CITY OF SPRINGFIELD, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Springfield, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Springfield, Georgia, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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 City of Springfield, Georgia, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

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 schedules of projects paid with special sales tax proceeds and water and sewer information, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of projects paid with special sales tax proceeds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of projects paid with special sales tax proceeds is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of water and sewer information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014 on our consideration of the City of Springfield, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Springfield, Georgia's internal control over financial reporting and compliance.

Thigpen, Lanier, Waterfield & Dal

Statesboro, Georgia
June 30, 2014

CITY OF SPRINGFIELD, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 3,234,044	$ 1,599,151	$ 4,833,195
Restricted cash and cash equivalents	61,114	75,340	136,454
Receivables:			
Accounts	-	129,335	129,335
Taxes	207,446	-	207,446
Intergovernmental	93,345	-	93,345
Internal balances	(224,644)	224,644	-
Prepaid items	23,097	1,751	24,848
Restricted Assets:			
Cash and cash equivalents	-	136,960	136,960
Capital assets:			
Nondepreciable capital assets	719,921	2,456,805	3,176,726
Depreciable capital assets, net	1,417,356	9,122,881	10,540,237
Total Assets	5,531,679	13,746,867	19,278,546
LIABILITIES			
Current Liabilities:			
Accounts payable	94,544	29,838	124,382
Accrued liabilities	24,182	4,209	28,391
Accrued interest payable	-	49,150	49,150
Unearned revenue	43,881	465,854	509,735
Compensated absences payable	16,708	10,801	27,509
Customer deposits	-	75,340	75,340
Revenue bonds payable	-	260,000	260,000
Long-Term Liabilities:			
Compensated absences payable (net of current portion)	11,138	7,201	18,339
Revenue bonds payable (net of current portion)	-	5,386,528	5,386,528
Total Liabilities	190,453	6,288,921	6,479,374
NET POSITION			
Net investment in capital assets	2,137,277	5,933,158	8,070,435
Restricted for:			
Capital projects	883,473	-	883,473
Public safety	61,114	-	61,114
Debt service	-	136,960	136,960
Unrestricted	2,259,362	1,387,828	3,647,190
Total Net Position	$ 5,341,226	$ 7,457,946	$ 12,799,172

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Program/Function	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activites:							
General government	$ 452,794	$ 65,231	-	-	$ (387,563)		$ (387,563)
Judicial - Municipal court	76,507	-	-	-	(76,507)		(76,507)
Public safety	745,174	298,901	$ 203,473	-	(242,800)		(242,800)
Public works	288,048	-	46,766	$ 237,223	(4,059)		(4,059)
Housing and development	28,953	2,841	-	-	(26,112)		(26,112)
Culture and Recreation	38,405	-	20,863	8,000	(9,542)		(9,542)
Total Govermental Activites	1,629,881	366,973	271,102	245,223	(746,583)		(746,583)
Business-Type Activities:							
Water and Sewer	1,246,229	1,452,916	-	348,005		$ 554,692	554,692
Sanitation	149,170	156,932	-	-		7,762	7,762
Total Business-Type Activites	1,395,399	1,609,848	-	348,005		562,454	562,454
Total Primary Government	$ 3,025,280	$ 1,976,821	$ 271,102	$ 593,228	(746,583)	562,454	(184,129)
General Revenues							
Property taxes levied for:							
General purposes					208,157	-	208,157
Sales taxes					436,175	-	436,175
Insurance premium tax					147,117	-	147,117
Franchise taxes					158,090	-	158,090
Other taxes					80,187	-	80,187
Interest earned					5,159	5,185	10,344
Gain on sale of capital assets					-	1,352	1,352
Other					21,724	11,863	33,587
Special Item - Service delivery agreement contribution from Effingham County					176,890	-	176,890
Transfers					(150,909)	150,909	-
Total General Revenues, Special Items, and Transfers					1,082,590	169,309	1,251,899
Change in Net Position					336,007	731,763	1,067,770
Net Position, Beginning of Year					5,005,219	6,726,183	11,731,402
Net Position, End of Year					$ 5,341,226	$ 7,457,946	$ 12,799,172

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	SPLOST Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 2,074,611	$ 1,159,433	$ 3,234,044
Restricted cash and cash equivalents	61,114	-	61,114
Receivables:			
Taxes	207,446	-	207,446
Intergovernmental	48,148	45,197	93,345
Interfund	289,158	-	289,158
Prepaid items	23,097	-	23,097
TOTAL ASSETS	$ 2,703,574	$ 1,204,630	$ 3,908,204
LIABILITIES			
Accounts payable	$ 62,545	$ 31,999	$ 94,544
Accrued liabilities	24,182	-	24,182
Interfund payable	224,644	289,158	513,802
Unearned revenue	43,881	-	43,881
TOTAL LIABILITIES	355,252	321,157	676,409
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	67,269	-	67,269
FUND BALANCES			
Nonspendable	23,097	-	23,097
Restricted	61,114	883,473	944,587
Assigned	98,859	-	98,859
Unassigned	2,097,983	-	2,097,983
TOTAL FUND BALANCES	2,281,053	883,473	3,164,526
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,703,574	$ 1,204,630	$ 3,908,204

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013

Amounts reported for governmental activities in the statement of net position are different because:		
Total Governmental Fund Balances		$ 3,164,526
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost	$ 3,704,468	
Less accumulated depreciation	(1,567,191)	2,137,277
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Property taxes		67,269
Compensated absences payable are not due and payable in the current period, and, therefore, are not reported in the funds:		(27,846)
Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net assets:		
Interfund receivables	289,158	
Interfund payables	(289,158)	-
Net Position Of Governmental Activities		$ 5,341,226

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	SPLOST Capital Projects Fund	Total Governmental Funds
REVENUES			
Taxes	$ 1,158,381	-	$ 1,158,381
Intergovernmental	279,102	$ 234,421	513,523
Licenses and permits	68,072	-	68,072
Charges for services	164,198	-	164,198
Fines and forfeitures	134,703	-	134,703
Interest	5,159	2,802	7,961
Other	21,724	-	21,724
Total revenues	1,831,339	237,223	2,068,562
EXPENDITURES			
Current:			
General government	430,678	-	430,678
Judicial	76,124	-	76,124
Public safety	674,287	-	674,287
Public works	281,406	-	281,406
Culture and recreation	477,358	-	477,358
Housing and development	28,953	-	28,953
Capital outlay			
General government	-	2,210	
Public safety	-	30,087	
Public works	-	6,596	
Total expenditures	1,968,806	38,893	1,968,806
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(137,467)	198,330	60,863
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(150,909)	(150,909)
SPECIAL ITEM			
Service delivery agreement contribution from Effingham County	176,890	-	176,890
NET CHANGE IN FUND BALANCES	39,423	47,421	86,844
FUND BALANCES, JANUARY 1, 2013	2,241,630	836,052	3,077,682
FUND BALANCES, DECEMBER 31, 2013	$ 2,281,053	$ 883,473	$ 3,164,526

See accompanying notes to the basic 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, 2013

Amounts reported for governmental activities in the statement of activities are different because:			
Net Change In Fund Balances - Total Governmental Funds			$ 86,844
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	$ (151,201)	
	Capital outlay	535,646	384,445
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.			
	Property taxes:		
	Unavailable revenue @ 12/31/13	67,269	
	Unavailable revenue @ 12/31/12	(195,924)	(128,655)
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
	Liability @ 12/31/13	(27,846)	
	Liability @ 12/31/12	21,219	(6,627)
Change In Net Position of Governmental Activities			$ 336,007

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 238,500	$ 268,500	$ 336,812	$ 68,312
Sales	420,000	420,000	436,175	16,175
Franchise	150,000	150,000	158,090	8,090
Insurance premium	140,000	140,000	147,117	7,117
Alcoholic beverage	72,000	72,000	73,879	1,879
Other	-	-	6,308	6,308
Licenses and permits	40,700	40,700	68,072	27,372
Intergovernmental	569,602	269,602	279,102	9,500
Charges for services	116,965	116,965	164,198	47,233
Fines and forfeitures	164,750	164,750	134,703	(30,047)
Interest	4,000	4,000	5,159	1,159
Other	14,610	14,610	21,724	7,114
Total revenues	1,931,127	1,661,127	1,831,339	170,212
EXPENDITURES				
Current:				
General government	423,827	422,702	430,678	(7,976)
Judicial	92,885	92,885	76,124	16,761
Public safety:				
Police	487,736	486,951	413,055	73,896
Fire	312,263	313,048	261,232	51,816
Public works	594,002	264,002	281,406	(17,404)
Culture and recreation	209,506	270,631	477,358	(206,727)
Housing and development	30,550	30,550	28,953	1,597
Total expenditures	2,150,769	1,880,769	1,968,806	(88,037)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(219,642)	(219,642)	(137,467)	82,175
SPECIAL ITEM				
Service delivery agreement contribution from Effingham County	-	-	176,890	176,890
NET CHANGE IN FUND BALANCE	(219,642)	(219,642)	39,423	259,065
FUND BALANCE, JANUARY 1, 2013	2,241,630	2,241,630	2,241,630	-
FUND BALANCE, DECEMBER 31, 2013	$ 2,021,988	$ 2,021,988	$ 2,281,053	$ 259,065

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
STATEMENT OF NET POSITION
PROPIETARY FUNDS
DECEMBER 31, 2013

ASSETS	Water and Sewer	Sanitation	Total
Current Assets			
Cash and cash equivalents	$ 1,599,151	-	$ 1,599,151
Restricted cash and cash equivalents	75,340	-	75,340
Accounts receivable	88,497	$ 40,838	129,335
Interfund receivable	184,156	51,643	235,799
Prepaid insurance	1,751	-	1,751
Total Current Assets	1,948,895	92,481	2,041,376
Noncurrent Assets			
Restricted Assets - Cash and cash equivalents	136,960	-	136,960
Capital Assets	11,579,686	-	11,579,686
Total Noncurrent Assets	11,716,646	-	11,716,646
Total Assets	13,665,541	92,481	13,758,022
LIABILITIES			
Current Liabilities			
Accounts payable	17,183	12,655	29,838
Accrued liabilities	4,209	-	4,209
Accrued interest payable	49,150	-	49,150
Customer deposits	75,340	-	75,340
Unearned revenue	465,854	-	465,854
Compensated absences payable - Current	10,801	-	10,801
Revenue bonds payable - Current	260,000	-	260,000
Interfund payable	11,155	-	11,155
Total Current Liabilities	893,692	12,655	906,347
Long-term Liabilites			
Compensated absences payable (net of current portion)	7,201	-	7,201
Revenue bonds payable (net of current portion)	5,386,528	-	5,386,528
Total Long-term Liabilites	5,393,729	-	5,393,729
Total Liabilities	6,287,421	12,655	6,300,076
NET POSITION			
Net investment in capital assets	5,933,158	-	5,933,158
Restricted for debt service	136,960	-	136,960
Unrestricted	1,308,002	79,826	1,387,828
Total Net Position	$ 7,378,120	$ 79,826	$ 7,457,946

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Water and Sewer	Sanitation	Total
OPERATING REVENUES			
Water and sewer sales	$ 1,118,347	-	$ 1,118,347
Sanitation fees	-	$ 156,932	156,932
Impact fees	290,618	-	290,618
Late charges	35,295	-	35,295
Other income	8,656	-	8,656
Total operating revenues	1,452,916	156,932	1,609,848
OPERATING EXPENSES			
Salaries	220,672	-	220,672
Payroll taxes	15,528	-	15,528
Employee benefits/Uniforms	47,352	-	47,352
Utilities	116,841	-	116,841
Telephone	4,801	-	4,801
Contractual services	6,765	149,170	155,935
Professional services	56,844	-	56,844
Insurance	6,072	-	6,072
Materials and supplies	110,971	-	110,971
Gasoline, oil, etc.	13,869	-	13,869
Repairs and maintenance	80,353	-	80,353
Depreciation	339,558	-	339,558
Bad debts	50,000	-	50,000
Other	5,769	-	5,769
Total operating expenses	1,075,395	149,170	1,224,565
OPERATING INCOME (LOSS)	377,521	7,762	385,283
NONOPERATING REVENUE (EXPENSE)			
Gain on sale of capital assets	1,352	-	1,352
Intergovernmental income	348,005	-	348,005
Insurance recovery	11,863	-	11,863
Interest income	5,185	-	5,185
Interest expense	(170,834)	-	(170,834)
Total nonoperating revenue (expense)	195,571	-	195,571
INCOME (LOSS) BEFORE TRANSFERS	573,092	7,762	580,854
TRANSFERS IN FROM OTHER FUNDS	150,909	-	150,909
CHANGE IN NET POSITION	724,001	7,762	731,763
NET POSITION, JANUARY 1, 2013	6,654,119	72,064	6,726,183
NET POSITION, DECEMBER 31, 2013	$ 7,378,120	$ 79,826	$ 7,457,946

See accompanying notes to the basic financial statements.

CITY OF SPRINGFIELD, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Water and Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 1,411,092	$ 145,681	$ 1,556,773
Cash payments for employees	(277,516)	-	(277,516)
Cash payments for goods and services	(405,044)	(145,681)	(550,725)
Net cash provided by operating activities	728,532	-	728,532
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(569,211)	-	(569,211)
Transfers in from other funds	150,909	-	150,909
Intergovernmental revenue	347,105	-	347,105
Proceeds from insurance recovery	11,863	-	11,863
Proceeds from sale of capital assets	1,352	-	1,352
Principal payments on bonds payable	(255,000)	-	(255,000)
Interest payments	(155,351)	-	(155,351)
Net cash used by capital and related financing activities	(468,333)	-	(468,333)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5,185	-	5,185
NET INCREASE IN CASH	265,384	-	265,384
CASH AND CASH EQUIVALENTS, JANUARY 1, 2013	1,546,067	-	1,546,067
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2013	$ 1,811,451	$ -	$ 1,811,451
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	$ 377,521	7,762	385,283
Adjustments:			
Depreciation	339,558	-	339,558
(Increase) decrease in operating assets:			
Accounts receivable	28,534	(11,251)	17,283
Interfund receivable	(102)	1,741	
Prepaid insurance	498	-	498
Increase (decrease) in operating liabilities:			
Accounts payable	(3,155)	1,748	(1,407)
Accrued liabilities	(171)	-	(171)
Customer deposits	(12,975)	-	(12,975)
Compensated absences payable	6,207	-	6,207
Unearned revenue	(7,383)	-	(7,383)
Net cash provided by operating activities	$ 728,532	-	726,893

See accompanying notes to the basic financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise fund 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 City has no potential component units that should be considered for inclusion in the reporting entity.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, grants and the City's general revenues, from business-type activities, generally financed in whole or part with service charges to external customers.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) 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 funds are reported in separate columns.

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 – Governmental 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 are the City's major governmental funds:

> ***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 the State of Georgia.
>
> ***SPLOST Capital Projects Fund*** – This fund accounts for the special purpose local option sales tax collected pursuant to a referendum for various capital improvements within the City

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds and internal service funds. The City has two enterprise funds. The City accounts for its water and sewer operations in the Water and Sewer fund and solid waste collection and disposal in the Sanitation Fund.

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 position. 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 position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 in 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 inflows/outflows, 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. 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Net Position

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 United States 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. The water and sewer enterprise fund reported an allowance of uncollectibles of $50,000 at December 31, 2013.

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 on the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances on this statement. These amounts are ultimately eliminated from the total column on the statement of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, 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 reported as nonspendable since this amount is not available for general appropriation.

Restricted Assets – Cash and Cash Equivalents

Restricted cash includes amounts set aside to meet the requirements of applicable bond covenants of the water and sewer revenue bonds.

Capital Assets

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

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 five thousand dollars. The City's infrastructure consists of roads, bridges and water and sewer lines. For roads and bridges, the City has only capitalized infrastructure constructed after December 31, 2003. Improvements to capital assets are capitalized. 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 fund is capitalized.

All reported capital assets are depreciated except for land, right-of-ways 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:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	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	5-10 years
Furniture and fixtures	5 years	5 years
Vehicles	5-8 years	5-8 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. The proprietary fund reports the total compensated liability at the fund reporting level. Governmental 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 those 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 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are amortized over the life of the bonds using the effective interest method and bond issuance costs are expensed in the current period.

At the 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows of resources as of December 31, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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 position."

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represent the difference between assets and liabilities. Net investment in capital assets 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. Net position is 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 position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is 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, sewer, and sanitation. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund and include administrative expenses and depreciation on capital assets. 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 1 – 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 after the non-operating revenues/expenses section in proprietary funds. Repayment 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 governmental and business-type activities are eliminated from the total column.

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.

Subsequent Events

Management has evaluated subsequent events through June 30, 2014, the date that the financial statements were available for issue. No subsequent events requiring disclosure in the financial statements were noted.

NOTE 2 – 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.

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. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

During the year, the City Council approved budget revisions.

All unexpended annual appropriations lapse at year-end.

Excess of Expenditures over Appropriations

For the year ended December 31, 2013, expenditures exceeded appropriations for the following departments within the general fund:

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

General government	$	7,976
Public works		17,404
Culture and recreation		206,727

These overexpenditures were funded primarily by under expenditures in other departments, excess revenues over amounts budgeted, and available fund balance.

NOTE 3 – 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.

At December 31, 2013, the carrying amount of the City's deposits was $5,106,609 and the bank balance was $5,149,401. Of the bank balance, $445,212 was covered by federal depository insurance, and $4,704,189 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

NOTE 4 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed near the end of each year and are payable within sixty days. The City bills and collects its own property taxes. Property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For the year ended December 31, 2013, property taxes were levied on September 10, 2013, and were due December 20, 2013.

NOTE 5 – RECEIVABLES

Receivables at December 31, 2013, consisted of taxes, accounts (billings for user charges) and intergovernmental receivables arising from grants.

Receivables 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 collectability.

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Receivable Fund	Payable Fund	Amount
General Fund	SPLOST Capital Projects	$ 289,158
Water and Sewer	General	184,156
Sanitation	General	40,488
	Water and Sewer	11,155
		$ 524,957

Interfund balances at December 31, 2013 represent charges for services or reimbursable expenses. The City expects to repay all interfund balances within one year.

NOTE 6 – INTERFUND BALANCES AND TRANSFERS (Continued)

Transfers From:	Transfers to Water and Sewer Fund
SPLOST Capital Projects Fund	$ 150,909

Interfund transfers were made to fund capital expenditures for the water and sewer fund.

NOTE 7 – FUND BALANCES – GOVERNMENTAL FUNDS

As of December 31, 2013, fund balances are composed of the following:

	General Fund	SPLOST Capital Projects Fund	Total Governmental Funds
Nonspendable:			
Prepaid items	$ 23,097	-	$ 23,097
Restricted:			
Capital projects	-	$ 883,473	883,473
Police	61,114	-	61,114
Assigned:			
Fire	98,859	-	98,859
Unassigned	2,097,983	-	2,097,983
Total fund balances	$ 2,281,053	$ 883,473	$ 3,164,526

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 1/1/2013	Additions	Deductions	Balance 12/31/2013
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 35,000	-	-	$ 35,000
Construction in progress	179,362	$505,559	-	684,921
Total capital assets not being depreciated:	214,362	505,559	-	719,921
Capital assets being depreciated:				
Buildings	457,139	-	-	457,139
Improvements other than buildings	629,299	-	-	629,299
Machinery and equipment	1,509,293	30,087	$ 102,867	1,436,513
Infrastructure	461,596	-	-	461,596
Total capital assets being depreciated	3,057,327	30,087	102,867	2,984,547
Total capital assets	3,271,689	535,646	102,867	3,704,468
Accumulated depreciation:				
Buildings	164,432	12,566	-	176,998
Improvements other than buildings	81,842	37,229	-	119,071
Machinery and equipment	1,201,436	89,134	102,867	1,187,703
Infrastructure	71,147	12,272	-	83,419
Total accumulated depreciation	1,518,857	151,201	102,867	1,567,191
Governmental activities capital assets, net	$1,752,832	$384,445	$ -	$2,137,277

Governmental activities depreciation expense:

General government	$ 17,600
Public safety	69,707
Streets	60,822
Recreation	3,072
Total governmental activities depreciation expense	$ 151,201

NOTE 8 – CAPITAL ASSETS (Continued)

The following table presents the changes in capital assets for the City's water and sewer enterprise fund:

	Balance 1/1/2013	Additions	Deductions	Balance 12/31/2013
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 2,456,805	-	-	$ 2,456,805
Construction in progress	62,366	-	$ 62,366	-
Total capital assets not being depreciated	2,519,171	-	62,366	2,456,805
Capital assets being depreciated:				
Buildings	77,833	-	-	77,833
Improvements other than buildings	12,480,712	$ 489,623	-	12,970,335
Machinery and equipment	266,235	141,954	15,524	392,665
Total capital assets being depreciated	12,824,780	631,577	15,524	13,440,833
Total capital assets	15,343,951	631,577	77,890	15,897,638
Accumulated depreciation:				
Buildings	486	1,946	-	2,432
Improvements other than buildings	3,851,689	309,581	-	4,161,270
Machinery and equipment	141,743	28,031	15,524	154,250
Total accumulated depreciation	3,993,918	339,558	15,524	4,317,952
Business-type activities capital assets, net	$11,350,033	$ 292,019	$ 62,366	$11,579,686

NOTE 9 – WATER AND SEWER REFUNDING REVENUE BONDS

Series 2012

In 2012, the City issued $6,040,000 in City of Springfield Water and Sewer Refunding Revenue Bonds, Series 2012. The bonds were issued to pay in full and refund the notes payable for upgrades to its water and sewer system.

The bonds are secured by a lien on the revenues of the water and sewer system and the City is required to have a Revenue Fund in which all income and revenue of every nature derived from the ownership and operation of the water and sewer system is to be deposited. The City is also required to maintain a Bond Sinking Fund consisting of a Debt Service Account and a Debt Service Reserve Account, as well as a Renewal and Extension Fund that shall be held and used by the City for emergencies, current or future replacements and improvements, and certain other capital expenses. The Renewal and Extension fund may also be used for debt service to the extent that revenues are otherwise unavailable.

After all of the operating expenses of the system are paid from the Revenue Fund, amounts are paid into the Debt Service Account in the Bond Sinking Fund on or before the last business day of each month one-sixth of

NOTE 9 – WATER AND SEWER REFUNDING REVENUE BONDS (Continued)

the interest coming due on each interest payment date thereafter and one-twelfth of the principal coming due on the next succeeding principal payment date.

The refunding revenue bonds have interest rates ranging from 1.45 percent to 3.35 percent. The bonds require principal payments each September 1 and interest is payable semiannually on March 1 and September 1 each year.

As of December 31, 2013, annual debt service requirements for the series 2012 refunding revenue bonds are as follows:

Year ending December 31	Principal	Amortization of Discount	Total	Interest
2014	260,000	(16,996)	243,004	146,551
2015	265,000	(15,110)	249,890	142,251
2016	270,000	(13,124)	256,876	136,951
2017	275,000	(11,033)	263,967	131,551
2018	280,000	(7,312)	272,688	127,564
2019-2023	1,480,000	1,789	1,481,789	552,289
2024-2028	1,675,000	24,603	1,699,603	347,205
2029-2033	1,170,000	8,711	1,178,711	81,432
	$ 5,675,000	$ (28,472)	$ 5,646,528	$ 1,665,794

NOTE 10 – CHANGES IN LONG-TERM DEBT

	Outstanding January 1, 2013	Additions	Reductions	Outstanding December 31, 2013	Amounts Due in One Year
Governmental Activities					
Compensated absences	$ 21,219	$ 39,165	$ 32,538	$ 27,846	$ 16,708
Business-Type Activities					
Revenue bonds payable	5,930,000		$ 255,000	$ 5,675,000	$ 265,000
Unamortized discount	(47,255)		18,783	(28,472)	-
	5,882,745	-	273,783	5,646,528	265,000
Notes payable	-	-	-	-	-
Compensated absences	$ 11,795	$ 14,421	$ 8,214	$ 18,002	$ 10,801
Total Business-Type Activities	$ 5,894,540	$ 14,421	$ 281,997	$ 5,664,530	$ 275,801

The compensated absences liability will be paid from the General Fund for governmental activities and from the Water and Sewer Fund for business-type activities. Principal and interest payments related to revenue bonds payable for the City's Water and Sewer System are financed from income derived from the operation of the Water and Sewer System.

NOTE 11 – EMPLOYEE RETIREMENT PLAN

Plan Description

The City's defined benefit pension plan, the City of Springfield Retirement Plan (the "Plan"), provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Plan is affiliated with the Georgia Municipal Employees Benefit System (the "System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. The City is assigned the authority to establish and amend benefit provisions of the Plan. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report can be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Funding Policy

Employees are not required to contribute to the Plan. The City is required to contribute at an actuarially determined rate. The minimum annual contribution requirements of the City are established by Public Retirement Systems Standards Law (Georgia Code Section 47-20-10).

Annual Pension Cost and Net Pension Obligation

For 2013, the City's annual pension cost of $49,818 for the Plan was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2012, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases of 3.5% per year for inflation, and (c) additional projected salary increases based on age, service and merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is thirty years from 1987 and current changes in the unfunded actuarial accrued liability over fifteen years for actuarial gains and losses, twenty years for plan provisions and thirty years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2013	$ 49,818	100%	-
December 31, 2012	58,081	100%	-
December 31, 2011	61,448	100%	-

NOTE 11 – EMPLOYEE RETIREMENT PLAN (Continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ (Surplus) AAL	Funded Ratio	Covered Payroll	Unfunded/ (Surplus) AAL as a % of Covered Payroll
July 1, 2011	$ 706,284	$ 889,499	$ 183,215	79.4%	$ 737,683	24.8%
July 1, 2012	772,191	928,186	155,995	83.2%	764,619	20.4%
July 1, 2013	830,999	919,585	88,586	90.4%	756,318	11.7%

NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2013 there was no pending litigation that would have a material effect on the financial statements.

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters. The City carries commercial insurance to cover these risks.

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 establishing 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, 2013. No provisions have been made in the financial statements for the year ended December 31, 2013 for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (the Fund). As a participant in the Fund, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the Fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the Fund permits the Fund to levy an assessment upon its members to make up any deficiency the Fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

NOTE 15 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Coastal Georgia area, is a member of the Coastal Regional Commission of Georgia (RC) and is required to pay annual dues thereto. During the year ended December 31, 2013, the City paid $2,852 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-33 which provides for the organizational structure of the RC in Georgia. The RC Regional Council membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Coastal Regional Commission of Georgia
1181 Coastal Drive SW
Darien, Georgia 31305

CITY OF SPRINGFIELD, GEORGIA
SCHEDULE OF PROJECTS PAID
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Project	Original Estimated Cost	Current Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Total	Estimated Percentage of Completion
Roads, streets and bridges	$ 727,500	$ 726,000	$ 92,730	$ 6,596	$ 99,326	14%
Public buildings	48,500	80,000	76,399	2,210	78,609	98%
Public safety projects	121,250	129,484	99,397	30,087	129,484	100%
Recreation projects	121,250	121,250	-	-	-	0%
Water and sewer projects	1,406,500	1,406,500	1,003,560	150,909	1,154,469	82%
Totals	$2,425,000	$2,463,234	$1,272,086	$ 189,802	$1,461,888	59%

Historical Demand Data

Water and Sewer Demand

The following table shows historical data of water and sewer demand for the last five years:

	Daily Water Production		Daily Sewage Treated	
Fiscal Year	Peak MGD	Average MGD	Peak MGD	Average MGD
2009	782,000	501,000	0.476	0.355
2010	1,060,000	487,000	0.523	0.384
2011	814,000	649,000	0.432	0.338
2012	1,000,000	475,000	0.460	0.348
2013	521,000	454,000	0.744	0.531

Historical Customer Data

Number of Customers of the System

The following table shows historical numbers of customers of the System for the last ten fiscal years:

Fiscal Year	Water Customers	Sewer Customers
2004	1,041	868
2005	1,037	928
2006	1,086	969
2007	1,167	1,033
2008	1,227	1,098
2009	1,250	1,115
2010	1,235	1,094
2011	1,260	1,116
2012	1,280	1,122
2013	1,528	1,356

Rates, Fees, and Charges`

Current Water and Sewer Rate Schedule

The current water and sewer rates became effective May 22, 2007. The previous rates had been in effect for 11 years. The current charges for water and sewer service are as follows for both residential and commercial users:

Water and Sewer Residential Customers Inside City Limits:

Usage	Water Rates
First 2,000 gallons	$10.00
2,000-5,000 gallons	$2 per thousand
5,000-20,000 gallons	$2.50 per thousand
Over 20,000 gallons	$2.75 per thousand

Usage	Sewer Rates
First 2,000 gallons	$10.00
Over 2,000 gallons	$2 per thousand

Water Impact Fees:

Location	Impact Fee Rate
Inside City	$1,750
Brookstone Subdivision	$2,000
Cobbleton Subdivision	$2,000
Ramsey Landing	$2,000
Shadowbrook Subdivision	$2,000

Sewer Impact Fees:

Location	Impact Fee Rate
Inside City	$4,206
Brookstone Subdivision	$1,230
Cobbleton Subdivision	$2,500
Ramsey Landing	$2,500
Shadowbrook Subdivision	$3,000

Meter Fees:

Size	Inside City Rate
3/4"	$362
1"	$382.50
2"	$1,087
4"	$3,155
6"	$4,680

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INDEPENDENT AUDITOR'S 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 City Council
City of Springfield, Georgia

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Springfield, Georgia, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City of Springfield, Georgia's basic financial statements, and have issued our report thereon dated June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Springfield, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Springfield, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Springfield, Georgia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Springfield, Georgia's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thigpen, Lanier, Waterfield & Deal

Statesboro, Georgia
June 30, 2014