

City of Springfield, Florida

Financial Statements

September 30, 2009

City of Springfield, Florida  
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September 30, 2009

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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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

Because of our inability to obtain sufficient appropriate audit evidence, we were unable to form an opinion regarding the amounts of proprietary funds' (water, sewer, sanitation and cable TV) accounts receivable, customer deposit liability and customer deposit cash, and were unable to satisfy ourselves about the account balances through alternative procedures.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary as a result of the above limitations, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2011, 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, 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.

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

Certified Public Accountants  
Panama City Beach, Florida  
June 21, 2011

## 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 \$13,417,232 (net assets). Of this amount, \$29,325 is in unrestricted net assets for Governmental Activities and \$5,130,977 is unrestricted net assets for Business-type Activities, while \$1,504,909 is restricted net assets for Business-type Activities.
- Total net assets increased by \$952,496. Of this amount, an increase of \$1,418,082 is attributable to Governmental Activities, a decrease of \$530,392 is attributable to Business-type Activities, and an increase of \$64,806 is attributable to a prior period adjustment in the Governmental Activities.
- As of September 30, 2009, the general fund's unreserved fund balance is \$73,964 or 2% of total general fund expenditures.
- Governmental Activities revenues increased to \$4,086,088 or 7%, while Governmental Activities expenses decreased 13% to \$3,520,295. Business-type Activities revenues decreased to \$4,525,083 or 13%, while Business-type Activities expenses decreased 12% to \$4,203,186.

### 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 the City (known as the *primary government*) and the Springfield Community Redevelopment Agency (CRA), a legally separate component unit. The CRA is presented as a blended component unit as the City and the CRA share a governing body.

## **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 notes, 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 funds, 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 for the fiscal years ended September 30, 2009 and 2008. At the end of the fiscal year 2009, 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 activities and business-type activities, however, the City has a deficit balance in the governmental activities unrestricted net assets for fiscal year 2008.

### Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 363,154	\$ 357,170	\$ 7,235,379	\$ 7,841,156	\$ 7,598,533	\$ 8,198,326
Capital assets	4,072,488	2,846,734	9,313,575	9,565,435	13,386,063	12,412,169
<b>Total assets</b>	<b>4,435,642</b>	<b>3,203,904</b>	<b>16,548,954</b>	<b>17,406,591</b>	<b>20,984,596</b>	<b>20,610,495</b>
Current liabilities	361,773	245,873	545,688	550,072	907,461	795,945
Noncurrent liabilities	59,937	426,987	6,599,966	6,922,827	6,659,903	7,349,814
<b>Total liabilities</b>	<b>421,710</b>	<b>672,860</b>	<b>7,145,654</b>	<b>7,472,899</b>	<b>7,567,364</b>	<b>8,145,759</b>
Net assets invested in capital assets, net of related debt	3,984,607	2,807,648	2,767,414	2,742,717	6,752,021	5,550,365
Net assets – restricted	-	-	1,504,909	1,583,814	1,504,909	1,583,814
Net assets – unrestricted	29,325	(276,604)	5,130,977	5,607,161	5,160,302	5,330,557
<b>Total net assets</b>	<b>\$ 4,013,932</b>	<b>\$ 2,531,044</b>	<b>\$ 9,403,300</b>	<b>\$ 9,933,692</b>	<b>\$ 13,417,232</b>	<b>\$ 12,464,736</b>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents 50% 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 11% 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* (\$5,160,302), 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.

### Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Program revenues</b>						
Charges for services	\$ 100,851	\$ 328,802	\$ 4,500,353	\$ 4,654,920	\$ 4,601,204	\$ 4,983,722
Operating grants/contributions	536,052	1,024,472	-	-	536,052	1,024,472
Capital grants/contributions	1,356,669	312,444	2,000	432,409	1,358,669	744,853
<b>General revenues</b>						
Gross receipts taxes	1,519,158	1,114,746	-	-	1,519,158	1,114,746
Utility taxes/franchise fees	483,628	860,054	-	-	483,628	860,054
Other	89,730	191,754	22,730	117,563	112,460	309,317
<b>Total revenues</b>	<b>4,086,088</b>	<b>3,832,272</b>	<b>4,525,083</b>	<b>5,204,892</b>	<b>8,611,171</b>	<b>9,037,164</b>
<b>Expenses</b>						
General						
government	570,516	677,568	-	-	570,516	677,568
Public safety	1,892,187	1,851,019	-	-	1,892,187	1,851,019
Highways and streets	560,541	542,456	-	-	560,541	542,456
Maintenance	158,084	162,729	-	-	158,084	162,729
Housing and urban development	-	453,746	-	-	-	453,746
Culture/recreation	337,263	334,427	-	-	337,263	334,427
Community redevelopment	284	2,096	-	-	284	2,096
Interest on long-term debt	1,420	8,381	-	-	1,420	8,381
Water	-	-	1,156,232	1,361,274	1,156,232	1,361,274
Sewer	-	-	1,696,519	1,862,459	1,696,519	1,862,459
Sanitation	-	-	961,731	1,106,990	961,731	1,106,990
Cable TV	-	-	388,704	425,678	388,704	425,678
<b>Total expenses</b>	<b>3,520,295</b>	<b>4,032,422</b>	<b>4,203,186</b>	<b>4,756,401</b>	<b>7,723,481</b>	<b>8,788,823</b>
<b>Change in net Assets before transfers</b>	<b>565,793</b>	<b>(200,150)</b>	<b>321,897</b>	<b>448,491</b>	<b>887,690</b>	<b>248,341</b>
<b>Transfers</b>	<b>852,289</b>	<b>-</b>	<b>(852,289)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>1,418,082</b>	<b>(200,150)</b>	<b>(530,392)</b>	<b>448,491</b>	<b>887,690</b>	<b>248,341</b>
<b>Net assets - beginning</b>						
<b>As originally reported</b>	<b>2,531,044</b>	<b>2,731,194</b>	<b>9,933,692</b>	<b>9,656,160</b>	<b>12,464,736</b>	<b>12,387,354</b>
<b>Prior period adjustment</b>	<b>64,806</b>	<b>-</b>	<b>-</b>	<b>(170,959)</b>	<b>64,806</b>	<b>(170,959)</b>
<b>As restated</b>	<b>2,595,850</b>	<b>2,731,194</b>	<b>9,933,692</b>	<b>9,485,201</b>	<b>12,529,542</b>	<b>12,216,395</b>
<b>Net assets - ending</b>	<b>\$ 4,013,932</b>	<b>\$ 2,531,044</b>	<b>\$ 9,403,300</b>	<b>\$ 9,933,692</b>	<b>\$ 13,417,232</b>	<b>\$ 12,464,736</b>

Governmental activities revenues exceeded expenses by \$1,418,082, while business-type activities expenses exceeded revenues by \$530,392. Total revenues decreased \$425,993 from the previous year. Total expenses decreased \$1,065,342 from the previous year.

49% 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 (54%), general government (16%), and highways and streets (16%) activities.

Charges for services provided 99% of the revenues for business-type activities, while sewer fund consumed 40% 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, 2009, total assets were \$1,025,952 and total liabilities were \$946,168. At the end of fiscal year 2009, unreserved fund balance of the general fund had \$73,964 while the total fund balance equaled \$79,784.

#### **Community Redevelopment Fund**

The Community Redevelopment Fund is used by the City to account for the revenues and expenditures of the Springfield Community Redevelopment Agency.

#### **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 expenditure 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>2009</b>	<b>2008</b>
Water	\$ 1,664,923	\$ 1,127,659
Sewer	3,108,597	3,917,331
Sanitation	391,011	545,315
Cable TV	(33,554)	16,856
<b>Total</b>	<b>\$ 5,130,977</b>	<b>\$ 5,607,161</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, 2009, was \$13,386,063 (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	
	2009	2008	2009	2008	2009	2008
Land	\$ 772,138	\$ 612,138	\$ 90,170	\$ 90,170	\$ 862,308	\$ 702,308
Construction in progress	765,426	-	-	-	765,426	-
Buildings	747,261	299,008	44,775	49,533	792,036	348,541
Improvements/ distribution system	1,002,904	1,051,943	8,821,682	9,017,294	9,824,586	10,069,237
Machinery and equipment	524,109	615,477	356,948	408,438	881,057	1,023,915
Streets	260,650	268,168	-	-	260,650	268,168
<b>Total</b>	<b>\$ 4,072,488</b>	<b>\$ 2,846,734</b>	<b>\$ 9,313,575</b>	<b>\$ 9,565,435</b>	<b>\$ 13,386,063</b>	<b>\$ 12,412,169</b>

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 \$6,634,042. This debt amount represents notes payable and capital leases secured by specified revenue sources and equipment.

#### Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Capital leases	\$ 87,881	\$ 39,086	\$ -	\$ -	\$ 87,881	\$ 39,086
Notes payable	-	-	6,546,161	6,822,718	6,546,161	6,822,718
<b>Total</b>	<b>\$ 87,881</b>	<b>\$ 39,086</b>	<b>\$ 6,546,161</b>	<b>\$ 6,822,718</b>	<b>\$ 6,634,042</b>	<b>\$ 6,861,804</b>

Principal repayments during the year on notes payable and capital leases totaled \$391,157.

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

### **General Fund Budgetary Highlights**

The General Fund's actual revenues exceeded budgeted revenues by \$786,068, which was due primarily to grant revenues received but not included in the budget. The General Fund's actual expenditures exceeded budgeted expenditures by \$905,973. The City did not budget for grant revenues and expenditures and most capital outlay expenditures. The City also didn't budget for most of the transfers done during the year between funds.

### **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 started working on the Martin Lake Stormwater Project during the year ended September 30, 2009.

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, 2009

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 21,905	\$ 1,813,514	\$ 1,835,419
Accounts receivable, net	-	329,372	329,372
Taxes receivable	138,401	-	138,401
Prepaid expenses	2,068	-	2,068
Internal balances	(547,793)	547,793	-
Due from other governments	748,573	-	748,573
Due from joint venture	-	139,735	139,735
Restricted assets			
Cash and cash equivalents, customer deposits	-	580,503	580,503
Cash and cash equivalents, impact fees	-	1,504,909	1,504,909
Investment in joint venture	-	2,319,553	2,319,553
Capital assets			
Nondepreciable	1,537,564	90,170	1,627,734
Depreciable, net	2,534,924	9,223,405	11,758,329
Total assets	4,435,642	16,548,954	20,984,596
<b>Liabilities</b>			
Current liabilities			
Accounts payable	242,290	185,203	427,493
Accrued interest	-	31,837	31,837
Accrued payroll and other liabilities	60,987	23,814	84,801
Long-term liabilities			
Due within one year			
Accrued compensated absences	30,552	17,418	47,970
Notes payable	-	287,416	287,416
Obligations under capital lease	27,944	-	27,944
Due in more than one year			
Customer deposits	-	341,221	341,221
Notes payable	-	6,258,745	6,258,745
Obligations under capital lease	59,937	-	59,937
Total liabilities	421,710	7,145,654	7,567,364
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,984,607	2,767,414	6,752,021
Restricted by impact fee ordinance	-	1,504,909	1,504,909
Unrestricted	29,325	5,130,977	5,160,302
Total net assets	\$ 4,013,932	\$ 9,403,300	\$ 13,417,232

See accompanying notes

City of Springfield, Florida  
Statement of Activities  
Year Ended September 30, 2009

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 570,516	\$ 86,253	\$ 507,301	\$ 634,391	\$ 657,429	\$ -	\$ 657,429
Public safety	1,892,187	-	16,666	2,317	(1,873,204)	-	(1,873,204)
Highways and streets	560,541	-	9,085	719,961	168,505	-	168,505
Maintenance	158,084	-	-	-	(158,084)	-	(158,084)
Culture and recreation	337,263	14,598	3,000	-	(319,665)	-	(319,665)
Community redevelopment	284	-	-	-	(284)	-	(284)
Interest on long-term debt	1,420	-	-	-	(1,420)	-	(1,420)
Total governmental activities	3,520,295	100,851	536,052	1,356,669	(1,526,723)	-	(1,526,723)
Business-type activities							
Water	1,156,232	1,114,371	-	2,000	-	(39,861)	(39,861)
Sewer	1,696,519	2,098,592	-	-	-	402,073	402,073
Sanitation	961,731	1,001,932	-	-	-	40,201	40,201
Cable TV	388,704	285,458	-	-	-	(103,246)	(103,246)
Total business-type activities	4,203,186	4,500,353	-	2,000	-	299,167	299,167
<b>Total primary government</b>	<b>\$ 7,723,481</b>	<b>\$ 4,601,204</b>	<b>\$ 536,052</b>	<b>\$ 1,358,669</b>	<b>(1,526,723)</b>	<b>299,167</b>	<b>(1,227,556)</b>
<b>General Revenues</b>							
<b>Taxes</b>							
Utility taxes					418,706	-	418,706
Local option gas tax					159,406	-	159,406
Communications services tax					262,530	-	262,530
Half cent sales tax					608,955	-	608,955
Local business tax					25,287	-	25,287
Ad valorem CRA					44,274	-	44,274
Franchise fees					483,628	-	483,628
Miscellaneous revenues					86,539	-	86,539
Interest earnings					3,191	22,730	25,921
Total general revenues					2,092,516	22,730	2,115,246
Transfers					852,289	(852,289)	-
Total general revenues and transfers					2,944,805	(829,559)	2,115,246
Change in net assets					1,418,082	(530,392)	887,690
<b>Net assets - beginning</b>							
As originally stated					2,531,044	9,933,692	12,464,736
Prior period adjustment					64,806	-	64,806
As restated					2,595,850	9,933,692	12,529,542
<b>Net assets - ending</b>					<b>\$ 4,013,932</b>	<b>\$ 9,403,300</b>	<b>\$ 13,417,232</b>

See accompanying notes

City of Springfield, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2009

	General	Community Redevelopment	Other Governmental Funds (Debt Service)	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 13,319	\$ -	\$ -	\$ 13,319
Taxes receivable	138,401	-	-	138,401
Due from other funds	123,591	-	-	123,591
Due from other governments	748,573	-	-	748,573
Prepays	2,068	-	-	2,068
Restricted assets - cash	-	8,586	-	8,586
<b>Total assets</b>	<b>\$ 1,025,952</b>	<b>\$ 8,586</b>	<b>\$ -</b>	<b>1,034,538</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 242,290	\$ -	\$ -	242,290
Accruals	60,987	-	-	60,987
Due to other funds	642,891	28,493	-	671,384
<b>Total liabilities</b>	<b>946,168</b>	<b>28,493</b>	<b>-</b>	<b>974,661</b>
<b>Fund balances</b>				
Reserved for				
Prepays	2,068	-	-	2,068
Law enforcement education	3,752	-	-	3,752
Unreserved, reported in				
Community redevelopment	-	(19,907)	-	(19,907)
General fund	73,964	-	-	73,964
<b>Total fund balance (deficit)</b>	<b>79,784</b>	<b>(19,907)</b>	<b>-</b>	<b>59,877</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,025,952</b>	<b>\$ 8,586</b>	<b>\$ -</b>	
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.				4,072,488
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(118,433)
<b>Net assets of governmental activities</b>				<b>\$ 4,013,932</b>

See accompanying notes

City of Springfield, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Year Ended September 30, 2009

	General	Community Redevelopment	Other Governmental Funds (Debt Service)	Total
<b>Revenues</b>				
Taxes				
Utility taxes	\$ 418,706	\$ -	\$ -	\$ 418,706
Local option gas tax	159,406	-	-	159,406
Communications service tax	262,530	-	-	262,530
Half cent sales tax	608,955	-	-	608,955
Local business tax	25,287	-	-	25,287
Property taxes	-	44,274	-	44,274
Intergovernmental	516,786	-	-	516,786
Licenses and permits	4,689	-	-	4,689
Franchise fees	483,628	-	-	483,628
Charges for services	76,683	-	-	76,683
Fines and forfeitures	57,147	-	-	57,147
Rents	188,598	-	-	188,598
Interest	3,115	76	-	3,191
Grants	723,944	-	-	723,944
Contributions and donations	3,000	-	-	3,000
Other fees and miscellaneous	36,883	-	-	36,883
<b>Total revenues</b>	<b>3,569,357</b>	<b>44,350</b>	<b>-</b>	<b>3,613,707</b>
<b>Expenditures</b>				
Current				
General government	490,269	-	-	490,269
Public safety	1,794,461	-	-	1,794,461
Highways and streets	510,924	-	-	510,924
Maintenance	147,236	-	-	147,236
Culture and recreation	268,285	-	-	268,285
Community redevelopment	-	284	-	284
Debt service				
Principal	-	-	71,205	71,205
Interest and fiscal charges	-	-	1,420	1,420
Capital outlay				
General government	4,895	-	-	4,895
Public safety	120,043	-	-	120,043
Highways and streets	765,426	-	-	765,426
Maintenance	4,242	-	-	4,242
Culture and recreation	2,158	-	-	2,158
<b>Total expenditures</b>	<b>4,107,939</b>	<b>284</b>	<b>72,625</b>	<b>4,180,848</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(538,582)</b>	<b>44,066</b>	<b>(72,625)</b>	<b>(567,141)</b>
<b>Other financing sources (uses)</b>				
Proceeds from capital lease obligations	120,000	-	-	120,000
Transfer from (to) other funds	617,664	-	72,625	690,289
<b>Total other financing sources (uses)</b>	<b>737,664</b>	<b>-</b>	<b>72,625</b>	<b>810,289</b>
<b>Net change in fund balances</b>	<b>199,082</b>	<b>44,066</b>	<b>-</b>	<b>243,148</b>
<b>Fund balance (deficit) - beginning, as originally stated</b>				
	(184,104)	(63,973)	-	(248,077)
<b>Prior period adjustment</b>				
	64,806	-	-	64,806
<b>Fund balance (deficit) - beginning, as restated</b>	<b>(119,298)</b>	<b>(63,973)</b>	<b>-</b>	<b>(183,271)</b>
<b>Fund balance (deficit) - ending</b>	<b>\$ 79,784</b>	<b>\$ (19,907)</b>	<b>\$ -</b>	<b>\$ 59,877</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, 2009

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)	\$ 243,148
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.	591,373
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments , and donations) is to increase net assets.	634,381
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.	(2,025)
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.	(48,795)
Change in net assets of governmental activities (page 11)	\$ 1,418,082

City of Springfield, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - General Fund  
Year Ended September 30, 2009

	Budget		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Utility taxes	\$ 450,838	\$ 419,022	\$ 418,706	\$ (316)
Local option gas tax	156,717	156,665	159,406	2,741
Communications service tax	260,007	261,746	262,530	784
Half cent sales tax	669,550	608,955	608,955	-
Local business tax	14,330	25,278	25,287	9
Intergovernmental	523,615	517,259	516,786	(473)
Licenses and permits	5,460	-	4,689	4,689
Franchise fees	441,000	483,319	483,628	309
Charges for services	72,146	68,999	76,683	7,684
Fines and forfeitures	86,130	48,391	57,147	8,756
Rents	196,348	190,655	188,598	(2,057)
Interest	17,600	-	3,115	3,115
Grants	-	-	723,944	723,944
Contributions and donations	14,700	3,000	3,000	-
Other fees and miscellaneous	12,000	-	36,883	36,883
Total revenues	2,920,441	2,783,289	3,569,357	786,068
<b>Expenditures</b>				
Current				
General government				
Special governing	175,625	175,442	212,065	(36,623)
Administration	311,835	269,318	278,204	(8,886)
Total general government	487,460	444,760	490,269	(45,509)
Public safety				
Police	1,268,010	1,322,707	1,308,168	14,539
Fire	469,424	484,664	448,180	36,484
Protective service	59,897	37,515	38,113	(598)
Total public safety	1,797,331	1,844,886	1,794,461	50,425
Highways and streets	451,502	497,906	510,924	(13,018)
Maintenance	151,492	145,663	147,236	(1,573)
Culture and recreation				
Library	68,618	68,546	69,417	(871)
Recreation	185,038	196,052	198,868	(2,816)
Total culture and recreation	253,656	264,598	268,285	(3,687)
Capital outlay				
General government	-	-	4,895	(4,895)
Public safety	32,000	-	120,043	(120,043)
Highways and streets	-	-	765,426	(765,426)
Maintenance	-	1,995	4,242	(2,247)
Culture and recreation	-	2,158	2,158	-
Total capital outlay	32,000	4,153	896,764	(892,611)
Total expenditures	3,173,441	3,201,966	4,107,939	(905,973)
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(253,000)	(418,677)	(538,582)	(119,905)
<b>Other financing sources (uses)</b>				
Proceeds from capital lease obligations	-	-	120,000	120,000
Transfers from other funds	32,000	92,000	617,664	525,664
Total other financing sources (uses)	32,000	92,000	737,664	645,664
<b>Net change in fund balance</b>	(221,000)	(326,677)	199,082	525,759
<b>Fund balance - beginning, as originally stated</b>	221,000	326,677	(184,104)	(510,781)
<b>Prior period adjustment</b>	-	-	64,806	64,806
<b>Fund balance - beginning, as restated</b>	221,000	326,677	(119,298)	(445,975)
<b>Fund balance - ending</b>	\$ -	\$ -	\$ 79,784	\$ 79,784

See accompanying notes

City of Springfield, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2009

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Sanitation	Cable TV	Total
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 875,010	\$ 644,350	\$ 291,357	\$ 2,797	\$ 1,813,514
Accounts receivable, net	143	178,537	118,002	32,690	329,372
Due from joint venture	-	139,735	-	-	139,735
Due from other funds	752,503	9,500	24,568	-	786,571
<b>Total current assets</b>	<b>1,627,656</b>	<b>972,122</b>	<b>433,927</b>	<b>35,487</b>	<b>3,069,192</b>
Noncurrent assets					
Restricted assets - cash and cash equivalents					
Customer deposits	580,503	-	-	-	580,503
Impact fees	568,500	936,409	-	-	1,504,909
Investment in joint venture	-	2,319,553	-	-	2,319,553
Capital assets					
Nondepreciable	-	42,457	47,713	-	90,170
Depreciable, net	3,773,262	5,248,169	163,157	38,817	9,223,405
<b>Total noncurrent assets</b>	<b>4,922,265</b>	<b>8,546,588</b>	<b>210,870</b>	<b>38,817</b>	<b>13,718,540</b>
<b>Total assets</b>	<b>6,549,921</b>	<b>9,518,710</b>	<b>644,797</b>	<b>74,304</b>	<b>16,787,732</b>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	562	144,202	21,504	18,935	185,203
Accrued interest	31,837	-	-	-	31,837
Accrued payroll liabilities	7,410	3,693	7,373	5,338	23,814
Accrued compensated absences	1,779	3,309	9,919	2,411	17,418
Due to other funds	160,427	31,874	4,120	42,357	238,778
Notes payable, current	115,456	171,960	-	-	287,416
<b>Total current liabilities</b>	<b>317,471</b>	<b>355,038</b>	<b>42,916</b>	<b>69,041</b>	<b>784,466</b>
Noncurrent liabilities					
Customer deposits	341,221	-	-	-	341,221
Notes payable	2,504,582	3,754,163	-	-	6,258,745
<b>Total noncurrent liabilities</b>	<b>2,845,803</b>	<b>3,754,163</b>	<b>-</b>	<b>-</b>	<b>6,599,966</b>
<b>Total liabilities</b>	<b>3,163,274</b>	<b>4,109,201</b>	<b>42,916</b>	<b>69,041</b>	<b>7,384,432</b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	1,153,224	1,364,503	210,870	38,817	2,767,414
Restricted by impact fee ordinance	568,500	936,409	-	-	1,504,909
Unrestricted	1,664,923	3,108,597	391,011	(33,554)	5,130,977
<b>Total net assets</b>	<b>\$ 3,386,647</b>	<b>\$ 5,409,509</b>	<b>\$ 601,881</b>	<b>\$ 5,263</b>	<b>\$ 9,403,300</b>

See accompanying notes

City of Springfield, Florida  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
Year Ended September 30, 2009

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Sanitation	Cable TV	Total
<b>Operating revenues</b>					
Charges for services					
Sales	\$ 1,006,907	\$ 1,755,765	\$ 975,597	\$ 267,428	\$ 4,005,697
Connection / reconnection fees	-	-	-	10,030	10,030
Penalties	72,869	48,427	26,096	4,948	152,340
Tap fees	9,950	5,700	-	-	15,650
Other income	10,342	-	239	7,481	18,062
Impact fees	14,303	16,446	-	-	30,749
Total operating revenues	1,114,371	1,826,338	1,001,932	289,887	4,232,528
<b>Operating expenses</b>					
Personal services	313,452	196,685	340,926	94,832	945,895
Professional services	15,750	10,590	12,780	4,295	43,415
Contractual services	8,458	6,621	21,787	20	36,886
Insurance	54,070	6,239	22,875	8,318	91,502
Repairs and maintenance	12,788	44,476	10,767	5,188	73,219
Operating supplies	72,762	24,743	42,599	8,290	148,394
Communication services	3,342	1,486	1,749	2,909	9,486
Public utility purchases	468,150	928,468	424,535	18,849	1,840,002
Transportation	6,167	4,620	2,760	-	13,547
Travel and per diem	1,277	1,474	-	-	2,751
Rentals	55,121	57,640	54,000	217,591	384,352
Miscellaneous	5,180	189	1,354	5,005	11,728
Depreciation	123,734	232,204	79,599	27,836	463,373
Total operating expenses	1,140,251	1,515,435	1,015,731	393,133	4,064,550
Net operating income (loss)	(25,880)	310,903	(13,799)	(103,246)	167,978
<b>Nonoperating revenues (expenses)</b>					
Interest income	6,338	15,467	925	-	22,730
Income from joint venture	-	272,254	-	-	272,254
Interest expense	(69,981)	(235,084)	-	-	(305,065)
Total nonoperating revenues (expenses)	(63,643)	52,637	925	-	(10,081)
Net income (loss) before contributions and transfers	(89,523)	363,540	(12,874)	(103,246)	157,897
Capital contributions	2,000	-	-	-	2,000
Transfers in (out)	681,472	(1,175,732)	(221,029)	25,000	(690,289)
<b>Change in net assets</b>	593,949	(812,192)	(233,903)	(78,246)	(530,392)
<b>Total net assets - beginning</b>	2,792,698	6,221,701	835,784	83,509	9,933,692
<b>Total net assets - ending</b>	\$ 3,386,647	\$ 5,409,509	\$ 601,881	\$ 5,263	\$ 9,403,300

See accompanying notes

City of Springfield, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2009

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Sanitation	Cable TV	Total
<b>Operating activities</b>					
Receipts from customers and users	\$ 1,174,664	\$ 1,840,422	\$ 988,297	\$ 296,174	\$ 4,299,557
Payments to suppliers	(721,313)	(1,065,887)	(616,935)	(266,263)	(2,670,398)
Payments for personal services	(315,581)	(197,859)	(339,046)	(92,169)	(944,655)
Net cash provided (used) by operating activities	137,770	576,676	32,316	(62,258)	684,504
<b>Noncapital financing activities</b>					
Transfers to/(from) other funds	-	(272,666)	-	25,000	(247,666)
Changes in internal balances	(592,069)	(2,194)	4,120	26,714	(563,429)
Net cash provided (used) by noncapital financing activities	(592,069)	(274,860)	4,120	51,714	(811,095)
<b>Capital and related financing activities</b>					
Principal paid on notes and leases	(112,469)	(164,088)	-	-	(276,557)
Interest paid on notes and leases	(71,347)	(235,084)	-	-	(306,431)
Capital contributions	2,000	-	-	-	2,000
Purchase of capital assets	(104,891)	(106,622)	-	-	(211,513)
Net cash provided (used) by capital and related financing activities	(286,707)	(505,794)	-	-	(792,501)
<b>Investing activities</b>					
Investment in joint venture	-	(413,201)	-	-	(413,201)
Distributions from joint venture	-	163,455	-	-	163,455
Interest received	6,338	15,467	925	-	22,730
Net cash provided (used) by investing activities	6,338	(234,279)	925	-	(227,016)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(734,668)</b>	<b>(438,257)</b>	<b>37,361</b>	<b>(10,544)</b>	<b>(1,146,108)</b>
<b>Cash and cash equivalents - beginning</b>	<b>2,758,681</b>	<b>2,019,016</b>	<b>253,996</b>	<b>13,341</b>	<b>5,045,034</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 2,024,013</b>	<b>\$ 1,580,759</b>	<b>\$ 291,357</b>	<b>\$ 2,797</b>	<b>\$ 3,898,926</b>
<b>Cash and cash equivalents classified as</b>					
Current assets	\$ 875,010	\$ 644,350	\$ 291,357	\$ 2,797	\$ 1,813,514
Restricted assets	1,149,003	936,409	-	-	2,085,412
Total cash and cash equivalents	\$ 2,024,013	\$ 1,580,759	\$ 291,357	\$ 2,797	\$ 3,898,926
<b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities</b>					
Net operating income (loss)	\$ (25,880)	\$ 310,903	\$ (13,799)	\$ (103,246)	\$ 167,978
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	123,734	232,204	79,599	27,836	463,373
(Increase) decrease in assets					
Accounts receivable, net	95,739	14,084	(13,635)	6,287	102,475
Increase (decrease) in liabilities					
Accounts payable	(18,248)	20,659	(21,729)	4,202	(15,116)
Accrued payroll liabilities	(1,599)	(844)	2,634	1,887	2,078
Accrued compensated absences	(530)	(330)	(754)	776	(838)
Customer deposits	(35,446)	-	-	-	(35,446)
Total adjustments	163,650	265,773	46,115	40,988	516,526
Net cash provided (used) by operating activities	\$ 137,770	\$ 576,676	\$ 32,316	\$ (62,258)	\$ 684,504
<b>Noncash investing and financing activities</b>					
Forgiveness of interfund debt	\$ 681,472	\$ (903,066)	\$ (221,029)	\$ -	\$ (442,623)

See accompanying notes

# City of Springfield, Florida

## 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.

#### ***Component Unit – The Springfield Community Redevelopment Agency***

This report includes financial statements of the funds required to account for those financial activities which are related to the City and are controlled by or dependent upon the City's legislative body, the City Commission. The City has one component unit, the Springfield Community Redevelopment Agency, as defined by GASB Statement No. 14, *The Financial Reporting Entity* and in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553, and is required to be blended in these financial statements. A component unit is an entity for which the City is considered to be financially accountable and is included in the City's reporting entity because of the significance of its operational or financial relationships with the City. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The Springfield Community Redevelopment Agency (Agency) is operated by the City. The Agency was created on March 30, 2007 by City Ordinance 07-05 pursuant to Florida Statute 163.357. All of the City's commission members serve as board members of the Agency. The Agency is presented as a governmental fund type with a fiscal year end of September 30.

Due to the nature and significance of the Agency's relationship with the City, exclusion of the Agency's financial operations would render the City's financial statements incomplete or misleading. The Agency's governing body is the same as the governing body of the City and the Agency does provide services specifically to the Community Redevelopment Areas of the City. The Agency is disclosed using the blended presentation method.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***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.

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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 proprietary 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.

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.

Notes to Basic Financial Statements

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

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.

Community Redevelopment Fund - The community redevelopment fund is the operating fund of the Community Redevelopment Agency (the "Agency"). It is used to account for the activities of the community redevelopment areas.

***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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***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 in the general fund 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, if applicable.

***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.

***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, Net***

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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

**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 amount of earned but unused vacation leave which is payable upon termination of employment.

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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

**Subsequent events**

The City evaluates subsequent events through the date the financial statements are issued.

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 \$4,072,488 difference are as follows:

Cost of capital assets	\$ 6,728,057
Less: accumulated depreciation	(2,655,569)
<hr/>	
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ 4,072,488
<hr/>	

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 \$(118,433) difference are as follows:

Capital leases	\$ (87,881)
Compensated absences	(30,552)
<hr/>	
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ (118,433)
<hr/>	

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

Notes to Basic Financial Statements

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change 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 \$591,373 difference are as follows:

Capital outlay	\$	896,764
Depreciation expense		(305,391)
<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>	\$	591,373
<hr/>		

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 \$634,381 difference are as follows:

Donated asset from other governmental unit	\$	634,381
<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>	\$	634,381
<hr/>		

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 \$(2,025) difference are as follows:

Compensated absences	\$	(2,025)
<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>	\$	(2,025)
<hr/>		

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 \$(48,795) difference are as follows:

Long-term debt		
Principal payments on capital lease obligations	\$	71,205
Proceeds from debt		(120,000)
<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>	\$	(48,795)
<hr/>		

Notes to Basic Financial Statements

**NOTE 3 – BUDGETS**

The City adopts budgets on a basis consistent with United States generally accepted accounting principles (GAAP). The City had actual expenditures that exceeded budgeted amounts in the general fund for the year.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

***Deposits Policies***

All cash resources of the City are placed in banks that are qualified 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.

***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.

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

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

There were no investments at September 30, 2009.

***Interest Rate Risks***

At September 30, 2009, the City did not hold any investments that were considered to be an interest rate risk.

***Credit Risks***

At September 30, 2009, the City did not hold any investments that were considered to be a credit risk.

***Custodial Risks***

At September 30, 2009, the City did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

As September 30, 2009, the City did not hold any investments that were considered to be a concentration of credit risk.

**NOTE 5 – ACCOUNTS RECEIVABLE, NET**

At September 30, 2009, accounts receivable in the proprietary funds is summarized as follows:

Total accounts receivable	\$	375,286
Less: allowance for doubtful accounts		(45,914)
Net accounts receivable	\$	329,372

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

The composition of interfund balances as of September 30, 2009 is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General	Cable	\$ 42,350
General	CRA	28,493
General	Sanitation	4,120
General	Sewer	3,186
Sanitation	Sewer	24,568
Sewer	General	5,380
Water	Cable	7
Water	General	592,069
Total		\$ 700,173

Notes to Basic Financial Statements

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)**

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

Transfers:

<b>Transfers To</b>	<b>Transfers From</b>	<b>Amount</b>
General	Water	\$ 123,670
Water	Sewer	705,839
General	Sewer	444,893
Cable	Sewer	25,000
Water	Sanitation	99,303
General	Sanitation	121,726
Debt Service	General	72,625
<b>Total</b>		<b>\$ 1,593,056</b>

**NOTE 7 – CAPITAL ASSETS**

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

	<b>October 1 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>September 30 2009</b>
Capital assets, not being depreciated				
Land	\$ 612,138	\$ 160,000	\$ -	\$ 772,138
Construction in Progress	-	765,426	-	765,426
<b>Total capital assets, not being depreciated</b>	<b>612,138</b>	<b>925,426</b>	<b>-</b>	<b>1,537,564</b>
Capital assets, being depreciated				
Buildings	1,182,063	474,381	-	1,656,444
Streets	300,750	-	-	300,750
Improvements	1,195,845	-	-	1,195,845
Machinery and equipment	1,906,117	131,337	-	2,037,454
<b>Total capital assets, being depreciated</b>	<b>4,584,775</b>	<b>605,718</b>	<b>-</b>	<b>5,190,493</b>
Less accumulated depreciation				
Buildings	883,055	26,128	-	909,183
Streets	32,582	7,518	-	40,100
Improvements	143,902	49,039	-	192,941
Machinery and equipment	1,290,640	222,705	-	1,513,345
<b>Total accumulated depreciation</b>	<b>2,350,179</b>	<b>305,390</b>	<b>-</b>	<b>2,655,569</b>

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

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

	October 1 2008	Increases	Decreases	September 30 2009
Total capital assets, being depreciated	\$ 2,234,596	\$ 300,328	\$ -	\$ 2,534,924
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 2,846,734	\$ 1,225,754	\$ -	\$ 4,072,488

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2009:

	Water	Sewer	Sanitation	Cable TV	Total
Land	\$ -	\$ 42,457	\$ 47,713	\$ -	\$ 90,170
Buildings and improvements	17,489	-	38,671	61,290	117,450
Distribution system	4,627,004	7,221,368	-	856,121	12,704,493
Equipment and furniture	307,279	403,602	855,060	439,982	2,005,923
<b>Total</b>	<b>4,951,772</b>	<b>7,667,427</b>	<b>941,444</b>	<b>1,357,393</b>	<b>14,918,036</b>
Less: accumulated depreciation					
Buildings and improvements	-	-	19,281	53,394	72,675
Distribution system	936,555	2,111,373	-	834,883	3,882,811
Equipment and furniture	241,955	265,428	711,293	430,299	1,648,975
<b>Total accumulated depreciation</b>	<b>1,178,510</b>	<b>2,376,801</b>	<b>730,574</b>	<b>1,318,576</b>	<b>5,604,461</b>
<b>Total business-type activities capital assets (net of accumulated depreciation)</b>	<b>\$ 3,773,262</b>	<b>\$ 5,290,626</b>	<b>\$ 210,870</b>	<b>\$ 38,817</b>	<b>\$ 9,313,575</b>

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

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

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

	October 1 2008	Increases	Decreases	September 30 2009
Capital assets, not being depreciated				
Land	\$ 90,170	\$ -	\$ -	\$ 90,170
Total capital assets, not being depreciated	90,170	-	-	90,170
Capital assets, being depreciated				
Buildings and improvements	117,450	-	-	117,450
Distribution system	12,588,417	116,076	-	12,704,493
Machinery and equipment	1,910,486	95,437	-	2,005,923
Total capital assets, being depreciated	14,616,353	211,513	-	14,827,866
Less accumulated depreciation				
Buildings and improvements	67,917	4,758	-	72,675
Distribution system	3,571,123	311,688	-	3,882,811
Machinery and equipment	1,502,048	146,927	-	1,648,975
Total accumulated depreciation	5,141,088	463,373	-	5,604,461
Total capital assets, being depreciated, net	9,475,265	(251,860)	-	9,223,405
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 9,565,435	\$ (251,860)	\$ -	\$ 9,313,575

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

Governmental activities	
General government	\$ 40,459
Public safety	134,311
Highways and streets	51,010
Maintenance	10,929
Culture and recreation	68,681
Total depreciation expense - governmental activities	\$ 305,390

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

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

Business-type activities		
Water	\$	123,734
Sewer		232,204
Sanitation		79,599
Cable TV		27,836
<hr/>		
Total depreciation expense - business-type activities	\$	463,373
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**NOTE 8 – CAPITAL LEASES**

The City has entered into lease agreements as lessee for financing the acquisition of police vehicles. 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>
<hr/>		
Assets		
Machinery and equipment	\$	120,000
Less accumulated depreciation		(23,375)
<hr/>		
Total net assets	\$	96,625
<hr/>		

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009 are as follows:

		<b>Governmental Activities</b>
<hr/>		
2010	\$	32,118
2011		32,118
2012		32,123
<hr/>		
Total minimum lease payments		96,359
Less amount representing interest		(8,478)
<hr/>		
Present value of minimum lease payments		87,881
Less amount due within one year		(27,944)
<hr/>		
Amount due in more than one year	\$	59,937
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**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, 2009</b>
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.	\$ 2,620,038
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.	3,926,123
Total notes payable	6,546,161
Less amounts due within one year	(287,416)
Notes payable amount due in more than one year	\$ 6,258,745

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>Service Requirements</b>
2010	\$ 287,416	\$ 296,038	\$ 583,454
2011	357,344	285,113	642,457
2012	374,071	270,898	644,969
2013	392,077	255,927	648,004
2014	410,193	240,194	650,387
2015 - 2019	1,867,589	993,748	2,861,337
2020 - 2024	2,097,083	508,212	2,605,295
2025 - 2027	760,388	62,004	822,392
	\$ 6,546,161	\$ 2,912,134	\$ 9,458,295

**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, 2009, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental activities					
Capital leases	\$ 39,086	\$ 120,000	\$ (71,205)	\$ 87,881	\$ 27,944
Compensated absences	28,527	30,552	(28,527)	30,552	30,552
<b>Total governmental activities</b>	<b>67,613</b>	<b>150,552</b>	<b>(99,732)</b>	<b>118,433</b>	<b>58,496</b>
Business-type activities					
Notes payable	6,822,718	-	(276,557)	6,546,161	287,416
Compensated absences	14,868	17,418	(14,868)	17,418	17,418
<b>Total business-type activities</b>	<b>\$ 6,837,586</b>	<b>\$ 17,418</b>	<b>\$ (291,425)</b>	<b>\$ 6,563,579</b>	<b>\$ 304,834</b>

**NOTE 10 – PLEDGED REVENUES- BUSINESS-TYPE ACTIVITIES**

The \$2,796,462 Drinking Water State Revolving Fund Loan was issued to finance the cost of acquisition and construction of certain capital improvements in connection with the water utility system. The loan is secured by the City's pledge of gross revenues derived yearly from the operation of the water system after payment of the operation and maintenance expense and satisfaction of all yearly payment obligations on account of any senior obligations. Gross revenues shall include all income and earnings of the water system operations, including investment income. The remaining principal and interest payments on this debt as of September 30, 2009 totaled \$3,307,887. Semi-annual principal and interest payments on the loan required 220% of water pledged revenues. Principal and interest paid for the current year and total pledged revenues were \$183,816 and \$83,551, respectively.

Notes to Basic Financial Statements

**NOTE 11 – ACCRUED ABSENCES**

Accrued compensated absences consist of the following:

	<b>Accrued Vacation Leave</b>
Enterprise funds:	
Water	\$ 1,779
Sewer	3,309
Sanitation	9,919
Cable TV	2,411
General fund	30,552
<b>Total accrued compensated absences</b>	<b>\$ 47,970</b>

**NOTE 12 – PENSION PLAN**

***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, 2008 Through September 30, 2009</b>
Regular employees	9.85%
Special risk employees	20.92%

The City's payroll for employees covered by the system for the years ended September 30, 2009, 2008 and 2007 was \$2,107,756, \$2,095,499 and \$2,014,735, respectively. Contributions made to the System for the year ended September 30, 2009, 2008 and 2007 were \$296,068, \$287,046, and \$279,618 respectively; these contributions represent 14.04%, 13.70%, and 13.88%, 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.

Notes to Basic Financial Statements

**NOTE 13 – NET ASSETS RESTRICTIONS**

The following is a description of reported net asset restrictions in governmental activities and business-type activities at September 30, 2009.

***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.

***Summary***

Specific restrictions of net assets are summarized below as of September 30, 2009:

Business-type activities	
Impact fees	\$ 1,504,909
<hr/>	
Total	\$ 1,504,909

**NOTE 14 – 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, 2009:

***General Fund***

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

Reserved for law enforcement education – This reserve 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.

***Other Governmental Funds***

Reserved for community redevelopment – This reserve was created to restrict the use of all resources specifically for community redevelopment.

# City of Springfield, Florida

## Notes to Basic Financial Statements

### NOTE 14 – FUND BALANCE RESERVATIONS (CONTINUED)

#### *Summary*

Specific reservations of fund balances are summarized below as of September 30, 2009:

General fund		
Reserved for prepaids	\$	2,068
Reserved for law enforcement education		3,752
<hr/>		
Total reserved for general fund	\$	5,820
<hr/>		
Special Revenue Fund		
Reserved for community redevelopment	\$	(19,907)
<hr/>		

### NOTE 15 – 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.

### NOTE 16 – INVESTMENT IN JOINT VENTURE

The City of Springfield, Florida, in alliance with the Cities of Callaway, Parker and the former 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 and Springfield. 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.

# City of Springfield, Florida

## Notes to Basic Financial Statements

### NOTE 16 – INVESTMENT IN JOINT VENTURE (CONTINUED)

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, 2009, the City's portion of the equity of the venture was \$2,319,553. 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, 2009*

<b>Assets</b>	
Current assets	\$ 3,506,274
Noncurrent assets	36,191,853
<hr/>	
Total assets	39,698,127
<hr/>	
<b>Liabilities</b>	
Current liabilities	3,317,149
Noncurrent liabilities	26,804,334
<hr/>	
Total liabilities	30,121,483
<hr/>	
Net assets	\$ 9,576,644

#### Statement of Activities

*Year Ended September 30, 2009*

<b>Operating revenues</b>	\$ 5,837,658
<b>Operating expenses</b>	(3,990,567)
<hr/>	
Operating income	1,847,091
Nonoperating revenues (expenses), net	(33,698)
<hr/>	
Net income before distributions to owners	1,813,393
Distributions to owners	(599,761)
<hr/>	
<b>Change in net assets</b>	1,213,632
<hr/>	
<b>Net assets, beginning</b>	8,363,012
<hr/>	
<b>Net assets, ending</b>	\$ 9,576,644

The City's net income from the joint venture in the amount of \$272,254 is derived as follows:

Share of operating income	\$ 155,353
Increase in reserve requirements	116,901
<hr/>	
Net income from joint venture	\$ 272,254

Notes to Basic Financial Statements

**NOTE 17 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The City provides health insurance to its active and retired employees (the OPEB Plan). Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Currently, the City funds the OPEB Plan on a pay-as-you-go basis as a current operating expense, and reflects the expense in its financial statements in the fiscal year in which the payments are made. Pursuant to the provisions of GASB 43, *Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, governments who provide post employment benefits other than pensions will be required to begin showing all or a portion of the liabilities associated with their OPEB Plans in their financial statements and whether, and to what extent, progress is being made in funding those liabilities. The City intends to implement the requirements of GASB 45 and will obtain an actuarial valuation of the OPEB liability as of October 1, 2009.

**NOTE 18 – PRIOR PERIOD ADJUSTMENT**

During the year ended September 30, 2009, the City became aware that there was an error made in the prior year associated with the recording of rental income in the general fund. The water, sewer, and sanitation funds pay the general fund rent each month. At the end of the year in 2008, the water, sewer, and sanitation funds recorded \$18,000 each in rental expense which wasn't recorded as rental income in the general fund until 2009. The effect of the error was an understatement of fund balance and net assets in the general fund and governmental activities of \$54,000.

Also, during the year end September 30, 2009, the City became aware of an error made in recording grant receivables. A receivable should have been recorded for \$10,806 as of September 30, 2008 but the revenue wasn't recognized until 2009. The effect of the error was an understatement of fund balance and net assets in the general fund and governmental activities of \$10,806. The total prior period adjustment for 2009 due to these two errors was an increase to governmental activities net assets and general fund balance of \$64,806.

**NOTE 19 – DEFICIT BALANCES**

The CRA fund has a deficit fund balance of \$19,907 as of September 30, 2009. The City expects to fund this deficit through future TIF tax collections.

The Cable TV fund has a deficit unrestricted net assets balance of \$33,554 at September 30, 2009.

## Compliance Section

City of Springfield, Florida

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2009

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency or Pass-through Number	Total Expenditures
U.S. Department of Justice Bulletproof Vest Partnership Program	16.607	N/A	\$ 1,666
Passed Through Florida Department of Law Enforcement Edward Byrne Memorial	16.738	2009 - JAGD- BAY-4-T8-138	1,154
Total U.S. Department of Justice			2,820
U.S. Department of Homeland Security Passed through Florida Department of Community Affairs Hazard Mitigation Grant	97.039	10HM-28-01-13-02-002	507,137
Total U.S. Department of Homeland Security			507,137
Total Federal Awards			\$ 509,957

City of Springfield, Florida

Note 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, 2009

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

Financial Statements:

Type of auditor’s report issued: Qualified

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. Department of Homeland Security

Passed Through Florida Department of Community Affairs – Hazard Mitigation Grant	97.039	10HM-28-01-13-02-002 (Continued)
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Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2009

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

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

Auditee qualified as low-risk auditee?     yes   X   no

**Section II – Financial Statement Findings**

***Prior Year Findings***

08-01 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.

Status: This finding is not corrected. See current year finding 09-01.

08-02 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

Status: This finding is not corrected. See current year finding 09-02.

08-03 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.

Status: This finding is not corrected. See current year finding 09-03.

08-04 Account Balances and Journal Entries

Condition: Several general ledger accounts had incorrect balances.

Status: This finding is not corrected. See current year finding 09-04.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2009

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

08-05 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.

Status: This finding is not corrected. See current year finding 09-05.

08-06 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.

Status: This finding is not corrected. See current year finding 09-06.

08-07 Accounts Receivable

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

Status: This finding is not corrected. See current year finding 09-07.

08-08 Property and Equipment

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

Status: This finding is not corrected. See current year finding 09-08.

***Current Year Findings***

09-01 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.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2009

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

09-02 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 beneficial to have the auditors assist in the preparation of the financial statements.

09-03 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.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2009

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

09-04 Account Balances

Condition: Several general ledger accounts had incorrect balances and were not reconciled to the subsidiary ledger.

Effect: The cause of the incorrect balances was due mostly to miscoding of transactions to the general ledger and the utility billing and a lack of understanding by the City employees about how the accounting system processes transactions and posts transactions to the general ledger. 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 Finance Director and Mayor.

Recommendation: We recommend that the Finance Director implement procedures to ensure proper coding including timely verification of account balances by management and training on how the system posts transactions to the general ledger to verify the transactions are posting properly.

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.

09-05 Operating Expenditures Exceed Budget

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

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.

09-06 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 instances where the related due from/to did not balance either. 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.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2009

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

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.

09-07 Accounts Receivable

Condition: The subsidiary ledger of accounts receivable was not reconciled to the general ledger and the necessary accounts receivable reports were not printed on September 30, 2009 which is required by the client's accounting system to obtain the correct reports.

Effect: Failure to detect and correct errors in a timely manner and an inability to determine if the balance as of year end per the general ledger was reasonable due to lack of supporting documentation.

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. Finally, we recommend that the necessary reports are run at the end of each month to have the proper supporting documentation for the accounts receivable balances.

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

09-08 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.

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.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2009

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

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

09-09 Customer Deposits

Condition: The subsidiary ledger of customer deposits was not reconciled to the general ledger and the necessary customer deposit reports were not printed on September 30, 2009 which is required by the client's accounting system to obtain the correct reports.

Effect: Failure to detect and correct errors in a timely manner and an inability to determine if the balance as of year end per the general ledger was reasonable due to lack of supporting documentation.

Recommendation: We recommend that a reconciliation of the customer deposit 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. Finally, we recommend that the necessary reports be printed at the end of each month to have the proper supporting documentation for the customer deposit balances.

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

09-10 Schedule of Expenditures of Federal Awards

Condition: Four grants were not initially identified by the client due to lack of organized records and improper expenditure and revenue coding.

Effect: The City was unable to provide a schedule of expenditure of federal awards.

Recommendation: We recommend that the City maintain a spreadsheet containing all grants in process during the year including the following information: grantor, grant title, pass through agency, CFDA or CSFA number, agreement number, grant start date and end date, reporting dates, receipts from grantor and expenditures related to the grant. In addition, we recommend that the Finance Director obtain this information from the Police department on a timely basis. Additional account numbers for identification of expenditures by grant should be considered.

Response: The City will establish procedures to maintain all grant information required for reporting purposes.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2009

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

09-11 Separation of Duties

Condition: During our audit we noticed that the Finance Director as well as other employees with access to the general ledger at various times worked at the utility customer service window. We were able to verify that those employees collect receipts from customers. In addition, the person approving credits to customer accounts has access to cash.

Effect: This situation provides ample opportunity for defalcation of cash.

Recommendation: We recommend that persons with access to the general ledger or who reconciles the bank statements have no access to cash. We also recommend that the person approving customer credits does not have access to change customer account data.

Management's response: We will establish procedures for customer receipts which minimizes access to cash by persons who reconcile cash, have access to the general ledger or approve customer credits.

09-12 Transaction Documentation

Condition: During our audit we noted various types of transactions with little or no supporting documentation such as returned checks and credits to customer accounts. Other transaction documents, for example purchase orders, were not prepared in a timely fashion.

Effect: Lack of or improper documentation makes it difficult to provide support for transactions in the general ledger. It could also allow unauthorized or improper transactions to occur and not be detected.

Recommendation: We recommend that all transactions in the general ledger have proper, timely, and authorized supporting documentation.

Management's response: We will establish procedures for ensuring all transactions in the general ledger have proper supporting documentation.

09-13 Policy on Utility Cutoffs

Condition: During our audit we noted that the City has no policy in place for customer's not paying their balances in a timely manner. There was no consistency in the treatment of delinquent accounts. Also, a number of City employee's with significantly overdue balances still have service.

Effect: Without a policy, the lack of timely collection of service fees has a detrimental impact on the City's cash flows.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2009

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Recommendation: We recommend that a policy be put in place to determine exactly how long a customer has to pay their bill and a cut off policy to determine when the customer will be cut off until payment is received. In addition, we recommend that the City enforce fines on customers that turn their service back on without permission from the City.

Management's response: We will establish a cut off policy and enforce it.

09-14 Holding Deposits from Closed Bank Accounts

Condition: In September 2009, two bank accounts were closed by the City and the cashier checks were held until December 2009 when new bank accounts were opened.

Effect: Holding deposits is not a good cash management practice. If not properly secured and deposited in a timely manner checks can be lost, stolen, accidentally destroyed, etc. This also has an effect on bank reconciliations and other cash management issues.

Recommendation: Checks should always be deposited in a timely manner.

Management's response: We will deposit checks in a timely manner.

09-15 Impact Fees Organized by Customer Name

Condition: The City organizes the supporting documentation for their impact fees by customer name but the client's accounting system does not have a name associated with the deposits and the general ledger entries.

Effect: Since the support is filed by name and the general ledger only shows the date of the transaction, it is difficult to find and review the supporting documentation for the revenue in a given year without going through years of supporting documentation.

Recommendation: We recommend that impact fee support be maintained in date order for the purpose of supporting the financial activity for the year or keep some separate listing showing what impact fees were received and from whom to be able to tie the general ledger to the supporting documentation.

Management's response: We will setup a system to keep track of impact fees in such a way that the support can be agreed to the general ledger when needed.

09-16 Use of AWT Bond Funds for Improper Purposes

Condition: The City transferred funds from the AWT Bond cash account to the water fund pooled cash account for operating purposes. This is not an acceptable use of the AWT bond money per the agreement.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2009

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Effect: Due to this transfer, the City is not in compliance with the requirements specified for AWT bond reserve money usage.

Recommendation: We recommend the transfer be reversed and that the City review the proper uses of the AWT bond money to make sure this doesn't happen in the future.

Management's response: Although we were unable to provide supporting documentation for this transaction during the audit, we disagree that the money was used improperly and will provide proper support for our transaction.

09-17 Recording Activity in the Proper Period and in a Timely Manner

Condition: On numerous occasions the City did not record transactions in the general ledger in a timely manner and recorded the activity in the wrong period.

Effect: This makes reconciling the bank statements very difficult and it distorts month end reports because activity that should be shown in the month end reports is not recorded in a timely manner in the correct period. Depending on what activity hasn't been recorded this could have a large effect on planning done by the City based on their current financial condition.

Recommendation: We recommend a policy be set for when all month end financial reporting should be completed including all transactions and bank reconciliations so that month end reporting can be used properly for planning purposes.

Management's response: We will do as you recommended.

**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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Springfield, Florida as of and for the year ended September 30, 2009, which collectively comprise City of Springfield, Florida's basic financial statements and have issued our report thereon dated June 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 09-01, 09-02, 09-03, 09-04, 09-05, 09-06, 09-07, 09-08, 09-09, 09-10, 09-11, 09-16 and 09-17.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged

with governance. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 09-12, 09-13, 09-14 and 09-15.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management; and certain 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.

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

Panama City Beach, Florida  
June 21, 2011

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

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

Compliance

We have audited City of Springfield, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Springfield, Florida's major federal programs for the year ended September 30, 2009. City of Springfield, Florida's major federal programs are identified in the summary of auditor's results section 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'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; and 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 of City of Springfield, Florida's compliance with those requirements.

In our opinion, City of Springfield, Florida, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2009.

Internal Control over Compliance

Management of City of Springfield, Florida, is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on

internal control over compliance in accordance with OMB Circular A-133, 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.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

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

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

Panama City Beach, Florida

June 21, 2011

## 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, 2009, and have issued our report thereon dated June 21, 2011.

We conducted our audit 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; 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, Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures In those reports and schedule, which are dated June 21, 2011, 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 governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

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 findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address prior year findings and recommendations except those repeated on the Schedule of Findings and Questioned Costs in the current year.

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. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred 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, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. 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 the management letter, unless disclosed in the notes to the financial statements. The City was established under a Charter in accordance with the Laws of Florida 51-27900. There is one component unit of the reporting entity as defined in publications cited in Rule 10.553. The City Commission of the City of Springfield, Florida is the “ex-officio” governing body of the Springfield Community Redevelopment Agency. The Agency was created on March 30, 2007 by City Ordinance 07-05 pursuant to Florida Statute 163.357.

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

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, 2009, filed with the 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, 2009. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management’s responsibility to monitor the City’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 the same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the City of Springfield, Florida’s management, the City Commission, certain regulatory agencies, 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  
June 21, 2011