

City of Springfield, Florida

Financial Statements

September 30, 2007

City of Springfield, Florida  
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September 30, 2007

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the  
City Commission and City Clerk  
City of Springfield, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Florida (the City), as of and for the year ended September 30, 2007, 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'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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Florida, as of September 30, 2007, 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 August 29, 2008, on our consideration of the City of Springfield's internal control over financial reporting and 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 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.

Management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but are 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Springfield, Florida's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Springfield, Florida. The schedule of expenditures of federal awards 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.

*Carri Riggs & Ingram, L.L.C.*

Panama City Beach, Florida

August 29, 2008

## Management's Discussion and Analysis

## Management's Discussion and Analysis

Management's discussion and analysis provide an easily readable analysis of the City's financial activities. The analysis provides summary financial information for the City and should be read in conjunction with the City's financial statements.

### Financial Highlights

- Total assets of the City exceeded total liabilities by \$12,387,354 (net assets). Of this amount, \$96,475 is unrestricted net assets for Governmental Activities and \$5,768,985 is unrestricted net assets for Business-type Activities, while \$1,189,169 is restricted net assets for Business-type Activities.
- Total net assets increased by \$801,272. Of this amount, a decrease of \$15,676 is attributable to Governmental Activities and an increase of \$816,948 is attributable to Business-type Activities.
- As of September 30, 2007, the general fund's unreserved fund balance was \$88,073 or 2% of total general fund expenditures.
- Governmental Activities revenues increased to \$3,900,910 or 15%, while Governmental Activities expenditures increased 28% to \$3,944,586. Business-type Activities revenues decreased to \$4,979,117 or 1%, while Business-type Activities expenditures increased 2% to \$4,134,169.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to basic financial statements*. The *government-wide financial statements* present an overall picture of the City's financial position and results of operations. The *fund financial statements* present financial information for the City's major funds. The *notes to basic financial statements* provide additional information concerning the City's finances that are not otherwise disclosed in the government-wide or fund financial statements.

### Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net assets* and *statement of activities*. These statements are designed to provide readers with a broad overview of the City's financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities, as well as the change in net assets. Governmental activities are primarily supported by gross receipts taxes, utility taxes and franchise fees, and state shared revenues, while business-type activities are supported by charges to the users of activities, such as water, sewer, sanitation and cable television charges.

The *statement of net assets* presents information on all assets and liabilities of the City, with the difference between the two reported as *net assets*. Assets, liabilities and net assets are reported separately for governmental activities and business-type activities. Increases or decreases in net assets over time may serve as a useful indicator of the City's improving or declining financial position.

The *statement of activities* presents information on all revenues and expenditures of the City and the change in net assets for the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees and earned, but unused vacation/sick leave).

Expenses are reported by major function, along with program revenues relating to those functions, providing the net cost of all functions provided by the City. In order to better understand the City's operations, governmental activities expenses include among others, general government services, public safety, highways and streets, and culture and recreation. Business-type activities expenses, which are financed by user fees and charges, include water, sewer, sanitation and cable television services.

The government-wide financial statements include only the City (known as the *primary government*), as there are no legally separate component units.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the City to account for revenues that are restricted to certain uses, or to comply with legal requirements. The two major categories of funds found in the City's *fund financial statements* include: governmental funds and proprietary funds.

*Fund financial statements* provide financial information for the City's major funds and more detailed information about the City's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the funds, changes in *current* financial resources (revenues and expenditures), and *current* available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources.

*Fund financial statements* for all governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The City's general fund includes a statement of revenues, expenditures, and changes in fund balances-budget and actual. For the proprietary funds, a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows are presented.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the City's financial position. Categorized by Governmental Activities and Business-type Activities, the government-wide financial statements provide an overall picture of the City's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the City's overall financial health and present the means used to pay for various activities, or functions provided by the City. All assets of the City, including buildings, land, and infrastructure are reported in the statement of net assets, as well as all liabilities, including outstanding principal on bonds, capital leases, and future employee benefits obligated but not yet paid by the City. The statement of activities includes depreciation on all long lived assets of the City, but all transactions between different functions of the City have been eliminated to avoid doubling up the revenues and expenditures. The *fund financial statements* provide a presentation of the City's major funds, along with a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as notes payable and obligations under capital leases, are not included in the fund financial statements. To facilitate a comparison

between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

*Notes to basic financial statements* provide additional detail concerning the financial activities and financial balances of the City. Additional information about the accounting practices of the City, investments of the City, and long-term debt are just a few of the items included in the notes to basic financial statements.

### Financial Analysis of the City

The following schedule provides a summary of the assets, liabilities and net assets of the City. At the end of the fiscal year 2007, the City is able to report positive balances in all three categories of net assets, for the government as a whole, and for its governmental and business-type activities.

#### City of Springfield, Florida Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 420,110	\$ 503,354	\$ 7,779,300	\$ 6,559,238	\$ 8,199,410	\$ 7,062,592
Capital assets	2,735,601	2,554,597	9,790,824	7,471,004	12,526,425	10,025,601
Total assets	3,155,711	3,057,951	17,570,124	14,030,242	20,725,835	17,088,193
Current liabilities	385,431	206,902	801,048	546,479	1,186,479	753,381
Noncurrent liabilities	39,086	104,179	7,112,916	4,644,551	7,152,002	4,748,730
Total liabilities	424,517	311,081	7,913,964	5,191,030	8,338,481	5,502,111
Net assets invested in capital assets, net of related debt	2,634,719	2,384,399	2,698,006	2,856,355	5,332,725	5,240,754
Net assets – restricted	-	-	1,189,169	1,014,524	1,189,169	1,014,524
Net assets – unrestricted	96,475	362,471	5,768,985	4,968,333	5,865,460	5,330,804
Total net assets	\$ 2,731,194	\$ 2,746,870	\$ 9,656,160	\$ 8,839,212	\$ 12,387,354	\$ 11,586,082

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents 43% of the City's net assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The *restricted net assets*, representing 10% of the City's net assets, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of net assets is *unrestricted net assets* (\$5,865,460), which may be used to help meet the government's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net assets.

**City of Springfield, Florida  
Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
<b>Program revenues</b>						
Charges for services	\$ 237,192	\$ 322,122	\$ 4,771,214	\$ 4,908,367	\$ 5,008,406	\$ 5,230,489
Operating grants/ contributions	1,073,210	644,290	-	-	1,073,210	644,290
Capital grants/ contributions	304,554	376,147	42,795	-	347,349	376,147
<b>General revenues</b>						
Gross receipts taxes	1,106,649	1,106,000	-	-	1,106,649	1,106,000
Utility taxes/ franchise fees	954,720	860,050	-	-	954,720	860,050
Other	224,585	95,521	165,108	114,877	389,693	210,398
Total revenues	<b>3,900,910</b>	3,404,130	<b>4,979,117</b>	5,023,244	<b>8,880,027</b>	8,427,374
<b>Expenses</b>						
General government	759,721	643,574	-	-	759,721	643,574
Public safety	1,714,539	1,540,071	-	-	1,714,539	1,540,071
Highways and streets	498,685	469,915	-	-	498,685	469,915
Maintenance	159,579	166,975	-	-	159,579	166,975
Housing and urban development	517,700	-	-	-	517,700	-
Culture/recreation	289,117	262,253	-	-	289,117	262,253
Interest on long-term debt	5,245	5,789	-	-	5,245	5,789
Water	-	-	969,661	899,005	969,661	899,005
Sewer	-	-	1,631,342	1,688,052	1,631,342	1,688,052
Sanitation	-	-	970,845	961,948	970,845	961,948
Cable TV	-	-	562,321	515,928	562,321	515,928
Total expenses	<b>3,944,586</b>	3,088,577	<b>4,134,169</b>	4,064,933	<b>8,078,755</b>	7,153,510
<b>Change in net Assets before transfers</b>	<b>(43,676)</b>	315,553	<b>844,948</b>	958,311	<b>801,272</b>	1,273,864
<b>Transfers</b>	<b>28,000</b>	-	<b>(28,000)</b>	-	-	-
<b>Change in net assets</b>	<b>(15,676)</b>	315,553	<b>816,948</b>	958,311	<b>802,272</b>	1,273,864
<b>Net assets - beginning</b>	<b>2,746,870</b>	2,431,317	<b>8,839,212</b>	7,880,901	<b>11,586,082</b>	10,312,219
<b>Net assets - ending</b>	<b>\$ 2,731,194</b>	\$ 2,746,870	<b>\$ 9,656,160</b>	\$ 8,839,212	<b>\$ 12,387,354</b>	\$ 11,586,082

Governmental activities expenses exceeded revenues by \$43,676, while business-type activities revenues exceeded expenses by \$844,948. Total revenues increased \$452,653 from the previous year. Total expenses increased \$925,245 from the previous year.

52% of the revenues for governmental activities were generated by gross receipts, franchise and utility taxes. Most of the governmental resources were expended for public safety (43%), general government (19%), and housing and urban development (13%) activities.

Charges for services provided 96% of the revenues for business-type activities, while sewer fund consumed 39% of business-type activities expenses.

## **Financial Analysis of the City's Funds**

### **Governmental Funds**

#### **General Fund**

The main operating fund of the City is the General Fund. As of September 30, 2007, total assets were \$863,458 and total liabilities were \$738,049. At the end of fiscal year 2007, unreserved fund balance of the general fund was \$88,073 while total fund balance equaled \$125,409.

#### **Other Governmental Funds**

The debt service fund is used by the City to account for principal and interest payments on general fund debt. The City does not adopt a budget for the debt service fund, instead debt service fund revenues and expenditures are budgeted indirectly as transfers to the debt service fund and interest expense in the general fund.

### **Proprietary Funds**

The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in greater detail. All proprietary funds are reported as major funds.

Unrestricted net assets of proprietary funds at the end of the year are presented below:

<b>Fund</b>	<b>2007</b>	<b>2006</b>
Water	\$ 1,187,897	\$ 819,258
Sewer	4,006,441	3,659,684
Sanitation	567,351	513,820
Cable TV	7,296	(24,429)
<b>Total</b>	<b>\$ 5,768,985</b>	<b>\$ 4,968,333</b>

The *Proprietary Funds* are used to account for the operations of the City's utility systems. Refer to the statement of net assets – proprietary funds and the statement of revenues, expenses, and changes in net assets – proprietary funds for specific numerical data.

## Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2007, was \$12,498,425 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress.

### Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 612,138	\$ 584,138	\$ 90,170	\$ 90,170	\$ 702,308	\$ 674,308
Buildings	324,149	349,289	61,464	68,242	385,613	417,531
Improvements/ distribution system	790,197	496,323	9,316,484	6,964,033	10,106,681	7,460,356
Machinery and equipment	733,430	841,641	322,706	348,559	1,056,136	1,190,200
Streets	275,687	283,206	-	-	275,687	283,206
Total	\$ 2,735,601	\$ 2,554,597	\$ 9,790,824	\$ 7,471,004	\$ 12,526,425	\$ 10,025,601

Additional information on the City's capital assets can be found in Note 7 – Capital Assets, of the notes to the basic financial statements.

## Debt Management

At the end of the current fiscal year, the City had total outstanding debt in the amount of \$7,193,700. This debt amount represents notes payable and capital leases secured by specified revenue sources and equipment.

### Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Capital leases	\$ 100,882	\$ 170,198	\$ 16,375	\$ 88,566	\$ 117,257	\$ 258,764
Notes payable	-	-	7,076,443	4,590,955	7,076,443	4,590,955
Total	\$ 100,882	\$ 170,198	\$ 7,092,818	\$ 4,679,521	\$ 7,193,700	\$ 4,849,719

During the year ended September 30, 2007, the City constructed the North Springfield Water Addition and was funded by a note payable in the amount of \$2,749,178. It is reported in business-type activities.

Principal repayments during the year on notes payable and capital leases totaled \$418,197.

More detail on the City's liabilities is presented in notes 8 and 9 of the notes to the basic financial statements.

## **Economic Factors and Next Year's Budget and Rates**

Although the national economy has slowed due to rising fuel prices and a decline in the housing market, long term demographics continue to make the area attractive. The unemployment rate in the area continued to fall below the national average.

The City also completed the North Springfield Water System during the year ended September 30, 2007. This project should have a significant impact on the revenues of the water fund.

As part of the regular budget monitoring process, the finance department prepares a monthly financial report that the City Clerk and City Commission can use to follow the actual performance of revenue and expenditure estimates. In addition, during the year, an analysis of the budget estimates versus the actual results was used to monitor compliance with the approved budget. If necessary, the City Commission considers passing an amended budget ordinance.

## **Contacting the City's Finance Department**

This financial report is designed to provide a general overview of the City of Springfield's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Springfield Finance Department, P.O. Drawer 3717, Springfield, Florida 32401.

City of Springfield, Florida  
Statement of Net Assets  
September 30, 2007

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 415,582	\$ 3,295,056	\$ 3,710,638
Accounts receivable, net	208,202	412,804	621,006
Taxes receivable	103,988	-	103,988
Other receivables	20,234	-	20,234
Prepaid expenses	27,469	7,529	34,998
Internal balances	(427,712)	427,712	-
Due from other governments	21,571	-	21,571
Due from joint venture	-	124,887	124,887
Unamortized loan costs	-	1,694	1,694
Restricted assets			
Cash, customer deposits	-	404,523	404,523
Cash, grant funds	50,776	-	50,776
Cash, impact fees	-	1,189,169	1,189,169
Investment in joint venture	-	1,915,926	1,915,926
Capital assets			
Nondepreciable	612,138	90,170	702,308
Depreciable, net	2,123,463	9,700,654	11,824,117
Total assets	3,155,711	17,570,124	20,725,835
<b>Liabilities</b>			
Current liabilities			
Accounts payable	209,139	354,638	563,777
Accrued interest	-	31,128	31,128
Accrued payroll and other liabilities	35,608	19,048	54,656
Deferred revenues	49,954	-	49,954
Long-term liabilities			
Due within one year			
Accrued compensated absences	28,934	14,577	43,511
Notes payable	-	365,282	365,282
Obligations under capital lease	61,796	16,375	78,171
Due in more than one year			
Customer deposits	-	401,755	401,755
Notes payable	-	6,711,161	6,711,161
Obligations under capital lease	39,086	-	39,086
Total liabilities	424,517	7,913,964	8,338,481
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,634,719	2,698,006	5,332,725
Restricted by impact fee ordinance	-	1,189,169	1,189,169
Unrestricted	96,475	5,768,985	5,865,460
Total net assets	\$ 2,731,194	\$ 9,656,160	\$ 12,387,354

See accompanying notes



City of Springfield, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2007

	General	Other Governmental Funds (Debt Service)	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 415,582	\$ -	\$ 415,582
Accounts receivable, net	208,202	-	208,202
Taxes receivable	103,988	-	103,988
Other receivables	20,234	-	20,234
Due from other funds	15,636	-	15,636
Due from other governments	21,571	-	21,571
Prepaid expenses	27,469	-	27,469
Restricted assets - cash	50,776	-	50,776
Total assets	\$ 863,458	\$ -	\$ 863,458
<b>Liabilities and fund balances</b>			
Liabilities			
Accounts payable	\$ 209,139	\$ -	\$ 209,139
Accrued expenses	35,608	-	35,608
Deferred revenues	49,954	-	49,954
Due to other funds	443,348	-	443,348
Total liabilities	738,049	-	738,049
Fund balances			
Reserved for			
Prepaid expenses	27,469	-	27,469
Law enforcement education	9,867	-	9,867
Unreserved, reported in			
General fund	88,073	-	88,073
Total fund balances	125,409	-	125,409
Total liabilities and fund balances	\$ 863,458	\$ -	-
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, are not reported in the funds.			2,735,601
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			(129,816)
Net assets of governmental activities			\$ 2,731,194

See accompanying notes

City of Springfield, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2007

	General	Other Governmental Funds (Debt Service)	Total
<b>Revenues</b>			
Taxes			
Utility taxes	\$ 479,979	\$ -	\$ 479,979
Franchise fees	474,741	-	474,741
Local option gas tax	156,567	-	156,567
Communications service	250,344	-	250,344
Half cent sales tax	699,738	-	699,738
Intergovernmental	532,042	-	532,042
Licenses and permits	47,911	-	47,911
Charges for services	38,428	-	38,428
Fines and forfeitures	73,969	-	73,969
Rents	119,790	-	119,790
Interest	32,892	-	32,892
Grants	822,254	-	822,254
Contributions and donations	23,590	-	23,590
Other fees and miscellaneous	168,616	-	168,616
<b>Total revenues</b>	<b>3,920,861</b>	<b>-</b>	<b>3,920,861</b>
<b>Expenditures</b>			
Current			
General government	716,314	-	716,314
Public safety	1,572,341	-	1,572,341
Highways and streets	461,593	-	461,593
Maintenance	148,738	-	148,738
Housing and urban development	517,700	-	517,700
Culture and recreation	226,558	-	226,558
Debt service			
Principal	-	69,316	69,316
Interest and fiscal charges	-	5,245	5,245
Capital outlay			
General government	30,670	-	30,670
Public safety	70,389	-	70,389
Highways and streets	28,970	-	28,970
Maintenance	264,858	-	264,858
Culture and recreation	73,511	-	73,511
<b>Total expenditures</b>	<b>4,111,642</b>	<b>74,561</b>	<b>4,186,203</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(190,781)</b>	<b>(74,561)</b>	<b>(265,342)</b>
<b>Other financing sources (uses)</b>			
Transfer from (to) other funds	(74,561)	74,561	-
<b>Total other financing sources (uses)</b>	<b>(74,561)</b>	<b>74,561</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(265,342)</b>	<b>-</b>	<b>(265,342)</b>
<b>Fund balances - beginning</b>	<b>390,751</b>	<b>-</b>	<b>390,751</b>
<b>Fund balances - ending</b>	<b>\$ 125,409</b>	<b>\$ -</b>	<b>\$ 125,409</b>

See accompanying notes

City of Springfield, Florida  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental  
 Funds to the Statement of Activities  
 Year Ended September 30, 2007

Amounts reported for governmental activities in the statement of activities (page 11) are different because

Net change in fund balances - total governmental funds (page 13)	\$ (265,342)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	172,955
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments , and donations) is to increase net assets	8,050
Some expenses 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.	(655)
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of the issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.	69,316
Change in net assets of governmental activities (page 11)	\$ (15,676)

City of Springfield, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund  
Year Ended September 30, 2007

	Budget		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Taxes				
Utility taxes	\$ 496,231	\$ 496,231	\$ 479,979	\$ (16,252)
Franchise fees	465,000	465,000	474,741	9,741
Local option gas tax	162,389	162,389	156,567	(5,822)
Communications service tax	233,944	233,944	250,344	16,400
Half cent sales tax	753,196	753,196	699,738	(53,458)
Intergovernmental	585,200	585,200	532,042	(53,158)
Licenses and permits	15,400	15,400	47,911	32,511
Charges for services	46,000	46,000	38,428	(7,572)
Fines and forfeitures	53,500	53,500	73,969	20,469
Rents	186,600	186,600	119,790	(66,810)
Interest	22,000	22,000	32,892	10,892
Grants	-	-	822,254	822,254
Contributions and donations	12,400	12,400	23,590	11,190
Other fees and miscellaneous	20,000	20,000	168,616	148,616
Total revenues	3,051,860	3,051,860	3,920,861	869,001
<b>Expenditures</b>				
Current				
General government				
Special governing	156,477	156,477	167,288	(10,811)
Administration	483,998	483,998	492,803	(8,805)
Protective service	54,500	54,500	56,223	(1,723)
Total general government	694,975	694,975	716,314	(21,339)
Public safety				
Police	1,224,358	1,224,358	1,156,078	68,280
Fire	450,082	450,082	416,263	33,819
Total public safety	1,674,440	1,674,440	1,572,341	102,099
Highways and streets	371,436	371,436	461,593	(90,157)
Maintenance	166,536	166,536	148,738	17,798
Housing and urban development	-	-	517,700	(517,700)
Culture and recreation				
Library	57,818	57,818	62,111	(4,293)
Recreation	166,655	166,655	164,447	2,208
Total culture and recreation	224,473	224,473	226,558	(2,085)
Capital Outlay				
General government	15,600	15,600	30,670	(15,070)
Public safety	-	-	70,389	(70,389)
Highways and streets	10,000	10,000	28,970	(18,970)
Maintenance	-	-	264,858	(264,858)
Culture and recreation	-	-	73,511	(73,511)
Total expenditures	3,157,460	3,157,460	4,111,642	(954,182)
<b>Excess (deficiency) of revenues over (under) expenditures</b>				
	(105,600)	(105,600)	(190,781)	(85,181)
<b>Other financing sources (uses)</b>				
Transfers to other funds	-	-	(74,561)	(74,561)
Total other financing sources (uses)	-	-	(74,561)	(74,561)
<b>Net change in fund balances</b>	(105,600)	(105,600)	(265,342)	(159,742)
<b>Fund balances - beginning</b>	599,529	599,529	390,751	(208,778)
<b>Fund balances - ending</b>	\$ 493,929	\$ 493,929	\$ 125,409	\$ (368,520)

See accompanying notes

City of Springfield, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2007

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Sanitation	Cable TV	Total
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 1,780,669	\$ 1,193,468	\$ 291,010	\$ 29,909	\$ 3,295,056
Accounts receivable, net	97,385	179,688	92,018	43,713	412,804
Prepaid expense	2,823	1,412	2,353	941	7,529
Due from joint venture	-	124,887	-	-	124,887
Due from other funds	123,202	828,257	213,766	-	1,165,225
<b>Total current assets</b>	<b>2,004,079</b>	<b>2,327,712</b>	<b>599,147</b>	<b>74,563</b>	<b>5,005,501</b>
Noncurrent assets					
Restricted assets - cash and cash equivalents					
Customer deposits	404,523	-	-	-	404,523
Impact fees	427,797	761,372	-	-	1,189,169
Unamortized loan costs, net	-	-	-	1,694	1,694
Investment in joint venture	-	1,915,926	-	-	1,915,926
Capital assets					
Nondepreciable	-	-	42,457	47,713	90,170
Depreciable	3,921,552	5,528,805	203,208	47,089	9,700,654
<b>Total noncurrent assets</b>	<b>4,753,872</b>	<b>8,206,103</b>	<b>245,665</b>	<b>96,496</b>	<b>13,302,136</b>
<b>Total assets</b>	<b>6,757,951</b>	<b>10,533,815</b>	<b>844,812</b>	<b>171,059</b>	<b>18,307,637</b>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	81,823	207,324	20,887	44,604	354,638
Accrued interest	31,128	-	-	-	31,128
Accrued payroll liabilities	4,647	2,739	4,978	6,684	19,048
Accrued compensated absences	4,050	2,566	5,931	2,030	14,577
Due to other funds	697,302	24,568	-	15,643	737,513
Obligations under capital leases	-	-	16,375	-	16,375
Notes payable, current	141,228	155,795	-	68,259	365,282
<b>Total current liabilities</b>	<b>960,178</b>	<b>392,992</b>	<b>48,171</b>	<b>137,220</b>	<b>1,538,561</b>
Noncurrent liabilities					
Customer deposits	401,755	-	-	-	401,755
Notes payable	2,620,950	4,090,211	-	-	6,711,161
<b>Total noncurrent liabilities</b>	<b>3,022,705</b>	<b>4,090,211</b>	<b>-</b>	<b>-</b>	<b>7,112,916</b>
<b>Total liabilities</b>	<b>3,982,883</b>	<b>4,483,203</b>	<b>48,171</b>	<b>137,220</b>	<b>8,651,477</b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	1,159,374	1,282,799	229,290	26,543	2,698,006
Restricted by impact fee ordinance	427,797	761,372	-	-	1,189,169
Unrestricted	1,187,897	4,006,441	567,351	7,296	5,768,985
<b>Total net assets</b>	<b>\$ 2,775,068</b>	<b>\$ 6,050,612</b>	<b>\$ 796,641</b>	<b>\$ 33,839</b>	<b>\$ 9,656,160</b>

See accompanying notes

City of Springfield, Florida  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
Year Ended September 30, 2007

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Sanitation	Cable TV	Total
<b>Operating revenues</b>					
Charges for services					
Sales	\$ 938,095	\$ 1,814,884	\$ 1,025,435	\$ 435,630	\$ 4,214,044
Connection / reconnection fees	185	-	-	11,516	11,701
Penalties	60,033	59,698	28,113	9,304	157,148
Tap fees	67,111	21,250	-	-	88,361
Other income	16,621	628	(869)	12,996	29,376
Impact fees	58,311	73,289	-	-	131,600
<b>Total operating revenues</b>	<b>1,140,356</b>	<b>1,969,749</b>	<b>1,052,679</b>	<b>469,446</b>	<b>4,632,230</b>
<b>Operating expenses</b>					
Personal services	281,118	110,808	334,500	111,650	838,076
Professional services	11,328	11,603	10,564	45	33,540
Contractual services	18,476	557	5,549	1,289	25,871
Insurance	53,315	6,160	22,541	8,156	90,172
Repairs and maintenance	63,953	55,268	14,590	8,247	142,058
Operating supplies	66,710	10,735	72,015	10,530	159,990
Communication services	2,175	738	1,615	9,191	13,719
Public utility purchases	319,428	484,949	398,451	14,797	1,217,625
Transportation	4,822	4,810	2,956	98	12,686
Travel and per diem	2,026	2,012	-	-	4,038
Rentals	31,590	31,824	31,768	336,654	431,836
Printing and binding	23	-	-	-	23
Miscellaneous	4,200	4,736	1,794	4,785	15,515
Depreciation	66,653	236,235	73,207	37,101	413,196
<b>Total operating expenses</b>	<b>925,817</b>	<b>960,435</b>	<b>969,550</b>	<b>542,543</b>	<b>3,398,345</b>
<b>Net operating income (loss)</b>	<b>214,539</b>	<b>1,009,314</b>	<b>83,129</b>	<b>(73,097)</b>	<b>1,233,885</b>
<b>Nonoperating revenues (expenses)</b>					
Interest income	62,763	76,611	19,289	-	158,663
Contributions	42,795	-	-	-	42,795
Income from joint venture	-	138,984	-	-	138,984
Interest expense	(43,844)	(670,907)	(1,295)	(19,778)	(735,824)
Gain on asset disposal	-	-	5,302	1,143	6,445
<b>Total nonoperating revenues (expenses)</b>	<b>61,714</b>	<b>(455,312)</b>	<b>23,296</b>	<b>(18,635)</b>	<b>(388,937)</b>
<b>Net income (loss) before transfers</b>	<b>276,253</b>	<b>554,002</b>	<b>106,425</b>	<b>(91,732)</b>	<b>844,948</b>
<b>Transfers in (out)</b>	<b>(28,000)</b>	<b>(150,000)</b>	<b>-</b>	<b>150,000</b>	<b>(28,000)</b>
<b>Change in net assets</b>	<b>248,253</b>	<b>404,002</b>	<b>106,425</b>	<b>58,268</b>	<b>816,948</b>
<b>Total net assets - beginning</b>	<b>2,526,815</b>	<b>5,646,610</b>	<b>690,216</b>	<b>(24,429)</b>	<b>8,839,212</b>
<b>Total net assets - ending</b>	<b>\$ 2,775,068</b>	<b>\$ 6,050,612</b>	<b>\$ 796,641</b>	<b>\$ 33,839</b>	<b>\$ 9,656,160</b>

See accompanying notes

City of Springfield, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2007

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Sanitation	Cable TV	Total
<b>Operating activities</b>					
Receipts from customers and users	\$ 1,880,127	\$ 1,966,307	\$ 1,042,109	\$ 454,752	\$ 5,343,295
Payments to suppliers	(626,132)	(1,360,291)	(717,826)	(351,124)	(3,055,373)
Payments for personal services	(303,937)	(110,583)	(367,286)	(111,274)	(893,080)
Net cash provided (used) by operating activities	950,058	495,433	(43,003)	(7,646)	1,394,842
<b>Noncapital financing activities</b>					
Transfers to/from other funds	-	(150,000)	-	150,000	-
Net cash provided (used) by noncapital financing activities	-	(150,000)	-	150,000	-
<b>Capital and related financing activities</b>					
Proceeds from loans	2,762,178	-	-	-	2,762,178
Proceeds from the sale of assets	-	-	5,302	1,143	6,445
Principal paid on notes and leases	-	(189,147)	(32,901)	(126,833)	(348,881)
Interest paid on notes and leases	(12,716)	(670,907)	(1,295)	(19,778)	(704,696)
Purchase of capital assets	(2,623,338)	-	(93,200)	(1,683)	(2,718,221)
Net cash provided (used) by capital and related financing activities	126,124	(860,054)	(122,094)	(147,151)	(1,003,175)
<b>Investing activities</b>					
Distributions from joint venture	-	789,499	-	-	789,499
Interest received	62,763	76,611	19,289	-	158,663
Net cash provided by investing activities	62,763	866,110	19,289	-	948,162
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,138,945</b>	<b>351,489</b>	<b>(145,808)</b>	<b>(4,797)</b>	<b>1,339,829</b>
<b>Cash and cash equivalents - beginning</b>	<b>1,474,044</b>	<b>1,603,351</b>	<b>436,818</b>	<b>34,706</b>	<b>3,548,919</b>
<b>Cash and cash equivalents - ending</b>	<b>2,612,989</b>	<b>1,954,840</b>	<b>291,010</b>	<b>29,909</b>	<b>4,888,748</b>
<b>Cash and cash equivalents classified as</b>					
Current assets	1,780,669	1,193,468	291,010	29,909	3,295,056
Restricted assets	832,320	761,372	-	-	1,593,692
Total cash and cash equivalents	2,612,989	1,954,840	291,010	29,909	4,888,748
<b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities</b>					
Net operating income (loss)	214,539	1,009,314	83,129	(73,097)	1,233,885
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	66,653	236,235	73,207	37,101	413,196
(Increase) decrease in assets					
Accounts receivable	(17,522)	(14,685)	(14,453)	(14,694)	(61,354)
Prepaid expenses	(2,823)	(1,412)	(2,353)	(941)	(7,529)
Due from other funds	(119,105)	(839,830)	-	-	(958,935)
Increase (decrease) in liabilities					
Accounts payable	54,737	94,343	12,685	43,609	205,374
Accrued payroll liabilities	(1,765)	1,439	(254)	155	(425)
Accrued compensated absences	(1,949)	(1,214)	228	221	(2,714)
Due to other funds	681,019	11,243	(195,192)	-	497,070
Customer deposits	76,274	-	-	-	76,274
Total adjustments	735,519	(513,881)	(126,132)	65,451	160,957
Net cash provided (used) by operating activities	\$ 950,058	\$ 495,433	\$ (43,003)	\$ (7,646)	\$ 1,394,842
<b>Noncash investing and financing activities</b>					
Transfer of donated land to general fund	\$ 28,000	\$ -	\$ -	\$ -	\$ 28,000
Donated property and equipment received	\$ 14,795	\$ -	\$ -	\$ -	\$ 14,795

See accompanying notes

Notes to Basic Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Springfield, Florida (the City) have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB).

This summary of the City's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

***Reporting Entity***

The City of Springfield, established pursuant to Chapter 51-27900, Laws of Florida, is a political subdivision of the State of Florida and is located in Bay County. It operates under a Commissioner/Manager form of government and provides the following services as authorized by its charter: general government, public safety, highways and streets, water, sewer, sanitation, cable television, culture and recreation, maintenance, housing and urban development, and general administrative services.

***Measurement Focus and Basis of Accounting***

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

***Government-wide Financial Statements***

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Notes to Basic Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenses. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenses.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. The City chooses to eliminate the indirect costs between governmental activities to avoid duplicating revenues and expenses.

***Fund Financial Statements***

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

***Governmental Funds***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources." Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Notes to Basic Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an "other financing source" rather than as a fund liability.

***Proprietary Funds***

The City's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The Commission applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not contradict GASB pronouncements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than an "other financing" source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

***Basis of Presentation***

GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City has used GASB Statement 34 minimum criteria for major fund determination to determine which funds are required to be reported as major funds. The nonmajor governmental funds are combined in a column in the fund financial statements and detailed in the combining section; if applicable.

***Governmental Major Funds***

General Fund - The general fund is the general operating fund of the City. It is used to account for all activities of the general government except those required to be accounted for in another fund.

# City of Springfield, Florida

## Notes to Basic Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Proprietary Major Funds***

Water fund – The water fund is used to account for operations and activities related to the water system within the City.

Sewer fund – The sewer fund is used to account for operations and activities related to the sewer system within the City.

Sanitation fund – The sanitation fund is used to account for operations and activities related to the collection of solid waste within the City.

Cable TV fund – The cable TV fund is used to account for the operations and activities related to providing cable television services within the City.

#### ***Noncurrent Governmental Assets/Liabilities***

GASB Statement 34 requires noncurrent governmental assets, such as land, buildings and equipment, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, to be reported in the governmental activities column in the government-wide statement of net assets.

#### ***Budgets***

Annual budgets are legally adopted for all governmental funds and all proprietary funds. Budgets are prepared and adopted on a basis of accounting consistent with United States generally accepted accounting principles.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Chapter 129, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Therefore, the fund level is the legal level of control for budget considerations according to Florida Statute.

The City budgets expenditures at the department level. Only the City Commission can approve budget amendments that change the total approved budget appropriation of an individual department. Department managers can transfer appropriations within the departmental budget, but cannot change the total appropriation of an individual department without the approval of the City Commission.

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column the effects of budget amendments have been applied to original budgetary data.

#### ***Encumbrances***

Encumbrances accounting is not utilized as an extension of the formal budgetary process in the governmental funds. Therefore, no provision for encumbrances has been made.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Cash and Cash Equivalents**

The City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Due to and Due from Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, infrastructure, water and sewer distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are stated at cost, except for contributed assets, which are recorded at fair market value on the date received. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are generally as follows:

Buildings	20-40 years
Improvements	5-40 years
Equipment	3-10 years
Infrastructure	10-50 years

**Unamortized Loan Issuance Costs**

Loan costs consist of the issuance costs of notes payable and are amortized over the life of the loan.

Notes to Basic Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Long-term Obligations***

The City reports long-term debt of governmental funds at face value in the government-wide long-term liabilities. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide long-term liabilities.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

***Accumulated Vacation and Sick Leave***

The City allows its employees to accumulate a limited number of earned but unused vacation leave which is payable upon termination of employment if unused.

Sick leave is earned for each month of employment and is cumulative, however, employees do not vest in unused sick leave, therefore, no accrual has been made in the financial statements.

***Interfund Advances***

The City periodically advances monies between funds. These monies are advanced with the intent of repayment but no specified repayment schedule has been adopted and no interest is charged.

***Restricted Assets***

Certain assets of the various funds are required by resolutions and ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

***Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from those estimates.

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets:

The governmental funds balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$2,707,601 difference are as follows:

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

Cost of capital assets	\$	4,830,720
Less: accumulated depreciation		(2,105,119)
<hr/>		
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	2,735,601

Another element of that reconciliation states, "long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(129,816) difference are as follows:

Capital leases	\$	(100,882)
Compensated absences		(28,934)
<hr/>		
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	(129,816)

Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense." The details of this \$172,955 difference are as follows:

Capital outlay	\$	468,398
Depreciation expense		(295,443)
<hr/>		
Net adjustment to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	172,955

Another element of the reconciliation states that "the net effect of miscellaneous noncash transactions involving capital assets is to increase net assets. " The details of this \$28,000 difference are as follows:

Donation of capital asset	\$	28,000
Proceeds from sale of surplus property		(19,950)
<hr/>		
Net adjustment to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	8,050

Notes to Basic Financial Statements

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

Another element of the reconciliation states that “some expenses 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.” The details of this \$(655) difference are as follows:

Compensated absences	\$ ( 655)
<hr/>	
Net adjustment to decrease <i>net change in fund balance – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (655)

Another element of that reconciliation states, "the issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$49,366 difference are as follows:

Long-term debt	
Principal payments on capital lease obligations	\$ 69,316
<hr/>	
Net adjustment to increase <i>net change in fund balance – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$ 69,316

**NOTE 3 – BUDGETS**

The City adopts budgets on a basis consistent with United States generally accepted accounting principles (GAAP).

**NOTE 4 – DEPOSITS AND INVESTMENTS**

***Deposits Policies***

All cash resources of the City are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the City’s funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

The City’s cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Notes to Basic Financial Statements

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

***Investment Policies***

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following:

The Local Government Surplus Funds Trust Fund (State Board of Administration) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in State of Florida Statutes section 163.01.

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Interest-bearing time deposits or savings accounts in state-certified qualified public depositories as defined in State of Florida Statutes section 280.02.

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et. seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

There were no investments at September 30, 2007.

***Interest Rate Risks***

At September 30, 2007, the City did not hold any investments that were considered to be an interest rate risk.

***Credit Risks***

At September 30, 2007, the City did not hold any investments that were considered to be a credit risk.

***Custodial Risks***

At September 30, 2007, the City did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

As September 30, 2007, the City did not hold any investments that were considered to be a concentration of credit risk.

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

**NOTE 5 – ACCOUNTS RECEIVABLE, NET**

At September 30, 2007, accounts receivable in the general fund is summarized as follows:

Grants	\$	208,202
Less: allowance for doubtful accounts		-
<hr/>		
Net accounts receivable	\$	208,202
<hr/>		

At September 30, 2007, accounts receivable in the proprietary funds is summarized as follows:

Total accounts receivable	\$	403,846
Less: allowance for doubtful accounts		(32,589)
<hr/>		
Net accounts receivable	\$	371,257
<hr/>		

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of September 30, 2007 is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General	Cable	\$ 15,636
Water	General	123,195
Water	Cable	7
Sewer	Water	629,830
Sewer	General	198,427
Sanitation	Water	67,472
Sanitation	Sewer	24,568
Sanitation	General	121,726
<hr/>		
Total		\$ 1,180,861
<hr/>		

Interfund receivables and payables are primarily the result of advances made from one fund to another during the course of normal operations.

The City's transfers from the general fund to the debt service fund in the amount of \$74,561 provides for the principal and interest payments on capital leases.

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

**NOTE 7 – CAPITAL ASSETS**

Changes in capital assets of the governmental activities funds are summarized as follows:

	October 1, 2006	Transfers	Increases	Decreases	September 30, 2007
Capital assets, not being depreciated					
Land	\$ 584,138	\$ -	\$ 28,000	\$ -	\$ 612,138
Total capital assets, not being depreciated	584,138	-	28,000	-	612,138
Capital assets, being depreciated					
Buildings	1,182,063	-	-	-	1,182,063
Streets	300,750	-	-	-	300,750
Improvements	574,885	-	335,878	(17,600)	893,163
Machinery and equipment	2,054,482	-	132,520	(334,396)	1,852,606
Total capital assets, being depreciated	4,112,180	-	468,398	(351,996)	4,228,582
Less accumulated depreciation					
Buildings	832,774	-	25,140	-	857,914
Streets	17,544	-	7,519	-	25,063
Improvements	78,562	-	28,066	(3,662)	102,966
Machinery and equipment	1,212,841	-	234,718	(328,383)	1,119,176
Total accumulated depreciation	2,141,721	-	295,443	(332,045)	2,105,119
Total capital assets, being depreciated	1,970,459	-	172,955	(19,951)	2,123,463
Total governmental activities' capital assets (net of accumulated depreciation)	\$2,554,597	\$ -	\$ 200,955	\$ (19,951)	\$ 2,735,601

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2007:

	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Cable TV</b>	<b>Total</b>
Land	\$ -	\$ 42,457	\$ 47,713	\$ -	\$ 90,170
Buildings and improvements	17,489	14,081	39,493	61,290	132,353
Distribution system	4,569,790	7,146,571	-	856,131	12,572,492
Equipment and furniture	275,694	240,362	768,048	439,482	1,723,586
<b>Total</b>	<b>4,862,973</b>	<b>7,443,471</b>	<b>855,254</b>	<b>1,356,903</b>	<b>14,518,601</b>
Less: accumulated depreciation					
Buildings and improvements	4,022	3,537	17,669	45,661	70,889
Distribution system	719,752	1,715,393	-	820,863	3,256,008
Equipment and furniture	217,647	195,736	591,920	395,577	1,400,880
<b>Total accumulated depreciation</b>	<b>941,421</b>	<b>1,914,666</b>	<b>609,589</b>	<b>1,262,101</b>	<b>4,727,777</b>
<b>Total business-type activities capital assets (net of accumulated depreciation)</b>	<b>\$ 3,921,552</b>	<b>\$ 5,528,805</b>	<b>\$ 245,665</b>	<b>\$ 94,802</b>	<b>\$ 9,790,824</b>

Changes in capital assets of the business-type activities funds are summarized as follows:

	<b>October 1, 2006</b>	<b>Transfers</b>	<b>Increases</b>	<b>Decreases</b>	<b>September 30, 2007</b>
Capital assets, not being depreciated					
Land	\$ 90,170	\$ -	\$ -	\$ -	\$ 90,170
<b>Total capital assets, not being depreciated</b>	<b>90,170</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,170</b>

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

	October 1, 2006	Transfers	Increases	Decreases	September 30, 2007
Capital assets, being depreciated					
Buildings and improvements	\$ 134,409	\$ (823)	\$ -	\$ (1,233)	\$ 132,353
Distribution system	9,965,425	823	2,606,844	(600)	12,572,492
Machinery and equipment	2,133,146	-	126,172	(535,732)	1,723,586
<b>Total capital assets, being depreciated</b>	<b>12,232,980</b>	<b>-</b>	<b>2,733,016</b>	<b>(537,565)</b>	<b>14,428,431</b>
Less accumulated depreciation					
Buildings and improvements	66,167	-	5,955	(1,233)	70,889
Distribution system	3,001,392	-	255,216	(600)	3,256,008
Machinery and equipment	1,784,587	-	152,025	(535,732)	1,400,880
<b>Total accumulated depreciation</b>	<b>4,852,146</b>	<b>-</b>	<b>413,196</b>	<b>(537,565)</b>	<b>4,727,777</b>
<b>Total capital assets, being depreciated, net</b>	<b>7,380,834</b>	<b>-</b>	<b>2,319,820</b>	<b>-</b>	<b>9,700,654</b>
<b>Total business-type activities' capital assets (net of accumulated depreciation)</b>	<b>\$ 7,471,004</b>	<b>\$ -</b>	<b>\$ 2,319,820</b>	<b>\$ -</b>	<b>\$ 9,790,824</b>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities	
General government	\$ 39,613
Public safety	147,107
Highways and streets	36,138
Maintenance	9,646
Culture and recreation	62,939
<b>Total depreciation expense - governmental activities</b>	<b>\$ 295,443</b>

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

Business-type activities		
Water	\$	66,653
Sewer		236,235
Sanitation		73,207
Cable TV		37,101
<hr/>		
Total depreciation expense - business-type activities	\$	413,196

**NOTE 8 – CAPITAL LEASES**

The City has entered into lease agreements as lessee for financing the acquisition of police vehicles and a fire pumper truck. The City also has financed the acquisition of a Vac-Con truck for its sanitation fund and equipment for its sewer fund by means of leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Assets		
Machinery and equipment	\$ 260,748	\$ 97,608
Less accumulated depreciation	(164,238)	(48,904)
<hr/>		
Total net assets	\$ 96,510	\$ 48,704

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007 are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
2008	\$ 67,714	\$ 16,895
2009	40,507	-
<hr/>		
Total minimum lease payments	108,221	16,895
Less amount representing interest	(7,339)	(520)
<hr/>		
Present value of minimum lease payments	100,882	16,375
Less amount due within one year	(61,796)	(16,375)
<hr/>		
Amount due in more than one year	\$ 39,086	\$ -

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

**NOTE 9 – LONG-TERM DEBT**

Long-term debt for business-type activities is as follows:

	<b>Balance September 30, 2007</b>
Cable fund revenue note-series 1998A; principal and interest payable monthly. The interest rate is 5.92%. The note and interest are collateralized by a lien on the cable system revenues. Note matures April 2008.	\$ 68,259
SRF construction loan; principal and interest payable semiannually. Payments are \$91,908 including interest at 2.64%. The amount due is collateralized by revenues of the water system. Note matures April 2026.	2,762,178
Due to joint venture; principal and interest payable monthly based on the debt service incurred in the joint venture related to the City. Interest rates range from 5.6% to 5.7%. The amount due and interest are collateralized by the revenues of the sewer system. Note matures September 2028.	4,246,006
Total notes payable	7,076,443
Less amounts due within one year	(365,282)
Notes payable amount due in more than one year	\$ 6,711,161

Debt service requirements to maturity on these obligations are summarized as follows:

<b>Year Ended September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service Requirements</b>
2008	\$ 365,282	\$ 312,791	\$ 678,073
2009	279,520	303,468	582,988
2010	290,456	292,997	583,453
2011	360,466	281,991	642,457
2012	377,276	267,693	644,969
2013-2017	1,770,262	1,120,253	2,890,515
2018-2022	2,234,573	704,964	2,939,537
2023-2027	1,398,608	176,402	1,575,010
	\$ 7,076,443	\$ 3,460,559	\$ 10,537,002

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

**NOTE 9 – LONG-TERM DEBT (CONTINUED)**

Long-term liability activity for the year ended September 30, 2007, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities</b>					
Capital leases	\$ 170,198	\$ -	\$ (69,316)	\$ 100,882	\$ 61,796
Compensated absences	28,279	28,934	(28,279)	28,934	28,934
<b>Total governmental activities</b>	<b>\$ 198,477</b>	<b>\$ 28,934</b>	<b>\$ (97,595)</b>	<b>\$ 129,816</b>	<b>\$ 90,730</b>
<b>Business-type activities</b>					
Notes payable	\$ 4,590,955	\$ 2,762,178	\$ (276,690)	\$ 7,076,443	\$ 365,282
Capital leases	88,566	-	(72,191)	16,375	16,375
Compensated absences	17,291	14,577	(17,291)	14,577	14,577
<b>Total business-type activities</b>	<b>\$ 4,696,812</b>	<b>\$ 2,776,755</b>	<b>\$ (366,172)</b>	<b>\$ 7,107,395</b>	<b>\$ 396,234</b>

**NOTE 10 – ACCRUED ABSENCES**

Accrued compensated absences consist of the following:

*September 30, 2007*

	<b>Accrued Vacation Leave</b>
<b>Enterprise funds:</b>	
Water	\$ 4,050
Sewer	2,566
Sanitation	5,931
Cable TV	2,030
General fund	28,934
<b>Total accrued compensated absences</b>	<b>\$ 43,511</b>

**NOTE 11 – PENSION PLAN**

Effective June 30, 2006, the City elected to terminate the Florida Municipal Trust Fund (FMTF) and to purchase credits in the Florida Retirement System for those employees participating in the FMTF Plan. The cost of those credits was \$542,685. The City's pension plan is established by city ordinance. Description of the plan is as follows:

Notes to Basic Financial Statements

**NOTE 11 – PENSION PLAN (CONTINUED)**

***Defined Benefit Pension Plan***

The City participates in the Florida Retirement System ("System"), a cost-sharing multiple-employer public employee retirement system administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement, disability, and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected city officials who may elect not to participate in the System. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates are as follows:

	<b>October 1, 2004 Through June 30, 2005</b>	<b>July 1, 2005 Through June 30, 2006</b>	<b>July 1, 2006 Through September 30, 2007</b>
Regular employees	7.39%	7.83%	9.85%
Special risk employees	18.53%	18.53%	20.92%

Contributions made to the System for the year ended September 30, 2007, 2006 and 2005 were \$279,618, \$118,576, and \$63,049, respectively; these contributions represent 13.84%, 12.24%, and 10.55%, of covered payroll, respectively, and are equal to the required contributions for each year.

A copy of the financial report of the system may be obtained by contacting the State of Florida, Division of Retirement, Cedars Executive Center, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

**NOTE 12 – NET ASSETS RESTRICTIONS**

The following is a description of reported net asset restrictions in governmental activities and business-type activities at September 30, 2007.

***Business-type Activities***

Restriction for impact fees - This restriction was established to record water and sewer impact fees collected in excess of qualified expenditures. An ordinance restricts the use of impact fees to certain capital expenditures, emergency repairs or other improvements to the water and sewer system.

Notes to Basic Financial Statements

**NOTE 12 – NET ASSETS RESTRICTIONS (CONTINUED)**

**Summary**

Specific restrictions of net assets are summarized below as of September 30, 2007:

Business-type activities	
Impact fees	\$ 1,189,169
<hr/>	
Total	\$ 1,189,169
<hr/>	

**NOTE 13 – FUND BALANCE RESERVATIONS**

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of fund balance set aside by the City for contingencies.

The following is a description of reported reserves in governmental activities at September 30, 2007:

**General Fund**

Reserved for prepaid items - This reserve was created to segregate assets listed that do not represent available expendable financial resources.

**Reserved for Law Enforcement Education**

Reserved for law enforcement education – This restriction was created to restrict the use of all resources collected specifically for law enforcement purposes. Florida statutes restrict the use of these funds for education, training and capital purchase purposes.

**Summary**

Specific reservations of fund balances are summarized below as of September 30, 2007:

General fund	
Reserved for prepaid items	\$ 27,469
Reserved for law enforcement education	9,867
<hr/>	
Total reserve fund balance	\$ 37,336
<hr/>	

**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; injuries to employees; and natural disasters. The City purchases commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past five fiscal years.

Notes to Basic Financial Statements

**NOTE 15 – INVESTMENT IN JOINT VENTURE**

The City of Springfield, Florida, in alliance with the Cities of Callaway, Parker and the Town of Cedar Grove joined efforts on September 27, 1996 to supply existing and expanded wastewater treatment and disposal services. The mission of this joint venture is to provide these services in an economical, efficient and environmentally appropriate manner to their respective citizenry. This venture is known as the Military Point Advanced Wastewater Treatment Facility (MPAWTF). In an effort to achieve its objectives, the joint venture completed construction of a 7.0 MGD advanced wastewater treatment system and subsequent operations began in July, 1999. The costs of construction of these projects were funded through a combination of conventional borrowing and state revolving trust loans.

The joint venture is owned and governed by its owners. The owners are Bay County, the Cities of Callaway, Parker, Springfield and the Town of Cedar Grove. One owner is selected by the others to be responsible for operating the System. The owner delegated to be the operator is Bay County, Florida. The operator of the System, in accordance with the interlocal agreement, prepares the system’s annual budget, sets treatment rates and collects funds sufficient to pay debt service; cost of operations and maintenance; renewal and replacement; and any enhancements to reserves. The results of operations and cash flows, are accounted for, in total, within the financial statements of the joint venture. The City’s interest in equity is reported within the City’s Sewer Fund. As of September 30, 2007, the City’s portion of the equity of the venture was \$1,915,926. Complete financial statements for the joint venture, may be obtained from the operator at P.O. Box 2269, Panama City, Florida 32402.

Summary financial statements for the Military Point Advanced Wastewater Treatment Facility are as follows:

**Statement of Net Assets**

*September 30, 2007*

<b>Assets</b>	
Current assets	\$ 2,241,805
Noncurrent assets	39,085,790
<b>Total assets</b>	<b>41,327,595</b>
<b>Liabilities</b>	
Current liabilities	2,558,498
Noncurrent liabilities	30,790,191
<b>Total liabilities</b>	<b>33,348,689</b>
<b>Net assets</b>	<b>\$ 7,978,906</b>

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

**NOTE 15 – INVESTMENT IN JOINT VENTURE (CONTINUED)**

**Statement of Activities**

*Year Ended September 30, 2007*

<b>Operating revenues</b>	\$	5,781,315
<b>Operating expenses</b>		4,198,835
<hr/>		
Operating income		1,582,480
Nonoperating revenues (expenses), net		(806,008)
<hr/>		
Net income before distributions to owners		776,472
Distributions to owners		(440,157)
Unused construction funds withdrawn by owners for use on water/sewer projects of owners		(1,219,830)
<hr/>		
<b>Change in net assets</b>		(883,515)
<b>Net assets, beginning</b>		8,862,421
<hr/>		
<b>Net assets, ending</b>	\$	7,978,906
<hr/>		

The City's net income from the joint venture in the amount of \$138,984 is derived as follows:

Share of operating income	\$	145,681
Reduction in reserve requirements		(6,697)
<hr/>		
Net income from joint venture	\$	138,984
<hr/>		

## Compliance Section

City of Springfield, Florida

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2007

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency or Pass-through Number	Grant Award	Total Expenditures
<u>U.S. Department of Justice</u>				
Bullet Proof Vest Grant	16.607	NA	2,470	2,470
<u>U.S. Environmental Protection Agency</u> <u>Passed Through Florida Department of Environmental Protection</u>				
Capitalization Grants for Drinking Water State Revolving Fund	66.468	DW0308010	\$ 2,796,462	\$ 2,606,845
<u>U.S. Department of Justice Passed Through</u> <u>Passed Through Florida Department of Law Enforcement</u>				
Edward Byrne Memorial	16.738	2007-JAGD-BAY-3-P4-095	3,414	3,414
Edward Byrne Memorial	16.738	2007-JAGC-BAY-2-P3-018	19,889	19,889
			23,303	23,303
<u>U.S. Federal Emergency Management Administration</u> <u>Passed through Florida Division of Emergency Management</u>				
Hazard Mitigation Grant	97.039	07HM-4"-01-13-02-004	88,457	56,147
<u>U.S. Department of Housing and Urban Development</u> <u>Passed through Florida Department of Community Affairs</u>				
Community Development Block Grant	14.228	07DB-3R-01-13-02-H10	750,000	410,275
<b>Total Federal Awards</b>			<b>\$ 3,660,692</b>	<b>\$ 3,099,040</b>

City of Springfield, Florida

Notes to Schedule of Expenditures of  
Federal Awards

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**NOTE 1 – BASIS OF PRESENTATION**

The schedule of expenditures of federal awards of City of Springfield, Florida is presented on the accrual basis of accounting.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2007

**Section I – Summary of Auditor’s Results**

Financial Statements:

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

X  yes    \_\_\_ no

Significant deficiencies identified not considered to be material weaknesses?

X  yes    \_\_\_ none reported

Noncompliance material to financial statements noted?

\_\_\_ yes     X  no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?

\_\_\_ yes     X  no

Significant deficiencies identified not considered to be material weaknesses?

\_\_\_ yes     X  none reported

Type of auditor’s report issued on compliance for major programs and projects:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

\_\_\_ yes     X  no

Identification of Major Programs

Federal/State Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor Number
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Federal Awards:

U.S. Environmental Protection Agency  
 Passed Through Florida Department of Environmental Protection –  
 Capitalization Grants for Drinking Water State Revolving Fund

66.468

DW0308010  
 (Continued)

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2007

**Section I – Summary of Auditor’s Results (Continued)**

U.S. Department of Housing and Urban Development Passed through Florida Department of Community Affairs – Community Development Block Grant	14.228	07DB-3R-01-02-H10
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Federal

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
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Auditee qualified as low-risk auditee?	___ yes	_X_ no
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**Section II – Financial Statement Findings**

07-01 Audit Adjusting Entries

Condition: Significant adjustments to the financial records were made in order for the financial statements to conform with generally accepted accounting principles.

Recommendation: We recommend that the accounting staff continue to strive toward minimizing the adjustments that have been required.

Response: Management agrees with our recommendation

07-02 Financial Statements

Condition: Inadequate design of internal control over the preparation of financial statements being audited gives rise to a significant deficiency in internal control

Criteria: The requirement is for the City to be able to prepare its own financial statements.

Effect: The auditor assists in the preparation while the City retains responsibility for them.

Recommendation: We recommend that the City consider taking the necessary steps to prepare their financial statements.

Response: Management believes that it is more beneficial to have the auditors assist in the preparation of the financial statements.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2007

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**Section II – Financial Statement Findings (Continued)**

07-03 Bank Reconciliations

Condition: Several general ledger bank account balances did not agree with related reconciliations because activity was not recorded in a timely manner. We also noted that bank reconciliations were not being completed in a timely manner.

Effect: Failure to perform timely reconciliation could result in a material error going undetected.

Recommendation: We recommend that the City establish procedures to ensure that all bank reconciliations agree with the general ledger, that all activity in the account is recorded in a timely manner, and that all bank reconciliations be completed in a timely manner. We recommend that the bank reconciliations be reviewed by management that is independent of the bank reconciliation process. We also recommend that all reconciliations be signed or initialed by the preparer and reviewer so that responsibility can be easily determined.

Response: The City is continuing to make efforts to keep all accounts properly reconciled and timely performed by having an employee dedicated to that position. Procedures to incorporate a management level review of the reconciliations are in process.

07-04 Account Balances and Journal Entries

Condition: Several general ledger accounts had incorrect balances.

Effect: The cause of the incorrect balances was due mostly to miscoding of transactions and the conversion of software systems for general ledger and utility billing. The result of this situation caused a significant amount of additional audit work and adjusting journal entries. We have reviewed all journal entries with the City Clerk.

Recommendation: We recommend that the City Clerk implement procedures to ensure proper coding including timely verification of account balances by management.

Response: The City is continuing to make efforts to properly code all transactions by having an employee dedicated to that position. Procedures to incorporate a management level review of the reconciliations are in process.

07-05 Operating Expenditures Exceed Budget

Condition: We noted expenditures exceeded the approved budget in the special governing, administration, protective services, police, highways and streets, maintenance, housing and urban development, recreation, and library departments.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2007

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**Section II – Financial Statement Findings (Continued)**

Recommendation: We recommend periodic review and amendments to the budget as needed.

Response: The City is continuing to make efforts to work towards staying within our budget guidelines and when not able to do so, we are reviewing and amending the budget throughout the year.

07-06 Transfers and Internal Balances

Condition: We noted that transfers out of one fund did not equal the related transfers in the related fund. We noted an instance where the related due from/to did not balance. An audit adjusting entry was made to correct these errors.

Criteria: For each transfer and due from/to in a fund there must be a corresponding amount in the related fund.

Effect: Misstatement of financial data reported to management.

Recommendation: The City needs to establish policies and procedures to ensure that all transfers in or out and amounts due from/to other funds have a corresponding amount in the related fund.

Response: The City will establish procedures to assure that these types of transactions are properly recorded in all related funds.

07-07 Payroll Returns

Condition: During our review of payroll returns, we noted that holiday bonuses paid to employees were not included in payroll returns as wages.

Criteria: All compensation paid to employees is subject to withholding and employment taxes.

Effect: Improper reporting of compensation.

Recommendation: We recommend that policies and procedures be established to ensure that all taxable wages are reported properly and included in the appropriate payroll return filings. We also recommend that the related payroll returns be amended to include this information.

Response: The City will report all qualified wages in the payroll returns in the future.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2007

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**Section II – Financial Statement Findings (Continued)**

07-08 Payroll Reconciliation

Condition: We noted that a periodic reconciliation of payroll records to the general ledger had not been performed.

Criteria: As part of an internal control system, such reconciliations are performed to assure that all payroll transactions have been properly recorded.

Effect: Errors in recording payroll could go undetected and not be corrected in a timely manner.

Recommendation: We recommend that quarterly payroll be reconciled to the general ledger and that that reconciliation be documented. We also recommend that the reconciliations be signed or initialed by the preparer so that responsibility can be easily determined.

Response: The city will prepare a quarterly reconciliation that will have the preparer's initials.

07-9 Accounts Receivable

Condition: The subsidiary ledger of accounts receivable was not reconciled to the general ledger.

Effect: Failure to detect and correct errors in a timely manner.

Recommendation: We recommend that a reconciliation of the accounts receivable subsidiary totals to the general ledger be made at the end of each month and that any reconciling items be investigated and cleared promptly. We also recommend that all reconciliations be signed or initialed by the preparer so that responsibility can be easily determined.

Response: The City will establish procedures to perform the reconciliation and will include the preparer's initials.

07-10 Property and Equipment

Condition: As noted in prior audits, the property and equipment records were not complete.

Criteria: A documented physical inventory and inspection of property and equipment should be conducted at least annually.

Schedule of Findings and Questioned Costs (Continued)

*Year Ended September 30, 2007*

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**Section II – Financial Statement Findings (Continued)**

Effect: Failure to detect and correct errors in property and equipment records in a timely manner.

Recommendation: Although the City has taken certain steps to improve the records, we recommend further improvement in this area, including coordination between the fiscal office and the purchasing department. We also recommend that a detailed inventory of all capital assets be taken annually, and that the tagging system be utilized without exception.

Response: The City will continue to improve the record keeping of the property and equipment including taking an annual inventory.

**Section III - Federal Award Findings and Questioned Costs**

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Circular A-133.

**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**

Honorable Mayor, Members of the  
City Commission and City Clerk  
City of Springfield, Florida

We have audited the accompanying financial statements of the governmental activities and the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Florida (the City), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report dated August 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Springfield, Florida'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 of Springfield, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Springfield, Florida'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 City of Springfield, Florida'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 City of Springfield, Florida's financial statements that is more than inconsequential will not be prevented or detected by City of Springfield, Florida's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. See findings 07-01, 07-02, 07-05, 07-07, and 07-08 in the schedule of findings and questioned costs.

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 City of Springfield, Florida'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. See findings 07-03, 07-04, 07-06, 07-09, and 07-10 in the schedule of findings and questioned costs.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Springfield, Florida'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*. However, we noted certain matters that we reported to management of the City of Springfield, Florida, in a separate letter dated August 29, 2008.

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

This report is intended solely for the information and use of the City's management and appropriate federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carri Riggs & Ingram, L.L.C.*

Panama City Beach, Florida  
August 29, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Directors  
City of Springfield, Florida  
Panama City, Florida

Compliance

We have audited the compliance of City of Springfield, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended September 30, 2007. City of Springfield, Florida's major federal programs are identified in the summary of Auditor's results sections of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Springfield, Florida's management. Our responsibility is to express an opinion on City of Springfield, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Springfield, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Springfield, Florida's compliance with those requirements.

In our opinion, City of Springfield, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended City of Springfield, Florida.

## Internal Control Over Compliance

The management of City of Springfield, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Springfield, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance; but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of City of Springfield, Florida's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

A *control deficiency* in an organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

This report is intended for the information and use of the audit committee, management, others within the organization, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Carri Riggs & Ingram, L.L.C.*

Panama City Beach, Florida  
August 29, 2008

## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor, Members of the  
City Commission and City Clerk  
City of Springfield, Florida

We have audited the financial statements of the City of Springfield, Florida, as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated August 29, 2008.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. We have issued our 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, Independent Auditor's Report on Compliance and Internal Control Over Compliance to Each Major Federal Program and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated August 29, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and unless otherwise required to be reported in the Report on Compliance and Internal Controls or Schedule of Findings and Questioned Costs, this letter is required to include the following information.

Section 10.554(1)(i)1., Rules of The Auditor General, requires that we address in the management letter, if not already addressed in the Auditor's report on internal controls, whether or not significant findings and recommendations made in the preceding annual financial report have been followed. All prior year comments other than those noted below have been addressed.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Springfield, Florida complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, our recommendations are provided in the Schedule of Findings and Questioned Costs.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Springfield, Florida was established by Laws of Florida, 51-27900. There were no component units of the reporting entity as defined in Section 10.553, Rules of the Auditor General.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City of Springfield, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

### **Prior Year Comments and Recommendations**

#### **06-01 Property and Equipment**

As noted in prior audits, the property and equipment records were not complete. Although the City has taken certain steps to improve the records, we recommend further improvement in this area, including coordination between the fiscal office and the purchasing department. See current year comment 07-10 in the Schedule of Findings and Questioned Costs.

#### **06-02 Bank Reconciliations**

Several general ledger bank accounts did not agree with related reconciliations because activity was not recorded in a timely manner. An audit adjustment was prepared to correct the balance. Although steps have been taken to improve this condition, it has not been completely resolved in the current year. See current year comment 07-03 in the Schedule of Findings and Questioned Costs.

#### 06-03 Account Balances and Journal Entries

Several general ledger accounts had incorrect balances. The cause of the incorrect balances was due mostly to miscoding and nonrecognition of the problem by the City Clerk's office. The result of this situation caused a significant amount of additional audit work and adjusting journal entries. We have reviewed all journal entries with the City Clerk. We recommend that the City Clerk implement procedures to ensure proper coding including verification of account balances. See current year comment 07-04 in the Schedule of Findings and Questioned Costs.

#### 06-04 Operating Expenditures Exceed Budget

Budgetary spending authority is at the departmental level. We noted expenditures exceeded the approved budget in the special governing, administration, protective services, police, highways and streets, and library departments. We recommend periodic review and amend the budget as needed. See current year comment 07-05 in the Schedule of Findings and questioned Costs.

#### Current Year Comments and Recommendations

All current year comments and recommendations are presented on the Schedule of Findings and Questioned Costs.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Springfield, Florida for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.

Section 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of the City of Springfield and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

Panama City Beach, Florida  
August 29, 2008