

CITY OF SPRINGFIELD, GEORGIA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2008

City of Springfield, Georgia
Audit of Financial Statements
For the Year Ended December 31, 2008

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

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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, 2008, 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, 2008, 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 19, 2009 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 19, 2009

City of Springfield, Georgia
Statement of Net Assets
December 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents (Note 4A)	\$ 1,286,273	\$ 1,013,404	\$ 2,299,677
Restricted cash	53,106	70,465	123,571
Receivables:			
Accounts	2,888	94,827	97,715
Taxes	498,703		498,703
Internal	604,090	(604,090)	
Prepaid items	15,360	4,445	19,805
Capital Assets: (Note 4D)			
Nondepreciable capital assets	141,648	5,821,965	5,963,613
Depreciable capital assets, net	1,041,455	4,557,186	5,598,641
Total Assets	<u>3,643,523</u>	<u>10,958,202</u>	<u>14,601,725</u>
Liabilities			
Current Liabilities:			
Short-term debt (Note 4F)		2,400,000	2,400,000
Accounts payable	40,694	941,358	982,052
Accrued expenses	9,662	4,381	14,043
Compensated absences payable	12,673	4,820	17,493
Accrued interest payable	5,371	1,322	6,693
Unearned revenue		497,377	497,377
Capital leases payable	54,748	7,818	62,566
Notes payable		39,713	39,713
Liabilities payable from restricted assets		70,465	70,465
Long-Term Liabilities: (Note 4G)			
Compensated absences payable (net of (current portion))	8,449	3,212	11,661
Capital leases payable (net of current portion)	219,781		219,781
Notes payable (net of current portion)		1,151,193	1,151,193
Total Liabilities	<u>351,378</u>	<u>5,121,659</u>	<u>5,473,037</u>
Net Assets			
Invested in capital assets, net of related debt (Note 4I)	908,574	6,780,427	7,689,001
Restricted for capital projects	432,978		432,978
Unrestricted	1,950,593	(943,884)	1,006,709
Total Net Assets	<u>\$ 3,292,145</u>	<u>\$ 5,836,543</u>	<u>\$ 9,128,688</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, 2008

Function/Program	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government						
Governmental activities						
General government						
Administration	\$ 197,629	\$ 56,528		\$ (141,101)	\$	\$ (141,101)
City buildings	16,714			(16,714)		(16,714)
Other governmental services	143,870			(143,870)		(143,870)
Judicial - municipal court	62,077			(62,077)		(62,077)
Public safety - fire	60,704	31,048	62,617	32,961		32,961
Public safety - police	417,162	238,770		(178,392)		(178,392)
Housing and development - building and zoning	219,991			(219,991)		(219,991)
Parks and recreation	11,508			(11,508)		(11,508)
Interest	47,430			(47,430)		(47,430)
Interest	12,367			(12,367)		(12,367)
Total governmental activities	1,189,452	326,346	62,617	(800,489)	0	(800,489)
Business-type activities:						
Water and sewer	966,577	828,179	592,983		454,585	454,585
Sanitation	138,231	140,362			2,131	2,131
Total business-type activities	1,104,808	968,541	592,983		456,716	456,716
Total primary government	2,294,260	1,294,887	62,617	(800,489)	456,716	(343,773)
General revenues						
Property taxes				256,652		256,652
Local option sales tax				579,925		579,925
Franchise taxes				139,846		139,846
Motor vehicle tax				21,902		21,902
Real estate transfer tax				2,600		2,600
Intangible tax				6,128		6,128
Alcohol taxes				66,717		66,717
Insurance premium taxes				101,918		101,918
Railroad equipment taxes				1,079		1,079
Intergovernmental - special local option sales tax				487,889	17,654	487,889
Investment earnings				13,778		13,778
Miscellaneous				8,573	68,643	77,216
Total general revenues				1,687,007	86,297	1,773,304
Transfers						
Total general revenues and transfers				(128,733)	128,733	0
Change in net assets						
Net assets - beginning of year - as previously stated						1,773,304
Prior period adjustment - Note 2-A						1,429,531
Net assets - beginning of year - as restated						7,600,513
Net assets - end of year						98,644
Net assets - beginning of year - as restated						7,699,157
Net assets - end of year						9,128,688

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

City of Springfield, Georgia
Balance Sheet
Governmental Funds
December 31, 2008

	<u>General</u>	<u>SPLOST Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 825,400	\$ 460,873	\$ 1,286,273
Restricted cash and cash equivalents	53,106		53,106
Receivables			
Taxes	437,412	114,121	551,533
Accounts	2,888		2,888
Interfund	717,378		717,378
Prepaid items	15,360		15,360
Total assets	\$ 2,051,544	\$ 574,994	\$ 2,626,538
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 11,966	\$ 28,728	\$ 40,694
Accrued liabilities	9,662		9,662
Interfund		113,288	113,288
Deferred revenue	91,318		91,318
Total liabilities	112,946	142,016	254,962
Fund balances			
Reserved for			
Police department	53,106		53,106
Program purposes		432,978	432,978
Unreserved			
Undesignated, reported in:			
General fund	1,885,492		1,885,492
Total fund balances	1,938,598	432,978	2,371,576
Total liabilities and fund balances	\$ 2,051,544	\$ 574,994	\$ 2,626,538

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, 2008*

Total governmental fund balances \$ 2,371,576

**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	\$ 2,415,647	
Less accumulated depreciation	<u>(1,232,544)</u>	1,183,103

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	91,318	
Less allowance for estimated uncollectible accounts	<u>(52,830)</u>	38,488

Liabilities, including capital lease liability, accrued interest and compensated absences are not due and payable in the current period and therefore are not reported in the funds:

Capital lease liability	(274,529)	
Accrued interest payable	(5,371)	
Compensated absences payable	<u>(21,122)</u>	(301,022)

Net assets of governmental activities \$ 3,292,145

City of Springfield, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	<u>General</u>	<u>SPLOST Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 1,138,279		\$ 1,138,279
Intergovernmental	62,617	\$ 487,889	550,506
Licenses and permits	56,528		56,528
Charges for services	31,048		31,048
Fines and forfeitures	238,770		238,770
Investment earnings	10,095	3,683	13,778
Miscellaneous	8,573		8,573
Total revenues	<u>1,545,910</u>	<u>491,572</u>	<u>2,037,482</u>
Expenditures			
Current			
General government			
Administration	189,557		189,557
City buildings	17,220		17,220
Other governmental services	143,870		143,870
Judicial - municipal court	62,077		62,077
Public safety			
Police	407,419		407,419
Fire	28,828		28,828
Public works - streets and lanes	184,724		184,724
Housing and development - building and zoning	11,508		11,508
Parks and recreation	39,489		39,489
Capital outlays		121,871	121,871
Debt service			
Principal	52,574		52,574
Interest	12,728		12,728
Total expenditures	<u>1,149,994</u>	<u>121,871</u>	<u>1,271,865</u>
Excess of revenues over expenditures	395,916	369,701	765,617
Other financing uses			
Transfer out to water/sewer fund		(128,733)	(128,733)
Net change in fund balances	<u>395,916</u>	<u>240,968</u>	<u>636,884</u>
Fund balances - beginning of year			
As previously stated	1,444,038	192,010	1,636,048
Prior period adjustment	98,644		98,644
As restated	<u>1,542,682</u>	<u>192,010</u>	<u>1,734,692</u>
Fund balances - end of year	<u>\$ 1,938,598</u>	<u>\$ 432,978</u>	<u>\$ 2,371,576</u>

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, 2008*

Net changes in fund balances - total governmental funds \$ 636,884

**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	\$ (111,722)	
Capital outlay	<u>162,322</u>	50,600

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

Deferred at 12/31/08	91,318	
Deferred at 12/31/07	(61,721)	
Allowance for doubtful accounts at 12/31/08	(52,830)	
Allowance for doubtful accounts at 12/31/07	<u>61,721</u>	38,488

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 at 12/31/08	(5,371)	
Liability at 12/31/07	<u>5,732</u>	361

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.

52,574

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Liability at 12/31/08	(21,122)	
Liability at 12/31/07	<u>0</u>	(21,122)

Change in net assets of governmental activities \$ 757,785

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

City of Springfield, Georgia
General Fund
*Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual*
 For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	\$ 1,015,800	\$ 1,015,800	\$ 1,138,279	\$ 122,479
Intergovernmental	55,000	55,000	62,617	7,617
Licenses and permits	46,000	46,000	56,528	10,528
Charges for services	31,800	31,800	31,048	(752)
Fines and forfeitures	148,100	148,100	238,770	90,670
Investment earnings	3,500	3,500	10,095	6,595
Miscellaneous	30	30	8,573	8,543
Total revenues	1,300,230	1,300,230	1,545,910	245,680
Expenditures				
General government				
Administration	198,236	198,236	189,557	8,679
City buildings	25,150	25,150	17,220	7,930
Other governmental services	179,815	179,815	151,960	27,855
Judicial - municipal court	67,998	67,998	62,077	5,921
Public safety				
Police	430,467	430,467	422,887	7,580
Fire	103,200	103,200	70,572	32,628
Public works				
Streets and lanes	234,878	234,878	184,724	50,154
Housing and development				
Building and zoning	17,400	17,400	11,508	5,892
Parks and recreation	43,086	43,086	39,489	3,597
Total expenditures	1,300,230	1,300,230	1,149,994	150,236
Excess of revenues over expenditures	\$ 0	\$ 0	395,916	\$ 395,916
Fund balances - beginning of year				
As previously stated			1,444,038	
Prior period adjustment			98,644	
As restated			1,542,682	
Fund balances - end of year			\$ 1,938,598	

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

City of Springfield, Georgia
Statement of Net Assets
Proprietary Funds
December 31, 2008

	Water and Sewer	Sanitation	Total
Assets			
Current assets			
Cash and cash equivalents			
Unrestricted	\$ 1,013,404		\$ 1,013,404
Restricted	70,465		70,465
Receivables - accounts	79,674	\$ 15,153	94,827
Prepaid expenses	4,445		4,445
Total current assets	1,167,988	15,153	1,183,141
Noncurrent Assets			
Capital Assets			
Nondepreciable capital assets	5,821,965		5,821,965
Depreciable capital assets, net	4,557,186		4,557,186
Total noncurrent assets	10,379,151	0	10,379,151
Total assets	11,547,139	15,153	11,562,292
Liabilities			
Current Liabilities			
Notes payable - bank	2,400,000		2,400,000
Accounts payable	931,613	9,745	941,358
Accrued interest payable	1,322		1,322
Accrued payroll	4,381		4,381
Compensated absences payable	4,820		4,820
Interfund payable	593,294	10,796	604,090
Deferred revenue	497,377		497,377
Capital lease payable	7,818		7,818
Notes payable	39,713		39,713
Current Liabilities Payable from Restricted Assets:			
Customer deposits	70,465		70,465
Total current liabilities	4,550,803	20,541	4,571,344
Long-term liabilities:			
Compensated absences payable (net of current portion)	3,212		3,212
Notes payable (net of current portion)	1,151,193		1,151,193
Total long-term liabilities	1,154,405	0	1,154,405
Total liabilities	5,705,208	20,541	5,725,749
Net assets (liabilities)			
Invested in capital assets, net of related debt	6,780,427		6,780,427
Unrestricted	(938,496)	(5,388)	(943,884)
Total net assets (liabilities)	\$ 5,841,931	\$ (5,388)	\$ 5,836,543

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, 2008*

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 828,179	\$ 140,362	\$ 968,541
Miscellaneous	68,643		68,643
Total operating revenues	<u>896,822</u>	<u>140,362</u>	<u>1,037,184</u>
Operating expenses			
Salaries	243,404		243,404
Payroll taxes and employee benefits	60,799		60,799
Waste services contract		138,231	138,231
Uniforms and safety equipment	3,550		3,550
Professional fees	12,064		12,064
Utilities	93,335		93,335
Maintenance - repairs	37,282		37,282
Materials and supplies	162,760		162,760
Gas, oil and tires	16,706		16,706
Office supplies and expenses	7,956		7,956
Telephone	8,783		8,783
Insurance	19,593		19,593
Training	2,644		2,644
Miscellaneous	2,560		2,560
Depreciation	186,752		186,752
Total operating expenses	<u>858,188</u>	<u>138,231</u>	<u>996,419</u>
Operating income	<u>38,634</u>	<u>2,131</u>	<u>40,765</u>
Non-operating revenues (expenses)			
Impact fees	392,983		392,983
Capital cost recovery	200,000		200,000
Investment earnings	17,654		17,654
Interest expense	(108,389)		(108,389)
Total non-operating revenues	<u>502,248</u>	<u>0</u>	<u>502,248</u>
Income before transfers	540,882	2,131	543,013
Transfers from SPLOST	128,733		128,733
Change net in assets	669,615	2,131	671,746
Net assets (liabilities) - beginning of year	<u>5,172,316</u>	<u>(7,519)</u>	<u>5,164,797</u>
Net assets (liabilities) - end of year	<u>\$ 5,841,931</u>	<u>\$ (5,388)</u>	<u>\$ 5,836,543</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, 2008

	<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	\$ 926,460	\$ 140,153	\$ 1,066,613
Cash payments to employees for personal services	(297,047)		(297,047)
Cash payments for goods and services	<u>(496,822)</u>	<u>(128,486)</u>	<u>(625,308)</u>
Net cash provided by operating activities	<u>132,591</u>	<u>11,667</u>	<u>144,258</u>
Cash flows from noncapital financing activities			
Interfund payable	<u>189,074</u>	<u>(11,667)</u>	<u>177,407</u>
Cash flows from capital and related financing activities			
Proceeds from long-term debt	1,089,624		1,089,624
Principal paid on long-term debt	(65,899)		(65,899)
Interest paid on debt	(108,827)		(108,827)
Transfer in from SPLOST fund	128,733		128,733
Proceeds from sale of capital assets	25,000		25,000
Payments for capital acquisitions	(1,517,843)		(1,517,843)
Capital cost recovery	200,000		200,000
Proceeds from impact fees	<u>392,983</u>		<u>392,983</u>
Net cash provided by capital and related financing activities	<u>143,771</u>	<u>0</u>	<u>143,771</u>
Cash flows from investing activities			
Investment earnings	<u>17,654</u>		<u>17,654</u>
Net increase in cash and cash equivalents	483,090		483,090
Cash and cash equivalents - beginning of year	<u>600,779</u>		<u>600,779</u>
Cash and cash equivalents - end of year	<u>\$ 1,083,869</u>	<u>\$ 0</u>	<u>\$ 1,083,869</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, 2008

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 38,634	\$ 2,131	\$ 40,765
Adjustments:			
Depreciation	186,752		186,752
(Increase) decrease in current assets			
Accounts receivable	21,489	(209)	21,280
Prepaid expense	199		199
Increase (decrease) in current liabilities			
Accounts payable	(129,788)	9,745	(120,043)
Accrued payroll	(876)		(876)
Compensated absences payable	8,032		8,032
Deferred revenues	5,804		5,804
Customer deposits	2,345		2,345
Net cash provided by operating activities	<u>\$ 132,591</u>	<u>\$ 11,667</u>	<u>\$ 144,258</u>

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, 2008

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City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 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, 2008

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, 2008

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, 2008

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 4-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, 2008

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, 2008.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008, 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.

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:

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City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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	
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 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. Proprietary funds report the total compensated liability at the fund reporting level. Government funds report the compensated absence liability at the fund reporting level only "when due".

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, 2008

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, 2008

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, 2008

Note 2 – Adjustment to Beginning Net Assets

2-A. Accounts Receivable– As of December 31, 2007, general fund net assets has been restated to correct an error in the understatement of accounts receivable. The effect of this adjustment was to increase net assets by \$98,644.

Note 3 – Stewardship, Compliance and Accountability

3-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.

3-B. Public Debt Requirements

The City entered into short-term debt financing with a local bank which has a maturity date of December 27, 2009. 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.

Note 4 - Detailed Notes on All Funds

4-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, 2008, the government is not exposed to custodial credit risk.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - Detailed Notes on All Funds (continued)

4-B. Receivables

Receivables at December 31, 2008, 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.

4-C. Property Taxes

Property taxes are assessed based upon property values determined by the Effingham County Tax Assessor's Office at January 1, 2008. The levy date was November 12, 2008, and the tax bills were mailed November 26, 2008, and were due January 26, 2009. The lien date is January 26, 2009.

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City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - Detailed Notes on All Funds (continued)

4-D. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2008, was as follows:

	Balance 12/31/07	Additions	Deductions	Balance 12/31/08
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 35,000			\$ 35,000
Construction in progress	8,000	\$ 98,648		106,648
Total capital assets not being depreciated	43,000	98,648	\$ 0	141,648
Depreciable capital assets:				
Site improvements	18,906			18,906
Buildings	476,166			476,166
Machinery and equipment	995,868	42,190		1,038,058
Vehicles	348,690	21,484		370,174
Furniture and fixtures	17,019			17,019
Infrastructure	353,676			353,676
Total depreciable capital assets	2,210,325	63,674	0	2,273,999
Total capital assets	2,253,325	162,322	0	2,415,647
Accumulated depreciation:				
Site improvements	7,481	1,654		9,135
Buildings	201,653	13,092		214,745
Machinery and equipment	601,667	55,724		657,391
Vehicles	270,440	34,179		304,619
Furniture and fixtures	17,019			17,019
Infrastructure	22,562	7,073		29,635
Total accumulated depreciation	1,120,822	111,722	0	1,232,544
Governmental activities capital assets, net	\$ 1,132,503	\$ 50,600	\$ 0	\$ 1,183,103
Governmental activities depreciation expense:				
General government		\$ 9,551		
Public safety - police		26,401		
Public safety - fire		40,630		
Public works - streets and lanes		29,453		
Parks and recreation		5,687		
Total governmental activities depreciation expense		\$ 111,722		

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - Detailed Notes on All Funds (continued)

Capital asset activity for business-type activities for the year ended December 31, 2008, was as follows:

	Balance 12/31/07	Additions	Deductions	Balance 12/31/08
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated:				
Land and rights	\$ 2,452,495		\$ 25,000	\$ 2,427,495
Construction in progress	978,770	\$ 2,415,700		3,394,470
Total capital assets not being depreciated	<u>3,431,265</u>	<u>2,415,700</u>	<u>25,000</u>	<u>5,821,965</u>
Depreciable capital assets:				
Improvements - not building	7,394,043	4,699		7,398,742
Machinery and equipment	93,156	17,020		110,176
Vehicles	55,387			55,387
Computer equipment	53,286			53,286
Total depreciable capital assets	<u>7,595,872</u>	<u>21,719</u>	<u>0</u>	<u>7,617,591</u>
Total capital assets	<u>11,027,137</u>	<u>2,437,419</u>	<u>25,000</u>	<u>13,439,556</u>
Accumulated depreciation:				
Improvements - not building	2,688,617	177,938		2,866,555
Machinery and equipment	85,286	2,614		87,900
Vehicles	51,197	3,353		54,550
Computer equipment	48,553	2,847		51,400
Total accumulated depreciation	<u>2,873,653</u>	<u>186,752</u>	<u>0</u>	<u>3,060,405</u>
Water and sewer capital assets, net	<u>\$ 8,153,484</u>	<u>\$ 2,250,667</u>	<u>\$ 25,000</u>	<u>\$ 10,379,151</u>

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City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - Detailed Notes on All Funds (continued)

4-E. Interfund Balances and Transfers

Interfund balances at December 31, 2008, consisted of the following:

General fund receivable from the water and sewer fund for various expenses paid by general fund \$588,654.

General fund receivable from SPLOST capital projects fund for various expenses paid by general fund \$117,928.

General fund receivable from the Sanitation fund for revenues received by the sanitation fund for the general fund \$10,796.

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

Interfund balances represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year.

Interfund transfers for the year ended December 31, 2008, transfers from SPLOST fund to the Water and Sewer fund totaling \$128,733.

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.

4-F. Short Term Debt

Note payable to Citizens Bank of Effingham with interest and principal due at maturity, December 27, 2009. Interest is calculated at 65% of the bank's prime rate. The prime rate at December 31, 2008 was 3.25%. 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

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - 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, 2008:

	Balance 12/31/07	Additions	Reductions	Balance 12/31/08
Business-type activities				
Notes payable - Citizens Bank of Effingham	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000

4-G. Long Term Liabilities

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 \$252,253 (cost of \$341,595 less accumulated depreciation of \$89,342). 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
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	37,254	4,490	41,744
2014-2015	78,883	4,605	83,488
	\$ 251,789	\$ 40,419	\$ 292,208

Continued on next page.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - 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 \$20,364 (cost of \$28,597 less accumulated depreciation of \$8,233). The outstanding balance of the corresponding liabilities is included in the governmental activities general short-term debt. Future minimum lease payments are as follows.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ <u>7,818</u>	\$ <u>272</u>	\$ <u>8,090</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 \$17,146 (cost of \$42,862 less accumulated depreciation of \$25,716). The outstanding balance of the corresponding liabilities is included in the governmental activities general short-term debt. Future minimum lease payments are as follows.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ <u>14,922</u>	\$ <u>546</u>	\$ <u>15,468</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 \$20,364. 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 \$8,233). The outstanding balance of the corresponding liabilities is included in the governmental activities general short-term debt. Future minimum lease payments are as follows.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ <u>7,818</u>	\$ <u>272</u>	\$ <u>8,090</u>

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - Detailed Notes on All Funds (continued)

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, 2008 follow:

Year	Principal	Interest	Total
2009	\$ 39,713	\$ 5,628	\$ 45,341
2010	42,358	2,983	45,341
2011	19,211	445	19,656
Total	<u>\$ 101,282</u>	<u>\$ 9,056</u>	<u>\$ 110,338</u>

Georgia Environmental Facilities Authority – Contract 2008-L10WQ issued in the amount of \$5,416,740 for the purpose of upgrading and expanding the wastewater treatment facility. Draws are made on the note as the funds are expended. At December 31, 2008, the amount drawn on the note totaled \$1,089,624. The interest rate on the note is 4.10%. Interest on the note during the construction period is accrued on the outstanding balance and is payable on commencement of the amortization of the loan. Repayment of the note is in two hundred thirty nine equal monthly installments of approximately \$33,824 beginning on the earlier of the completion date of January 1, 2010. Estimated annual debt service requirements to amortize this note payable at December 31, 2008 follow:

Year	Principal	Interest	Total
2010	\$ 81,207	\$ 324,683	\$ 405,890
2011	190,690	215,200	405,890
2012	198,657	207,233	405,890
2013	206,957	198,933	405,890
2014	215,603	190,287	405,890
2015-2019	1,220,899	808,551	2,029,450
2020-2024	1,498,162	531,289	2,029,451
2025-2029	1,804,565	191,064	1,995,629
Total	<u>\$ 5,416,740</u>	<u>\$ 2,667,240</u>	<u>\$ 8,083,980</u>

Continued on next page.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - Detailed Notes on All Funds (continued)

Changes in Long-term Liabilities - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2008.

	Balance 12/31/07	Additions	Reductions	Balance 12/31/08	Amounts Due in One Year
Government activities					
Capital lease	\$ 282,606		\$ 30,817	\$ 251,789	\$ 32,008
Capital lease	15,373		7,555	7,818	7,818
Capital lease	29,124		14,202	14,922	14,922
Compensated absences		\$ 21,122		21,122	12,673
Total government activities	<u>\$ 327,103</u>	<u>\$ 21,122</u>	<u>\$ 52,574</u>	<u>\$ 295,651</u>	<u>\$ 67,421</u>
Business-type activities					
Capital lease	\$ 15,373		\$ 7,555	\$ 7,818	\$ 7,818
Georgia Environmental Facilities Authority					
87-S21-WQ	10,780		10,780	0	
87-029-WQ	10,331		10,331	0	
92-035-WS	138,515		37,233	101,282	39,713
2008-L10-WQ		\$ 1,089,624		1,089,624	
Compensated absences		8,032		8,032	4,820
	<u>159,626</u>	<u>1,097,656</u>	<u>58,344</u>	<u>1,198,938</u>	<u>44,533</u>
Total business-type activities	<u>\$ 174,999</u>	<u>\$ 1,097,656</u>	<u>\$ 65,899</u>	<u>\$ 1,206,756</u>	<u>\$ 52,351</u>

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.

The total interest incurred for the year ended December 31, 2008 was \$127,760. Of this amount, \$7,004 was capitalized as a component of the cost of capital assets constructed during the year and \$120,756 was charged to expense.

The compensated absences liability will be paid from the fund which the employee's salaries are paid. In 2008, compensated absences were liquidated through the general fund, and the water and sewer fund.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - Detailed Notes on All Funds (continued)

4-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, 2008 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

Actuarial Valuation Date	(1)	(2)	(3)	(4)	(5)	(6)
	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
09/01/06	\$ 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%
09/01/08	564,380	693,002	81.44%	128,622	567,050	22.68%

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

4- Detailed Notes on All Funds (continued)

Schedule of Employers Contribution

Year Beginning September 1,	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2005	\$ 34,892	100%	\$ 34,892	100%
2006	32,600	100%	32,600	100%
2007	31,884	100%	31,884	100%

4-I. Net Assets

Net assets on the City-wide statement of net assets as of December 31, 2008 are as follows:

	Governmental Activities	Business Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 2,415,647	\$ 13,439,556
Less accumulated depreciation	<u>1,232,544</u>	<u>3,060,405</u>
Book value	1,183,103	10,379,151
Less capital related debt	<u>274,529</u>	<u>3,598,724</u>
Investments in capital assets, net of related debt	<u>\$ 908,574</u>	<u>\$ 6,780,427</u>

Note 5 - Other Notes

5-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, 2008. No provisions have been made in the financial statements for the year ended December 31, 2008 for any estimate of potential unpaid claims.

City of Springfield, Georgia
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 5 - Other Notes (continued)

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.

5-B. Contingent Liabilities

Federal and State Assistance - The City has received funding through federal and state assistance programs 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.

5-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, 2008 and 2007

	2008	2007
<u>Assets</u>		
Cash and cash equivalents	\$ 825,400	\$ 766,737
Restricted cash and cash equivalents	53,106	33,074
Receivables:		
Taxes	437,412	360,846
Accounts	2,888	3,154
Interfund	717,378	467,574
Prepaid items	15,360	16,466
Total assets	\$ 2,051,544	\$ 1,647,851
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 11,966	\$ 31,252
Accrued expenses	9,662	12,196
Deferred revenue	91,318	61,721
Total liabilities	112,946	105,169
Fund balances		
Reserved for:		
Police department	53,106	33,074
Unreserved	1,885,492	1,509,608
Total fund balances	1,938,598	1,542,682
Total liabilities and fund balances	\$ 2,051,544	\$ 1,647,851

City of Springfield, Georgia
General Fund
*Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances*
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Taxes	\$ 1,138,279	\$ 1,216,745
Intergovernmental	62,617	98,548
Licenses and permits	56,528	44,592
Charges for services	31,048	30,628
Fines and forfeitures	238,770	149,306
Investment earnings	10,095	6,937
Miscellaneous	8,573	3,189
Total revenues	<u>1,545,910</u>	<u>1,549,945</u>
Expenditures		
Current		
General Government		
Administration	189,557	113,190
City buildings	17,220	28,915
Other governmental services	143,870	150,738
Judicial - municipal court	62,077	58,282
Public Safety		
Police	407,419	379,206
Fire	28,828	81,411
Public Works		
Streets and lanes	184,724	199,580
Housing and development - building and zoning	11,508	11,374
Parks and recreation	39,489	38,145
Debt service		
Principal retirement	52,574	76,880
Interest and fiscal charges	12,728	15,275
Total expenditures	<u>1,149,994</u>	<u>1,152,996</u>
Excess of revenues over expenditures	395,916	396,949
Fund balances -beginning of year	<u>1,542,682</u>	<u>1,145,733</u>
Fund balances - end of year	<u>\$ 1,938,598</u>	<u>\$ 1,542,682</u>

City of Springfield, Georgia
SPLOST Capital Projects Fund
Comparative Balance Sheet
December 31, 2008 and 2007

	2008	2007
<u>Assets</u>		
Cash and cash equivalents	\$ 460,873	\$ 92,711
Receivables - taxes	114,121	148,190
Total assets	\$ 574,994	\$ 240,901
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 28,728	\$ 8,000
Interfund balance	113,288	40,891
Total liabilities	142,016	48,891
Fund balances		
Reserved for program purposes	432,978	192,010
Total liabilities and fund balances	\$ 574,994	\$ 240,901

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, 2008 and 2007

	2008			Variance Positive (Negative)	2007
	Original Budget	Final Budget	Actual		
Revenues					
Intergovernmental	\$ 430,000	\$ 430,000	\$ 487,889	\$ 57,889	\$ 519,461
Investment earnings	2,400	2,400	3,683	1,283	2,507
Total revenues	<u>432,400</u>	<u>432,400</u>	<u>491,572</u>	<u>59,172</u>	<u>521,968</u>
Expenditures					
Capital outlays					
General government - city buildings	8,648	8,648	779	7,869	5,156
Public safety - police department	21,620	21,620	21,484	136	24,888
Public works - streets and lanes	129,720	129,720	99,608	30,112	44,960
Parks and recreation	21,620	21,620		21,620	8,000
Total expenditures	<u>181,608</u>	<u>181,608</u>	<u>121,871</u>	<u>59,737</u>	<u>83,004</u>
Excess of revenues over expenditures	250,792	250,792	369,701	118,909	438,964
Other financing uses					
Transfers to water/sewer fund	(250,792)	(250,792)	(128,733)	122,059	(825,516)
Net change in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	240,968	<u>\$ 240,968</u>	(386,552)
Fund balances - beginning of year			<u>192,010</u>		<u>578,562</u>
Fund balances - end of year			<u>\$ 432,978</u>		<u>\$ 192,010</u>

City of Springfield, Georgia
Water and Sewer Fund
Comparative Statement of Net Assets
December 31, 2008 and 2007

	2008	2007
Assets		
Current assets		
Cash and cash equivalents:		
Unrestricted	\$ 1,013,404	\$ 532,659
Restricted	70,465	68,120
Accounts receivable	79,674	101,163
Prepaid expenses	4,445	4,644
Total current assets	1,167,988	706,586
Noncurrent assets		
Capital assets		
Nondepreciable capital asset	5,821,965	3,431,265
Depreciable capital assets, net	4,557,186	4,722,219
Total noncurrent assets	10,379,151	8,153,484
Total assets	11,547,139	8,860,070
Liabilities		
Current liabilities		
Notes payable - bank	2,400,000	2,400,000
Accounts payable	931,613	141,825
Accrued interest payable	1,322	1,760
Accrued payroll	4,381	5,257
Compensated absences payable	4,820	
Interfund payable	593,294	404,220
Deferred revenue	497,377	491,573
Capital lease payable	7,818	7,555
Notes payable	39,713	58,344
Current liabilities payable from restricted assets		
Customer deposits	70,465	68,120
Total current liabilities	4,550,803	3,578,654
Long-term liabilities:		
Compensated absences payable (net of current portion)	3,212	
Capital lease payable		7,818
Notes payable	1,151,193	101,282
Total long-term liabilities	1,154,405	109,100
Total liabilities	5,705,208	3,687,754
Net assets (liabilities)		
Invested in capital assets, net of related debt	6,780,427	5,578,485
Unrestricted	(938,496)	(406,169)
Total net assets (liabilities)	\$ 5,841,931	\$ 5,172,316

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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenues		
Charges for services	\$ 828,179	\$ 755,257
Other revenues	68,643	43,227
Total operating revenues	<u>896,822</u>	<u>798,484</u>
 Operating expenses		
Salaries	243,404	257,051
Payroll taxes and employee benefits	60,799	67,507
Uniforms and safety equipment	3,550	3,543
Professional fees	12,064	4,739
Utilities	93,335	90,657
Maintenance - repairs	37,282	27,984
Materials and supplies	162,760	166,305
Gas, oil and tires	16,706	14,437
Office supplies and expenses	7,956	7,664
Telephone	8,783	7,132
Insurance	19,593	19,894
Training	2,644	2,474
Miscellaneous	2,560	1,881
Depreciation	186,752	177,519
Total operating expenses	<u>858,188</u>	<u>848,787</u>
 Operating income (loss)	<u>38,634</u>	<u>(50,303)</u>
 Non-operating revenues (expenses)		
Impact fees	392,983	340,926
Capital cost recovery	200,000	
Investment earnings	17,654	16,348
Interest expense	(108,389)	(48,211)
Total non-operating revenues	<u>502,248</u>	<u>309,063</u>
 Income before transfers	540,882	258,760
 Transfer from SPLOST fund	<u>128,733</u>	<u>825,516</u>
 Change in net assets	669,615	1,084,276
 Net assets - beginning of year	<u>5,172,316</u>	<u>4,088,040</u>
 Net assets - end of year	<u>\$ 5,841,931</u>	<u>\$ 5,172,316</u>

City of Springfield, Georgia
Sanitation Fund
Statement of Net Assets
December 31, 2008 and 2007

Assets	<u>2008</u>	<u>2007</u>
Current assets		
Accounts receivable	\$ 15,153	\$ 14,944
 Liabilities		
Current liabilities		
Accounts payable	9,745	
Interfund payables	10,796	22,463
Total liabilities	<u>20,541</u>	<u>22,463</u>
 Net assets (liabilities)		
Unrestricted	\$ <u>(5,388)</u>	\$ <u>(7,519)</u>

City of Springfield, Georgia
Sanitation Fund
Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Year Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenues		
Charges for services	\$ 140,362	\$ 124,997
Operating expenses		
Waste services contract	<u>138,231</u>	<u>140,379</u>
Operating income (loss)	2,131	(15,382)
Net assets (liabilities) - beginning of year	<u>(7,519)</u>	<u>7,863</u>
Net assets (liabilities) - end of year	<u>\$ (5,388)</u>	<u>\$ (7,519)</u>

CITY OF SPRINGFIELD, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
From referendums prior to September 1, 2007			
General government - city buildings	\$ 5,156	\$ 779	\$ 5,935
Parks and recreation	268,261		268,261
Streets and drainage	1,397,335	43,143	1,440,478
Water and sewerage	1,703,483		1,703,483
	<u>\$ 3,374,235</u>	<u>\$ 43,922</u>	<u>\$ 3,418,157</u>
Total funds available for SPLOST projects at December 31, 2008			<u>\$ 0</u>
From the referendum beginning September 1, 2007			
Public safety - police		\$ 21,484	\$ 21,484
Streets and drainage		56,465	56,465
Water and sewerage		128,733	128,733
	<u>\$ 0</u>	<u>\$ 206,682</u>	<u>\$ 206,682</u>
Total funds available for SPLOST projects at December 31, 2008			<u>\$ 432,978</u>

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. 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, 2008, the City recognized \$487,889 of revenues from this SPLOST referendum. The City has recognized \$635,977 during the life of this referendum, leaving approximately \$1,790,000 to be recognized in its remaining duration.

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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 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 opinions 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 2008-1 through 2008-2 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 2008-1 and 2008-2 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 are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as item 2008-3.

We noted certain matters that we reported to management of City of Springfield, Georgia, in a separate letter dated June 19, 2009.

City of Springfield, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Springfield, Georgia's response and, accordingly, we express no opinion on it.

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, Rice & Company, P.C.

Rincon, Georgia
June 19, 2009

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CONTROL DEFICIENCIES

2008-1 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.

2008-2 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.

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COMPLIANCE

2008-3 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.