

CITY OF SPRINGFIELD, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Springfield, Georgia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Springfield, Georgia's basic financial statements. The schedules of projects paid with special sales tax proceeds and water and sewer information, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of projects paid with special sales tax proceeds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of projects paid with special sales tax proceeds is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of water and sewer information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2015 on our consideration of the City of Springfield, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Springfield, Georgia's internal control over financial reporting and compliance.

Thigpen, Lanier, Westerfield + Dal

Statesboro, Georgia
June 25, 2015

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,673,229	\$ 1,917,182	\$ 4,590,411
Restricted cash and cash equivalents	70,385	80,756	151,141
Receivables:			
Accounts	-	156,779	156,779
Taxes	237,226	-	237,226
Intergovernmental	86,174	-	86,174
Internal balances	(223,447)	223,447	-
Prepaid items	28,014	7,792	35,806
Restricted Assets:			
Cash and cash equivalents	-	137,192	137,192
Capital assets:			
Nondepreciable capital assets	924,887	2,456,805	3,381,692
Depreciable capital assets, net	1,393,836	9,968,694	11,362,530
Total Assets	5,190,304	14,948,647	20,138,951
LIABILITIES			
Current Liabilities:			
Accounts payable	34,574	117,291	151,865
Accrued liabilities	18,027	2,346	20,373
Accrued interest payable	-	47,417	47,417
Unearned revenue	-	445,289	445,289
Compensated absences payable	21,323	12,847	34,170
Customer deposits	-	80,756	80,756
Revenue bonds payable	-	265,000	265,000
Long-Term Liabilities:			
Compensated absences payable (net of current portion)	14,216	8,565	22,781
Revenue bonds payable (net of current portion)	-	5,138,524	5,138,524
Total Liabilities	88,140	6,118,035	6,206,175
NET POSITION			
Net investment in capital assets	2,318,723	7,021,975	9,340,698
Restricted for:			
Capital projects	1,020,267	-	1,020,267
Public safety	70,385	-	70,385
Debt service	-	137,192	137,192
Unrestricted	1,692,789	1,671,445	3,364,234
Total Net Position	\$ 5,102,164	\$ 8,830,612	\$ 13,932,776

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Program/Function	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 452,383	\$ 49,126	-	-	\$ (403,257)		\$ (403,257)
Judicial - Municipal court	110,855	-	-	-	(110,855)		(110,855)
Public safety	757,927	363,365	\$ 205,473	-	(189,089)		(189,089)
Public works	255,114	-	-	\$ 321,140	66,026		66,026
Housing and development	25,258	12,925	-	-	(12,333)		(12,333)
Culture and Recreation	110,509	-	-	422,110	311,601		311,601
Total Governmental Activities	1,712,046	425,416	205,473	743,250	(337,907)		(337,907)
Business-Type Activities:							
Water and Sewer	1,348,658	1,538,356	-	-		\$ 189,698	189,698
Sanitation	153,098	159,628	-	-		6,530	6,530
Arts & Events	286,981	116,311	-	42,955		(127,715)	(127,715)
Total Business-Type Activities	1,788,737	1,814,295	-	42,955		68,513	68,513
Total Primary Government	\$ 3,500,783	\$ 2,239,711	\$ 205,473	\$ 786,205	(337,907)	68,513	(269,394)
		General Revenues					
		Property taxes levied for:					
		General purposes			343,297	-	343,297
		Sales taxes			475,816	-	475,816
		Insurance premium tax			151,503	-	151,503
		Franchise taxes			166,976	-	166,976
		Other taxes			87,294	-	87,294
		Interest earned			2,259	3,458	5,717
		Gain on sale of capital assets			-	1,190	1,190
		Contributions			105,175	-	105,175
		Other			5,839	-	5,839
		Special Item - Service delivery agreement contribution from Effingham County			60,191	-	60,191
		Transfers			(1,299,505)	1,299,505	-
		Total General Revenues, Special Items, and Transfers			98,845	1,304,153	1,402,998
		Change in Net Position			(239,062)	1,372,666	1,133,604
		Net Position, Beginning of Year			5,341,226	7,457,946	12,799,172
		Net Position, End of Year			\$ 5,102,164	\$ 8,830,612	\$ 13,932,776

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	SPLOST Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,402,087	\$ 1,271,142	\$ 2,673,229
Restricted cash and cash equivalents	70,385	-	70,385
Receivables:			
Taxes	237,226	-	237,226
Intergovernmental	41,648	44,526	86,174
Interfund	105,345	-	105,345
Prepaid items	28,014	-	28,014
TOTAL ASSETS	<u>\$ 1,884,705</u>	<u>\$ 1,315,668</u>	<u>\$ 3,200,373</u>
LIABILITIES			
Accounts payable	\$ 34,574	-	\$ 34,574
Accrued liabilities	18,027	-	18,027
Interfund payable	33,391	\$ 295,401	328,792
TOTAL LIABILITIES	<u>85,992</u>	<u>295,401</u>	<u>381,393</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	69,215	-	69,215
FUND BALANCES			
Nonspendable	28,014	-	28,014
Restricted	70,385	1,020,267	1,090,652
Assigned	103,339	-	103,339
Unassigned	1,527,760	-	1,527,760
TOTAL FUND BALANCES	<u>1,729,498</u>	<u>1,020,267</u>	<u>2,749,765</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,884,705</u>	<u>\$ 1,315,668</u>	<u>\$ 3,200,373</u>

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

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

Total Governmental Fund Balances		\$ 2,749,765
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost	\$ 4,025,362	
Less accumulated depreciation	<u>(1,706,639)</u>	2,318,723
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Property taxes		69,215
Compensated absences payable are not due and payable in the current period, and, therefore, are not reported in the funds:		
		(35,539)
Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net position:		
Interfund receivables	71,689	
Interfund payables	<u>(71,689)</u>	<u>-</u>
Net Position Of Governmental Activities		<u><u>\$ 5,102,164</u></u>

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	SPLOST Capital Projects Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,222,940	-	\$ 1,222,940
Intergovernmental	678,508	\$ 268,597	947,105
Licenses and permits	62,051	-	62,051
Charges for services	83,934	-	83,934
Fines and forfeitures	279,431	-	279,431
Interest	2,259	1,618	3,877
Contributions	105,175	-	105,175
Other	5,839	-	5,839
Total revenues	<u>2,440,137</u>	<u>270,215</u>	<u>2,710,352</u>
EXPENDITURES			
Current:			
General government	452,569	-	452,569
Judicial	111,066	-	111,066
Public safety	751,057	-	751,057
Public works	443,465	-	443,465
Culture and recreation	648,573	-	648,573
Housing and development	23,771	-	23,771
Capital outlay			
Public safety	-	46,883	46,883
Public works	-	22,239	22,239
Total expenditures	<u>2,430,501</u>	<u>69,122</u>	<u>2,499,623</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,636	201,093	210,729
OTHER FINANCING SOURCES (USES)			
Transfers out	(621,382)	(64,299)	(685,681)
SPECIAL ITEM			
Service delivery agreement contribution from Effingham County	<u>60,191</u>	<u>-</u>	<u>60,191</u>
NET CHANGE IN FUND BALANCES	(551,555)	136,794	(414,761)
FUND BALANCES, JANUARY 1, 2014	<u>2,281,053</u>	<u>883,473</u>	<u>3,164,526</u>
FUND BALANCES, DECEMBER 31, 2014	<u>\$ 1,729,498</u>	<u>\$ 1,020,267</u>	<u>\$ 2,749,765</u>

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Net Change In Fund Balances - Total Governmental Funds \$ (414,761)

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

	Depreciation expense	\$ (139,448)	
	Capital outlay	<u>934,718</u>	795,270

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Property taxes:			
	Unavailable revenue @ 12/31/14	69,215	
	Unavailable revenue @ 12/31/13	<u>(67,269)</u>	1,946

Transfer of capital assets to the Arts and Events enterprise fund. (613,824)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

	Liability @ 12/31/14	(35,539)	
	Liability @ 12/31/13	<u>27,846</u>	<u>(7,693)</u>

Change In Net Position of Governmental Activities \$ (239,062)

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 227,977	\$ 341,351	\$ 113,374
Sales	405,000	475,816	70,816
Franchise	165,000	166,976	1,976
Insurance premium	140,000	151,503	11,503
Alcoholic beverage	72,600	75,972	3,372
Other	13,700	11,322	(2,378)
Licenses and permits	42,750	62,051	19,301
Intergovernmental	566,281	678,508	112,227
Charges for services	83,000	83,934	934
Fines and forfeitures	140,400	279,431	139,031
Interest	4,000	2,259	(1,741)
Contributions	-	105,175	105,175
Other	2,500	5,839	3,339
Total revenues	<u>1,863,208</u>	<u>2,440,137</u>	<u>576,929</u>
EXPENDITURES			
Current:			
General government	417,868	452,569	(34,701)
Judicial	85,894	111,066	(25,172)
Public safety:			
Police	470,255	444,609	25,646
Fire	315,363	306,448	8,915
Public works	548,731	443,465	105,266
Culture and recreation	42,920	648,573	(605,653)
Housing and development	76,297	23,771	52,526
Total expenditures	<u>1,957,328</u>	<u>2,430,501</u>	<u>(473,173)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(94,120)	9,636	103,756
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(621,382)	(621,382)
SPECIAL ITEM			
Service delivery agreement contribution from Effingham County	66,148	60,191	(5,957)
NET CHANGE IN FUND BALANCE	(27,972)	(551,555)	(523,583)
FUND BALANCE, JANUARY 1, 2014	<u>2,281,053</u>	<u>2,281,053</u>	<u>-</u>
FUND BALANCE, DECEMBER 31, 2014	<u>\$ 2,253,081</u>	<u>\$ 1,729,498</u>	<u>\$ (523,583)</u>

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

ASSETS	Water and Sewer	Sanitation	Arts and Events	Total
Current Assets				
Cash and cash equivalents	\$ 1,917,576	-	\$ (394)	\$ 1,917,182
Restricted cash and cash equivalents	80,756	-	-	80,756
Accounts receivable	102,951	\$ 53,828	-	156,779
Interfund receivable	223,712	44,546	-	268,258
Prepaid items	2,042	-	5,750	7,792
Total Current Assets	<u>2,327,037</u>	<u>98,374</u>	<u>5,356</u>	<u>2,430,767</u>
Noncurrent Assets				
Restricted Assets - Cash and cash equivalents	137,192	-	-	137,192
Capital Assets	11,312,107	-	1,113,392	12,425,499
Total Noncurrent Assets	<u>11,449,299</u>	<u>-</u>	<u>1,113,392</u>	<u>12,562,691</u>
Total Assets	<u>13,776,336</u>	<u>98,374</u>	<u>1,118,748</u>	<u>14,993,458</u>
LIABILITIES				
Current Liabilities				
Accounts payable	97,316	12,018	7,957	117,291
Accrued liabilities	2,119	-	227	2,346
Accrued interest payable	47,417	-	-	47,417
Customer deposits	80,756	-	-	80,756
Unearned revenue	442,335	-	2,954	445,289
Compensated absences payable - Current	12,847	-	-	12,847
Revenue bonds payable - Current	265,000	-	-	265,000
Interfund payable	44,711	-	100	44,811
Total Current Liabilities	<u>992,501</u>	<u>12,018</u>	<u>11,238</u>	<u>1,015,757</u>
Long-term Liabilities				
Compensated absences payable (net of current portion)	8,565	-	-	8,565
Revenue bonds payable (net of current portion)	5,138,524	-	-	5,138,524
Total Long-term Liabilities	<u>5,147,089</u>	<u>-</u>	<u>-</u>	<u>5,147,089</u>
Total Liabilities	<u>6,139,590</u>	<u>12,018</u>	<u>11,238</u>	<u>6,162,846</u>
NET POSITION				
Net investment in capital assets	5,908,583	-	1,113,392	7,021,975
Restricted for debt service	137,192	-	-	137,192
Unrestricted	1,590,971	86,356	(5,882)	1,671,445
Total Net Position	<u>\$ 7,636,746</u>	<u>\$ 86,356</u>	<u>\$ 1,107,510</u>	<u>\$ 8,830,612</u>

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Water and Sewer	Sanitation	Arts and Events	Total
OPERATING REVENUES				
Water and sewer sales	\$ 1,130,356	-	-	\$ 1,130,356
Sanitation fees	-	\$ 159,628	-	159,628
Impact fees	371,882	-	-	371,882
Late charges	31,735	-	-	31,735
Theater income	-	-	\$ 116,311	-
Other income	4,383	-	-	4,383
Total operating revenues	<u>1,538,356</u>	<u>159,628</u>	<u>116,311</u>	<u>1,814,295</u>
OPERATING EXPENSES				
Salaries	214,122	-	21,880	236,002
Payroll taxes	16,681	-	1,674	18,355
Employee benefits/Uniforms	45,176	-	-	45,176
Utilities	112,744	-	13,473	126,217
Telephone	5,759	-	1,517	7,276
Contractual services	50,577	153,098	191,667	395,342
Professional services	82,339	-	-	82,339
Insurance	11,111	-	-	11,111
Materials and supplies	128,540	-	17,007	145,547
Gasoline, oil, etc.	13,195	-	-	13,195
Repairs and maintenance	119,645	-	1,093	120,738
Depreciation	376,239	-	38,324	414,563
Bad debts	324	-	-	324
Other	8,292	-	346	8,638
Total operating expenses	<u>1,184,744</u>	<u>153,098</u>	<u>286,981</u>	<u>1,624,823</u>
OPERATING INCOME (LOSS)	<u>353,612</u>	<u>6,530</u>	<u>(170,670)</u>	<u>189,472</u>
NONOPERATING REVENUE (EXPENSE)				
Gain on sale of capital assets	1,190	-	-	1,190
Interest income	3,439	-	19	3,458
Interest expense	(163,914)	-	-	(163,914)
Total nonoperating revenue (expense)	<u>(159,285)</u>	<u>-</u>	<u>19</u>	<u>(159,266)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>194,327</u>	<u>6,530</u>	<u>(170,651)</u>	<u>30,206</u>
CAPITAL CONTRIBUTIONS - MARS THEATRE				
City - governmental activities	-	-	613,824	613,824
Other	-	-	42,955	42,955
Total capital contributions - Mars Theatre	<u>-</u>	<u>-</u>	<u>656,779</u>	<u>656,779</u>
TRANSFERS IN FROM OTHER FUNDS	<u>64,299</u>	<u>-</u>	<u>621,382</u>	<u>685,681</u>
CHANGE IN NET POSITION	<u>258,626</u>	<u>6,530</u>	<u>1,107,510</u>	<u>1,372,666</u>
NET POSITION, JANUARY 1, 2014	<u>7,378,120</u>	<u>79,826</u>	<u>-</u>	<u>7,457,946</u>
NET POSITION, DECEMBER 31, 2014	<u>\$ 7,636,746</u>	<u>\$ 86,356</u>	<u>\$ 1,107,510</u>	<u>\$ 8,830,612</u>

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Water and Sewer	Sanitation	Arts and Events	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,505,475	\$ 146,638	\$ 119,265	\$ 1,771,378
Cash payments for employees	(274,659)	-	(23,327)	(297,986)
Cash payments for goods and services	(458,360)	(146,638)	(222,796)	(827,794)
Net cash provided by (used by) operating activities	<u>772,456</u>	<u>-</u>	<u>(126,858)</u>	<u>645,598</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(108,660)	-	(537,892)	(646,552)
Transfers in from other funds	64,299	-	621,382	685,681
Capital contributions	-	-	42,955	42,955
Proceeds from sale of capital assets	1,190	-	-	1,190
Principal payments on bonds payable	(260,000)	-	-	(260,000)
Interest payments	(148,651)	-	-	(148,651)
Net cash provided by (used by) capital and related financing activities	<u>(451,822)</u>	<u>-</u>	<u>126,445</u>	<u>(325,377)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	3,439	-	19	3,458
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	324,073	-	(394)	323,679
CASH AND CASH EQUIVALENTS, JANUARY 1, 2014	<u>1,811,451</u>	<u>-</u>	<u>-</u>	<u>1,811,451</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2014	<u>\$ 2,135,524</u>	<u>\$ -</u>	<u>\$ (394)</u>	<u>\$ 2,135,130</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES				
Operating income (loss)	\$ 353,612	6,530	\$ (170,670)	189,472
Adjustments:				
Depreciation	376,239	-	38,324	414,563
(Increase) decrease in operating assets:				
Accounts receivable	(14,454)	(12,990)	-	(27,444)
Interfund receivable	(39,556)	7,097	-	(32,459)
Prepaid items	(291)	-	(5,750)	(6,041)
Increase (decrease) in operating liabilities:				
Accounts payable	80,133	(637)	7,957	87,453
Accrued liabilities	(2,090)	-	227	(1,863)
Customer deposits	5,416	-	-	5,416
Compensated absences payable	3,410	-	-	3,410
Interfund payable	33,556	-	100	33,656
Unearned revenue	(23,519)	-	2,954	(20,565)
Net cash provided by (used by) operating activities	<u>\$ 772,456</u>	<u>-</u>	<u>\$ (126,858)</u>	<u>645,598</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets contributed by City governmental activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,824</u>	<u>\$ 613,824</u>

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

The City of Springfield, Georgia (the City) was incorporated under the provisions of Georgia law on August 19, 1912. The City operates under a Council-City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and lanes, sanitation, planning and zoning, water and sewer, and various administrative services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise fund at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are described below.

1-A. Reporting Entity

The City has no potential component units that should be considered for inclusion in the reporting entity.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements – The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, grants and the City's general revenues, from business-type activities, generally financed in whole or part with service charges to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental funds are reported in separate columns.

Fund Accounting – The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance.

The following are the City's major governmental funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of the State of Georgia.

SPLOST Capital Projects Fund – This fund accounts for the special purpose local option sales tax collected pursuant to a referendum for various capital improvements within the City

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds and internal service funds. The City has three enterprise funds. The City accounts for its water and sewer operations in the Water and Sewer fund and solid waste collection and disposal in the Sanitation Fund. The City accounts for the operations of the Mars Theatre through the Arts and Events Fund.

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-C. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis in accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues – Non-exchange Transactions – Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E. Assets, Liabilities and Net Position

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or United States Government agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. The water and sewer enterprise fund reported an allowance for uncollectibles of \$50,000 at December 31, 2014.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns on the statement of net position, except for any net residual amounts due

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

between governmental and business-type activities, which are reclassified and presented as internal balances on this statement. These amounts are ultimately eliminated from the total column on the statement of net position.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable since this amount is not available for general appropriation.

Restricted Assets – Cash and Cash Equivalents

Restricted cash includes amounts set aside to meet the requirements of applicable bond covenants of the water and sewer revenue bonds.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the City fund financial statements. Capital assets utilized by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position and in the proprietary fund's statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges and water and sewer lines. For roads and bridges, the City has only capitalized infrastructure constructed after December 31, 2003. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land, right-of-ways and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Class	Estimated Useful Lives	
	Governmental Activities	Business-type Type Activities
Buildings and improvements	30-50 years	7-10 years
Machinery and equipment	5-10 years	5-10 years
Furniture and fixtures	5 years	5 years
Vehicles	5-8 years	5-8 years
Infrastructure	3-10 years	40 years
Water system	-	40 years
Sewer collection system	-	40 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an “other financing source” of an equal amount are reported at the net present value of future minimum lease payments.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. The proprietary fund reports the total compensated liability at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only “*when due.*”

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of those funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

only to the extent that they are “due for payment” during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are amortized over the life of the bonds using the effective interest method and bond issuance costs are expensed in the current period.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows of resources as of December 31, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Assigned – Fund balances are reported as assigned when amounts are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.

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

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer, and sanitation, and theater income for the Arts and Events Fund. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund and include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between governmental and business-type activities are eliminated from the total column.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through June 25, 2015, the date that the financial statements were available for issue. No subsequent events requiring disclosure in the financial statements were noted.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City adopts an annual operating budget for the general fund and the capital projects fund. The budget resolution reflects the total of each department's appropriation in each fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

During the year, the City Council approved budget revisions.

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

All unexpended annual appropriations lapse at year-end.

Excess of Expenditures over Appropriations

For the year ended December 31, 2014, expenditures exceeded appropriations for the following departments within the general fund:

General government	\$	34,701
Judicial		25,172
Culture and recreation		605,653

These overexpenditures were funded primarily by under expenditures in other departments, excess revenues over amounts budgeted, and available fund balance.

NOTE 3 – CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk.

At December 31, 2014, the carrying amount of the City's deposits was \$4,878,744 and the bank balance was \$4,934,991. Of the bank balance, \$446,263 was covered by federal depository insurance, and \$4,488,728 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

NOTE 4 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed near the end of each year and are payable within sixty days. The City bills and collects its own property taxes. Property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For the year ended December 31, 2014, property taxes were levied on September 2, 2014, and were due December 20, 2014.

NOTE 5 – RECEIVABLES

Receivables at December 31, 2014, consisted of taxes, accounts (billings for user charges) and intergovernmental receivables arising from grants.

Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	SPLOST Capital Projects	\$ 71,689
	Arts and Events	100
	Water and Sewer	33,556
Water and Sewer	SPLOST Capital Projects	223,712
Sanitation	Water and Sewer	11,155
	General	33,391
		<u>\$ 373,603</u>

Interfund balances at December 31, 2014 represent charges for services or reimbursable expenses. The City expects to repay all interfund balances within one year.

<u>Transfers From:</u>	<u>Transfers To:</u>	
	<u>Water and Sewer Fund</u>	<u>Arts and Events Fund</u>
SPLOST Capital Projects Fund	\$ 64,299	-
General Fund	-	\$ 621,382
	<u>\$ 64,299</u>	<u>\$ 621,382</u>

Interfund transfers were made to fund capital expenditures for the water and sewer fund. Interfund transfers were made from the general fund to the arts and events fund for capital improvements and equipment for the Mars Theatre.

NOTE 7 – FUND BALANCES – GOVERNMENTAL FUNDS

As of December 31, 2014, fund balances are composed of the following:

	<u>General Fund</u>	<u>SPLOST Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid items	\$ 28,014	-	\$ 28,014
Restricted:			
Capital projects	-	\$ 1,020,267	1,020,267
Police	70,385	-	70,385
Assigned:			
Fire	53,339	-	53,339
Subsequent year budget	50,000	-	50,000
Unassigned	1,527,760	-	1,527,760
Total fund balances	<u>\$ 1,729,498</u>	<u>\$ 1,020,267</u>	<u>\$ 2,749,765</u>

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance 1/1/2014	Additions	Deductions	Balance 12/31/2014
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 35,000	\$ 561,234	-	\$ 596,234
Construction in progress	684,921	257,556	\$ 613,824	328,653
Total capital assets not being depreciated:	<u>719,921</u>	<u>818,790</u>	<u>613,824</u>	<u>924,887</u>
Capital assets being depreciated:				
Buildings	457,139	-	-	457,139
Improvements other than buildings	629,299	1,250	-	630,549
Machinery and equipment	1,436,513	103,440	-	1,539,953
Infrastructure	461,596	11,238	-	472,834
Total capital assets being depreciated	<u>2,984,547</u>	<u>115,928</u>	<u>-</u>	<u>3,100,475</u>
Total capital assets	<u>3,704,468</u>	<u>934,718</u>	<u>613,824</u>	<u>4,025,362</u>
Accumulated depreciation:				
Buildings	176,998	12,239	-	189,237
Improvements other than buildings	119,071	36,862	-	155,933
Machinery and equipment	1,187,703	77,701	-	1,265,404
Infrastructure	83,419	12,646	-	96,065
Total accumulated depreciation	<u>1,567,191</u>	<u>139,448</u>	<u>-</u>	<u>1,706,639</u>
Governmental activities capital assets, net	<u>\$2,137,277</u>	<u>\$ 795,270</u>	<u>\$ 613,824</u>	<u>\$2,318,723</u>

Governmental activities depreciation expense:

General government	\$ 17,683
Public safety	62,556
Streets	56,583
Recreation	2,626
Total governmental activities depreciation expense	<u>\$ 139,448</u>

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – CAPITAL ASSETS (Continued)

The following table presents the changes in capital assets for the City's enterprise funds:

	Balance 1/1/2014	Additions	Deductions	Balance 12/31/2014
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,456,805	-	-	\$ 2,456,805
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>2,456,805</u>	<u>-</u>	<u>-</u>	<u>2,456,805</u>
Capital assets being depreciated:				
Buildings	77,833	\$ 718,978	-	796,811
Improvements other than buildings	12,970,335	62,279	-	13,032,614
Machinery and equipment	392,665	479,119	-	871,784
Total capital assets being depreciated	<u>13,440,833</u>	<u>1,260,376</u>	<u>-</u>	<u>14,701,209</u>
Total capital assets	<u>15,897,638</u>	<u>1,260,376</u>	<u>-</u>	<u>17,158,014</u>
Accumulated depreciation:				
Buildings	2,432	13,929	-	16,361
Improvements other than buildings	4,161,270	323,206	-	4,484,476
Machinery and equipment	154,250	77,428	-	231,678
Total accumulated depreciation	<u>4,317,952</u>	<u>414,563</u>	<u>-</u>	<u>4,732,515</u>
Business-type activities capital assets, net	<u>\$11,579,686</u>	<u>\$ 845,813</u>	<u>-</u>	<u>\$12,425,499</u>

NOTE 9 – WATER AND SEWER REFUNDING REVENUE BONDS

Series 2012

In 2012, the City issued \$6,040,000 in City of Springfield Water and Sewer Refunding Revenue Bonds, Series 2012. The bonds were issued to pay in full and refund the notes payable for upgrades to its water and sewer system.

The bonds are secured by a lien on the revenues of the water and sewer system and the City is required to have a Revenue Fund in which all income and revenue of every nature derived from the ownership and operation of the water and sewer system is to be deposited. The City is also required to maintain a Bond Sinking Fund consisting of a Debt Service Account and a Debt Service Reserve Account, as well as a Renewal and Extension Fund that shall be held and used by the City for emergencies, current or future replacements and improvements, and certain other capital expenses. The Renewal and Extension fund may also be used for debt service to the extent that revenues are otherwise unavailable.

After all of the operating expenses of the system are paid from the Revenue Fund, amounts are paid into the Debt Service Account in the Bond Sinking Fund on or before the last business day of each month one-sixth of

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – WATER AND SEWER REFUNDING REVENUE BONDS (Continued)

the interest coming due on each interest payment date thereafter and one-twelfth of the principal coming due on the next succeeding principal payment date.

The refunding revenue bonds have interest rates ranging from 1.45 percent to 3.35 percent. The bonds require principal payments each September 1 and interest is payable semiannually on March 1 and September 1 each year.

As of December 31, 2014, annual debt service requirements for the series 2012 refunding revenue bonds are as follows:

Year ending December 31	Principal	Amortization of Discount	Total	Interest
2015	265,000	(15,110)	249,890	142,251
2016	270,000	(13,124)	256,876	136,951
2017	275,000	(11,033)	263,967	131,551
2018	280,000	(7,312)	272,688	127,564
2019	285,000	(4,113)	280,887	122,804
2020-2024	1,510,000	10,678	1,520,678	517,991
2025-2029	1,725,000	23,649	1,748,649	296,797
2030-2033	805,000	4,889	809,889	43,334
	<u>\$ 5,415,000</u>	<u>\$ (11,476)</u>	<u>\$ 5,403,524</u>	<u>\$ 1,519,243</u>

NOTE 10 – CHANGES IN LONG-TERM DEBT

	Outstanding January 1, 2014	Additions	Reductions	Outstanding December 31, 2014	Amounts Due in One Year
Governmental Activities					
Compensated absences	<u>\$ 27,846</u>	<u>\$ 43,888</u>	<u>\$ 36,195</u>	<u>\$ 35,539</u>	<u>\$ 21,323</u>
Business-Type Activities					
Revenue bonds payable	\$ 5,675,000	-	\$ 260,000	\$ 5,415,000	\$ 265,000
Unamortized discount	(28,472)	\$ 16,996	-	(11,476)	-
	<u>5,646,528</u>	<u>16,996</u>	<u>260,000</u>	<u>5,403,524</u>	<u>265,000</u>
Compensated absences	<u>18,002</u>	<u>22,281</u>	<u>18,871</u>	<u>21,412</u>	<u>12,847</u>
Total Business-Type Activities	<u>\$ 5,664,530</u>	<u>\$ 39,277</u>	<u>\$ 278,871</u>	<u>\$ 5,424,936</u>	<u>\$ 277,847</u>

The compensated absences liability will be paid from the General Fund for governmental activities and from the Water and Sewer Fund for business-type activities. Principal and interest payments related to revenue bonds payable for the City's Water and Sewer System are financed from income derived from the operation of the Water and Sewer System.

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – EMPLOYEE RETIREMENT PLAN

Plan Description

The City’s defined benefit pension plan, the City of Springfield Retirement Plan (the “Plan”), provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Plan is affiliated with the Georgia Municipal Employees Benefit System (the “System”), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. The City is assigned the authority to establish and amend benefit provisions of the Plan. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report can be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Funding Policy

Employees are not required to contribute to the Plan. The City is required to contribute at an actuarially determined rate. The minimum annual contribution requirements of the City are established by Public Retirement Systems Standards Law (Georgia Code Section 47-20-10).

Annual Pension Cost and Net Pension Obligation

For 2014, the City’s annual pension cost of \$41,896 for the Plan was equal to the City’s required and actual contributions. The required contribution was determined as part of the July 1, 2013, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases of 3.5% per year for inflation, and (c) additional projected salary increases based on age, service and merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is thirty years from 1987 and current changes in the unfunded actuarial accrued liability over fifteen years for actuarial gains and losses, twenty years for plan provisions and thirty years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2014	\$ 41,896	100%	-
December 31, 2013	49,818	100%	-
December 31, 2012	58,081	100%	-

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – EMPLOYEE RETIREMENT PLAN (Continued)

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ (Surplus) AAL	Funded Ratio	Covered Payroll	Unfunded/ (Surplus) AAL as a % of Covered Payroll
July 1, 2012	\$ 772,191	\$ 928,186	\$ 155,995	83.2%	\$ 764,619	20.4%
July 1, 2013	830,999	919,585	88,586	90.4%	756,318	11.7%
July 1, 2014	875,589	966,391	90,802	90.6%	730,389	12.4%

NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2014 there was no pending litigation that would have a material effect on the financial statements.

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers’ compensation claims; and natural disasters. The City carries commercial insurance to cover these risks.

The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City’s management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA’s responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA’s basis for establishing the liabilities for unpaid claims is “IBNR” established by an actuary. The City has not compiled a record of claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2014. No provisions have been made in the financial statements for the year ended December 31, 2014 for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers’ Compensation Self-Insurance Fund (the Fund). As a participant in the Fund, the City has no legal obligation to pay its own workers’ compensation claims. The City is required to make an annual contribution to the Fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City’s annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers’ compensation claims. However, the enabling statute creating the Fund permits the Fund to levy an assessment upon its members to make up any deficiency the Fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

CITY OF SPRINGFIELD, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Coastal Georgia area, is a member of the Coastal Regional Commission of Georgia (RC) and is required to pay annual dues thereto. During the year ended December 31, 2014, the City paid \$2,852 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-33 which provides for the organizational structure of the RC in Georgia. The RC Regional Council membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Coastal Regional Commission of Georgia
1181 Coastal Drive SW
Darien, Georgia 31305

CITY OF SPRINGFIELD, GEORGIA
SCHEDULE OF PROJECTS PAID
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Project	Original Estimated Cost	Current Estimated Cost	Expenditures		Total	Estimated Percentage of Completion
			Prior Years	Current Year		
Roads, streets and bridges	\$ 727,500	\$ 726,000	\$ 99,326	\$ 22,239	\$ 121,565	17%
Public buildings	48,500	80,000	78,609	-	78,609	98%
Public safety projects	121,250	176,367	129,484	46,883	176,367	100%
Recreation projects	121,250	121,250	-	-	-	0%
Water and sewer projects	1,406,500	1,406,500	1,154,469	64,299	1,218,768	87%
Totals	\$2,425,000	\$2,510,117	\$1,461,888	\$ 133,421	\$1,595,309	64%

CITY OF SPRINGFIELD, GEORGIA
WATER AND SEWER SYSTEM INFORMATION IN ACCORDANCE WITH THE CONTINUAL
DISCLOSURE STATEMENT FOR BOND SERIES 2012
DECEMBER 31, 2014

Historical Demand Data

Water and Sewer Demand

The following table shows historical data of water and sewer demand for the last five years:

<u>Fiscal Year</u>	<u>Daily Water Production</u>		<u>Daily Sewage Treated</u>	
	<u>Peak MGD</u>	<u>Average MGD</u>	<u>Peak MGD</u>	<u>Average MGD</u>
2010	1,060,000	487,000	0.523	0.384
2011	814,000	649,000	0.432	0.338
2012	1,000,000	475,000	0.460	0.348
2013	521,000	454,000	0.744	0.531
2014	906,000	471,000	0.530	0.357

Historical Customer Data

Number of Customers of the System

The following table shows historical numbers of customers of the System for the last ten fiscal years:

<u>Fiscal Year</u>	<u>Water Customers</u>	<u>Sewer Customers</u>
2005	1,037	928
2006	1,086	969
2007	1,167	1,033
2008	1,227	1,098
2009	1,250	1,115
2010	1,235	1,094
2011	1,260	1,116
2012	1,280	1,122
2013	1,528	1,356
2014	1,645	1,454

CITY OF SPRINGFIELD, GEORGIA

WATER AND SEWER SYSTEM INFORMATION IN ACCORDANCE WITH THE CONTINUAL DISCLOSURE STATEMENT FOR BOND SERIES 2012

Rates, Fees, and Charges

Current Water and Sewer Rate Schedule

Water and Sewer Residential Customers Inside City Limits:

<u>Usage</u>	<u>Water Rates</u>
First 2,000 gallons	\$10.00
2,000-5,000 gallons	\$2 per thousand
5,000-20,000 gallons	\$2.50 per thousand
Over 20,000 gallons	\$2.75 per thousand

<u>Usage</u>	<u>Sewer Rates</u>
First 2,000 gallons	\$10.00
Over 2,000 gallons	\$2 per thousand

Impact Fees:

Water	\$1,750
Sewer	\$4,200

Meter Fees:

<u>Size</u>	<u>Inside City Rate</u>
3/4"	\$487
1"	\$395
2"	\$1,395
4"	\$3,869
6"	\$5,849

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

To the City Council
City of Springfield, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Springfield, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Springfield, Georgia's basic financial statements, and have issued our report thereon dated June 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Springfield, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Springfield, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Springfield, Georgia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify the deficiency in internal control, described below, that we consider to be a significant deficiency.

2014-1 Year-end Trial Balances

The year-end trial balances were out of balance, resulting in significant additional audit time at the beginning of the engagement. After further testing we determined that the errors were related to accounts payable. We then determined that there were errors in the setup of the Arts and Events fund after discussing the errors with the City's finance staff. The problem has now been corrected and resolved.

City response: We concur with this finding and will ensure that all year-end trial balances are in balance in the future.

Compliance and Other Matters

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

City of Springfield, Georgia's Response to Findings

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

Purpose of this Report

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

Thigpen, Lanier, Westerfield & Deal

Statesboro, Georgia
June 25, 2015