

***CITY OF SPRINGFIELD, GEORGIA***  
***AUDITED FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED***  
***DECEMBER 31, 2005***

**City of Springfield, Georgia**  
**Audit of Financial Statements**  
**For The Year Ended December 31, 2005**

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

CERTIFIED PUBLIC ACCOUNTANTS

Donald T. Caines  
Carlton H. Hodges  
J. Edwin Pace, III

Members American Institute of Certified Public Accountants

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 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, 2005, 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, 2005, 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 November 1, 2006 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 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 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 & Corbett, P.C.*

Springfield, Georgia  
November 1, 2006

**City of Springfield, Georgia**  
**Statement of Net Assets**  
**December 31, 2005**

	<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 3A)	\$ 687,391	\$ 326,140	\$ 1,013,531
Restricted cash	18,023	70,666	88,689
Receivables:			
Accounts	2,731	56,052	58,783
Taxes	254,646		254,646
Interfund	376,816	3,754	380,570
Prepaid items	15,521	4,378	19,899
<b>Capital Assets: (Note 3D )</b>			
Nondepreciable capital assets	35,000	41,147	76,147
Depreciable capital assets, net	1,146,167	4,017,556	5,163,723
<b>Total Assets</b>	<u>2,536,295</u>	<u>4,519,693</u>	<u>7,055,988</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	14,146	29,571	43,717
Accrued expenses	7,720	3,930	11,650
Accrued interest payable	7,169	5,046	12,215
Interfund payable		380,569	380,569
Capital leases payable	69,832	12,629	82,461
Notes payable		117,300	117,300
Liabilities payable from restricted assets		64,640	64,640
<b>Long-Term Liabilities: (Note 3F)</b>			
Capital leases payable (net of current portion)	361,003	28,414	389,417
Notes payable (net of current portion)		293,125	293,125
<b>Total Liabilities</b>	<u>459,870</u>	<u>935,224</u>	<u>1,395,094</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt (Note 3H)	743,163	3,602,189	4,345,352
Restricted for:			
Capital projects	453,478		453,478
Other		6,026	6,026
Unrestricted	879,784	(23,746)	856,038
<b>Total Net Assets</b>	<u>\$ 2,076,425</u>	<u>\$ 3,584,469</u>	<u>\$ 5,660,894</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, 2005

Functions/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government</b>							
<b>Governmental activities</b>							
General government	\$ 100,508	\$ 33,686	\$	\$	\$ (66,822)	\$	\$ (66,822)
Administration	24,284				(24,284)		(24,284)
City buildings	100,352				(100,352)		(100,352)
Other governmental services	51,118				(51,118)		(51,118)
Judicial - municipal court	73,562	31,374	30,975		(11,213)		(11,213)
Public safety - fire	356,716	169,829			(246,887)		(246,887)
Public safety - police	220,000				(220,000)		(220,000)
Public works - streets and lanes	43,227				(43,227)		(43,227)
Parks and recreation	8,421				(8,421)		(8,421)
Interest	978,188	174,889	30,975	\$ 0	(772,324)	\$ 0	(772,324)
<b>Total governmental activities</b>							
	\$ 1,746,989	\$ 654,605	\$ 30,975	\$ 0	\$ (772,324)	\$ (135,781)	\$ (908,105)
<b>Business-type activities:</b>							
Water and sewer	768,801	479,716		142,185		(146,900)	(146,900)
Sanitation	116,320	127,439				11,119	11,119
<b>Total business-type activities</b>							
	768,801	479,716		142,185		(135,781)	(135,781)
<b>Total primary government</b>							
	\$ 1,746,989	\$ 654,605	\$ 30,975	\$ 142,185	\$ (772,324)	\$ (135,781)	\$ (908,105)
<b>General revenues</b>							
Property taxes					158,114		158,114
Local option sales tax					417,668		417,668
Franchise taxes					105,553		105,553
Motor vehicle tax					17,584		17,584
Real estate transfer tax					2,192		2,192
Intangible tax					6,256		6,256
Alcohol taxes					54,084		54,084
Insurance premium taxes					91,202		91,202
Railroad equipment taxes					278		278
Intergovernmental - special local option sales tax					351,937		351,937
Investment earnings					2,571	7,243	9,814
Miscellaneous					13,570	33,995	47,565
<b>Total general revenues</b>					1,221,009	41,238	1,262,247
<b>Change in net assets</b>					448,685	(94,543)	354,142
<b>Net assets - beginning of year</b>					1,632,102	3,674,650	5,306,752
<b>Reclassification sanitation from general fund</b>					(4,362)	4,362	0
<b>Net assets - end of year</b>					\$ 2,076,425	\$ 3,584,469	\$ 5,660,894

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

**City of Springfield, Georgia**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2005**

	<b>General</b>	<b>Capital Projects Fund SPLOST</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 319,098	\$ 368,293	\$ 687,391
Restricted cash and cash equivalents	18,023		18,023
Receivables			
Taxes	162,979	122,306	285,285
Accounts	2,731		2,731
Interfund	413,937		413,937
Prepaid items	15,521		15,521
<b>Total assets</b>	<b>\$ 932,289</b>	<b>\$ 490,599</b>	<b>\$ 1,422,888</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 14,146		\$ 14,146
Accrued liabilities	7,720		7,720
Interfund		\$ 37,121	37,121
Deferred revenue	30,639		30,639
<b>Total liabilities</b>	<b>52,505</b>	<b>37,121</b>	<b>89,626</b>
<b>Fund balances</b>			
Reserved for			
Restricted assets	18,023		18,023
Prepaid items	15,521		15,521
Program purposes		453,478	453,478
Unreserved			
Undesignated, reported in:			
General fund	846,240		846,240
<b>Total fund balances</b>	<b>879,784</b>	<b>453,478</b>	<b>1,333,262</b>
<b>Total liabilities and fund balances</b>	<b>\$ 932,289</b>	<b>\$ 490,599</b>	<b>\$ 1,422,888</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, 2005**

**Total governmental fund balances** \$ 1,333,262

**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	\$ 2,115,406	
Less accumulated depreciation	<u>(934,239)</u>	1,181,167

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	30,639	
Less allowance for estimated uncollectible accounts	<u>(30,639)</u>	0

The capital lease liability and accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Capital lease liability	(430,835)	
Accrued interest payable	<u>(7,169)</u>	<u>(438,004)</u>

**Net assets of governmental activities** \$ 2,076,425

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

**City of Springfield, Georgia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2005**

	<u>General</u>	<u>Capital Projects Fund SPLOST</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 852,931	\$	\$ 852,931
Intergovernmental	30,975	351,937	382,912
Licenses and permits	33,686		33,686
Charges for services	31,374		31,374
Fines and forfeitures	109,829		109,829
Investment earnings	1,475	1,096	2,571
Miscellaneous	13,570		13,570
<b>Total revenues</b>	<u>1,073,840</u>	<u>353,033</u>	<u>1,426,873</u>
<b>Expenditures</b>			
<b>Current</b>			
General government			
Administration	127,089		127,089
City buildings	16,908		16,908
Other governmental services	100,352		100,352
Judicial - municipal court	51,118		51,118
Public safety			
Fire	384,028		384,028
Police	327,531		327,531
Public works - streets	215,839	25,570	241,409
Parks and recreation	38,566		38,566
<b>Debt service</b>			
Principal	65,511		65,511
Interest	4,280		4,280
<b>Total expenditures</b>	<u>1,331,222</u>	<u>25,570</u>	<u>1,356,792</u>
<b>Excess (deficit) of revenues over expenditures</b>	(257,382)	327,463	70,081
<b>Other financing uses</b>			
Inception of capital lease	371,325		371,325
<b>Net change in fund balances</b>	113,943	327,463	441,406
<b>Fund balances - beginning of year</b>	<u>770,203</u>	<u>126,015</u>	<u>896,218</u>
Reclassification of sanitation fund	(4,362)		(4,362)
<b>Fund balances - end of year</b>	<u>\$ 879,784</u>	<u>\$ 453,478</u>	<u>\$ 1,333,262</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, 2005***

<b>Net changes in fund balances - total governmental funds</b>		<b>\$ 441,406</b>
 <b>Amounts reported for governmental activities in the statement of activities are different because</b>		
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	\$ (129,217)	
Capital outlay	<u>446,451</u>	317,234
 Interest expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.		
Liability @ 12/31/05	\$ (7,169)	
Liability @ 12/31/04	<u>3,028</u>	(4,141)
 The issuance of long-term debt (e.g., notes payable, capital leases) provides current financial resources to the governmental funds, but the receipt of proceeds from long-term debt increases long-term liabilities in the statement of net assets.		
		(371,325)
 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.		
		<u>65,511</u>
 <b>Change in net assets of governmental activities</b>		 <b><u><u>\$ 448,685</u></u></b>

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, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>				
Taxes	\$ 713,888	\$ 713,888	\$ 852,931	\$ 139,043
Intergovernmental	57,000	57,000	30,975	(26,025)
Licenses and permits	32,100	32,100	33,686	1,586
Charges for services	28,150	28,150	31,374	3,224
Fines and forfeitures	195,150	195,150	109,829	(85,321)
Investment earnings	800	800	1,475	675
Miscellaneous	15,850	15,850	13,570	(2,280)
<b>Total revenues</b>	<u>1,042,938</u>	<u>1,042,938</u>	<u>1,073,840</u>	<u>30,902</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government				
Administration	100,159	159,618	127,089	32,529
City buildings	22,100	22,100	16,908	5,192
Other governmental services	160,855	160,855	100,352	60,503
Judicial - municipal court	56,886	56,886	51,118	5,768
Public safety				
Fire	85,150	426,745	412,842	13,903
Police	327,658	327,658	334,475	(6,817)
Public works				
Streets and lanes	247,176	247,176	245,777	1,399
Parks and recreation	42,954	42,954	42,661	293
<b>Total expenditures</b>	<u>1,042,938</u>	<u>1,443,992</u>	<u>1,331,222</u>	<u>112,770</u>
<b>Excess (deficit) of revenues over expenditures</b>	0	(401,054)	(257,382)	143,672
<b>Other financing sources</b>				
Inception of capital lease		401,054	371,325	29,729
<b>Net change in fund balances</b>	<u>\$ 0</u>	<u>\$ 0</u>	113,943	<u>\$ 173,401</u>
<b>Fund balances - beginning of year</b>			770,203	
<b>Reclassification of sanitation fund</b>			<u>(4,362)</u>	
<b>Fund balances - end of year</b>			<u>\$ 879,784</u>	

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

**City of Springfield, Georgia**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2005**

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents			
Unrestricted	\$ 326,140		\$ 326,140
Restricted	70,666		70,666
Receivables			
Accounts	44,325	\$ 11,727	56,052
Interfund		3,754	3,754
Prepaid expenses	4,378		4,378
<b>Total current assets</b>	<u>445,509</u>	<u>15,481</u>	<u>460,990</u>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Nondepreciable capital assets	41,147		41,147
Depreciable capital assets, net	4,017,556		4,017,556
<b>Total noncurrent assets</b>	<u>4,058,703</u>	<u>0</u>	<u>4,058,703</u>
<b>Total assets</b>	<u>4,504,212</u>	<u>15,481</u>	<u>4,519,693</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	29,571		29,571
Accrued expenses	3,930		3,930
Accrued interest payable	5,046		5,046
Interfund payable	380,569		380,569
Capital lease payable	12,629		12,629
Notes payable	117,300		117,300
<b>Current Liabilities Payable from Restricted Assets:</b>			
Customer deposits	64,640		64,640
<b>Total current liabilities</b>	<u>613,685</u>	<u>0</u>	<u>613,685</u>
<b>Long-term liabilities:</b>			
Capital lease payable (net of current portion)	28,414		28,414
Notes payable (net of current portion)	293,125		293,125
<b>Total long-term liabilities</b>	<u>321,539</u>	<u>0</u>	<u>321,539</u>
<b>Total liabilities</b>	<u>935,224</u>	<u>0</u>	<u>935,224</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,602,189		3,602,189
Restricted for customer deposits	6,026		6,026
Unrestricted	(39,227)	15,481	(23,746)
<b>Total net assets</b>	<u>\$ 3,568,988</u>	<u>\$ 15,481</u>	<u>\$ 3,584,469</u>

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, 2005**

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for services	\$ 479,716	\$ 127,439	\$ 607,155
Miscellaneous	33,995		33,995
<b>Total operating revenues</b>	<u>513,711</u>	<u>127,439</u>	<u>641,150</u>
<b>Operating expenses</b>			
Salaries	221,484		221,484
Payroll taxes and employee benefits	75,148		75,148
Waste services contract		116,320	116,320
Uniforms and safety equipment	4,604		4,604
Professional fees	2,571		2,571
Utilities	76,675		76,675
Maintenance - repairs	49,293		49,293
Materials and supplies	91,978		91,978
Gas, oil and tires	10,555		10,555
Office supplies and expenses	8,622		8,622
Telephone	7,661		7,661
Insurance	18,903		18,903
Training	2,282		2,282
Miscellaneous	3,654		3,654
Depreciation	170,646		170,646
<b>Total operating expenses</b>	<u>744,076</u>	<u>116,320</u>	<u>860,396</u>
<b>Operating income (loss)</b>	<u>(230,365)</u>	<u>11,119</u>	<u>(219,246)</u>
<b>Non-operating revenues</b>			
Impact fees	142,185		142,185
Investment earnings	7,243		7,243
Interest expense	(24,725)		(24,725)
<b>Total non-operating revenues</b>	<u>124,703</u>	<u>0</u>	<u>124,703</u>
<b>Net change in assets</b>	(105,662)	11,119	(94,543)
<b>Net Assets Beginning of Year</b>	3,674,650	0	3,674,650
Reclassification from general fund		4,362	4,362
<b>Net Assets End of Year</b>	<u>\$ 3,568,988</u>	<u>\$ 15,481</u>	<u>\$ 3,584,469</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, 2005**

	<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	\$ 542,794	\$ 128,872	\$ 671,666
Cash payments to employees for personal services	(296,632)		(296,632)
Cash payments for goods and services	(280,270)	(125,118)	(405,388)
<b>Net cash provided by (used for) operating activities</b>	<b>(34,108)</b>	<b>3,754</b>	<b>(30,354)</b>
<b>Cash flows from noncapital financing activities</b>			
Interfund payable	(38,168)	(3,754)	(41,922)
<b>Cash flows from capital and related financing activities</b>			
Proceeds from issuance of debt	29,729		29,729
Principal paid on notes	(135,059)		(135,059)
Interest paid on debt	(25,036)		(25,036)
Payments for capital acquisitions	(97,629)		(97,629)
Proceeds from impact fees	142,185		142,185
<b>Net cash used for capital and related financing activities</b>	<b>(85,810)</b>	<b>0</b>	<b>(85,810)</b>
<b>Cash flows from investing activities</b>			
Investment earnings	7,243		7,243
<b>Net increase in cash and cash equivalents</b>	<b>(150,843)</b>	<b>0</b>	<b>(150,843)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>547,649</b>	<b></b>	<b>547,649</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 396,806</b>	<b>\$ 0</b>	<b>\$ 396,806</b>
	(continued)	(continued)	(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, 2005**

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
<b>Operating income (loss)</b>	\$ (230,365)	\$ 11,119	\$ (219,246)
<b>Adjustments:</b>			
Depreciation	170,646		170,646
<b>(Increase) decrease in current assets</b>			
Accounts receivable	11,702	1,433	13,135
Prepaid expense	(425)		(425)
<b>Increase (decrease) in current liabilities</b>			
Accounts payable	(3,886)	(8,798)	(12,684)
Accrued expenses	839		839
Customer deposits	17,381		17,381
<b>Net cash provided by (used for) operating activities</b>	<u>\$ (34,108)</u>	<u>\$ 3,754</u>	<u>\$ (30,354)</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, 2005*

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*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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

***Note 1 - Summary of Significant Accounting Policies***

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

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

***1-A. Reporting Entity***

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

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

***1-B. Basis of Presentation***

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

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

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

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, 2005*

**Note 1 - 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 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.

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

***Note 1 - Summary of Significant Accounting Policies (continued)***

***1-C. Measurement Focus***

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

***1-D. Basis of Accounting***

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

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

***Revenues - Non-exchange Transactions*** - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 3-C) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

***Note 1 - Summary of Significant Accounting Policies (continued)***

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.

***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, 2005.

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**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, 2005, 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:

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

*City of Springfield, Georgia  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005*

***Note 1 - Summary of Significant Accounting Policies (continued)***

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

***1-E-6 Compensated Absences***

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

***1-E-7 Accrued Liabilities and Long-term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of 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.

***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, 2005*

***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.

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*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

***Note 2 – Stewardship, Compliance and Accountability***

***2-A. Budgetary Information*** – The City adopts an annual operating budget for the general fund and the capital projects fund. The budget resolution reflects the total of each department's appropriation in each fund.

The general and capital projects fund's budgets are adopted on a basis consistent with GAAP.

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

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

***2-B. Excess of Expenditures over Appropriations***

The following departments had expenditures in excess of appropriations:

General Fund – public safety – police	\$6,817
---------------------------------------	---------

The budget for 2005 was adopted in December, 2004. The general fund budget was amended once during 2005 for changing circumstances, including the purchase of capital assets utilizing capital leases, however the amendment was not sufficient. The Mayor and Council are aware of the variances, and procedures are improving to better review budget-to-actual variances and make appropriate adjustments as circumstances warrant.

***Note 3 - Detailed Notes on All Funds***

***3-A. Cash and Cash Equivalents***

***Custodial Credit Risk – Deposits*** – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2005, \$862,563 of the government's bank balance of \$1,143,957 was exposed to custodial credit risk as follows:

Uninsured and collateralized by the pledging bank's agent trust department not in the city's name	\$ 450,000
Uninsured and uncollateralized	<u>412,563</u>
Total	<u><u>\$ 862,563</u></u>

*City of Springfield, Georgia  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005*

**3-B. Receivables**

Receivables at December 31, 2005, consisted of taxes, interest, and accounts (billings for user charges).

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

**3-C. Property Taxes**

Property taxes are assessed based upon property values determined by the Effingham County Tax Assessor's Office at January 1, 2005. The levy date was August 9, 2005 the tax bills were mailed October 28, 2005, and were due December 30, 2005. The lien date is December 30, 2005.

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*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**Note 3 - Detailed Notes on All Funds (continued)**

**3-D. Capital Assets**

Capital asset activity for governmental activities for the year ended December 31, 2005, was as follows:

	<u>Balance</u> 01/01/05	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/05
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 35,000	\$ 0	\$ 0	\$ 35,000
 Depreciable capital assets:				
Site improvements	7,120	11,786		18,906
Buildings	467,177			467,177
Machinery and equipment	575,447	385,025		960,472
Vehicles	263,156			263,156
Furniture and fixtures	17,019			17,019
Infrastructure	304,036	49,640		353,676
Total depreciable capital assets	<u>1,633,955</u>	<u>446,451</u>	<u>0</u>	<u>2,080,406</u>
 Total capital assets	 <u>1,668,955</u>	 <u>446,451</u>	 <u>0</u>	 <u>2,115,406</u>
 Accumulated depreciation:				
Site improvements	2,991	1,182		4,173
Buildings	162,017	13,241		175,258
Machinery and equipment	450,703	68,551		519,254
Vehicles	171,377	38,742		210,119
Furniture and fixtures	16,591	428		17,019
Infrastructure	1,343	7,073		8,416
Total accumulated depreciation	<u>805,022</u>	<u>129,217</u>	<u>0</u>	<u>934,239</u>
 Governmental activities capital assets, net	 <u>\$ 863,933</u>	 <u>\$ 317,234</u>	 <u>\$ 0</u>	 <u>\$ 1,181,167</u>
 Governmental activities depreciation expense:				
General government		\$ 11,175		
Public safety - police		29,185		
Public safety - fire		40,982		
Public works - streets and lanes		38,234		
Parks and recreation		9,641		
Total governmental activities depreciation expense		<u>\$ 129,217</u>		

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**Note 3 - Detailed Notes on All Funds (continued)**

Capital asset activity for business-type activities for the year ended December 31, 2005, was as follows:

	Balance 1/1/05	Additions	Deductions	Balance 12/31/05
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated:				
Land and rights	\$ 41,147	\$ 0	\$ 0	\$ 41,147
Depreciable capital assets:				
Improvements - not building	6,287,686	62,744		6,350,430
Machinery and equipment	85,718			85,718
Vehicles	61,887			61,887
Computer equipment	18,401	34,885		53,286
Total depreciable capital assets	6,453,692	97,629	0	6,551,321
Total capital assets	6,494,839	97,629	0	6,592,468
Accumulated depreciation:				
Improvements - not building	2,226,809	151,857		2,378,666
Machinery and equipment	78,550	3,339		81,889
Vehicles	39,359	6,458		45,817
Computer equipment	18,401	8,992		27,393
Total accumulated depreciation	2,363,119	170,646	0	2,533,765
Water and sewer capital assets, net	\$ 4,131,720	\$ (73,017)	\$ 0	\$ 4,058,703

**3-E. - Interfund Balances and Transfers**

Interfund balances at December 31, 2005, consisted of a general fund receivable from the following funds:

- General fund receivable from the water and sewer fund for various expenses paid by general fund \$380,569.
- General fund receivable from SPLOST capital projects fund various expenses paid by general fund \$37,121.
- Sanitation fund receivable from the Sanitation fund for revenues received by the general fund for the sanitation fund \$3,754.

*City of Springfield, Georgia  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005*

**Note 3 - Detailed Notes on All Funds (continued)**

**3-F. Long-Term Debt**

**Governmental Activities**

**Capital Lease** – The City has entered in to a capital lease for a various pieces of equipment. The leases meet the criteria of a capital lease since it transfers benefits and risks or 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 \$14,262 through February15, 2007 including interest at 2.97%. The purpose of this lease was to purchase a dump truck. The original principal amount of the lease was \$40,452. The equipment acquired by the lease is included in governmental activities general capital assets in the amount of \$25,081 (cost of \$40,452 less accumulated depreciation of \$15,371). 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
2006	\$ 13,451	\$ 811	\$ 14,262
2007	13,850	412	14,262
Total	<u>\$ 27,301</u>	<u>\$ 1,223</u>	<u>\$ 28,524</u>

Capital lease payable in equal annual payments of approximately \$5,647 through February15, 2007 including interest at 2.97%. The purpose of this lease was to purchase a truck. The original principal amount of the lease was \$16,018. The equipment acquired by the lease is included in governmental activities general capital assets in the amount of \$9,931 (cost of \$16,018 less accumulated depreciation of \$6,087). 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
2006	\$ 5,326	\$ 321	\$ 5,647
2007	5,485	162	5,647
Total	<u>\$ 10,811</u>	<u>\$ 483</u>	<u>\$ 11,294</u>

Capital lease payable in equal annual payments of approximately \$6,944 through February15, 2007 including interest at 2.97%. The purpose of this lease was to purchase a police vehicle. The original principal amount of the lease was \$19,675. The equipment acquired by the lease is included in governmental activities general capital assets in the amount of \$15,850 (cost of \$25,565 less accumulated depreciation of \$9,715). 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
2006	\$ 6,498	\$ 445	\$ 6,943
2007	6,718	225	6,943
Total	<u>\$ 13,216</u>	<u>\$ 670</u>	<u>\$ 13,886</u>

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**Note 3 - Detailed Notes on All Funds (continued)**

Capital lease payable in equal monthly payments of approximately \$836 through October, 2006 including interest at 4.635%. The purpose of this lease was to purchase public works equipment. The original principal amount of the lease was \$44,680. The equipment acquired by the lease is included in governmental activities general capital assets in the amount of \$-0- (cost of \$44,680 less accumulated depreciation of \$44,680). 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
2006	\$ 8,182	\$ 175	\$ 8,357

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 \$331,084 (cost of \$341,595 less accumulated depreciation of \$10,511). 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
2006	\$ 29,320	\$ 12,424	\$ 41,744
2007	29,669	12,075	41,744
2008	30,816	10,928	41,744
2009	32,008	9,736	41,744
2010	33,246	8,498	41,744
2011-2015	186,536	22,184	208,720
	<u>\$ 341,595</u>	<u>\$ 75,845</u>	<u>\$ 417,440</u>

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 \$28,164 (cost of \$28,597 less accumulated depreciation of \$433). 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
2006	\$ 7,055	\$ 1,035	\$ 8,090
2007	7,301	789	8,090
2008	7,555	535	8,090
2009	7,819	271	8,090
	<u>\$ 29,730</u>	<u>\$ 2,630</u>	<u>\$ 32,360</u>

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**Note 3 - Detailed Notes on All Funds (continued)**

**Business Type Activities**

**Georgia Environmental Facilities Authority** – Contract 87-S21-WQ payable in equal quarterly installments of \$10,922 including interest at 5.3%, beginning February 1, 1999 and ending February 1, 2008. The purpose of the loan in the original principal amount of \$317,815 was to expand the water and sewer system. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2005 follow:

Year	Principal	Interest	Total
2006	\$ 39,586	\$ 4,103	\$ 43,689
2007	41,726	1,963	43,689
2008	10,779	143	10,922
Total	<u>\$ 92,091</u>	<u>\$ 6,209</u>	<u>\$ 98,300</u>

**Georgia Environmental Facilities Authority** – Contract 87-029-WQ payable in equal quarterly installments of \$10,481 including interest at 5.8%, beginning February 1, 1999 and ending February 1, 2008. The purpose of the loan in the original principal amount of \$298,504 was to expand the water and sewer system. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2005 follow:

Year	Principal	Interest	Total
2006	\$ 37,640	\$ 4,286	\$ 41,926
2007	39,871	2,055	41,926
2008	10,331	150	10,481
Total	<u>\$ 87,842</u>	<u>\$ 6,491</u>	<u>\$ 94,333</u>

**Georgia Environmental Facilities Authority** – Contract 92-035-WS payable in equal quarterly installments of \$11,335 including interest at 6.5%, beginning August 1, 1994 and ending May 1, 2011. The purpose of the loan in the original principal amount of \$509,916 was to expand the water and sewer system. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2005 follow:

Year	Principal	Interest	Total
2006	\$ 32,728	\$ 12,613	\$ 45,341
2007	34,908	10,433	45,341
2008	37,233	8,108	45,341
2009	39,713	5,628	45,341
2010	42,358	2,983	45,341
2011	19,212	445	19,657
Total	<u>\$ 206,152</u>	<u>\$ 40,210</u>	<u>\$ 246,362</u>

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**Note 3 - Detailed Notes on All Funds (continued)**

**Georgia Environmental Facilities Authority** – Contract CWSRF#98-004HG payable in equal quarterly installments of \$981 including interest at 3.75%, beginning December 1, 2000 and ending March 1, 2010. The purpose of the loan in the original principal amount of \$30,647 was to upgrade the water treatment facility. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2005 follow:

Year	Principal	Interest	Total
2006	\$ 3,394	\$ 528	\$ 3,922
2007	3,523	399	3,922
2008	3,657	265	3,922
2009	3,796	126	3,922
2010	972	9	981
Total	<u>\$ 15,342</u>	<u>\$ 1,327</u>	<u>\$ 16,669</u>

**Georgia Environmental Facilities Authority** – Contract SRF13094901 payable in equal quarterly installments of \$1,024 including interest at 2.0%, beginning May 1, 1993 and ending February 1, 2008. The purpose of the loan in the original principal amount of \$53,013 was to expand the water and sewer system. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2005 follow:

Year	Principal	Interest	Total
2006	\$ 3,949	\$ 150	\$ 4,099
2007	4,029	70	4,099
2008	1,020	5	1,025
Total	<u>\$ 8,998</u>	<u>\$ 225</u>	<u>\$ 9,223</u>

**Capital lease** - The lease is payable in equal annual payments of approximately \$5,910 through February, 2007 including interest at 2.97%. The purpose of this lease was to purchase a vehicle for the water and sewer fund. The original principal amount of the lease was \$16,763. The equipment acquired by the lease is included in business type activities capital assets in the amount of \$14,249 (cost of \$16,763 less accumulated depreciation of \$2,514). 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
2006	\$ 5,574	\$ 336	\$ 5,910
2007	5,739	171	5,910
Total	<u>\$ \$ 11,313</u>	<u>\$ \$ 507</u>	<u>\$ \$ 11,820</u>

**Capital lease** – The lease is payable in equal annual payments of approximately \$8,090 through March, 2009 including interest at 3.48%. The purpose of this lease was to purchase computer hardware and software for general accounting. The original principal amount of the lease was \$29,730. The equipment acquired by the lease is included in governmental activities general capital assets in the amount of \$28,164 (cost of \$28,597 less accumulated depreciation of \$433). The outstanding balance of the corresponding liabilities is included in the governmental activities general long-term debt. Future minimum lease payments are as follows.



*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**Note 3 - Detailed Notes on All Funds (continued)**

Year	Principal	Interest	Total
2006	\$ 7,055	\$ 1,035	\$ 8,090
2007	7,301	789	8,090
2008	7,555	535	8,090
2009	7,819	271	8,090
	<u>\$ 29,730</u>	<u>\$ 2,630</u>	<u>\$ 32,360</u>

**Changes in Long-term Debt** - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2005.

	Outstanding 1/1/05	Additions	Reductions	Outstanding 12/31/05	Amounts Due in One Year
<b>Government activities</b>					
Capital lease		\$ 341,595		\$ 341,595	\$ 29,320
Capital lease		29,730		29,730	7,055
Capital lease	\$ 40,452		\$ 13,151	27,301	13,451
Capital lease	16,018		5,207	10,811	5,326
Capital lease	19,675		6,459	13,216	6,498
Capital lease	17,594		9,412	8,182	8,182
Capital lease	27,315		27,315		
Capital lease	3,967		3,967		
Total government activities	<u>\$ 125,021</u>	<u>\$ 371,325</u>	<u>\$ 65,511</u>	<u>\$ 430,835</u>	<u>\$ 69,832</u>
<b>Business-type activities</b>					
Capital lease		\$ 29,730		\$ 29,730	7,055
Capital lease	\$ 16,763		\$ 5,450	11,313	5,574
Capital lease	3,967		3,967		
	<u>20,730</u>	<u>29,730</u>	<u>9,417</u>	<u>41,043</u>	<u>12,629</u>
<b>Georgia Environmental Facilities Authority</b>					
87-S21-WQ	\$ 129,647		\$ 37,556	\$ 92,091	\$ 39,586
87-029-WQ	123,375		35,533	87,842	37,640
92-035-WS	236,837		30,685	206,152	32,728
CWSRF98-004HG	18,612		3,270	15,342	3,397
SRF13094901	12,869		3,871	8,998	3,949
93-E28-QW	14,728		14,728		
	<u>536,068</u>	<u>\$ 0</u>	<u>125,643</u>	<u>410,425</u>	<u>117,300</u>
Total business-type activities	<u>\$ 556,798</u>	<u>\$ 29,730</u>	<u>\$ 135,060</u>	<u>\$ 451,468</u>	<u>\$ 129,929</u>

*City of Springfield, Georgia  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005*

**Note 3 - Detailed Notes on All Funds (continued)**

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.

**3-G. Pension**

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

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

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

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

**Schedule of Funding Progress**

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	Unfunded AAL- (UAAL) (2)-(1)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
09/01/03	\$ 316,935	\$ 475,275	66.68%	\$ 158,340	\$ 553,265	28.62%
09/01/04	373,542	448,688	83.25%	75,146	505,763	14.86%
09/01/05	430,945	458,982	93.89%	28,037	498,030	5.63%

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**Note 3 - Detailed Notes on All Funds (continued)**

Schedule of Employer Contributions				
Year Beginning September 1,	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2002	\$ 49,972	100%	\$ 49,972	100%
2003	52,649	100%	52,648	100%
2004	42,158	100%	42,158	100%

**3-H. Net Assets**

Net assets on the City-wide statement of net assets as of December 31, 2005 are as follows:

	Governmental Activities	Business Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 2,115,406	\$ 6,592,468
Less accumulated depreciation	934,239	2,533,765
Book value	1,181,167	4,058,703
Less capital related debt	438,004	456,514
Investments in capital assets, net of related debt	<u>\$ 743,163</u>	<u>\$ 3,602,189</u>

**Note 4 - Other Notes**

**4-A. Risk Management**

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

The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2005. No provisions have been made in the financial statements for the year ended December 31, 2005 for any estimate of potential unpaid claims.

*City of Springfield, Georgia*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

***Note 4 - 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.

***4-B. Contingent Liabilities***

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

***4-C. Joint Ventures***

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from Coastal Georgia Regional Development Center, P. O. Box 2917, Brunswick, Georgia 31521.

**City of Springfield, Georgia**  
**General Fund**  
**Comparative Balance Sheet**  
**December 31, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 319,098	\$ 214,394
Restricted cash and cash equivalents	18,023	15,119
Receivables:		
Taxes	162,979	108,249
Accounts	2,731	17,213
Interfund	413,937	460,498
Prepaid items	15,521	14,016
<b>Total assets</b>	<b>\$ 932,289</b>	<b>\$ 829,489</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 14,146	\$ 27,428
Accrued expenses	7,720	6,865
Deferred revenue	30,639	24,993
<b>Total liabilities</b>	<b>52,505</b>	<b>59,286</b>
<b>Fund balances</b>		
Reserved for:		
Restricted assets	18,023	15,119
Prepaid items	15,521	14,016
Unreserved	846,240	741,068
<b>Total fund balances</b>	<b>879,784</b>	<b>770,203</b>
<b>Total liabilities and fund balances</b>	<b>\$ 932,289</b>	<b>\$ 829,489</b>

**City of Springfield, Georgia**  
**General Fund**  
**Comparative Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Years Ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Revenues</b>		
Taxes	\$ 852,931	\$ 715,281
Intergovernmental	30,975	60,613
Licenses and permits	33,686	31,225
Charges for services	31,374	142,458
Fines and forfeitures	109,829	180,358
Investment earnings	1,475	1,372
Miscellaneous	13,570	13,571
<b>Total revenues</b>	<u>1,073,840</u>	<u>1,144,878</u>
<b>Expenditures</b>		
<b>Current</b>		
General Government		
Administration	127,089	93,745
City buildings	16,908	17,387
Other governmental services	100,352	129,929
Judicial - municipal court	51,118	69,765
Public Safety		
Fire	384,028	51,480
Police	327,531	381,772
Public Works		
Streets and lanes	215,839	267,070
Sanitation		111,874
Parks and recreation	38,566	33,956
<b>Debt service</b>		
Principal retirement	65,511	47,681
Interest and fiscal charges	4,280	4,634
<b>Total expenditures</b>	<u>1,331,222</u>	<u>1,209,293</u>
<b>Deficit of revenues over expenditures</b>	<u>(257,382)</u>	<u>(64,415)</u>
<b>Other financing sources (uses)</b>		
Sale of capital assets		22,915
Inception of capital lease	371,325	76,145
<b>Total other financing sources (uses)</b>	<u>371,325</u>	<u>99,060</u>
<b>Net change in fund balance</b>	113,943	34,645
<b>Fund balances -beginning of year</b>	770,203	735,558
Reclassification of sanitation fund	<u>(4,362)</u>	
<b>Fund balances - end of year</b>	<u>\$ 879,784</u>	<u>\$ 770,203</u>

**City of Springfield, Georgia**  
**SPLOST Fund**  
**Comparative Balance Sheet**  
**December 31, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 368,293	\$ 106,432
Receivables - taxes	122,306	61,344
<b>Total assets</b>	<b>\$ 490,599</b>	<b>\$ 167,776</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Interfund balance	\$ 37,121	\$ 41,761
<b>Fund balances</b>		
Reserved for program purposes	453,478	126,015
<b>Total liabilities and fund balances</b>	<b>\$ 490,599</b>	<b>\$ 167,776</b>

**City of Springfield, Georgia**  
**SPLOST Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Years Ended December 31, 2005 and 2004**

	<b>2005</b>			<b>Variance Positive (Negative)</b>	<b>2004</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues</b>					
Intergovernmental	\$ 223,000	\$ 223,000	\$ 351,937	\$ 128,937	\$ 233,278
Investment earnings	800	800	1,096	296	750
<b>Total revenues</b>	<u>223,800</u>	<u>223,800</u>	<u>353,033</u>	<u>129,233</u>	<u>234,028</u>
<b>Expenditures</b>					
<b>Capital outlays</b>					
General government - city buildings	10,035	10,035		10,035	
Public safety - fire department	3,345	3,345		3,345	
Public works - streets and lanes	66,900	66,900	25,570	41,330	300,122
Public works - water & sewer	131,570	131,570		131,570	
Parks and recreation	11,150	11,150		11,150	
<b>Total expenditures</b>	<u>223,000</u>	<u>223,000</u>	<u>25,570</u>	<u>197,430</u>	<u>300,122</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>\$ 800</u>	<u>\$ 800</u>	327,463	<u>\$ 326,663</u>	(66,094)
<b>Fund balances - beginning of year</b>			<u>126,015</u>		<u>192,109</u>
<b>Fund balances - end of year</b>			<u>\$ 453,478</u>		<u>\$ 126,015</u>



**City of Springfield, Georgia**  
**Water and Sewer Fund**  
**Comparative Statement of Net Assets**  
**December 31, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents:		
Unrestricted	\$ 326,140	\$ 485,203
Restricted	70,666	62,446
Accounts receivable	44,325	56,027
Prepaid expenses	4,378	3,953
<b>Total current assets</b>	<b>445,509</b>	<b>607,629</b>
<b>Noncurrent assets</b>		
<b>Capital assets</b>		
Nondepreciable capital asset	41,147	41,147
Depreciable capital assets, net	4,017,556	4,090,573
<b>Total noncurrent assets</b>	<b>4,058,703</b>	<b>4,131,720</b>
<b>Total assets</b>	<b>4,504,212</b>	<b>4,739,349</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	29,571	33,457
Accrued expenses	3,930	3,091
Accrued interest payable	5,046	5,357
Interfund payable	380,569	418,737
Capital lease payable	12,629	9,416
Notes payable	117,300	125,642
<b>Current liabilities payable from restricted assets</b>		
Customer deposits	64,640	47,259
<b>Total current liabilities</b>	<b>613,685</b>	<b>642,959</b>
<b>Long-term liabilities:</b>		
Capital lease payable	28,414	11,314
Notes payable	293,125	410,426
<b>Total long-term liabilities</b>	<b>321,539</b>	<b>421,740</b>
<b>Total liabilities</b>	<b>935,224</b>	<b>1,064,699</b>
<b>Net assets</b>		
Invested in capital assets, net of related debt	3,602,189	3,574,922
Restricted for customer deposits	6,026	15,187
Unrestricted	(39,227)	84,541
<b>Total net assets</b>	<b>\$ 3,568,988</b>	<b>\$ 3,674,650</b>

**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, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Operating revenues</b>		
Charges for services	\$ 479,716	\$ 497,913
Other revenues	33,995	20,143
<b>Total operating revenues</b>	<u>513,711</u>	<u>518,056</u>
 <b>Operating expenses</b>		
Salaries	221,484	177,563
Payroll taxes and employee benefits	75,148	53,996
Uniforms and safety equipment	4,604	3,772
Professional fees	2,571	3,108
Utilities	76,675	66,632
Maintenance - repairs	49,293	76,520
Materials and supplies	91,978	53,434
Gas, oil and tires	10,555	7,309
Office supplies and expenses	8,622	7,084
Telephone	7,661	7,725
Insurance	18,903	18,541
Training	2,282	1,136
Miscellaneous	3,654	2,532
Depreciation	170,646	165,473
<b>Total operating expenses</b>	<u>744,076</u>	<u>644,825</u>
 <b>Operating loss</b>	<u>(230,365)</u>	<u>(126,769)</u>
 <b>Non-operating revenues (expenses)</b>		
Impact fees	142,185	148,087
Investment earnings	7,243	3,381
Interest expense	(24,725)	(34,109)
<b>Total non-operating revenues (expenses)</b>	<u>124,703</u>	<u>117,359</u>
 <b>Change in net assets</b>	<u>(105,662)</u>	<u>(9,410)</u>
 <b>Net assets - beginning of year</b>	<u>3,674,650</u>	<u>3,684,060</u>
 <b>Net assets - end of year</b>	<u>\$ 3,568,988</u>	<u>\$ 3,674,650</u>

**City of Springfield, Georgia**  
***Sanitation Fund***  
***Statement of Net Assets***  
***December 31, 2005***

**Assets**

**Current assets**

Accounts receivable

\$ 11,727

Interfund receivable

3,754

**Total assets**

15,481

**Total liabilities**

0

**Net Assets**

Unrestricted

15,481

**Total net assets**

\$ 15,481

**City of Springfield, Georgia**  
**Sanitation Fund**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**For the Year Ended December 31, 2005**

<b>Operating revenues</b>	
Charges for services	\$ <u>127,439</u>
<b>Operating expenses</b>	
Waste services contract	<u>116,320</u>
<b>Operating income</b>	11,119
<b>Net assets - Beginning of year</b>	0
Reclassification from general fund	<u>4,362</u>
<b>Net Assets - end of year</b>	<u>\$ 15,481</u>

**CITY OF SPRINGFIELD, GEORGIA**  
**SCHEDULE OF PROJECTS CONSTRUCTED WITH**  
**SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Prior Years	Current Year	Total
Parks and recreation	\$ 260,261		\$ 260,261
Streets and drainage	1,313,570	\$ 25,570	1,339,140
Water and sewerage	623,005		623,005
	\$ 2,196,836	\$ 25,570	\$ 2,222,406
Total funds available for SPLOST projects at December 31, 2005			\$ 453,478

Prior to May, 2002, the City received approximately 5.51% of the special local option sales tax (SPLOST) collected by Effingham County, Georgia. In accordance with the referendum approved by voters the tax proceeds were to be used for road, street and bridge purposes, including road resurfacing and sidewalk construction and improvement; for water, sewer and drainage purposes; for public safety purposes; and for the purpose of capital outlay projects consisting of recreational facilities. The referendum does not specify individual projects to be completed with the taxes collected. In April 2002, a new referendum became effective at the expiration of the prior referendum. Under the new referendum, SPLOST would be imposed for a period of time not to exceed five years and for raising not more than \$19,000,000 for the purpose of funding capital outlay projects throughout the county and all municipalities including (i) drainage capital improvements, (ii) street and sidewalk improvements, (iii) public buildings (new county courthouse), (iv) water and sewer capital projects, (v) cultural facilities, recreation facilities and historic facilities (restoration of old county courthouse), and (vi) public safety equipment. Additionally, under the new referendum, SPLOST would be imposed for a period of time not to exceed five years and for the raising of not more than \$16,000,000 for the purpose of road, street and bridge projects. The city receives approximately 4.851% of the proceeds from the most recent referendum. For the year ended December 31, 2005, the City recognized \$351,937 of SPLOST revenues. From inception of the SPLOST in Effingham County, the City has received approximately \$2,582,000 and under the current referendum expects to receive an additional \$786,000 before the maximum allowed under the referendum is collected.

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

CERTIFIED PUBLIC ACCOUNTANTS

Donald T. Caines  
Carlton H. Hodges  
J. Edwin Pace, III

Members American Institute of Certified Public Accountants

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 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 as of and for the year ended December 31, 2005, which collectively comprise the city of Springfield, Georgia's basic financial statements and have issued our report thereon dated November 1, 2006. 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 of Springfield, Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we considered to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Springfield, Georgia's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as items 2005-1 and 2005-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, both reportable conditions described above are considered to be material weaknesses.

Compliance and other matters

As a part of obtaining reasonable assurance about whether the City of Springfield, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 an instance of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and responses as finding 2005-3.

This report is intended solely for the information and use of management, others within the City's organization, 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.

*Cainus, Hedge, Pace & Corbett, P.C.*

Rincon, Georgia

November 1, 2006

**City of Springfield, Georgia**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2005**  
**Page 1 of 2**

**REPORTABLE CONDITIONS**

**2005-1 Cash reconciliations**

*Condition:* All cash accounts are not reconciled to the general ledger on a timely basis.

*Context:* Internal controls should be in place that provide reasonable assurance that all cash accounts under the control of the City are reconciled to the general ledger on a timely basis.

*Effect:* Because of the failure to require all cash accounts to be reconciled to the general ledger, errors or fraudulent transactions may remain undetected for extended periods of time and the financial statements may not be complete and result in inaccurate reporting.

*Cause:* This condition was encountered subsequent to a computer software conversion in 2005. The balances from the prior software was not carried forward properly and numerous software posting errors were encountered.

*Recommendation:* Require all bank accounts to be reconciled to the general ledger on a timely basis, generally monthly.

*Management response:* Management agrees and will implement procedures to ensure that all bank accounts are reconciled to the general ledger on a timely basis.

**2005-2 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 and did remain undetected for extended periods of time, and which resulted 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.



**City of Springfield, Georgia**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2005**  
**Page 2 of 2**

**NON-COMPLIANCE**

**2005-3 Budgetary requirements**

*Condition:* It appears that the City violated the state law by expending funds in excess of appropriations at the legal level of authority. The City's legal level of authority is at the department level. Expenditures exceeded appropriations in the public safety-police department in the general fund, however, total expenditures in the general fund did not exceed appropriations.

*Context:* The condition has improved significantly from the prior year and the excess of expenditures over appropriation in this department is not significant.

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

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

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