

***CITY OF SPRINGFIELD, GEORGIA***  
***AUDITED FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED***  
***DECEMBER 31, 2010***

**City of Springfield, Georgia**  
**Audit of Financial Statements**  
**For the Year Ended December 31, 2010**

**TABLE OF CONTENTS**

<b>Financial Section</b>	<u>Page</u>
<b>Independent Auditors' Report</b>	3
<b>Basic Financial Statements</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets	5
Statement of Activities	6
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	7
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	10
<b>Proprietary Funds:</b>	
Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Fund Net Assets	12
Statement of Cash Flows	13
<b>Notes to the Basic Financial Statements</b>	15
 <b>Required Supplementary Information</b> 	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	32
Notes to the Required Supplementary Information	33
 <b>Other Supplementary Information</b> 	
<b>Individual Fund Statements and Schedules:</b>	
<b>Governmental Funds (all major funds)</b>	
<b>General Fund:</b>	
Comparative Balance Sheet	34
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances	35

**City of Springfield, Georgia**  
**Audit of Financial Statements**  
**For the Year Ended December 31, 2010**

	<u>Page</u>
<b>SPLOST Capital Projects Fund</b>	
Comparative Balance Sheet	36
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	37
<b>Proprietary Funds</b>	
<b>Enterprise Funds (major)</b>	
<i>Water and Sewer Fund</i>	
Comparative Statement of Net Assets	38
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets	39
<i>Sanitation Fund</i>	
Comparative Statement of Net Assets	40
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets	41
<b>Special Reports Section</b>	
<b>Special Purpose Local Option Sales Tax:</b>	
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds	42
<b>Other Reports Section</b>	
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	43
Schedule of Findings and Responses	45



200 E. St. Julian Street  
P. O. Box 10420  
Savannah, Georgia 31412  
(912) 233-6383

1009 N. Columbia Avenue  
Suite A  
Rincon, Georgia 31326  
(912) 826-2345

## 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2010, and the respective changes in financial position and cash flows, where applicable, 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 17, 2011, 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.

The budgetary comparison information on pages 32 and 33 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Mayor and City Council  
City of Springfield, Georgia  
Page 2

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 Purpose 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, Hodge, Pace & Company, P.C.*

Rincon, Georgia  
June 17, 2011

**City of Springfield, Georgia**  
**Statement of Net Assets**  
**December 31, 2010**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 4)	\$ 1,746,912	\$ 1,097,342	\$ 2,844,254
Restricted cash	60,118	649,351	709,469
Receivables			
Accounts	2,964	102,205	105,169
Taxes	415,458		415,458
Intergovernmental	64,545		64,545
Internal	432,394	(432,394)	
Prepaid items	13,913	3,923	17,836
<b>Capital assets: (Note 7)</b>			
Nondepreciable capital assets	117,071	3,912,532	4,029,603
Depreciable capital assets, net	1,133,712	7,372,096	8,505,808
<b>Deferred loan fees</b>		12,658	12,658
<b>Total assets</b>	<u>3,987,087</u>	<u>12,717,713</u>	<u>16,704,800</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	35,742	107,643	143,385
Accrued expenses	12,093	4,757	16,850
Compensated absences payable	11,495	5,657	17,152
Accrued interest payable	3,380		3,380
Unearned revenue	3,103	481,576	484,679
Capital leases payable	34,531		34,531
Notes payable		25,998	25,998
Current liabilities payable from restricted assets		75,380	75,380
<b>Long-term liabilities: (Note 9)</b>			
Compensated absences payable (net of (current portion))	7,662	3,771	11,433
Capital leases payable (net of current portion)	152,062		152,062
Notes payable (net of current portion)		5,240,603	5,240,603
<b>Total liabilities</b>	<u>260,068</u>	<u>5,945,385</u>	<u>6,205,453</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt (Note 11)	1,064,190	6,044,025	7,108,215
Restricted for:			
Capital projects	542,091		542,091
Debt service		500,305	500,305
Unrestricted (deficit)	<u>2,120,738</u>	<u>227,998</u>	<u>2,348,736</u>
<b>Total net assets</b>	<u>\$ 3,727,019</u>	<u>\$ 6,772,328</u>	<u>\$ 10,499,347</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, 2010

Function/Program	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
<b>Primary government</b>						
<b>Governmental activities</b>						
General government						
Administration	\$ 202,037	\$	\$	\$ (159,964)	\$	\$ (159,964)
City buildings	33,109		103,297	70,188		70,188
Other governmental services	161,079			(161,079)		(161,079)
Judicial - municipal court	87,822			(87,822)		(87,822)
Public safety - fire	122,779	72,170	91,791	73,217		73,217
Public safety - police	423,237	161,140		(262,097)		(262,097)
Public works - streets and lanes	234,398			(234,398)		(234,398)
Public works - water and sewer			222,809	222,809		222,809
Housing and development - building and zoning	19,996			2,596		2,596
Parks and recreation	44,408			(44,408)		(44,408)
Interest	7,873			(7,873)		(7,873)
<b>Total governmental activities</b>	<u>1,336,738</u>	<u>72,170</u>	<u>417,897</u>	<u>(588,831)</u>	<u>0</u>	<u>(588,831)</u>
<b>Business-type activities:</b>						
Water and sewer	912,488		205,547		228,727	228,727
Sanitation	139,244				16,117	16,117
<b>Total business-type activities</b>	<u>1,051,732</u>		<u>205,547</u>		<u>244,844</u>	<u>244,844</u>
<b>Total primary government</b>	<u>\$ 2,388,470</u>	<u>\$ 72,170</u>	<u>\$ 623,444</u>	<u>(588,831)</u>	<u>244,844</u>	<u>(343,987)</u>
<b>General revenues</b>						
Property taxes				248,110		248,110
Local option sales tax				492,376		492,376
Franchise taxes				128,582		128,582
Motor vehicle tax				14,945		14,945
Real estate transfer tax				963		963
Intangible tax				1,763		1,763
Alcohol taxes				82,362		82,362
Insurance premium taxes				98,028		98,028
Railroad equipment tax				315		315
Investment earnings				12,088	7,704	19,792
Gain on sale of capital asset					8,530	8,530
Miscellaneous				30,725		30,725
<b>Total general revenues</b>				<u>1,110,257</u>	<u>16,234</u>	<u>1,126,491</u>
<b>Transfers</b>				<u>(222,809)</u>	<u>222,809</u>	<u>0</u>
<b>Total general revenues and transfers</b>				<u>887,448</u>	<u>239,043</u>	<u>1,126,491</u>
<b>Change in net assets</b>				<u>298,617</u>	<u>483,887</u>	<u>782,504</u>
<b>Net assets - beginning of year</b>				<u>3,428,402</u>	<u>6,288,441</u>	<u>9,716,843</u>
<b>Net assets - end of year</b>				<u>\$ 3,727,019</u>	<u>\$ 6,772,328</u>	<u>\$ 10,499,347</u>

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

**City of Springfield, Georgia**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2010**

	<b>General</b>	<b>SPLOST Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 1,184,283	\$ 562,629	\$ 1,746,912
Restricted cash and cash equivalents	60,118		60,118
Receivables			
Taxes	426,576		426,576
Accounts	2,964		2,964
Intergovernmental - SPLOST		64,545	64,545
Interfund	539,035		539,035
Prepaid items	13,913		13,913
<b>Total assets</b>	<b>\$ 2,226,889</b>	<b>\$ 627,174</b>	<b>\$ 2,854,063</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 32,266	\$ 3,476	\$ 35,742
Accrued liabilities	12,093		12,093
Interfund payable	25,034	81,607	106,641
Deferred revenue	141,063		141,063
<b>Total liabilities</b>	<b>210,456</b>	<b>85,083</b>	<b>295,539</b>
<b>Fund balances</b>			
Reserved for			
Police department	60,118		60,118
Capital projects		542,091	542,091
Prepaid expenses	13,913		13,913
Unreserved			
Undesignated, reported in:			
General fund	1,942,402		1,942,402
<b>Total fund balances</b>	<b>2,016,433</b>	<b>542,091</b>	<b>2,558,524</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,226,889</b>	<b>\$ 627,174</b>	<b>\$ 2,854,063</b>

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, 2010**

**Total governmental fund balances** \$ 2,558,524

**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	\$ 2,584,421	
Less accumulated depreciation	<u>(1,333,638)</u>	1,250,783

Property taxes are deferred in the governmental funds because they are not available but they are reported as revenue in the statement of activities, net of an allowance for doubtful accounts:

Deferred revenues	137,960	
Allowance for doubtful accounts	<u>(11,118)</u>	126,842

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	(186,593)	
Accrued interest payable	(3,380)	
Compensated absences payable	<u>(19,157)</u>	<u>(209,130)</u>

**Net assets of governmental activities** \$ 3,727,019

City of Springfield, Georgia  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2010*

	<u>General</u>	<u>SPLOST Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 996,631		\$ 996,631
Intergovernmental	72,170	\$ 414,604	486,774
Licenses and permits	64,665		64,665
Charges for services	32,035		32,035
Fines and forfeitures	161,140		161,140
Investment earnings	12,088	3,293	15,381
Miscellaneous	30,725		30,725
<b>Total revenues</b>	<u>1,369,454</u>	<u>417,897</u>	<u>1,787,351</u>
<b>Expenditures</b>			
<b>Current</b>			
General government			
Administration	198,542		198,542
City buildings	16,260		16,260
Other governmental services	161,079		161,079
Judicial - municipal court	87,822		87,822
Public safety			
Police	416,176		416,176
Fire	65,484		65,484
Public works - streets and lanes	253,500		253,500
Housing and development - building and zoning	19,996		19,996
Parks and recreation	40,279		40,279
<b>Capital outlays</b>		135,436	135,436
<b>Debt service</b>			
Principal	33,246		33,246
Interest	8,498		8,498
<b>Total expenditures</b>	<u>1,300,882</u>	<u>135,436</u>	<u>1,436,318</u>
<b>Excess of revenues over expenditures</b>	68,572	282,461	351,033
<b>Other financing uses</b>			
Transfers out		(222,809)	(222,809)
<b>Net change in fund balances</b>	68,572	59,652	128,224
<b>Fund balances - beginning of year</b>	<u>1,947,861</u>	<u>482,439</u>	<u>2,430,300</u>
<b>Fund balances - end of year</b>	<u>\$ 2,016,433</u>	<u>\$ 542,091</u>	<u>\$ 2,558,524</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, 2010**

**Net changes in fund balances - total governmental funds** \$ 128,224

**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	\$ (111,339)	
Capital outlay	<u>178,174</u>	66,835

Capital assets utilized by a governmental-type activity were transferred to a business-type activity. The costs of the assets not included in the governmental fund, however, is included in the statement of net assets and is reported as a transfer in the statement of activities.

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

Deferred at 12/31/10	137,960	
Deferred at 12/31/09	(67,147)	
Allowance for doubtful accounts at 12/31/10	(11,118)	
Allowance for doubtful accounts at 12/31/09	<u>11,118</u>	70,813

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 12/31/10	(3,380)	
Liability at 12/31/09	<u>4,005</u>	625

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.

33,246

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 12/31/10	(19,157)	
Liability at 12/31/09	<u>18,031</u>	<u>(1,126)</u>

**Change in net assets of governmental activities** \$ 298,617

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

City of Springfield, Georgia  
Statement of Net Assets  
Proprietary Funds  
December 31, 2010

	Water and Sewer	Sanitation	Total
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents			
Unrestricted	\$ 1,097,342		\$ 1,097,342
Restricted	649,351		649,351
Receivables - accounts	86,746	\$ 15,459	102,205
Interfund receivables		25,034	25,034
Prepaid expenses	3,923		3,923
<b>Total current assets</b>	<b>1,837,362</b>	<b>40,493</b>	<b>1,877,855</b>
<b>Noncurrent assets</b>			
<b>Capital assets</b>			
Nondepreciable capital assets	3,912,532		3,912,532
Depreciable capital assets, net	7,372,096		7,372,096
Deferred loan fees	12,658		12,658
<b>Total noncurrent assets</b>	<b>11,297,286</b>	<b>0</b>	<b>11,297,286</b>
<b>Total assets</b>	<b>13,134,648</b>	<b>40,493</b>	<b>13,175,141</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	97,394	10,249	107,643
Accrued payroll	4,757		4,757
Compensated absences payable	5,657		5,657
Interfund payable	457,428		457,428
Unearned revenue	481,576		481,576
Notes payable	25,998		25,998
Current liabilities payable from restricted assets			
Customer deposits	75,380		75,380
<b>Total current liabilities</b>	<b>1,148,190</b>	<b>10,249</b>	<b>1,158,439</b>
<b>Long-term liabilities:</b>			
Compensated absences payable (net of current portion)	3,771		3,771
Notes payable (net of current portion)	5,240,603		5,240,603
<b>Total long-term liabilities</b>	<b>5,244,374</b>	<b>0</b>	<b>5,244,374</b>
<b>Total liabilities</b>	<b>6,392,564</b>	<b>10,249</b>	<b>6,402,813</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	6,018,027		6,018,027
Reserved for debt service	500,305		500,305
Unrestricted	223,752	30,244	253,996
<b>Total net assets</b>	<b>\$ 6,742,084</b>	<b>\$ 30,244</b>	<b>\$ 6,772,328</b>

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, 2010**

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for services	\$ 887,782	\$ 155,361	\$ 1,043,143
Other revenue	47,886		47,886
<b>Total operating revenues</b>	<u>935,668</u>	<u>155,361</u>	<u>1,091,029</u>
<b>Operating expenses</b>			
Salaries	236,002		236,002
Payroll taxes and employee benefits	74,522		74,522
Waste services contract		139,244	139,244
Uniforms and safety equipment	3,307		3,307
Professional fees	42,865		42,865
Utilities	113,198		113,198
Maintenance - repairs	61,491		61,491
Materials and supplies	82,781		82,781
Gas, oil and tires	13,600		13,600
Office supplies and expenses	6,471		6,471
Telephone	6,954		6,954
Insurance	21,409		21,409
Training	1,372		1,372
Water line	1,151		1,151
Uncollectible accounts	14,016		14,016
Miscellaneous	318		318
Depreciation	233,031		233,031
<b>Total operating expenses</b>	<u>912,488</u>	<u>139,244</u>	<u>1,051,732</u>
<b>Operating income</b>	<u>23,180</u>	<u>16,117</u>	<u>39,297</u>
<b>Non-operating revenues</b>			
Impact fees	205,547		205,547
Investment earnings	7,704		7,704
Gain on sale of capital assets	8,530		8,530
<b>Total non-operating revenues</b>	<u>221,781</u>	<u>0</u>	<u>221,781</u>
<b>Income before transfers</b>	244,961	16,117	261,078
<b>Transfers in</b>	<u>222,809</u>		<u>222,809</u>
<b>Change net in assets</b>	467,770	16,117	483,887
<b>Net assets - beginning of year</b>	<u>6,274,314</u>	<u>14,127</u>	<u>6,288,441</u>
<b>Net assets - end of year</b>	<u>\$ 6,742,084</u>	<u>\$ 30,244</u>	<u>\$ 6,772,328</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, 2010**

	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Total</b>
<b>Increase (decrease) in cash and cash equivalents</b>			
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 939,448	\$ 154,629	\$ 1,094,077
Cash payments to employees for personal services	(308,309)		(308,309)
Cash payments for goods and services	(288,456)	(138,905)	(427,361)
<b>Net cash provided by operating activities</b>	<b>342,683</b>	<b>15,724</b>	<b>358,407</b>
<b>Cash flows from noncapital financing activities</b>			
Interfund payable	(62,904)	(15,724)	(78,628)
<b>Cash flows from capital and related financing activities</b>			
Proceeds from long-term debt	206,693		206,693
Interfund transfers	222,809		222,809
Payments for capital acquisitions	(173,072)		(173,072)
Proceeds from impact fees	205,547		205,547
<b>Net cash provided by capital and related financing activities</b>	<b>461,977</b>	<b>0</b>	<b>461,977</b>
<b>Cash flows from investing activities</b>			
Investment earnings	7,704		7,704
Gain on sale of asset	8,530		8,530
<b>Net cash provided by investing activities</b>	<b>16,234</b>		<b>16,234</b>
<b>Net increase in cash and cash equivalents</b>	<b>757,990</b>		<b>757,990</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>988,703</b>		<b>988,703</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,746,693</b>	<b>\$ 0</b>	<b>\$ 1,746,693</b>

(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, 2010**

	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Total</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
<b>Operating income</b>	\$ 23,180	\$ 16,117	\$ 39,297
<b>Adjustments:</b>			
Depreciation	233,031		233,031
<b>(Increase) decrease in current assets</b>			
Accounts receivable	3,433	(732)	2,701
<b>Increase (decrease) in current liabilities</b>			
Accounts payable	80,477	339	80,816
Accrued payroll	2,215		2,215
Deferred revenues	(7,573)		(7,573)
Customer deposits	7,920		7,920
<b>Net cash provided by (used for) operating activities</b>	\$ 342,683	\$ 15,724	\$ 358,407

**Additional cash flow information (noncash transactions)**

The city incurred accrued interest on loans utilized to construct water and sewer projects. This interest totaled \$165,653 and was capitalized as construction in progress and added to the principal amount of notes payable.

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, 2010*

***Note 1 - Reporting Entity***

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.

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.

***Note 2 - 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.

**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.

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.

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**Note 2 - Summary of Significant Accounting Policies (continued)**

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:

**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 a Special Local Option Sales Tax referendum.

**Proprietary Funds** -These fund types apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements.

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

*Note 2 - Summary of Significant Accounting Policies (continued)*

**Enterprise Funds:** – These funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) to provide certain goods and service to the general public be financed or recovered primarily through user charges or where the governing body has deemed that periodic determination of net income is appropriate for purposes of monitoring capital maintenance, accountability, or other purposes. The City accounts for its water, sewer, and reclaimed water operations in the Water and Sewer Fund and solid waste collection and disposal in the Sanitation Fund.

**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.

**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.

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

*Note 2 - Summary of Significant Accounting Policies (continued)*

**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 6) 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.

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.

**Assets, Liabilities and Fund Equity**

**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.

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

**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, 2010.

**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.

**Prepaid items** - Payments made to vendors for services that will benefit periods beyond December 31, 2010, 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.

**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.

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**Note 2 - 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:

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.

**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".

**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, 2010*

*Note 2 - Summary of Significant Accounting Policies (continued)*

**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.

**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.

**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.

**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.

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

*Note 2 - Summary of Significant Accounting Policies (continued)*

**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.

**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.

**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.

*Note 3 – Stewardship, Compliance and Accountability*

**Budgetary Information**

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

The general and capital projects fund's budgets are adopted on a basis consistent with GAAP. For fund level reporting purposes, debt service expenditures are reported separately from current operating expenditures. For budgetary purposes, debt service expenditures 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.

*City of Springfield, Georgia  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010*

*Note 4 - 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, 2010, the government is not exposed to custodial credit risk.

*Note 5 - Receivables*

Receivables at December 31, 2010, 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.

*Note 6 - Property Taxes*

Property taxes are assessed based upon property values determined by the Effingham County Tax Assessor's Office at January 1, 2010. The levy date was December 21, 2010 and the tax bills were mailed December 28, 2010, and were due March 1, 2011. The lien date is March 1, 2011.

*The remainder of this page is intentionally left blank.*

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**Note 7 - Capital Assets**

Capital asset activity for governmental activities for the year ended December 31, 2010, was as follows:

	Balance 12/31/09	Additions	Deductions	Balance 12/31/10
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 35,000			\$ 35,000
Construction in progress	8,000	\$ 74,071		82,071
Total capital assets not being depreciated	<u>43,000</u>	<u>74,071</u>	\$ 0	<u>117,071</u>
Depreciable capital assets:				
Site improvements	18,906			18,906
Buildings	571,772			571,772
Machinery and equipment	1,053,793	13,846	27,360	1,040,279
Vehicles	370,174	44,966	64,653	350,487
Furniture and fixtures	17,019	7,291		24,310
Infrastructure	423,596	38,000		461,596
Total depreciable capital assets	<u>2,455,260</u>	<u>104,103</u>	<u>92,013</u>	<u>2,467,350</u>
Total capital assets	<u>2,498,260</u>	<u>178,174</u>	<u>92,013</u>	<u>2,584,421</u>
Accumulated depreciation:				
Site improvements	10,789	1,653		12,442
Buildings	227,457	12,915		240,372
Machinery and equipment	693,197	62,377	27,360	728,214
Vehicles	329,142	23,587	64,653	288,076
Furniture and fixtures	17,019	911		17,930
Infrastructure	36,708	9,896		46,604
Total accumulated depreciation	<u>1,314,312</u>	<u>111,339</u>	<u>92,013</u>	<u>1,333,638</u>
Governmental activities capital assets, net	<u>\$ 1,183,948</u>	<u>\$ 66,835</u>	<u>\$ 0</u>	<u>\$ 1,250,783</u>
Governmental activities depreciation expense:				
General government		\$ 13,693		
Public safety - police		28,646		
Public safety - fire		41,584		
Public works - streets and lanes		23,684		
Parks and recreation		3,732		
Total governmental activities depreciation expense		<u>\$ 111,339</u>		

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

*Note 7 - Capital Assets (continued)*

Capital asset activity for business-type activities for the year ended December 31, 2010, was as follows:

	Balance 12/31/09	Additions	Deductions	Balance 12/31/10
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated:				
Land and rights	\$ 2,427,495			\$ 2,427,495
Construction in progress	2,749,998	\$ 50,329	\$ 1,315,290	1,485,037
Total capital assets not being depreciated	<u>5,177,493</u>	<u>50,329</u>	<u>1,315,290</u>	<u>3,912,532</u>
Depreciable capital assets:				
Improvements - not building	9,012,161	1,545,935		10,558,096
Machinery and equipment	119,026	39,827	28,049	130,804
Vehicles	55,387	17,924		73,311
Computer equipment	53,286			53,286
Total depreciable capital assets	<u>9,239,860</u>	<u>1,603,686</u>	<u>28,049</u>	<u>10,815,497</u>
Total capital assets	<u>14,417,353</u>	<u>1,654,015</u>	<u>1,343,339</u>	<u>14,728,029</u>
Accumulated depreciation:				
Improvements - not building	3,037,501	225,402		3,262,903
Machinery and equipment	92,873	6,553	28,049	71,377
Vehicles	55,387	448		55,835
Computer equipment	52,658	628		53,286
Total accumulated depreciation	<u>3,238,419</u>	<u>233,031</u>	<u>28,049</u>	<u>3,443,401</u>
Water and sewer capital assets, net	<u>\$ 11,178,934</u>	<u>\$ 1,420,984</u>	<u>\$ 1,315,290</u>	<u>\$ 11,284,628</u>

*Note 8 - Interfund Balances and Transfers*

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.

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**Note 8 - Interfund Balances and Transfers (continued)**

Interfund balances at December 31, 2010, consisted of the following:

- General fund receivable from the water and sewer fund for various expenses paid by general fund \$457,428.
- General fund receivable from SPLOST capital projects fund for various expenses paid by general fund \$81,607.
- Sanitation fund receivable from the general fund for expenses paid by the sanitation fund \$25,034.

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.

Interfund transfers for the year ended December 31, 2010, consisted of the following:

- The SPLOST fund transferred to the Water and Sewer fund totaling \$222,809.

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

**Note 9 - Long Term Liabilities**

**Governmental Activities**

**Capital Lease** – The City has entered into a capital lease for the acquisition 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 \$199,707 (cost of \$341,595 less accumulated depreciation of \$141,888). 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
2011	\$ 34,531	\$ 7,213	\$ 41,744
2012	35,867	5,877	41,744
2013	37,254	4,490	41,744
2014	38,625	3,119	41,744
2015	40,316	1,427	41,743
	<u>\$ 186,593</u>	<u>\$ 22,126</u>	<u>\$ 208,719</u>

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**Note 9 - Long Term Liabilities (continued)**

**Business Type Activities**

**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, 2010, the amount drawn on the note totaled \$4,388,744, including accrued capitalized interest totaling \$245,600. 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 completion date. Estimated annual debt service requirements to amortize this note payable (after it is fully drawn down) at December 31, 2010 follow:

Year	Principal	Interest	Total
2012	\$ 81,207	\$ 324,683	\$ 405,890
2013	190,690	215,200	405,890
2014	198,657	207,233	405,890
2015	206,957	198,933	405,890
2016	215,603	190,287	405,890
2017-2021	1,220,899	808,551	2,029,450
2022-2026	1,498,162	531,289	2,029,451
2027-2031	1,804,565	191,064	1,995,629
Total	<u>\$ 5,416,740</u>	<u>\$ 2,667,240</u>	<u>\$ 8,083,980</u>

**Georgia Environmental Facilities Authority** – Contract 2008-L21WS issued in the amount of \$1,380,842 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, 2010, the amount drawn on the note totaled \$887,857. The interest rate on the note is 4.27%. Interest on the note during the construction period is payable monthly. Repayment of the note is in two hundred thirty nine equal monthly installments of approximately \$8,588 beginning on the completion date. Estimated annual debt service requirements to amortize this note payable (after it is fully drawn down) at December 31, 2010 follow:

Year	Principal	Interest	Total
2011	\$ 25,998	\$ 34,118	\$ 60,116
2012	46,101	56,956	103,057
2013	48,108	54,949	103,057
2014	50,203	52,854	103,057
2015	52,389	50,668	103,057
2016-2020	298,219	217,067	515,286
2021-2025	369,057	146,229	515,286
2026-2030	456,719	58,567	515,286
2031	34,048	304	34,352
Total	<u>\$ 1,380,842</u>	<u>\$ 671,712</u>	<u>\$ 2,052,554</u>

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**Note 9 - Long Term Liabilities (continued)**

**Changes in Long-term Liabilities** - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2010.

	Balance 12/31/09	Additions	Reductions	Balance 12/31/10	Amounts Due in One Year
Government activities					
Capital lease	\$ 219,839		\$ 33,246	\$ 186,593	\$ 34,531
Compensated absences	18,031	\$ 12,621	11,495	19,157	11,495
Total government activities	<u>\$ 237,870</u>	<u>\$ 12,621</u>	<u>\$ 44,741</u>	<u>\$ 205,750</u>	<u>\$ 46,026</u>
Business-type activities					
Georgia Environmental Facilities Authority					
2008-L10-WQ	\$ 4,081,933	\$ 306,810	\$	\$ 4,388,743	
2008-L21-WS	812,322	65,536		877,858	\$ 25,998
Compensated absences	9,428	5,657	5,657	9,428	\$ 5,657
Total business-type activities	<u>\$ 4,903,683</u>	<u>\$ 378,003</u>	<u>\$ 5,657</u>	<u>\$ 5,276,029</u>	<u>\$ 31,655</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, 2010 was \$208,519. Of this amount, \$200,646 was capitalized as a component of the cost of capital assets constructed during the year and \$7,873 was charged to expense.

The compensated absences liability will be paid by the fund from which the employee's salaries are paid. In 2010, compensated absences were liquidated through the general fund, and the water and sewer fund.

*The remainder of this page is intentionally left blank.*

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**Note 10 - 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 8.7% 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) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL- (UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
09/01/08	\$ 564,380	\$ 693,002	81.44%	\$ 128,622	\$ 567,050	22.68%
10/01/09	572,323	737,535	77.60%	165,212	621,701	26.57%
07/01/10	642,400	820,238	78.32%	177,838	677,130	26.26%

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**Note 10 - Pension (continued)**

Schedule of Employers Contribution				
Year Beginning	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
9/1/2007	\$ 31,884	100%	\$ 32,600	100%
9/1/2008	50,587	100%	31,884	100%
10/1/2009	53,810	100%	53,810	100%

**Note 11 - Net Assets - Investment in Capital Assets, Net of Related Debt**

Net assets invested in capital assets, net of related debt, on the government-wide statement of net assets as of December 31, 2010 are as follows:

	Governmental Activities	Business Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 2,584,421	\$ 14,728,029
Less accumulated depreciation	1,333,638	3,443,401
Book value	1,250,783	11,284,628
Less capital related debt	186,593	5,266,601
Investments in capital assets, net of related debt	\$ 1,064,190	\$ 6,018,027

**Note 12 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of or 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 for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2010. No provisions have been made in the financial statements for the year ended December 31, 2010 for any estimate of potential unpaid claims.

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

***Note 12 - Risk Management (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.

***Note 13 - 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.

***Litigation*** - The City was a defendant in a lawsuit at December 31, 2010. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

***Note 14 - 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.

***Required Supplementary Information***

**City of Springfield, Georgia**  
**General Fund**  
*Schedule of Revenues, Expenditures and*  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>				
Taxes	\$ 954,719	\$ 954,719	\$ 996,631	\$ 41,912
Intergovernmental	72,170	72,170	72,170	0
Licenses and permits	52,125	52,125	64,665	12,540
Charges for services	30,000	30,000	32,035	2,035
Fines and forfeitures	175,999	175,999	161,140	(14,859)
Investment earnings	5,500	5,500	12,088	6,588
Miscellaneous	16,050	16,050	30,725	14,675
<b>Total revenues</b>	<u>1,306,563</u>	<u>1,306,563</u>	<u>1,369,454</u>	<u>62,891</u>
<b>Expenditures</b>				
General government				
Administration	199,425	199,925	198,542	1,383
City buildings	16,700	19,200	16,260	2,940
Other governmental services	192,699	199,749	161,079	38,670
Judicial - municipal court	94,294	94,294	87,822	6,472
Public safety				
Police	425,103	425,103	416,176	8,927
Fire	104,170	107,228	107,228	0
Public works				
Streets and lanes	412,141	402,141	253,500	148,641
Housing and development				
Building and zoning	11,000	19,996	19,996	0
Parks and recreation	42,981	42,981	40,279	2,702
<b>Total expenditures</b>	<u>1,498,513</u>	<u>1,510,617</u>	<u>1,300,882</u>	<u>209,735</u>
<b>Excess (deficit) of revenues to expenditures</b>	<u>\$ (191,950)</u>	<u>\$ (204,054)</u>	68,572	<u>\$ 272,626</u>
<b>Fund balance - beginning of year</b>			<u>1,947,861</u>	
<b>Fund balance - end of year</b>			<u>\$ 2,016,433</u>	

See the accompanying notes to the required supplementary information.

**City of Springfield Georgia**  
***Notes to the Required Supplementary Information***  
***For the Year Ended December 31, 2010***

***Note 1 - Budgetary Information***

The City adopts an annual operating budget for the general fund, each special revenue fund, each capital projects fund and the debt service fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund.

The City Manager may approve budget transfers within departments. Any changes to a fund total or departmental appropriation within a fund requires approval of the City Council. During the year, the City Council approved one budget revision.

All unexpended annual appropriations lapse at year-end.

On the budgetary basis, transfers to debt service fund (i.e. \$41,744) are budgeted within the functions but are reported as separate character classifications on the GAAP basis.

*Other Supplementary Information*

City of Springfield, Georgia  
*General Fund*  
*Comparative Balance Sheet*  
*December 31, 2010 and 2009*

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 1,184,283	\$ 998,814
Restricted cash and cash equivalents	60,118	62,256
Receivables:		
Taxes	426,576	426,065
Accounts	2,964	2,742
Interfund	539,035	551,913
Prepaid items	13,913	13,913
<b>Total assets</b>	<b>\$ <u>2,226,889</u></b>	<b>\$ <u>2,055,703</u></b>
 <b><u>Liabilities and Fund Balances</u></b>  		
<b>Liabilities</b>		
Accounts payable	\$ 32,266	\$ 29,091
Accrued expenses	12,093	8,851
Interfund payable	25,034	
Deferred revenue	141,063	69,900
<b>Total liabilities</b>	<b><u>210,456</u></b>	<b><u>107,842</u></b>
<b>Fund balances</b>		
Reserved for:		
Police department	60,118	62,256
Prepaid expenses	13,913	13,913
Unreserved	1,942,402	1,871,692
<b>Total fund balances</b>	<b><u>2,016,433</u></b>	<b><u>1,947,861</u></b>
 <b>Total liabilities and fund balances</b>	 <b>\$ <u>2,226,889</u></b>	 <b>\$ <u>2,055,703</u></b>

**City of Springfield, Georgia**  
**General Fund**  
**Comparative Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Years Ended December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Taxes	\$ 996,631	\$ 966,002
Intergovernmental	72,170	101,203
Licenses and permits	64,665	67,438
Charges for services	32,035	31,505
Fines and forfeitures	161,140	211,116
Investment earnings	12,088	8,779
Miscellaneous	30,725	43,338
<b>Total revenues</b>	<b>1,369,454</b>	<b>1,429,381</b>
<b>Expenditures</b>		
<b>Current</b>		
General Government		
Administration	198,542	186,893
City buildings	16,260	115,734
Other governmental services	161,079	172,659
Judicial - municipal court	87,822	110,159
Public Safety		
Police	416,176	377,868
Fire	65,484	90,892
Public Works		
Streets and lanes	253,500	238,867
Housing and development - building and zoning	19,996	19,296
Parks and recreation	40,279	42,448
<b>Debt service</b>		
Principal retirement	33,246	54,690
Interest and fiscal charges	8,498	10,612
<b>Total expenditures</b>	<b>1,300,882</b>	<b>1,420,118</b>
<b>Excess of revenues over expenditures</b>	68,572	9,263
<b>Fund balances -beginning of year</b>	<b>1,947,861</b>	<b>1,938,598</b>
<b>Fund balances - end of year</b>	<b>\$ 2,016,433</b>	<b>\$ 1,947,861</b>

**City of Springfield, Georgia**  
**SPLOST Capital Projects Fund**  
**Comparative Balance Sheet**  
**December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 562,629	\$ 530,048
Receivables		
Intergovernmental (SPLOST)	64,545	59,579
Interfund		4,640
<b>Total assets</b>	<b>\$ 627,174</b>	<b>\$ 594,267</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 3,476	\$ 66,297
Interfund balance	81,607	45,531
<b>Total liabilities</b>	<b>85,083</b>	<b>111,828</b>
<b>Fund balances</b>		
Reserved for program purposes	542,091	482,439
<b>Total liabilities and fund balances</b>	<b>\$ 627,174</b>	<b>\$ 594,267</b>

**City of Springfield, Georgia**  
**SPLOST Capital Projects Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Years Ended December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Intergovernmental	\$ 414,604	\$ 341,599
Investment earnings	3,293	3,880
<b>Total revenues</b>	417,897	345,479
<b>Expenditures</b>		
<b>Capital outlays</b>		
General government - city buildings	43,645	
Public safety - fire department	27,882	2,511
Public works - streets and lanes	63,909	(28,727)
<b>Total expenditures</b>	135,436	(26,216)
<b>Excess of revenues over expenditures</b>	282,461	371,695
<b>Other financing uses</b>		
Transfers to water/sewer fund	(222,809)	(322,234)
<b>Net change in fund balance</b>	59,652	49,461
<b>Fund balances - beginning of year</b>	482,439	432,978
<b>Fund balances - end of year</b>	\$ 542,091	\$ 482,439

**City of Springfield, Georgia**  
**Water and Sewer Fund**  
**Comparative Statement of Net Assets**  
**December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents		
Unrestricted	\$ 1,097,342	\$ 670,743
Restricted	649,351	317,960
Accounts receivable	86,746	90,179
Prepaid expenses	3,923	3,923
<b>Total current assets</b>	1,837,362	1,082,805
<b>Noncurrent assets</b>		
Capital assets		
Nondepreciable capital assets	3,912,532	5,177,493
Depreciable capital assets, net	7,372,096	6,001,441
Deferred loan fees	12,658	12,658
<b>Total noncurrent assets</b>	11,297,286	11,191,592
<b>Total assets</b>	13,134,648	12,274,397
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	97,394	16,917
Accrued payroll	4,757	2,542
Compensated absences payable	5,657	5,657
Interfund payable	457,428	520,332
Deferred revenue	481,576	489,149
Notes payable	25,998	
Current liabilities payable from restricted assets		
Customer deposits	75,380	67,460
<b>Total current liabilities</b>	1,148,190	1,102,057
<b>Long-term liabilities:</b>		
Compensated absences payable (net of current portion)	3,771	3,771
Notes payable	5,240,603	4,894,255
<b>Total long-term liabilities</b>	5,244,374	4,898,026
<b>Total liabilities</b>	6,392,564	6,000,083
<b>Net assets</b>		
Invested in capital assets, net of related debt	6,018,027	6,284,679
Restricted for debt service	500,305	250,500
Unrestricted	223,752	(260,865)
<b>Total net assets</b>	\$ 6,742,084	\$ 6,274,314

**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, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating revenues</b>		
Charges for services	\$ 887,782	\$ 860,065
Other revenues —	47,886	40,501
<b>Total operating revenues</b>	<u>935,668</u>	<u>900,566</u>
<b>Operating expenses</b>		
Salaries	236,002	233,017
Payroll taxes and employee benefits	74,522	71,839
Uniforms and safety equipment	3,307	3,734
Professional fees	42,865	12,838
Utilities	113,198	90,041
Maintenance - repairs	61,491	40,873
Materials and supplies	82,781	110,782
Gas, oil and tires	13,600	8,682
Office supplies and expenses	6,471	8,442
Telephone	6,954	8,614
Insurance	21,409	21,213
Training	1,372	3,116
Water Line	1,151	72,397
Uncollectible accounts	14,016	
Miscellaneous	318	923
Depreciation	233,031	189,586
<b>Total operating expenses</b>	<u>912,488</u>	<u>876,097</u>
<b>Operating income</b>	<u>23,180</u>	<u>24,469</u>
<b>Non-operating revenues (expenses)</b>		
Impact fees	205,547	160,463
Investment earnings	7,704	7,516
Interest expense		(88,550)
Gain on sale of capital assets	8,530	(22,476)
<b>Total non-operating revenues</b>	<u>221,781</u>	<u>56,953</u>
<b>Income before transfers</b>	244,961	81,422
<b>Transfers in</b>	<u>222,809</u>	<u>350,961</u>
<b>Change in net assets</b>	467,770	432,383
<b>Net assets - beginning of year</b>	<u>6,274,314</u>	<u>5,841,931</u>
<b>Net assets - end of year</b>	<u>\$ 6,742,084</u>	<u>\$ 6,274,314</u>

**City of Springfield, Georgia**  
**Sanitation Fund**  
**Statement of Net Assets**  
**December 31, 2010 and 2009**

<b>Assets</b>	<u>2010</u>	<u>2009</u>
<b>Current assets</b>		
Accounts receivable	\$ 15,459	\$ 14,727
Interfund receivable	<u>25,034</u>	<u>9,310</u>
	<u>40,493</u>	<u>24,037</u>
 <b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	<u>10,249</u>	<u>9,910</u>
 <b>Net assets</b>		
Unrestricted	<u>\$ 30,244</u>	<u>\$ 14,127</u>

**City of Springfield, Georgia**  
**Sanitation Fund**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**For the Year Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating revenues</b>		
Charges for services	\$ 155,361	\$ 147,920
<b>Operating expenses</b>		
Waste services contract	<u>139,244</u>	<u>128,405</u>
<b>Operating income</b>	16,117	19,515
<b>Net assets (liabilities) - beginning of year</b>	<u>14,127</u>	<u>(5,388)</u>
<b>Net assets - end of year</b>	<u>\$ 30,244</u>	<u>\$ 14,127</u>

**CITY OF SPRINGFIELD, GEORGIA**  
**SCHEDULE OF PROJECTS CONSTRUCTED WITH**  
**SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Original Estimated Cost	Revised Estimated Cost	Expenditures			Percentage Complete
			Prior Years	Current Year	Total	
<b>2006 Effingham County SPLOST</b>						
Roads, streets and bridges	\$ 727,500	\$ 727,500	\$ 27,738	\$ 63,909	\$ 91,647	12.60%
Public buildings capital outlay projects	48,500	48,500		43,645	43,645	89.99%
Public safety capital outlay projects	121,250	121,250	23,995	27,882	51,877	42.79%
Recreation capital outlay projects	121,250	121,250				0.00%
Water and sewerage capital outlay projects	<u>1,406,500</u>	<u>1,406,500</u>	<u>450,967</u>	<u>222,809</u>	<u>673,776</u>	47.90%
	<u>\$ 2,425,000</u>	<u>\$ 2,425,000</u>	<u>\$ 502,700</u>	<u>\$ 358,245</u>	<u>\$ 860,945</u>	
Total funds available for SPLOST projects at December 31, 2010					<u>\$ 542,091</u>	

On September 1, 2007, 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, 2010, the City recognized \$414,604 of revenues from this SPLOST referendum. The City has recognized \$1,392,180 during the life of this referendum, leaving approximately \$1,035,000 to be recognized in its remaining duration.



200 E. St. Julian Street  
P. O. Box 10420  
Savannah, Georgia 31412  
(912) 233-6383

1009 N. Columbia Avenue  
Suite A  
Rincon, Georgia 31326  
(912) 826-2345

**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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2010-1 and 2010-2 described in the accompanying schedule of findings and responses 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Springfield, Georgia's response to the findings 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, Pace & Company, P.C.*

Rincon, Georgia  
June 17, 2011

**City of Springfield, Georgia**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2010**

CONTROL DEFICIENCIES

2010-1      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 to 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.

2010-2      Cash deposit

*Condition:* A check for a material amount was held and not deposited for several days.

*Context:* Internal controls should be in place that provide reasonable assurance that all material amounts of cash receipts (currency or checks) are deposited in a timely manner.

*Effect:* Holding of checks on hand increases opportunity for funds to be stolen or lost

*Cause:* A certificate of deposit matured and a cashiers check was issued. The City failed to deposit the check, holding it in an unsecure location in the office.

*Recommendation:* Establish a policy of requiring all deposits are made in a timely fashion.

*Management's response:* Management agrees with the finding. This was a one time isolated incident and should not recur.