CITY OF SPRINGFIELD, GEORGIA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2009

City of Springfield, Georgia
Audit of Financial Statements
For the Year Ended December 31, 2009

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Springfield, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Springfield, Georgia as of and for the year ended December 31, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2010 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 page 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.

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.

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

Rincon, Georgia
June 22, 2010

City of Springfield, Georgia
Statement of Net Assets
December 31, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents (Note 4)	$ 1,528,862	$ 670,743	$ 2,199,605
Restricted cash	62,256	317,960	380,216
Receivables			
Accounts	2,742	104,906	107,648
Taxes	414,947		414,947
Intergovernmental	59,579		59,579
Internal	511,022	(511,022)	
Prepaid items	13,913	3,923	17,836
Capital Assets: (Note 7)			
Nondepreciable capital assets	43,000	5,177,493	5,220,493
Depreciable capital assets, net	1,140,948	6,001,441	7,142,389
Deferred loan fees		12,658	12,658
Total Assets	3,777,269	11,778,102	15,555,371
Liabilities			
Current Liabilities:			
Accounts payable	95,388	26,827	122,215
Accrued expenses	8,851	2,542	11,393
Compensated absences payable	10,819	5,657	16,476
Accrued interest payable	4,005		4,005
Unearned revenue	2,753	489,149	491,902
Capital leases payable	33,246		33,246
Liabilities payable from restricted assets		67,460	67,460
Long-Term Liabilities: (Note 10)			
Compensated absences payable (net of (current portion)	7,212	3,771	10,983
Capital leases payable (net of current portion)	186,593		186,593
Notes payable (net of current portion)		4,894,255	4,894,255
Total Liabilities	348,867	5,489,661	5,838,528
Net Assets			
Invested in capital assets, net of related debt (Note 12)	964,109	6,284,679	7,248,788
Restricted for:			
Capital projects	482,439		482,439
Debt service		250,500	250,500
Unrestricted (deficit)	1,981,854	(246,738)	1,735,116
Total Net Assets	$ 3,428,402	$ 6,288,441	$ 9,716,843

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

City of Springfield, Georgia
Statement of Activities
For the Year Ended December 31, 2009

Function/Program	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary government							
Governmental activities							
General government							
Administration	$ 187,628	$ 43,496			$ (144,132)		$ (144,132)
City buildings	29,259				(29,259)		(29,259)
Other governmental services	172,659				(172,659)		(172,659)
Judicial - municipal court	110,159				(110,159)		(110,159)
Public safety - fire	99,966	31,505	$ 72,170		3,709		3,709
Public safety - police	408,940	211,116		$ 2,511	(195,313)		(195,313)
Public works - streets and lanes	220,300				(220,300)		(220,300)
Housing and development - buildng and zoning	19,296	23,942			4,646		4,646
Parks and recreation	47,730				(47,730)		(47,730)
Interest	9,246				(9,246)		(9,246)
Total governmental activities	1,305,183	310,059	72,170	2,511	(920,443)	$ 0	(920,443)
Business-type activities:							
Water and sewer	987,123	900,566		160,463		73,906	73,906
Sanitation	128,405	147,920				19,515	19,515
Total business-type activities	1,115,528	1,048,486		160,463		93,421	93,421
Total primary government	$ 2,420,711	$ 1,358,545	$ 72,170	$ 162,974	(920,443)	93,421	(827,022)
		General revenues					
		Property taxes			254,813		254,813
		Local option sales tax			405,716		405,716
		Franchise taxes			128,814		128,814
		Motor vehicle tax			16,315		16,315
		Real estate transfer tax			1,402		1,402
		Intangible tax			6,727		6,727
		Alcohol taxes			68,794		68,794
		Insurance premium taxes			100,962		100,962
		Intergovernmental			368,121		368,121
		Investment earnings			12,659	7,516	20,175
		Miscellaneous			43,338		43,338
		Total general revenues			1,407,661	7,516	1,415,177
		Transfers			(350,961)	350,961	0
		Total general revenues and transfers			1,056,700	358,477	1,415,177
		Change in net assets			136,257	451,898	588,155
		Net assets - beginning of year			3,292,145	5,836,543	9,128,688
		Net assets - end of year			$ 3,428,402	$ 6,288,441	$ 9,716,843

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

City of Springfield, Georgia
Balance Sheet
Governmental Funds
December 31, 2009

	General	SPLOST Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 998,814	$ 530,048	$ 1,528,862
Restricted cash and cash equivalents	62,256		62,256
Receivables			
Taxes	426,065		426,065
Accounts	2,742		2,742
Intergovernmental - SPLOST		59,579	59,579
Interfund	551,913	4,640	556,553
Prepaid items	13,913		13,913
Total assets	$ 2,055,703	$ 594,267	$ 2,649,970
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 29,091	$ 66,297	$ 95,388
Accrued liabilities	8,851		8,851
Interfund payable		45,531	45,531
Deferred revenue	69,900		69,900
Total liabilities	107,842	111,828	219,670
Fund balances			
Reserved for			
Police department	62,256		62,256
Program purposes		482,439	482,439
Unreserved			
Undesignated, reported in:			
General fund	1,885,605		1,885,605
Total fund balances	1,947,861	482,439	2,430,300
Total liabilities and fund balances	$ 2,055,703	$ 594,267	$ 2,649,970

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, 2009

Total governmental fund balances		$ 2,430,300
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	$ 2,498,260	
Less accumulated depreciation	(1,314,312)	1,183,948
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	67,147	
Allowance for doubtful accounts	(11,118)	56,029
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	(219,839)	
Accrued interest payable	(4,005)	
Compensated absences payable	(18,031)	(241,875)
Net assets of governmental activities		$ 3,428,402

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, 2009

	General	SPLOST Capital Projects Fund	Total Governmental Funds
Revenues			
Taxes	$ 966,002		$ 966,002
Intergovernmental	101,203	$ 341,599	442,802
Licenses and permits	67,438		67,438
Charges for services	31,505		31,505
Fines and forfeitures	211,116		211,116
Investment earnings	8,779	3,880	12,659
Miscellaneous	43,338		43,338
Total revenues	1,429,381	345,479	1,774,860
Expenditures			
Current			
General government			
Administration	186,893		186,893
City buildings	115,734		115,734
Other governmental services	172,659		172,659
Judicial - municipal court	110,159		110,159
Public safety			
Police	377,868		377,868
Fire	90,892		90,892
Public works - streets and lanes	238,867		238,867
Housing and development - building and zoning	19,296		19,296
Parks and recreation	42,448		42,448
Capital outlays		(26,216)	(26,216)
Debt service			
Principal	54,690		54,690
Interest	10,612		10,612
Total expenditures	1,420,118	(26,216)	1,393,902
Excess of revenues over expenditures	9,263	371,695	380,958
Other financing uses			
Transfers out		(322,234)	(322,234)
Net change in fund balances	9,263	49,461	58,724
Fund balances - beginning of year	1,938,598	432,978	2,371,576
Fund balances - end of year	$ 1,947,861	$ 482,439	$ 2,430,300

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, 2009

Net changes in fund balances - total governmental funds		$ 58,724
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	$ (105,713)	
Capital outlay	135,285	29,572
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.		(28,727)
Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred at 12/31/09	67,147	
Deferred at 12/31/08	(91,318)	
Allowance for doubtful accounts at 12/31/09	(11,118)	
Allowance for doubtful accounts at 12/31/08	52,830	17,541
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 12/31/09	(4,005)	
Liability at 12/31/08	5,371	1,366
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.		54,690
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 12/31/09	(18,031)	
Liability at 12/31/08	21,122	3,091
Change in net assets of governmental activities		$ 136,257

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

City of Springfield, Georgia
Statement of Net Assets
Proprietary Funds
December 31, 2009

	Water and Sewer	Sanitation	Total
Assets			
Current assets			
Cash and cash equivalents			
Unrestricted	$ 670,743		$ 670,743
Restricted	317,960		317,960
Receivables - accounts	90,179	$ 14,727	104,906
Interfund receivables		9,310	9,310
Prepaid expenses	3,923		3,923
Total current assets	1,082,805	24,037	1,106,842
Noncurrent Assets			
Capital Assets			
Nondepreciable capital assets	5,177,493		5,177,493
Depreciable capital assets, net	6,001,441		6,001,441
Deferred loan fees	12,658		12,658
Total noncurrent assets	11,191,592	0	11,191,592
Total assets	12,274,397	24,037	12,298,434
Liabilities			
Current Liabilities			
Accounts payable	16,917	9,910	26,827
Accrued payroll	2,542		2,542
Compensated absences payable	5,657		5,657
Interfund payable	520,332		520,332
Deferred revenue	489,149		489,149
Current Liabilities Payable from Restricted Assets:			
Customer deposits	67,460		67,460
Total current liabilities	1,102,057	9,910	1,111,967
Long-term liabilities:			
Compensated absences payable (net of current portion	3,771		3,771
Notes payable (net of current portion)	4,894,255		4,894,255
Total long-term liabilities	4,898,026	0	4,898,026
Total liabilities	6,000,083	9,910	6,009,993
Net assets (liabilities)			
Invested in capital assets, net of related debt	6,284,679		6,284,679
Reserved for debt service	250,500		250,500
Unrestricted	(260,865)	14,127	(246,738)
Total net assets	$ 6,274,314	$ 14,127	$ 6,288,441

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, 2009

	Water and Sewer	Sanitation	Total
Operating revenues			
Charges for services	$ 860,065	$ 147,920	$ 1,007,985
Miscellaneous	40,501		40,501
Total operating revenues	900,566	147,920	1,048,486
Operating expenses			
Salaries	233,017		233,017
Payroll taxes and employee benefits	71,839		71,839
Waste services contract		128,405	128,405
Uniforms and safety equipment	3,734		3,734
Professional fees	12,838		12,838
Utilities	90,041		90,041
Maintenance - repairs	40,873		40,873
Materials and supplies	110,782		110,782
Gas, oil and tires	8,682		8,682
Office supplies and expenses	8,442		8,442
Telephone	8,614		8,614
Insurance	21,213		21,213
Training	3,116		3,116
Water line	72,397		72,397
Miscellaneous	923		923
Depreciation	189,586		189,586
Total operating expenses	876,097	128,405	1,004,502
Operating income	24,469	19,515	43,984
Non-operating revenues (expenses)			
Impact fees	160,463		160,463
Investment earnings	7,516		7,516
Interest expense	(88,550)		(88,550)
Loss on disposition	(22,476)		(22,476)
Total non-operating revenues	56,953	0	56,953
Income before transfers	81,422	19,515	100,937
Transfers in	350,961		350,961
Change net in assets	432,383	19,515	451,898
Net assets (liabilities) - beginning of year	5,841,931	(5,388)	5,836,543
Net assets - end of year	$ 6,274,314	$ 14,127	$ 6,288,441

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, 2009

	Water and Sewer	Sanitation	Total
Increase (decrease) in cash and cash equivalents			
Cash flows from operating activities			
Cash received from customers	$ 878,828	$ 148,346	$ 1,027,174
Cash payments to employees for personal services	(305,299)		(305,299)
Cash payments for goods and services	(1,295,829)	(128,240)	(1,424,069)
Net cash provided by (used for) operating activities	(722,300)	20,106	(702,194)
Cash flows from noncapital financing activities			
Interfund payable	(72,962)	(20,106)	(93,068)
Cash flows from capital and related financing activities			
Proceeds from long-term debt	3,724,684		3,724,684
Principal paid on long-term debt	(109,100)		(109,100)
Principal paid on short-term debt	(2,400,000)		(2,400,000)
Payment of loan fees	(12,658)		(12,658)
Interest paid on debt	(89,872)		(89,872)
Interfund transfers	350,961		350,961
Payments for capital acquisitions	(931,898)		(931,898)
Proceeds from impact fees	160,463		160,463
Net cash provided by capital and related financing activities	692,580	0	692,580
Cash flows from investing activities			
Investment earnings	7,516		7,516
Net decrease in cash and cash equivalents	(95,166)		(95,166)
Cash and cash equivalents - beginning of year	1,083,869		1,083,869
Cash and cash equivalents - end of year	$ 988,703	$ 0	$ 988,703

(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, 2009

	Water and Sewer	Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	$ 24,469	$ 19,515	$ 43,984
Adjustments:			
Depreciation	189,586		189,586
(Increase) decrease in current assets			
Accounts receivable	(10,505)	426	(10,079)
Prepaid expense	522		522
Increase (decrease) in current liabilities			
Accounts payable	(914,696)	165	(914,531)
Accrued payroll	(1,839)		(1,839)
Compensated absences payable	1,396		1,396
Deferred revenues	(8,228)		(8,228)
Customer deposits	(3,005)		(3,005)
Net cash provided by (used for) operating activities	$ (722,300)	$ 20,106	$ (702,194)

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

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.

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 - 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 funds:

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

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.

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, 2009.

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, 2009, 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.

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:

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

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

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.

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.

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.

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, 2009, the government is not exposed to custodial credit risk.

Note 5 - Receivables

Receivables at December 31, 2009, 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, 2009. The levy date was December 15, 2009 and the tax bills were mailed December 21, 2009, and were due February 26, 2010. The lien date is February 26, 2010.

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Note 7 - Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2009, was as follows:

	Balance 12/31/08	Additions	Deductions	Balance 12/31/09
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 35,000			$ 35,000
Construction in progress	106,648		$ 98,648	8,000
Total capital assets not being depreciated	141,648	$ 0	98,648	43,000
Depreciable capital assets:				
Site improvements	18,906			18,906
Buildings	476,166	95,606		571,772
Machinery and equipment	1,038,058	39,680	23,945	1,053,793
Vehicles	370,174			370,174
Furniture and fixtures	17,019			17,019
Infrastructure	353,676	69,920		423,596
Total depreciable capital assets	2,273,999	205,206	23,945	2,455,260
Total capital assets	2,415,647	205,206	122,593	2,498,260
Accumulated depreciation:				
Site improvements	9,135	1,654		10,789
Buildings	214,745	12,712		227,457
Machinery and equipment	657,391	59,751	23,945	693,197
Vehicles	304,619	24,523		329,142
Furniture and fixtures	17,019			17,019
Infrastructure	29,635	7,073		36,708
Total accumulated depreciation	1,232,544	105,713	23,945	1,314,312
Governmental activities capital assets, net	$ 1,183,103	$ 99,493	$ 98,648	$ 1,183,948

Governmental activities depreciation expense:	
General government	$ 11,730
Public safety - police	30,054
Public safety - fire	38,409
Public works - streets and lanes	20,371
Parks and recreation	5,149
Total governmental activities depreciation expense	$ 105,713

Note 7 - Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2009, was as follows:

	Balance 12/31/08	Additions	Deductions	Balance 12/31/09
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated:				
Land and rights	$ 2,427,495			$ 2,427,495
Construction in progress	3,394,470	$ 808,048	$ 1,452,520	2,749,998
Total capital assets not being depreciated	5,821,965	808,048	1,452,520	5,177,493
Depreciable capital assets:				
Improvements - not building	7,398,742	1,647,467	34,048	9,012,161
Machinery and equipment	110,176	8,850		119,026
Vehicles	55,387			55,387
Computer equipment	53,286			53,286
Total depreciable capital assets	7,617,591	1,656,317	34,048	9,239,860
Total capital assets	13,439,556	2,464,365	1,486,568	14,417,353
Accumulated depreciation:				
Improvements - not building	2,866,555	182,518	11,572	3,037,501
Machinery and equipment	87,900	4,973		92,873
Vehicles	54,550	837		55,387
Computer equipment	51,400	1,258		52,658
Total accumulated depreciation	3,060,405	189,586	11,572	3,238,419
Water and sewer capital assets, net	$ 10,379,151	$ 2,274,779	$ 1,474,996	$ 11,178,934

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.

Note 8 - Interfund Balances and Transfers (continued)

Interfund balances at December 31, 2009, consisted of the following:

General fund receivable from the water and sewer fund for various expenses paid by general fund $515,692.
General fund receivable from SPLOST capital projects fund for various expenses paid by general fund $45,531.
Sanitation fund receivable from the general fund for expenses paid by the sanitation fund $9,310.
SPLOST fund receivable from the Water/Sewer fund for various expenses paid by the SPLOST fund for the water/sewer fund $4,640.

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, 2009, consisted of the following:

The SPLOST fund transferred to the Water and Sewer fund totaling $322,234.
The general fund transferred to the Water and Sewer fund capital assets totaling $28,727.

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

Note 9 - Short Term Debt

Changes in Short-term Debt - Changes in the City's short-term obligations consisted of the following for the year ended December 31, 2009:

Business-type activities	Balance 12/31/08	Additions	Reductions	Balance 12/31/09
Notes payable - Citizens Bank of Effingham	$ 2,400,000	$	$ 2,400,000	$ 0

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Note 10 - 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 $225,976 (cost of $341,595 less accumulated depreciation of $115,619). 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
2010	$ 33,246	$ 8,498	$ 41,744
2011	34,531	7,213	41,744
2012	35,867	5,877	41,744
2013	37,254	4,490	41,744
2014	38,625	3,119	41,744
2015	40,316	1,427	41,743
	$ 219,839	$ 30,624	$ 250,463

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Note 10 - 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, 2009, the amount drawn on the note totaled $4,081,933, including accrued capitalized interest totaling $79,947. 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 at December 31, 2009 follow:

Year	Principal	Interest	Total
2011	$ 81,207	$ 324,683	$ 405,890
2012	190,690	215,200	405,890
2013	198,657	207,233	405,890
2014	206,957	198,933	405,890
2015	215,603	190,287	405,890
2016-2020	1,220,899	808,551	2,029,450
2021-2025	1,498,162	531,289	2,029,451
2026-2031	1,804,565	191,064	1,995,629
Total	$ 5,416,740	$ 2,667,240	$ 8,083,980

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, 2009, the amount drawn on the note totaled $812,322. 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 at December 31, 2009 follow:

Year	Principal	Interest	Total
2011	$ 25,998	$ 34,118	$ 60,116
2012	46,101	56,957	103,058
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	217,068	515,287
2021-2025	369,057	146,230	515,287
2026-2031	490,767	58,870	549,637
Total	$ 1,380,842	$ 671,714	$ 2,052,556

Note 10 - 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, 2009.

	Balance 12/31/08	Additions	Reductions	Balance 12/31/09	Amounts Due in One Year
Government activities					
Capital lease	$ 251,789		$ 31,950	$ 219,839	$ 33,246
Capital lease	7,818		7,818	0	
Capital lease	14,922		14,922	0	
Compensated absences	21,122		3,091	18,031	10,819
Total government activities	$ 295,651	$	$ 57,781	$ 237,870	$ 44,065
Business-type activities					
Capital lease	$ 7,818	$	$ 7,818	$ 0	
Georgia Environmental Facilities Authority					
92-035-WS	101,282		101,282	0	
2008-L10-WQ	1,089,624	$ 2,992,309		4,081,933	
2008-L21-WS		812,322		812,322	
Compensated absences	8,032	1,396		9,428	$ 5,657
	1,198,938	3,806,027	101,282	4,903,683	5,657
Total business-type activities	$ 1,206,756	$ 3,806,027	$ 109,100	$ 4,903,683	$ 5,657

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, 2009 was $196,160. Of this amount, $98,364 was capitalized as a component of the cost of capital assets constructed during the year and $97,796 was charged to expense.

The compensated absences liability will be paid by the fund from which the employee's salaries are paid. In 2009, compensated absences were liquidated through the general fund, and the water and sewer fund.

Note 11 - 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
09/01/07	$ 543,183	$ 563,290	96.43%	$ 20,107	$ 469,652	4.28%
09/01/08	564,380	693,002	81.44%	128,622	567,050	22.68%
10/01/09	572,323	737,535	77.60%	165,212	621,701	26.57%

Note 11 - Pension (continued)

Schedule of Employers Contribution

Year Beginning September 1,	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2006	$ 32,600	100%	$ 32,600	100%
2007	31,884	100%	31,884	100%
2008	50,587	100%	50,587	100%

Note 12 - 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, 2009 are as follows:

Investments in capital assets, net of related debt:	Governmental Activities	Business Type Activities
Cost of capital assets	$ 2,498,260	$ 14,417,353
Less accumulated depreciation	1,314,312	3,238,419
Book value	1,183,948	11,178,934
Less capital related debt	219,839	4,894,255
Investments in capital assets, net of related debt	$ 964,109	$ 6,284,679

Note 13 - 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, 2009. No provisions have been made in the financial statements for the year ended December 31, 2009 for any estimate of potential unpaid claims.

Note 13 - 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 14 - 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.

Note 15 - 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, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	$ 979,829	$ 966,002	$ 966,002	$ 0
Intergovernmental	55,000	101,203	101,203	0
Licenses and permits	42,500	67,438	67,438	0
Charges for services	30,000	31,505	31,505	0
Fines and forfeitures	217,500	211,116	211,116	0
Investment earnings	5,000	8,779	8,779	0
Miscellaneous	4,000	38,957	43,338	4,381
Total revenues	1,333,829	1,425,000	1,429,381	4,381
Expenditures				
General government				
Administration	201,699	187,000	186,893	107
City buildings	15,900	116,000	115,734	266
Other governmental services	198,983	182,000	180,749	1,251
Judicial - municipal court	98,246	111,000	110,159	841
Public safety				
Police	421,170	394,000	393,336	664
Fire	84,433	133,000	132,636	364
Public works				
Streets and lanes	261,702	239,000	238,867	133
Housing and development				
Building and zoning	9,450	20,000	19,296	704
Parks and recreation	42,246	43,000	42,448	552
Total expenditures	1,333,829	1,425,000	1,420,118	4,882
Excess of revenues over expenditures	$ 0	$ 0	9,263	$ 9,263
Fund balance - beginning of year			1,938,598	
Fund balance - end of year			$ 1,947,861	

See the accompanying notes to the required supplementary information.

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. $65,302) 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, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	$ 998,814	$ 825,400
Restricted cash and cash equivalents	62,256	53,106
Receivables:		
Taxes	426,065	437,412
Accounts	2,742	2,888
Interfund	551,913	717,378
Prepaid items	13,913	15,360
Total assets	$ 2,055,703	$ 2,051,544
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 29,091	$ 11,966
Accrued expenses	8,851	9,662
Deferred revenue	69,900	91,318
Total liabilities	107,842	112,946
Fund balances		
Reserved for:		
Police department	62,256	53,106
Unreserved	1,885,605	1,885,492
Total fund balances	1,947,861	1,938,598
Total liabilities and fund balances	$ 2,055,703	$ 2,051,544

City of Springfield, Georgia
General Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended December 31, 2009 and 2008

	2009	2008
Revenues		
Taxes	$ 966,002	$ 1,138,279
Intergovernmental	101,203	62,617
Licenses and permits	67,438	56,528
Charges for services	31,505	31,048
Fines and forfeitures	211,116	238,770
Investment earnings	8,779	10,095
Miscellaneous	43,338	8,573
Total revenues	1,429,381	1,545,910
Expenditures		
Current		
General Government		
Administration	186,893	189,557
City buildings	115,734	17,220
Other governmental services	172,659	143,870
Judicial - municipal court	110,159	62,077
Public Safety		
Police	377,868	407,419
Fire	90,892	28,828
Public Works		
Streets and lanes	238,867	184,724
Housing and development - building and zoning	19,296	11,508
Parks and recreation	42,448	39,489
Debt service		
Principal retirement	54,690	52,574
Interest and fiscal charges	10,612	12,728
Total expenditures	1,420,118	1,149,994
Excess of revenues over expenditures	9,263	395,916
Fund balances -beginning of year	1,938,598	1,542,682
Fund balances - end of year	$ 1,947,861	$ 1,938,598

City of Springfield, Georgia
SPLOST Capital Projects Fund
Comparative Balance Sheet
December 31, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	$ 530,048	$ 460,873
Receivables		
Intergovernmental (SPLOST tax)	59,579	
Interfund	4,640	114,121
Total assets	$ 594,267	$ 574,994
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 66,297	$ 28,728
Interfund balance	45,531	113,288
Total liabilities	111,828	142,016
Fund balances		
Reserved for program purposes	482,439	432,978
Total liabilities and fund balances	$ 594,267	$ 574,994

City of Springfield, Georgia
SPLOST Capital Projects Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Years Ended December 31, 2009 and 2008

	2009				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2008
Revenues					
Intergovernmental	$ 390,000	$ 390,000	$ 341,599	$ (48,401)	$ 487,889
Investment earnings	2,000	2,000	3,880	1,880	3,683
Total revenues	392,000	392,000	345,479	(46,521)	491,572
Expenditures					
Capital outlays					
General government - city buildings	10,000	10,000		10,000	779
Public safety - police department	10,000	10,000	2,511	7,489	21,484
Public works - streets and lanes			(28,727)	28,727	99,608
Total expenditures	20,000	20,000	(26,216)	46,216	121,871
Excess of revenues over expenditures	372,000	372,000	371,695	(305)	369,701
Other financing uses					
Transfers to water/sewer fund	(372,000)	(372,000)	(322,234)	49,766	(128,733)
Net change in fund balance	$ 0	$ 0	49,461	$ 49,461	240,968
Fund balances - beginning of year			432,978		192,010
Fund balances - end of year			$ 482,439		$ 432,978

City of Springfield, Georgia
Water and Sewer Fund
Comparative Statement of Net Assets
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets		
Cash and cash equivalents:		
Unrestricted	$ 670,743	$ 1,013,404
Restricted	317,960	70,465
Accounts receivable	90,179	79,674
Prepaid expenses	3,923	4,445
Total current assets	1,082,805	1,167,988
Noncurrent assets		
Capital assets		
Nondepreciable capital asset	5,177,493	5,821,965
Depreciable capital assets, net	6,001,441	4,557,186
Deferred loan fees	12,658	
Total noncurrent assets	11,191,592	10,379,151
Total assets	12,274,397	11,547,139
Liabilities		
Current liabilities		
Notes payable - bank		2,400,000
Accounts payable	16,917	931,613
Accrued interest payable		1,322
Accrued payroll	2,542	4,381
Compensated absences payable	5,657	4,820
Interfund payable	520,332	593,294
Deferred revenue	489,149	497,377
Capital lease payable		7,818
Notes payable		39,713
Current liabilities payable from restricted assets		
Customer deposits	67,460	70,465
Total current liabilities	1,102,057	4,550,803
Long-term liabilities:		
Compensated absences payable (net of current portion	3,771	3,212
Notes payable	4,894,255	1,151,193
Total long-term liabilities	4,898,026	1,154,405
Total liabilities	6,000,083	5,705,208
Net assets		
Invested in capital assets, net of related debt	6,284,679	5,578,485
Restricted for debt service	250,500	
Unrestricted	(260,865)	263,446
Total net assets	$ 6,274,314	$ 5,841,931

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, 2009 and 2008

	2009	2008
Operating revenues		
Charges for services	$ 860,065	$ 828,179
Other revenues	40,501	68,643
Total operating revenues	900,566	896,822
Operating expenses		
Salaries	233,017	243,404
Payroll taxes and employee benefits	71,839	60,799
Uniforms and safety equipment	3,734	3,550
Professional fees	12,838	12,064
Utilities	90,041	93,335
Maintenance - repairs	40,873	37,282
Materials and supplies	110,782	162,760
Gas, oil and tires	8,682	16,706
Office supplies and expenses	8,442	7,956
Telephone	8,614	8,783
Insurance	21,213	19,593
Training	3,116	2,644
Water Line	72,397	
Miscellaneous	923	2,560
Depreciation	189,586	186,752
Total operating expenses	876,097	858,188
Operating income	24,469	38,634
Non-operating revenues (expenses)		
Impact fees	160,463	392,983
Capital cost recovery		200,000
Investment earnings	7,516	17,654
Interest expense	(88,550)	(108,389)
Loss on disposition	(22,476)	
Total non-operating revenues	56,953	502,248
Income before transfers	81,422	540,882
Transfers in	350,961	128,733
Change in net assets	432,383	669,615
Net assets - beginning of year	5,841,931	5,172,316
Net assets - end of year	$ 6,274,314	$ 5,841,931

City of Springfield, Georgia
Sanitation Fund
Statement of Net Assets
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets		
Accounts receivable	$ 14,727	$ 15,153
Interfund receivable	9,310	
	24,037	15,153
Liabilities		
Current liabilities		
Accounts payable	9,910	9,745
Interfund payables		10,796
Total liabilities	9,910	20,541
Net assets (liabilities)		
Unrestricted	$ 14,127	$ (5,388)

City of Springfield, Georgia
Sanitation Fund
Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Year Ended December 31, 2009 and 2008

	2009	2008
Operating revenues		
Charges for services	$ 147,920	$ 140,362
Operating expenses		
Waste services contract	128,405	138,231
Operating income	19,515	2,131
Net assets (liabilities) - beginning of year	(5,388)	(7,519)
Net assets - end of year	$ 14,127	$ (5,388)

CITY OF SPRINGFIELD, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
From the referendum beginning September 1, 2007					
Roads, streets and bridges	$ 727,500	$ 727,500	$ 56,465	$ (28,727)	$ 27,738
Public buildings	48,500	48,500			
Public safety	121,250	121,250	21,484	2,511	23,995
Recreation	121,250	121,250			
Water and sewerage	1,406,500	1,406,500	128,733	322,234	450,967
	$ 2,425,000	$ 2,425,000	$ 206,682	$ 296,018	$ 502,700
Total funds available for SPLOST projects at December 31, 2009					$ 482,439

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, 2009, the City recognized $341,599 of revenues from this SPLOST referendum. The City has recognized $977,576 during the life of this referendum, leaving approximately $1,450,000 to be recognized in its remaining duration.

CAINES, HODGES, PACE & COMPANY, P.C.
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and City Council
City of Springfield, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Springfield, Georgia (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 2009-1 through 2009-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider significant deficiencies 2009-1 and 2009-2 described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Springfield, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cairns, Hodge, Pace & Company, P.C.

Rincon, Georgia
June 22, 2010

City of Springfield, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2009

CONTROL DEFICIENCIES

2009-1 Accounts Payable

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

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

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

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

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

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

2009-2 Accounts Receivable - consumer

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

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

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

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

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

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