

CITY OF SPRINGFIELD, GEORGIA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007

City of Springfield, Georgia
Audit of Financial Statements
For the Year Ended December 31, 2007

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Springfield, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Springfield, Georgia as of and for the year ended December 31, 2007, 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 Springfield, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Springfield, Georgia, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2008 on our consideration of the City of Springfield, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 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 considered in assessing the results of our audit.



To the Mayor and City Council
City of Springfield, Georgia
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The City has not presented the management's discussion and analysis and budgetary comparison that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 combining and individual fund statements and other schedules, including the Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Caines, Hodges, Pace & Company, P.C.

Rincon, Georgia
June 18, 2008

City of Springfield, Georgia
Statement of Net Assets
December 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents (Note 3A)	\$ 859,448	\$ 532,659	\$ 1,392,107
Restricted cash	33,074	68,120	101,194
Receivables:			
Accounts	3,154	116,107	119,261
Taxes	348,671		348,671
Interfund	426,683	(426,683)	
Prepaid items	16,466	4,644	21,110
Capital Assets: (Note 3D)			
Nondepreciable capital assets	43,000	3,431,265	3,474,265
Depreciable capital assets, net	1,089,503	4,722,219	5,811,722
Total Assets	<u>2,819,999</u>	<u>8,448,331</u>	<u>11,268,330</u>
Liabilities			
Current Liabilities:			
Short-term debt (Note 3F)		2,400,000	2,400,000
Accounts payable	39,252	141,825	181,077
Accrued expenses	12,196	5,257	17,453
Accrued interest payable	5,732	1,760	7,492
Deferred revenue		491,573	491,573
Capital leases payable	52,573	7,555	60,128
Notes payable		58,344	58,344
Liabilities payable from restricted assets		68,120	68,120
Long-Term Liabilities: (Note 3G)			
Capital leases payable (net of current portion)	274,530	7,818	282,348
Notes payable (net of current portion)		101,282	101,282
Total Liabilities	<u>384,283</u>	<u>3,283,534</u>	<u>3,667,817</u>
Net Assets			
Invested in capital assets, net of related debt (Note 3I)	805,400	5,578,485	6,383,885
Restricted for capital projects	192,010		192,010
Unrestricted	1,438,306	(413,688)	1,024,618
Total Net Assets	<u>\$ 2,435,716</u>	<u>\$ 5,164,797</u>	<u>\$ 7,600,513</u>

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

City of Springfield, Georgia
 Statement of Activities
 For the Year Ended December 31, 2007

Functions/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary government							
Governmental activities							
General government							
Administration	\$ 116,090	\$ 44,592			\$ (71,498)	\$ (71,498)	
City buildings	40,297				(40,297)	(40,297)	
Other governmental services	150,738				(150,738)	(150,738)	
Judicial - municipal court	58,282				(58,282)	(58,282)	
Public safety - fire	119,343	30,628	51,625	46,923	9,833	9,833	
Public safety - police	383,262	149,306			(233,956)	(233,956)	
Public works - streets and lanes	214,856				(214,856)	(214,856)	
Housing and development - building and zoning	11,374				(11,374)	(11,374)	
Parks and recreation	43,832				(43,832)	(43,832)	
Interest	13,499				(13,499)	(13,499)	
Total governmental activities	1,151,573	224,526	51,625	46,923	(828,499)	(828,499)	
Business-type activities:							
Water and sewer	896,998	755,257		340,926	199,185	199,185	
Sanitation	140,379	124,997			(15,382)	(15,382)	
Total business-type activities	1,037,377	880,254		340,926	183,803	183,803	
Total primary government	\$ 2,188,950	\$ 1,104,780	\$ 51,625	\$ 387,849	(828,499)	(644,696)	
General revenues							
Property taxes					178,340	178,340	
Local option sales tax					616,929	616,929	
Franchise taxes					131,974	131,974	
Motor vehicle tax					22,025	22,025	
Real estate transfer tax					3,379	3,379	
Intangible tax					3,761	3,761	
Alcohol taxes					61,883	61,883	
Insurance premium taxes					99,534	99,534	
Railroad equipment taxes					276	276	
Intergovernmental - special local option sales tax					519,461	519,461	
Investment earnings					9,444	9,444	
Miscellaneous					3,189	3,189	
Total general revenues					1,650,195	1,650,195	
Transfers					(825,516)	(825,516)	
Total general revenues and transfers					824,679	824,679	
Change in net assets					(3,820)	(3,820)	
Net assets - beginning of year					2,439,536	2,439,536	
Net assets - end of year					\$ 2,435,716	\$ 2,435,716	

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

City of Springfield, Georgia
Balance Sheet
Governmental Funds
December 31, 2007

	<u>General</u>	<u>SPLOST Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 766,737	\$ 92,711	\$ 859,448
Restricted cash and cash equivalents	33,074		33,074
Receivables			
Taxes	262,202	148,190	410,392
Accounts	3,154		3,154
Interfund	467,574		467,574
Prepaid items	16,466		16,466
Total assets	\$ 1,549,207	\$ 240,901	\$ 1,790,108
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 31,252	\$ 8,000	\$ 39,252
Accrued liabilities	12,196		12,196
Interfund		40,891	40,891
Deferred revenue	61,721		61,721
Total liabilities	105,169	48,891	154,060
Fund balances			
Reserved for			
Police department	33,074		33,074
Program purposes		192,010	192,010
Unreserved			
Undesignated, reported in:			
General fund	1,410,964		1,410,964
Total fund balances	1,444,038	192,010	1,636,048
Total liabilities and fund balances	\$ 1,549,207	\$ 240,901	\$ 1,790,108

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

City of Springfield, Georgia
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Assets
December 31, 2007

Total governmental fund balances		\$ 1,636,048
 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 not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets	\$ 2,253,325	
Less accumulated depreciation	<u>(1,120,822)</u>	1,132,503
 Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore are deferred in the funds. Those revenues consist of :		
Property tax revenues	61,721	
Less allowance for estimated uncollectible accounts	<u>(61,721)</u>	0
 The capital lease liability and accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Capital lease liability	(327,103)	
Accrued interest payable	<u>(5,732)</u>	<u>(332,835)</u>
 Net assets of governmental activities		 \$ <u>2,435,716</u>

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

City of Springfield, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	SPLOST Capital Projects Fund	Total Governmental Funds
Revenues			
Taxes	\$ 1,118,101		\$ 1,118,101
Intergovernmental	98,548	\$ 519,461	618,009
Licenses and permits	44,592		44,592
Charges for services	30,628		30,628
Fines and forfeitures	149,306		149,306
Investment earnings	6,937	2,507	9,444
Miscellaneous	3,189		3,189
Total revenues	1,451,301	521,968	1,973,269
Expenditures			
Current			
General government			
Administration	113,190		113,190
City buildings	28,915		28,915
Other governmental services	150,738		150,738
Judicial - municipal court	58,282		58,282
Public safety			
Police	379,206		379,206
Fire	81,411		81,411
Public works - streets	199,580		199,580
Housing and development - building and zoning	11,374		11,374
Parks and recreation	38,145		38,145
Capital outlays		83,004	83,004
Debt service			
Principal	76,880		76,880
Interest	15,275		15,275
Total expenditures	1,152,996	83,004	1,236,000
Excess (deficit) of revenues over expenditures	298,305	438,964	737,269
Other financing uses			
Transfer out to water/sewer fund		(825,516)	(825,516)
Total other financing uses	0	(825,516)	(825,516)
Net change in fund balances	298,305	(386,552)	(88,247)
Fund balances - beginning of year	1,145,733	578,562	1,724,295
Fund balances - end of year	\$ 1,444,038	\$ 192,010	\$ 1,636,048

The accompanying notes are an integral part of the 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, 2007

Net changes in fund balances - total governmental funds **\$ (88,247)**

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

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	\$ (111,231)	
Capital outlay	<u>117,002</u>	5,771

Interest expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.

Liability @ 12/31/06	\$ (5,732)	
Liability @ 12/31/05	<u>7,508</u>	1,776

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

76,880

Change in net assets of governmental activities

\$ (3,820)

City of Springfield, Georgia
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Taxes	\$ 986,932	\$ 1,004,716	\$ 1,118,101	\$ 113,385
Intergovernmental	62,000	62,000	98,548	36,548
Licenses and permits	43,700	43,700	44,592	892
Charges for services	31,800	31,800	30,628	(1,172)
Fines and forfeitures	135,400	135,400	149,306	13,906
Investment earnings	2,200	2,200	6,937	4,737
Miscellaneous	12,075	12,075	3,189	(8,886)
Total revenues	<u>1,274,107</u>	<u>1,291,891</u>	<u>1,451,301</u>	<u>159,410</u>
Expenditures				
General government				
Administration	165,505	165,505	113,190	52,315
City buildings	29,450	29,450	28,915	535
Other governmental services	180,778	180,778	158,828	21,950
Judicial - municipal court	63,259	63,259	58,282	4,977
Public safety				
Police	382,885	400,669	401,618	(949)
Fire	91,901	91,901	123,155	(31,254)
Public works				
Streets and lanes	320,486	320,486	219,489	100,997
Housing and development				
Building and zoning	23,980	23,980	11,374	12,606
Parks and recreation	43,168	43,168	38,145	5,023
Total expenditures	<u>1,301,412</u>	<u>1,319,196</u>	<u>1,152,996</u>	<u>166,200</u>
Excess (deficit) of revenues over expenditures	(27,305)	(27,305)	298,305	325,610
Other financing sources				
Inception of capital lease	<u>27,305</u>	<u>27,305</u>	<u>0</u>	<u>(27,305)</u>
Net change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	298,305	<u>\$ 298,305</u>
Fund balances - beginning of year			<u>1,145,733</u>	
Fund balances - end of year			<u>\$ 1,444,038</u>	

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

City of Springfield, Georgia
Statement of Net Assets
Proprietary Funds
December 31, 2007

	Water and Sewer	Sanitation	Total
Assets			
Current assets			
Cash and cash equivalents			
Unrestricted	\$ 532,659		\$ 532,659
Restricted	68,120		68,120
Receivables - accounts	101,163	\$ 14,944	116,107
Prepaid expenses	4,644		4,644
Total current assets	706,586	14,944	721,530
Noncurrent Assets			
Capital Assets			
Nondepreciable capital assets	3,431,265		3,431,265
Depreciable capital assets, net	4,722,219		4,722,219
Total noncurrent assets	8,153,484	0	8,153,484
Total assets	8,860,070	14,944	8,875,014
Liabilities			
Current Liabilities			
Notes payable - bank	2,400,000		2,400,000
Accounts payable	141,825		141,825
Accrued expenses	5,257		5,257
Accrued interest payable	1,760		1,760
Interfund payable	404,220	22,463	426,683
Deferred revenue	491,573		491,573
Capital lease payable	7,555		7,555
Notes payable	58,344		58,344
Current Liabilities Payable from Restricted Assets:			
Customer deposits	68,120		68,120
Total current liabilities	3,578,654	22,463	3,601,117
Long-term liabilities:			
Capital lease payable (net of current portion)	7,818		7,818
Notes payable (net of current portion)	101,282		101,282
Total long-term liabilities	109,100	0	109,100
Total liabilities	3,687,754	22,463	3,710,217
Net assets			
Invested in capital assets, net of related debt	5,578,485		5,578,485
Unrestricted	(406,169)	(7,519)	(413,688)
Total net assets	\$ 5,172,316	\$ (7,519)	\$ 5,164,797

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

City of Springfield, Georgia
*Statement of Revenues,
 Expenses and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended December 31, 2007*

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 755,257	\$ 124,997	\$ 880,254
Miscellaneous	43,227		43,227
Total operating revenues	<u>798,484</u>	<u>124,997</u>	<u>923,481</u>
Operating expenses			
Salaries	257,051		257,051
Payroll taxes and employee benefits	67,507		67,507
Waste services contract		140,379	140,379
Uniforms and safety equipment	3,543		3,543
Professional fees	4,739		4,739
Utilities	90,657		90,657
Maintenance - repairs	27,984		27,984
Materials and supplies	166,305		166,305
Gas, oil and tires	14,437		14,437
Office supplies and expenses	7,664		7,664
Telephone	7,132		7,132
Insurance	19,894		19,894
Training	2,474		2,474
Miscellaneous	1,881		1,881
Depreciation	177,519		177,519
Total operating expenses	<u>848,787</u>	<u>140,379</u>	<u>989,166</u>
Operating loss	<u>(50,303)</u>	<u>(15,382)</u>	<u>(65,685)</u>
Non-operating revenues (expenses)			
Impact fees	340,926		340,926
Investment earnings	16,348		16,348
Interest expense	(48,211)		(48,211)
Total non-operating revenues	<u>309,063</u>	<u>0</u>	<u>309,063</u>
Income (loss) before transfers	258,760	(15,382)	243,378
Transfers from SPLOST	825,516		825,516
Change net in assets	1,084,276	(15,382)	1,068,894
Net assets - beginning of year	<u>4,088,040</u>	<u>7,863</u>	<u>4,095,903</u>
Net assets - end of year	<u>\$ 5,172,316</u>	<u>\$ (7,519)</u>	<u>\$ 5,164,797</u>

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

City of Springfield, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Increase (decrease) in cash and cash equivalents			
Cash flows from operating activities			
Cash received from customers	\$ 1,198,005	\$ 122,881	\$ 1,320,886
Cash payments to employees for personal services	(324,558)		(324,558)
Cash payments for goods and services	<u>(227,451)</u>	<u>(140,379)</u>	<u>(367,830)</u>
Net cash provided by (used for) operating activities	<u>645,996</u>	<u>(17,498)</u>	<u>628,498</u>
Cash flows from noncapital financing activities			
Interfund payable	<u>4,851</u>	<u>17,498</u>	<u>22,349</u>
Cash flows from capital and related financing activities			
Principal paid on notes	(129,546)		(129,546)
Proceeds from short-term debt for real estate	2,400,000		2,400,000
Interest paid on debt	(49,504)		(49,504)
Transfer in from SPLOST fund	825,516		825,516
Payments for capital acquisitions	(4,088,221)		(4,088,221)
Proceeds from impact fees	<u>340,926</u>		<u>340,926</u>
Net cash used for capital and related financing activities	<u>(700,829)</u>	<u>0</u>	<u>(700,829)</u>
Cash flows from investing activities			
Investment earnings	<u>16,348</u>		<u>16,348</u>
Net increase in cash and cash equivalents	(33,634)	0	(33,634)
Cash and cash equivalents - beginning of year	<u>634,413</u>		<u>634,413</u>
Cash and cash equivalents - end of year	<u>\$ 600,779</u>	<u>\$ 0</u>	<u>\$ 600,779</u>

(continued)

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

City of Springfield, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Water and Sewer	Sanitation	Total
Reconciliation of operating loss to net cash provided by (used for) operating activities			
Operating loss	\$ (50,303)	\$ (15,382)	\$ (65,685)
Adjustments:			
Depreciation	177,519		177,519
(Increase) decrease in current assets			
Accounts receivable	(52,069)	(2,116)	(54,185)
Prepaid expense	(189)		(189)
Increase (decrease) in current liabilities			
Accounts payable	118,981		118,981
Accrued expenses	467		467
Deferred revenues	450,030		450,030
Customer deposits	1,560		1,560
Net cash provided by (used for) operating activities	\$ 645,996	\$ (17,498)	\$ 628,498

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

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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-managed 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 funds 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 reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

The City has no component units and there are no organizations which have been excluded from the reporting entity.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets and the statement of activities. These statements report financial information for the City as a whole. The primary government is presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

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

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

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 distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; and (2) 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 and enterprise funds are reported in separate columns on the fund statements.

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 - Government 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 is the City's major governmental funds:

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 Summary of Significant Accounting Policies (continued)

The 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 Georgia.

The SPLOST Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction or other capital projects under the Special Local Option Sales Tax referendum.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The proprietary funds are classified as enterprise funds. The following is the City’s major enterprise fund:

Water and Sewer Fund – This fund is used to account for the construction of facilities and operation of activities involved in providing water and sewer services to City residents.

Sanitation Fund – This fund is used to account for the operation of activities involved in providing solid waste collection and disposal to City residents.

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 assets. 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 assets. The statements of changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

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 of 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 revenue, 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. (Note 3-C) 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 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.

Deferred/Unearned Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 Summary of Significant Accounting Policies (continued)

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

Deferred revenue is reclassified as unearned revenue on the government-wide statement of net assets.

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 Fund Equity

1-E-1 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 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

1-E-2 Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges are accrued as receivables and revenue at December 31, 2007.

*City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007*

Note 1 Summary of Significant Accounting Policies (continued)

1-E-3 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 of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, 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 reserved as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 assets but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

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 one thousand dollars. The City's infrastructure consists of roads, bridges, water lines and sewer lines. Improvements to capital assets are capitalized. The City has capitalized only those infrastructure costs related to roads and bridges incurred in periods subsequent to December 31, 2003. 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 funds is capitalized.

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City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 Summary of Significant Accounting Policies (continued)

All reported capital assets are depreciated except for land 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:

Estimated Useful Lives		
Asset Class	Governmental Activities	Business-type Type Activities
Buildings and improvements	30-50 Years	7-10 Years
Machinery and equipment	5-10 years	
Furniture and fixtures	5 years	5 Years
Vehicles	5-8 years	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.

1-E-6 Compensated Absences

Vacation benefits are not accrued since the amount of the liability cannot be reasonably determined.

1-E-7 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 the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements 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.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 Summary of Significant Accounting Policies (continued)

1-E-8 Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At 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.

1-E-9 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 assets."

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferral amounts. Net assets 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. All other net assets are reported as unrestricted.

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

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 Summary of Significant Accounting Policies (continued)

1-E-10 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 and sewer. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1-E-11 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.

1-E-12 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 the after non-operating revenues/expenses section in proprietary funds. Repayments 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 funds reported in the business type activities column are eliminated.

1-E-13 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.

1-E-14 Comparative Data

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 – Stewardship, Compliance and Accountability

2-A. 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.

The general and capital projects fund’s budgets are adopted on a basis consistent with GAAP. For fund level reporting purposes, capital outlays and debt service are reported separately from current operating expenditures. For budgetary purposes, capital outlays and debt service are included in the departmental expenses charged for the expenditures.

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.

Transfer of budget amounts can occur within departments. All unexpended annual appropriations lapse at year-end.

2-B. Excess of Expenditures over Appropriations

The following departments had expenditures in excess of appropriations:

General Fund - public safety - police	\$ 949
General Fund - public safety - fire	31,254
SPLOST Fund – public safety – police	4,888
SLPOST Fund – transfer to water & sewer fund	593,516

The budget for 2007 was adopted in December, 2006. The Mayor and Council approved the expenditure of SPLOST funds for water and sewer capital purposes, however, the approved budget was not properly amended.

2-C. Public Debt Requirements

The City entered into short-term debt financing with a local bank which has a maturity date of December 27, 2008. State law requires all short-term financing to be repaid on or before December 31, therefore the City was in violation of this law. Proceeds from this loan was used to purchase real estate for sewer system expansion and will be repaid from a draw on a GEFA loan.

*City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007*

Note 3 - Detailed Notes on All Funds

3-A. 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; however, as of December 31, 2007, the government is not exposed to custodial credit risk.

3-B. Receivables

Receivables at December 31, 2007, consisted of taxes, interest, and accounts (billings for user charges).

Receivables and payables 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 in the case of receivables, collectibility.

3-C. Property Taxes

Property taxes are assessed based upon property values determined by the Effingham County Tax Assessor's Office at January 1, 2007. The levy date was October 30, 2007, and the tax bills were mailed November 15, 2007, and were due January 15, 2008. The lien date is January 15, 2008.

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City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 3 - Detailed Notes on All Funds (continued)

3-D. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2007, was as follows:

	Balance 01/01/07	Additions	Deductions	Balance 12/31/07
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 35,000			35,000
Construction in progress	<u> </u>	\$ 8,000		<u>8,000</u>
Total capital assets not being depreciated	<u>\$ 35,000</u>	<u>8,000</u>	<u>\$ 0</u>	<u>\$ 43,000</u>
Depreciable capital assets:				
Site improvements	18,906			18,906
Buildings	476,166			476,166
Machinery and equipment	929,538	66,330		995,868
Vehicles	306,018	42,672		348,690
Furniture and fixtures	17,019			17,019
Infrastructure	353,676			353,676
Total depreciable capital assets	<u>2,101,323</u>	<u>109,002</u>	<u>0</u>	<u>2,210,325</u>
Total capital assets	<u>2,136,323</u>	<u>117,002</u>	<u>0</u>	<u>2,253,325</u>
Accumulated depreciation:				
Site improvements	5,827	1,654		7,481
Buildings	188,561	13,092		201,653
Machinery and equipment	541,789	59,878		601,667
Vehicles	240,906	29,534		270,440
Furniture and fixtures	17,019			17,019
Infrastructure	15,489	7,073		22,562
Total accumulated depreciation	<u>1,009,591</u>	<u>111,231</u>	<u>0</u>	<u>1,120,822</u>
Governmental activities capital assets, net	<u>\$ 1,126,732</u>	<u>\$ 5,771</u>	<u>\$ 0</u>	<u>\$ 1,132,503</u>
Governmental activities depreciation expense:				
General government		\$ 9,126		
Public safety - police		21,840		
Public safety - fire		49,262		
Public works - streets and lanes		25,316		
Parks and recreation		5,687		
Total governmental activities depreciation expense		<u>\$ 111,231</u>		

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 3 - Detailed Notes on All Funds (continued)

Capital asset activity for business-type activities for the year ended December 31, 2007, was as follows:

	Balance 1/1/07	Additions	Deductions	Balance 12/31/07
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated:				
Land and rights	\$ 41,147	\$ 2,411,348		\$ 2,452,495
Construction in progress	217,275	761,495		978,770
Total capital assets not being depreciated	<u>258,422</u>	<u>3,172,843</u>	<u>\$ 0</u>	<u>3,431,265</u>
Depreciable capital assets:				
Improvements - not building	6,486,103	907,940		7,394,043
Machinery and equipment	85,718	7,438		93,156
Vehicles	61,887		6,500	55,387
Computer equipment	53,286			53,286
Total depreciable capital assets	<u>6,686,994</u>	<u>915,378</u>	<u>6,500</u>	<u>7,595,872</u>
Total capital assets	<u>6,945,416</u>	<u>4,088,221</u>	<u>6,500</u>	<u>11,027,137</u>
Accumulated depreciation:				
Improvements - not building	2,528,879	159,738		2,688,617
Machinery and equipment	83,507	1,779		85,286
Vehicles	52,275	5,422	6,500	51,197
Computer equipment	37,973	10,580		48,553
Total accumulated depreciation	<u>2,702,634</u>	<u>177,519</u>	<u>6,500</u>	<u>2,873,653</u>
Water and sewer capital assets, net	<u>\$ 4,242,782</u>	<u>\$ 3,910,702</u>	<u>\$ 0</u>	<u>\$ 8,153,484</u>

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*City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007*

Note 3 - Detailed Notes on All Funds (continued)

3-E. Interfund Balances and Transfers

Interfund balances at December 31, 2007, consisted of the following:

General fund receivable from the water and sewer fund for various expenses paid by general fund \$399,580.

General fund receivable from SPLOST capital projects fund various expenses paid by general fund \$45,531.

General fund receivable from the Sanitation fund for revenues received by the sanitation fund for the general fund \$22,463.

SPLOST fund receivable from the Water/Sewer fund for various expenses paid by the SPOST fund for the water/sewer fund \$4,640.

Interfund transfers for the year ended December 31, 2007, transfers from SPLOST fund to the Water and Sewer fund totaling \$825,516.

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

The City transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

3-F. Short Term Debt

Note payable to Citizens Bank of Effingham with interest and principal due at maturity, December 27, 2008. Interest is calculated at 65% of the bank's prime rate. The prime rate at December 31, 2007 was 7.25%. The purpose of this note was to purchase real estate to be used in the water and sewer fund in the amount of \$2,400,000. This note is serviced through the water and sewer fund.

\$ 2,400,000

Continued on next page.

*City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007*

Note 3 - Detailed Notes on All Funds (continued)

Changes in Short-term Debt - Changes in the City's short-term obligations consisted of the following for the year ended December 31, 2007:

Business-type activities	Outstanding 12/31/06	Additions	Reductions	Outstanding 12/31/07
Notes payable - Citizens Bank of Effingham	\$ 0	\$ 2,400,000	\$	\$ 2,400,000

3-G. Long Term Debt

Governmental Activities

Capital Lease – The City has entered into a capital lease for various pieces of equipment. The leases meet the criteria of a capital lease since it transfers benefits and risks of ownership to the lessee at the end of the lease term. Capital lease payments are reflected as debt service expenditures at the governmental fund reporting level.

Capital lease payable in equal annual payments of approximately \$41,744 through August 15, 2015 including interest at 3.80%. The purpose of this lease was to purchase a fire truck. The original principal amount of the lease was \$341,595. The equipment acquired by the lease is included in governmental activities general capital assets in the amount of \$304,807 (cost of \$341,595 less accumulated depreciation of \$36,788). The outstanding balance of the corresponding liabilities is included in the governmental activities general long-term debt. Future minimum lease payments are as follows.

Year	Principal	Interest	Total
2008	\$ 30,816	\$ 10,928	\$ 41,744
2009	32,008	9,736	41,744
2010	33,246	8,498	41,744
2011	34,531	7,213	41,744
2012	35,867	5,877	41,744
2013-2015	116,138	9,094	125,232
	<u>\$ 282,606</u>	<u>\$ 51,346</u>	<u>\$ 333,952</u>

Continued on next page.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 3 - Detailed Notes on All Funds (continued)

Capital lease payable in equal annual payments of approximately \$8,090 through March, 2009 including interest at 3.48%. The purpose of this lease was to purchase computer hardware and software for general accounting. The original principal amount of the lease was \$29,730. The equipment acquired by the lease is included in governmental activities general capital assets in the amount of \$25,564 (cost of \$28,597 less accumulated depreciation of \$3,033). The outstanding balance of the corresponding liabilities is included in the governmental activities general long-term debt. Future minimum lease payments are as follows.

Year	Principal	Interest	Total
2008	\$ 7,555	\$ 535	\$ 8,090
2009	7,818	272	8,090
	<u>\$ 15,373</u>	<u>\$ 807</u>	<u>\$ 16,180</u>

Capital lease payable in equal annual payments of approximately \$15,468 through March, 2009 including interest at 4.36%. The purpose of this lease was to purchase two police vehicles. The original principal amount of the lease was \$42,862. The vehicles acquired by the lease are included in governmental activities general capital assets in the amount of \$34,290 (cost of \$42,862 less accumulated depreciation of \$8,572). The outstanding balance of the corresponding liabilities is included in the governmental activities general long-term debt. Future minimum lease payments are as follows.

Year	Principal	Interest	Total
2008	\$ 14,202	\$ 1,266	\$ 15,468
2009	14,922	546	15,468
	<u>\$ 29,124</u>	<u>\$ 1,812</u>	<u>\$ 30,936</u>

Business Type Activities

Capital lease – The lease is payable in equal annual payments of approximately \$8,090 through March, 2009 including interest at 3.48%. The purpose of this lease was to purchase computer hardware and software for general accounting. The original principal amount of the lease was \$29,730. The equipment acquired by the lease is included in governmental activities general capital assets in the amount of \$25,564 (cost of \$28,597 less accumulated depreciation of \$3,033). The outstanding balance of the corresponding liabilities is included in the governmental activities general long-term debt. Future minimum lease payments are as follows.

Year	Principal	Interest	Total
2008	\$ 7,555	\$ 535	\$ 8,090
2009	7,818	272	8,090
	<u>\$ 15,373</u>	<u>\$ 807</u>	<u>\$ 16,180</u>

Continued on next page.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 3 - Detailed Notes on All Funds (continued)

Georgia Environmental Facilities Authority – Contract 87-S21-WQ payable in equal quarterly installments of \$10,922 including interest at 5.3%, beginning February 1, 1999 and ending February 1, 2008. The purpose of the loan in the original principal amount of \$317,815 was to expand the water and sewer system. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2007 follow:

Year	Principal	Interest	Total
2008	\$ <u>10,780</u>	\$ <u>142</u>	\$ <u>10,922</u>

Georgia Environmental Facilities Authority – Contract 87-029-WQ payable in equal quarterly installments of \$10,481 including interest at 5.8%, beginning February 1, 1999 and ending February 1, 2008. The purpose of the loan in the original principal amount of \$298,504 was to expand the water and sewer system. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2007 follow:

Year	Principal	Interest	Total
2008	\$ <u>10,331</u>	\$ <u>150</u>	\$ <u>10,481</u>

Georgia Environmental Facilities Authority – Contract 92-035-WS payable in equal quarterly installments of \$11,335 including interest at 6.5%, beginning August 1, 1994 and ending May 1, 2011. The purpose of the loan in the original principal amount of \$509,916 was to expand the water and sewer system. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2006 follow:

Year	Principal	Interest	Total
2008	\$ 37,233	\$ 8,108	\$ 45,341
2009	39,713	5,628	45,341
2010	42,358	2,983	45,341
2011	19,211	445	19,656
Total	\$ <u>138,515</u>	\$ <u>17,164</u>	\$ <u>155,679</u>

Continued on next page.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 3 - Detailed Notes on All Funds (continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2007.

	Outstanding 01/01/07	Additions	Reductions	Outstanding 12/31/07	Amounts Due in One Year
Government activities					
Capital lease	\$ 312,275		\$ 29,669	\$ 282,606	\$ 30,816
Capital lease	22,674		7,301	15,373	7,555
Capital lease	42,862		13,738	29,124	14,202
Capital lease	13,851		13,851	0	
Capital lease	5,604		5,604	0	
Capital lease	6,717		6,717	0	
Total government activities	\$ 403,983	\$ 0	\$ 76,880	\$ 327,103	\$ 52,573
Business-type activities					
Capital lease	\$ 22,675		\$ 7,302	\$ 15,373	\$ 7,555
Capital lease	5,739		5,739	0	
	<u>28,414</u>	<u>\$ 0</u>	<u>13,041</u>	<u>15,373</u>	<u>7,555</u>
Georgia Environmental Facilities Authority					
87-S21-WQ	52,505		41,725	10,780	10,780
87-029-WQ	50,202		39,871	10,331	10,331
92-035-WS	173,424		34,909	138,515	37,233
	<u>276,131</u>	<u>0</u>	<u>116,505</u>	<u>159,626</u>	<u>58,344</u>
Total business-type activities	\$ 304,545	\$ 0	\$ 129,546	\$ 174,999	\$ 65,899

The governmental capital leases payable are being financed through future general fund expendable available financial sources as they become due. Principal and interest payments related to the City's GEFA loans and capital leases for the water and sewer fund are financed from income derived from the operation of the water and sewer system.

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*City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007*

Note 3 - Detailed Notes on All Funds (continued)

3-H. Pension

The City participates in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer defined benefit pension plan.

Plan Description - The Plan provides retirement, disability and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by the City Council. The Plan is affiliated with the Georgia Municipal Employees benefit System (GMEBS), administered by the Georgia Municipal Association. The Georgia Municipal Association issues a publicly available financial report on GMEBS that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, Atlanta, Georgia, 30303.

Funding Policy - The Plan members are not required to contribute to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 8.3% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Annual Pension Cost - The required contribution was determined as part of the September 1, 2004 actuarial valuation for the Plan using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.0% per year investment rate of return (net of investment expenses) and (b) projected salary increases for inflation of 5.0% per year and increases for merit or seniority of 0.5% per year. The actuarial value of net assets is determined by a roll forward of prior year actuarial values combined with contributions, disbursements and expected return on investments, plus 10% of investment gains (losses) during the prior ten years. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1987 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These periods, if applicable, are closed for this plan year.

Schedule of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	Unfunded AAL- (UAAL) (2)-(1)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
09/01/05	\$ 430,945	\$ 458,982	93.89%	\$ 28,037	\$ 498,030	5.63%
09/01/06	484,252	492,258	98.37%	8,006	479,964	1.67%
09/01/07	543,183	563,290	96.43%	20,107	469,652	4.28%

Continued on next page.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 3 - Detailed Notes on All Funds (continued)

Schedule of Employer Contributions				
Year Beginning September 1,	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2004	\$ 42,158	100%	\$ 42,158	100%
2005	34,892	100%	34,892	100%
2006	32,600	100%	32,600	100%

3-I. Net Assets

Net assets on the City-wide statement of net assets as of December 31, 2007 are as follows:

	Governmental Activities	Business Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 2,253,325	\$ 11,027,137
Less accumulated depreciation	1,120,822	2,873,653
Book value	1,132,503	8,153,484
Less capital related debt	327,103	2,574,999
Investments in capital assets, net of related debt	\$ 805,400	\$ 5,578,485

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*City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007*

Note 4 - Other Notes

4-A. Risk Management

The City is exposed to various risks of loss related to torts; theft of damage to, or destruction of assets; and errors or omissions; and workers compensation for which the City carries the following insurance coverages.

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 estimating 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 which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2007. No provisions have been made in the financial statements for the year ended December 31, 2007 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.

4-B. Contingent Liabilities

Federal Grant Audits - The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

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City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 4 - Other Notes

4-C. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC board membership includes the chief elected official of each county 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 Coastal Georgia Regional Development Center, P. O. Box 2917, Brunswick, Georgia 31521.

City of Springfield, Georgia
General Fund
Comparative Balance Sheet
December 31, 2007 and 2006

	2007	2006
<u>Assets</u>		
Cash and cash equivalents	\$ 766,737	\$ 565,058
Restricted cash and cash equivalents	33,074	30,091
Receivables:		
Taxes	262,202	162,797
Accounts	3,154	2,755
Interfund	467,574	441,455
Prepaid items	16,466	15,797
Total assets	\$ 1,549,207	\$ 1,217,953
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 31,252	\$ 19,173
Accrued expenses	12,196	10,297
Deferred revenue	61,721	42,750
Total liabilities	105,169	72,220
Fund balances		
Reserved for:		
Police department	33,074	30,091
Unreserved	1,410,964	1,115,642
Total fund balances	1,444,038	1,145,733
Total liabilities and fund balances	\$ 1,549,207	\$ 1,217,953

City of Springfield, Georgia
General Fund
*Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances*
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Taxes	\$ 1,118,101	\$ 936,031
Intergovernmental	98,548	72,275
Licenses and permits	44,592	33,271
Charges for services	30,628	29,970
Fines and forfeitures	149,306	136,334
Investment earnings	6,937	3,133
Miscellaneous	3,189	1,010
Total revenues	<u>1,451,301</u>	<u>1,212,024</u>
Expenditures		
Current		
General Government		
Administration	113,190	95,689
City buildings	28,915	15,983
Other governmental services	150,738	130,337
Judicial - municipal court	58,282	56,114
Public Safety		
Police	379,206	354,656
Fire	81,411	43,115
Public Works		
Streets and lanes	199,580	171,192
Housing and development - building and zoning	11,374	
Parks and recreation	38,145	35,887
Debt service		
Principal retirement	76,880	69,714
Interest and fiscal charges	15,275	16,250
Total expenditures	<u>1,152,996</u>	<u>988,937</u>
Excess of revenues over expenditures	298,305	223,087
Other financing sources		
Inception of capital lease		<u>42,862</u>
Net change in fund balance	298,305	265,949
Fund balances -beginning of year	<u>1,145,733</u>	<u>879,784</u>
Fund balances - end of year	<u>\$ 1,444,038</u>	<u>\$ 1,145,733</u>

City of Springfield, Georgia
SPLOST Capital Projects Fund
Comparative Balance Sheet
December 31, 2007 and 2006

	2007	2006
<u>Assets</u>		
Cash and cash equivalents	\$ 92,711	\$ 542,497
Receivables - taxes	148,190	73,186
Total assets	\$ 240,901	\$ 615,683
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 8,000	
Interfund balance	40,891	\$ 37,121
	\$ 48,891	\$ 37,121
Fund balances		
Reserved for program purposes	192,010	578,562
Total liabilities and fund balances	\$ 240,901	\$ 615,683

City of Springfield, Georgia
SPLOST Capital Projects Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>			Variance Positive (Negative)	<u>2006</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		
Revenues					
Intergovernmental	\$ 400,000	\$ 400,000	\$ 519,461	\$ 119,461	\$ 390,890
Investment earnings			2,507	2,507	2,391
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>521,968</u>	<u>121,968</u>	<u>393,281</u>
Expenditures					
Capital outlays					
General government - city buildings	8,000	8,000	5,156	2,844	
Public safety - police department	20,000	20,000	24,888	(4,888)	
Public works - streets and lanes	120,000	120,000	44,960	75,040	13,235
Parks and recreation	20,000	20,000	8,000	12,000	
Total expenditures	<u>168,000</u>	<u>168,000</u>	<u>83,004</u>	<u>84,996</u>	<u>13,235</u>
Excess of revenues over expenditures	232,000	232,000	438,964	206,964	380,046
Other financing uses					
Transfers to water/sewer fund	<u>(232,000)</u>	<u>(232,000)</u>	<u>(825,516)</u>	<u>(593,516)</u>	<u>(254,962)</u>
Net change in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	(386,552)	<u>\$ (386,552)</u>	125,084
Fund balances - beginning of year			<u>578,562</u>		<u>453,478</u>
Fund balances - end of year			<u>\$ 192,010</u>		<u>\$ 578,562</u>

City of Springfield, Georgia
Water and Sewer Fund
Comparative Statement of Net Assets
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets		
Cash and cash equivalents:		
Unrestricted	\$ 532,659	\$ 567,853
Restricted	68,120	66,560
Accounts receivable	101,163	49,094
Prepaid expenses	4,644	4,455
Total current assets	<u>706,586</u>	<u>687,962</u>
Noncurrent assets		
Capital assets		
Nondepreciable capital asset	3,431,265	258,422
Depreciable capital assets, net	4,722,219	3,984,360
Total noncurrent assets	<u>8,153,484</u>	<u>4,242,782</u>
Total assets	<u>8,860,070</u>	<u>4,930,744</u>
Liabilities		
Current liabilities		
Notes payable - bank	2,400,000	
Accounts payable	141,825	22,844
Accrued expenses	5,257	4,790
Accrued interest payable	1,760	3,053
Interfund payable	404,220	399,369
Deferred revenue	491,573	41,543
Capital lease payable	7,555	13,040
Notes payable	58,344	116,505
Current liabilities payable from restricted assets		
Customer deposits	68,120	66,560
Total current liabilities	<u>3,578,654</u>	<u>667,704</u>
Long-term liabilities:		
Capital lease payable	7,818	15,374
Notes payable	101,282	159,626
Total long-term liabilities	<u>109,100</u>	<u>175,000</u>
Total liabilities	<u>3,687,754</u>	<u>842,704</u>
Net assets		
Invested in capital assets, net of related debt	5,578,485	3,935,184
Unrestricted	(406,169)	152,856
Total net assets	<u>\$ 5,172,316</u>	<u>\$ 4,088,040</u>

City of Springfield, Georgia
Water and Sewer Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Charges for services	\$ 755,257	\$ 540,212
Other revenues	43,227	21,098
Total operating revenues	<u>798,484</u>	<u>561,310</u>
Operating expenses		
Salaries	257,051	239,250
Payroll taxes and employee benefits	67,507	64,274
Uniforms and safety equipment	3,543	3,969
Professional fees	4,739	
Utilities	90,657	94,945
Maintenance - repairs	27,984	40,847
Materials and supplies	166,305	76,424
Gas, oil and tires	14,437	13,447
Office supplies and expenses	7,664	5,855
Telephone	7,132	8,032
Insurance	19,894	19,878
Training	2,474	1,768
Miscellaneous	1,881	2,453
Depreciation	177,519	168,869
Total operating expenses	<u>848,787</u>	<u>740,011</u>
Operating loss	<u>(50,303)</u>	<u>(178,701)</u>
Non-operating revenues (expenses)		
Impact fees	340,926	452,421
Investment earnings	16,348	11,135
Interest expense	(48,211)	(20,765)
Total non-operating revenues	<u>309,063</u>	<u>442,791</u>
Income before transfers	258,760	264,090
Transfer from SPLOST fund	<u>825,516</u>	<u>254,962</u>
Change in net assets	1,084,276	519,052
Net assets - beginning of year	<u>4,088,040</u>	<u>3,568,988</u>
Net assets - end of year	<u>\$ 5,172,316</u>	<u>\$ 4,088,040</u>

City of Springfield, Georgia
Sanitation Fund
Statement of Net Assets
December 31, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u>
Current assets		
Accounts receivable	\$ 14,944	\$ 12,828
 Liabilities		
Current liabilities		
Interfund payables	<u>22,463</u>	<u>4,965</u>
 Net Assets		
Unrestricted	<u>\$ (7,519)</u>	<u>\$ 7,863</u>

City of Springfield, Georgia
Sanitation Fund
Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Year Ended December 31, 2007 and 2006

	2007	2006
Operating revenues		
Charges for services	\$ 124,997	\$ 121,663
Operating expenses		
Waste services contract	140,379	129,281
Operating loss	(15,382)	(7,618)
Net assets - beginning of year	7,863	15,481
Net assets - end of year	\$ (7,519)	\$ 7,863

CITY OF SPRINGFIELD, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Prior Years	Current Year	Total
From referendums prior to September 1, 2007			
General government - city buildings		\$ 5,156	\$ 5,156
Parks and recreation	\$ 260,261	8,000	268,261
Streets and drainage	1,352,375	44,960	1,397,335
Water and sewerage	877,967	825,516	1,703,483
	\$ 2,490,603	\$ 878,476	\$ 3,369,079
Total funds available for SPLOST projects at December 31, 2007			\$ 43,922
From the referendum beginning September 1, 2007	\$ 0	\$ 0	\$ 0
Total funds available for SPLOST projects at December 31, 2007			\$ 148,088

Prior to May, 2002, the City received approximately 5.51% of the special local option sales tax (SPLOST) collected by Effingham County, Georgia. In accordance with the referendum approved by voters the tax proceeds were to be used for road, street and bridge purposes, including road resurfacing and sidewalk construction and improvement; for water, sewer and drainage purposes; for public safety purposes; and for the purpose of capital outlay projects consisting of recreational facilities. The referendum does not specify individual projects to be completed with the taxes collected. In April 2002, a new referendum became effective at the expiration of the prior referendum. Under the new referendum, SPLOST would be imposed for a period of time not to exceed five years and for raising not more than \$19,000,000 for the purpose of funding capital outlay projects throughout the county and all municipalities including (i) drainage capital improvements, (ii) street and sidewalk improvements, (iii) public buildings (new county courthouse), (iv) water and sewer capital projects, (v) cultural facilities, recreation facilities and historic facilities (restoration of old county courthouse), and (vi) public safety equipment. Additionally, under the new referendum, SPLOST would be imposed for a period of time not to exceed five years and for the raising of not more than \$16,000,000 for the purpose of road, street and bridge projects. The city receives approximately 4.851% of the proceeds from the most recent referendum. For the year ended December 31, 2007, the City recognized \$371,373 of SPLOST revenues from this SPLOST referendum. This SPLOST referendum expired August 31, 2007, and was replaced by a continuing referendum.

On September 1, 2007, a new referendum (the 2006 Effingham County SPLOST) became effective. Under this referendum, SPLOST would be imposed for a period of time not to exceed five years and for the raising an estimated \$50,000,000. In accordance with the referendum approved by voters the tax proceeds are to be used for roads, streets and bridges; public buildings capital outlay projects; public safety capital outlay projects; recreation capital outlay projects; and water and sewer capital outlay projects. The referendum does not specify individual projects to be completed with the taxes collected. The City receives approximately 4.85% of the proceeds from this SPLOST referendum. For the year ended December 31, 2007, the City recognized \$148,088 of revenues from this SPLOST referendum.

CAINES, HODGES, PACE & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Mayor and City Council
City of Springfield, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Springfield, Georgia (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 18, 2008. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain 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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 2007-1 through 2007-4 to be significant deficiencies in internal control over financial reporting.



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 City'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 consider significant deficiencies 2007-1 through 2007-3 described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 instances of noncompliance or other matters that is required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and responses as items 2007-5 and 2007-6.

This report is intended solely for the information and use of management, 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.

Caines, Hodges, Pace & Company, P.C.

Rincon, Georgia
June 18, 2008

City of Springfield, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2007
Page 1 of 3

REPORTABLE CONDITIONS

2007-1 Accounts Payable

Condition: Accounts payable are not reconciled on a timely basis.

Context: Internal controls should be in place that provide reasonable assurance that accounts payable are reconciled to an open vendor file on a timely basis.

Effect: Because of the failure to require payable accounts to be reconciled to an open vendor file on a periodic basis, open transactions may remain undetected for extended periods of time and the financial statements may not be complete and result in inaccurate reporting.

Cause: Procedures for reconciliation of the payable account to an open vendor or unpaid invoice file have not been established.

Recommendation: Require the accounts payable to be reconciled to the open vendor file on a timely basis, generally monthly.

Management response: Management agrees and will implement procedures to ensure that accounts payable are reconciled to an unpaid invoice file on a timely basis.

2007-2 Accounts Receivable - consumer

Condition: The accounts receivable detail for utilities is not periodically reconciled to the general ledger control account.

Context: Internal controls should be in place that provide reasonable assurance that all utility receivable general ledger accounts are reconciled to detail accounts receivable ageing reports on a timely basis.

Effect: Because of the failure to require the accounts receivable detail to be reconciled to the general ledger, errors or other irregularities could remain undetected for extended periods of time, and result in inaccurate financial reporting.

Cause: This condition began upon the conversion to a new accounting system. Adequate procedures were not put in place to ensure the ageing and the general ledger reporting agreed.

Recommendation: Require the accounts receivable detail to be reconciled to the general ledger control accounts at least monthly, and any errors or other differences noted be corrected immediately.

Management's response: Management agrees with the finding and will establish procedures to assure that accounts receivable detail records are balanced to the general ledger at least monthly.

City of Springfield, Georgia
Schedule of Findings and Responses
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2007-3

Disbursement processing and authorization.

Condition: Documentation of some disbursements were lacking invoices and/or approval. Invoices are not canceled when paid.

Context: During testing, it was noted that disbursements did not have completed processing and authorization documentation.

Effect: Disbursements without canceling of invoices may result in duplicate payments of invoices. Disbursements without proper authorization may lead to misappropriation or improper use of assets.

Cause: It appears that the City does have an established policy of documentation and approval of disbursements. During the year the City Clerk position was unfilled for several months, shifting the workload to an undersized staff size that was not familiar with the proper procedures.

Recommendation: Review procedures of approval, documentation, and cancelling of invoices with the accounting department.

Management's response: Management agrees with the finding and will review disbursement processing with personnel.

2007-4

Timely Deposits

Condition: Police department deposits are not made on a timely basis.

Context: During testing, it was noted that cash deposits in the Police Department are not made on a regular, timely basis.

Effect: Holding cash for extended periods may result in misappropriation of assets through theft or loss.

Cause: A policy that requires a regular, timely deposit of cash collections has not been established.

Recommendation: Establish a policy of periodic cash deposits, at least on a weekly basis, even if the amount is small.

Management's response: Management agrees with the finding and will establish a policy requiring regular, timely deposits of cash.

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NON-COMPLIANCE

2007-5 Budgetary requirements

Condition: It appears that the City violated the state law by expending funds in excess of appropriations at the legal level of authority. The City's legal level of authority is at the department level. Expenditures exceeded appropriations in the public safety - police department and in the public safety - fire department in the general fund, and in the SPLOST fund, public safety - police and transfers to the water and sewer fund.

Context: The government may not expend funds in excess of appropriations as it is a violation of state law. Expenditures have exceeded appropriations in the public safety - police department for the past four years and in the public safety-fire department for the past two years.

Effect: This condition indicates inadequate monitoring of expenditures, and the violation of state law.

Recommendation: Require budget to actual comparisons to be performed on an on-going basis and adopt procedures to amend the budget as circumstances warrant as provided by state law.

Management's response: Management agrees with the finding. While the City Council was aware of and approved the excess expenditures at the department level, a formal budget amendment was not made. In the future, budget amendments will be proposed to correct such events as necessary.

2007-6 Public debt requirement

Condition: It appears the City has violated state law by entering into short-term debt outside the requirements of state law. State law requires all short term debt to be paid in full before December 31 of each calendar year.

Context: The City has utilized short-term debt to provide working capital until a GEFA loan is finalized. The debt had an outstanding balance at December 31.

Effect: This condition results in the City violating state law by incurring short-term debt which extends beyond year end.

Recommendation: Establish procedures to require all debt to be structured within the legal parameters as set forth in state law.

Management response: Management agrees with finding. The City had full intention of repaying the loan by December 31, however, the necessary funds were not available to do so. The GEFA loan was approved in March 2008.