701,623
Auto & Mobile Equipment	427,000
Computers ("EDP")	Included
Flood Limit – Including Zones A and V	10,000,000
Earthquake Limit	10,000,000
Co-Insurance Provisions	Waived
Locations Covered	Per Schedule
Valuation – Building & Contents	Replacement Cost
Valuation – Mobile Equipment	Actual Cash Value
DEDUCTIBLE (All Perils):	1,000

THE CITY OF GROVETOWN, GEORGIA
INSURANCE COVERAGE
YEAR ENDED DECEMBER 31, 2010

AUTOMATIC COVERAGE EXTENSIONS:		
Business Interruptions	$	100,000
Extra Expense		100,000
Computers ("EDP")		100,000
Builders Risk		100,000
Property in Transit		100,000
Valuable Papers		100,000

COVERAGE DESCRIPTION – Boiler & Machinery:	
Limited per Occurrence	6,095,923
Ordinance or law limit	1,000,000
Hazardous Substance	250,000
DEDUCTIBLE:	1,000
Automatic Coverage Extensions:	
Ammonia Contamination	1,000,000
Expediting	1,000,000
Off Premises Interruption	1,000,000
Spoilage/Consequential Damage	1,000,000
Water Dam	1,000,000

COVERAGE IS SUBJECT TO ALL TERMS, CONDITIONS AND INTERNAL LIMITS AS SPECIFIED IN THE GIRMA COVERAGE AGREEMENT.