

City of Springfield, Florida

Financial Statements

September 30, 2011

City of Springfield, Florida  
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September 30, 2011

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## INDEPENDENT AUDITOR'S REPORT

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

We were engaged to audit 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 as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Springfield, Florida's management. Our responsibility is to express opinions on these financial statements based on our audits.

We were also engaged to conduct 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.

The City was not able to provide documentation supporting the balances of the proprietary funds accounts receivable, customer deposit liability and, as a result, proprietary fund revenues. Also, the City was not able to provide documentation supporting the charges to a credit card account which affected all funds. Finally, due in part to the lack of reconciliation of the monthly pooled cash account during the year, the City was unable to provide sufficient evidence that the bank activity for the year was appropriately recorded. The City's records do not permit the application of other auditing procedures.

Because of the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2013, on our consideration of the City of Springfield, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 9 and the schedule of funding progress for the retiree's health insurance other postemployment benefits plan and the schedule of employer contributions for the retiree's health insurance other postemployment benefits plan on page 43 be presented to supplement the basic financial statements. Such information,

although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Certified Public Accountants

May 31, 2013

## 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 \$11,564,409 (net assets). Of this amount, \$(2,001,369) is a deficit in unrestricted net assets for Governmental Activities and \$4,516,318 is unrestricted net assets for Business-type Activities, while \$1,339,017 is restricted net assets for Business-type Activities.
- Total net assets decreased by \$1,035,027. Of this amount, a decrease of \$671,904 is attributable to Governmental Activities, and a decrease of \$363,123 is attributable to Business-type Activities.
- As of September 30, 2011, the general fund's unreserved fund deficit was \$(1,470,511).
- Governmental Activities revenues decreased to \$2,949,253 or 19%, while Governmental Activities expenses decreased 9% to \$3,951,064. Business-type Activities revenues decreased to \$4,660,697 or 1%, while Business-type Activities expenses decreased 3% to \$4,693,913.

### 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, 2011 and 2010. At the end of the fiscal year 2011, the City is able to report positive balances in all three categories of net assets, for the government as a whole, and for its business-type activities. However, the City has a deficit balance in the governmental activities unrestricted net assets at the end of fiscal year 2011 and 2010.

### Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<i>September 30,</i>						
Current and other assets	\$ -	\$ -	\$ 6,838,959	\$ 6,912,463	\$ 6,838,959	\$ 6,912,463
Capital assets	5,204,421	5,096,413	8,642,583	8,952,764	13,847,004	14,049,177
<b>Total assets</b>	<b>5,204,421</b>	<b>5,096,413</b>	<b>15,481,542</b>	<b>15,865,227</b>	<b>20,685,963</b>	<b>20,961,640</b>
Current liabilities	1,574,466	956,997	695,391	616,918	2,269,857	1,573,915
Noncurrent liabilities	662,011	499,568	6,189,686	6,288,721	6,851,697	6,788,289
<b>Total liabilities</b>	<b>2,236,477</b>	<b>1,456,565</b>	<b>6,885,077</b>	<b>6,905,639</b>	<b>9,121,554</b>	<b>8,362,204</b>
Net assets invested in capital assets, net of related debt	4,969,313	4,769,597	2,741,130	2,694,019	7,710,443	7,463,616
Net assets – restricted	-	-	1,339,017	1,354,967	1,339,017	1,354,967
Net assets – unrestricted	(2,001,369)	(1,129,749)	4,516,318	4,910,602	2,514,949	3,780,853
<b>Total net assets</b>	<b>\$ 2,967,944</b>	<b>\$ 3,639,848</b>	<b>\$ 8,596,465</b>	<b>\$ 8,959,588</b>	<b>\$ 11,564,409</b>	<b>\$ 12,599,436</b>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents 67% 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 12% 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* (\$2,514,949) which may be used to help meet the government's ongoing obligations to citizens and creditors.

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

### Change in Net Assets

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Program revenues</b>						
Charges for services	\$ 136,388	\$ 126,019	\$ 4,660,697	\$ 4,702,553	\$ 4,797,085	\$ 4,828,572
Operating grants/ contributions	509,854	509,119	-	-	509,854	509,119
Capital grants/ contributions	258,087	934,071	-	-	258,087	934,071
<b>General revenues</b>						
Gross receipts taxes	1,467,406	1,537,558	-	-	1,467,406	1,537,558
Utility taxes/ franchise fees	484,999	505,458	-	-	484,999	505,458
Other	92,519	47,293	-	3,101	92,519	50,394
<b>Total revenues</b>	<b>2,949,253</b>	<b>3,659,518</b>	<b>4,660,697</b>	<b>4,705,654</b>	<b>7,609,950</b>	<b>8,365,172</b>
<b>Expenses</b>						
General government	520,191	539,319	-	-	520,191	539,319
Public safety	2,264,550	2,229,881	-	-	2,264,550	2,229,881
Highways and streets	624,205	1,011,185	-	-	624,205	1,011,185
Maintenance	148,627	179,142	-	-	148,627	179,142
Culture/recreation	384,988	401,779	-	-	384,988	401,779
Interest on long- term debt	8,503	4,174	-	-	8,503	4,174
Water	-	-	1,337,391	1,314,505	1,337,391	1,314,505
Sewer	-	-	1,907,998	2,106,514	1,907,998	2,106,514
Sanitation	-	-	990,222	985,069	990,222	985,069
Cable TV	-	-	457,952	409,848	457,952	409,848
Loss on sale of assets	-	-	350	1,552	350	1,552
<b>Total expenses</b>	<b>3,951,064</b>	<b>4,365,480</b>	<b>4,693,913</b>	<b>4,817,488</b>	<b>8,644,977</b>	<b>9,182,968</b>
<b>Change in net assets before transfers</b>	<b>(1,001,811)</b>	<b>(705,962)</b>	<b>(33,216)</b>	<b>(111,834)</b>	<b>(1,035,027)</b>	<b>(817,796)</b>
<b>Transfers</b>	<b>329,907</b>	<b>331,878</b>	<b>(329,907)</b>	<b>(331,878)</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>(671,904)</b>	<b>(374,084)</b>	<b>(363,123)</b>	<b>(443,712)</b>	<b>(1,035,027)</b>	<b>(817,796)</b>
<b>Net assets - beginning</b>	<b>3,639,848</b>	<b>4,013,932</b>	<b>8,959,588</b>	<b>9,403,300</b>	<b>12,599,436</b>	<b>13,417,232</b>
<b>Net assets - ending</b>	<b>\$ 2,967,944</b>	<b>\$ 3,639,848</b>	<b>\$ 8,596,465</b>	<b>\$ 8,959,588</b>	<b>\$ 11,564,409</b>	<b>\$ 12,599,436</b>

Governmental activities expenses exceeded revenues by \$1,001,811, while business-type activities expenses exceeded revenues by \$33,216. Total revenues decreased \$755,222 from the previous year. Total expenses decreased \$537,991 from the previous year.

66% 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 (57%), highways and streets (16%) and general government (13%) activities.

Charges for services provided 100% of the revenues for business-type activities, while sewer fund consumed 41% 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, 2011, total assets were \$524,708 and total liabilities were \$1,978,822. At the end of fiscal year 2011, unreserved fund deficit of the general fund was (\$1,470,511) while the total fund deficit was (\$1,454,114).

#### **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:

<i>September 30,</i>	<b>2011</b>	2010
Water	<b>\$ 942,835</b>	\$ 1,408,623
Sewer	<b>3,181,050</b>	3,108,969
Sanitation	<b>551,035</b>	454,606
Cable TV	<b>(158,602)</b>	(61,596)
<b>Total</b>	<b>\$ 4,516,318</b>	<b>\$ 4,910,602</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, 2011, was \$13,847,004 (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)

September 30,	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 772,138	\$ 772,138	\$ 90,170	\$ 90,170	\$ 862,308	\$ 862,308
Construction in progress	-	-	3,610	3,610	3,610	3,610
Buildings	673,261	710,261	33,562	37,679	706,823	747,940
Improvements/ distribution system	2,879,820	2,659,681	8,232,510	8,526,849	11,112,330	11,186,530
Machinery and equipment	564,992	701,202	282,731	294,456	847,723	995,658
Streets	314,210	253,131	-	-	314,210	253,131
Total	\$ 5,204,421	\$ 5,096,413	\$ 8,642,583	\$ 8,952,764	\$ 13,847,004	\$ 14,049,177

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 \$6,136,561. This debt amount represents notes payable and capital leases secured by specified revenue sources and equipment.

#### Outstanding Debt

September 30,	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital leases	\$ 235,108	\$ 326,816	\$ -	\$ -	\$ 235,108	\$ 326,816
Notes payable	-	-	5,901,453	6,258,745	5,901,453	6,258,745
Total	\$ 235,108	\$ 326,816	\$ 5,901,453	\$ 6,258,745	\$ 6,136,561	\$ 6,585,561

Principal repayments during the year on notes payable and capital leases totaled \$449,000.

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 \$132,261, which was due primarily to grant revenues received but not included in the budget. The general fund's actual expenditures exceeded budgeted expenditures by \$639,218. The City did not budget for grant revenues and expenditures and most capital outlay expenditures.

### **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 remain above the national average.

As part of the regular budget monitoring process, the finance department will begin preparing 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 will be used to monitor compliance with the approved budget. If necessary, the City Commission will consider 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, 2011

Primary Government			
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 24,531	\$ 337,237	\$ 361,768
Accounts receivable, net	83,089	396,201	479,290
Taxes receivable	85,411	-	85,411
Prepaid expenses	1,527	-	1,527
Internal balances	(1,482,183)	1,482,183	-
Due from other governments	289,838	-	289,838
Restricted assets			
Cash and cash equivalents, customer deposits	-	480,140	480,140
Cash and cash equivalents, impact fees	-	1,339,017	1,339,017
Investment in joint venture	-	2,804,181	2,804,181
Capital assets			
Nondepreciable	772,138	93,780	865,918
Depreciable, net	4,432,283	8,548,803	12,981,086
Total assets	4,206,634	15,481,542	19,688,176
<b>Liabilities</b>			
Current liabilities			
Accounts payable	139,150	233,454	372,604
Overdrawn cash liability	252,139	-	252,139
Accrued interest	-	28,944	28,944
Accrued payroll liabilities	63,221	27,089	90,310
Other current liabilities	-	13,774	13,774
Long-term liabilities			
Due within one year			
Accrued compensated absences	32,191	18,059	50,250
Notes payable	-	374,071	374,071
Obligations under capital lease	89,978	-	89,978
Due in more than one year			
Customer deposits	-	432,295	432,295
Notes payable	-	5,527,382	5,527,382
Obligations under capital lease	145,130	-	145,130
Other postemployment benefits	516,881	230,009	746,890
Total liabilities	1,238,690	6,885,077	8,123,767
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,969,313	2,741,130	7,710,443
Restricted by impact fee ordinance	-	1,339,017	1,339,017
Unrestricted	(2,001,369)	4,516,318	2,514,949
Total net assets	\$ 2,967,944	\$ 8,596,465	\$ 11,564,409

See accompanying notes

City of Springfield, Florida  
Statement of Activities  
Year Ended September 30, 2011

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	\$ 520,191	\$ 53,462	\$ 508,854	\$ 21,734	\$ 63,859	\$ -	\$ 63,859
Public safety	2,264,550	18,366	-	-	(2,246,184)	-	(2,246,184)
Highways and streets	624,205	59,747	-	236,353	(328,105)	-	(328,105)
Maintenance	148,627	-	-	-	(148,627)	-	(148,627)
Culture and recreation	384,988	4,813	1,000	-	(379,175)	-	(379,175)
Interest on long-term debt	8,503	-	-	-	(8,503)	-	(8,503)
Total governmental activities	3,951,064	136,388	509,854	258,087	(3,046,735)	-	(3,046,735)
Business-type activities							
Water	1,337,391	1,046,124	-	-	-	(291,267)	(291,267)
Sewer	1,907,998	2,110,421	-	-	-	202,423	202,423
Sanitation	990,222	1,151,055	-	-	-	160,833	160,833
Cable TV	457,952	353,097	-	-	-	(104,855)	(104,855)
Total business-type activities	4,693,563	4,660,697	-	-	-	(32,866)	(32,866)
<b>Total primary government</b>	<b>\$ 8,644,627</b>	<b>\$ 4,797,085</b>	<b>\$ 509,854</b>	<b>\$ 258,087</b>	<b>(3,046,735)</b>	<b>(32,866)</b>	<b>(3,079,601)</b>
General revenues							
Taxes							
Utility taxes					453,609	-	453,609
Local option gas tax					115,548	-	115,548
Communications services tax					250,204	-	250,204
Half cent sales tax					620,478	-	620,478
Local business tax					14,227	-	14,227
Ad valorem CRA					13,340	-	13,340
Franchise fees					484,999	-	484,999
Miscellaneous revenues					85,588	-	85,588
Interest earnings					6,931	-	6,931
Loss on sale of assets					-	(350)	(350)
Total general revenues					2,044,924	(350)	2,044,574
Transfers					329,907	(329,907)	-
Total general revenues and transfers					2,374,831	(330,257)	2,044,574
Change in net assets					(671,904)	(363,123)	(1,035,027)
Net assets - beginning					3,639,848	8,959,588	12,599,436
Net assets - ending					\$ 2,967,944	\$ 8,596,465	\$ 11,564,409

See accompanying notes

City of Springfield, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2011

	General	Community Redevelopment	Other Governmental Funds (Debt Service)	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 20,524	\$ -	\$ -	\$ 20,524
Accounts receivable, net	83,089	-	-	83,089
Taxes receivable	85,411	-	-	85,411
Due from other funds	128,930	-	-	128,930
Due from other governments	289,838	-	-	289,838
Prepays	1,527	-	-	1,527
Restricted assets - cash	-	4,007	-	4,007
<b>Total assets</b>	<b>\$ 609,319</b>	<b>\$ 4,007</b>	<b>\$ -</b>	<b>\$ 613,326</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 136,960	\$ 2,190	\$ -	139,150
Overdrawn cash liability	252,139	-	-	252,139
Accruals	63,221	-	-	63,221
Due to other funds	1,611,113	-	-	1,611,113
<b>Total liabilities</b>	<b>2,063,433</b>	<b>2,190</b>	<b>-</b>	<b>2,065,623</b>
<b>Fund balances</b>				
<b>Nonspendable</b>				
Prepays	1,527	-	-	1,527
<b>Restricted</b>				
Law enforcement education	14,870	-	-	14,870
Community redevelopment fund	-	1,817	-	1,817
<b>Unassigned</b>				
General fund	(1,470,511)	-	-	(1,470,511)
<b>Total fund balance (deficit)</b>	<b>(1,454,114)</b>	<b>1,817</b>	<b>-</b>	<b>(1,452,297)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 609,319</b>	<b>\$ 4,007</b>	<b>\$ -</b>	
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				5,204,421
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(784,180)
<b>Net assets of governmental activities</b>				<b>\$ 2,967,944</b>

See accompanying notes

City of Springfield, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2011

	General	Community Redevelopment	Other Governmental Funds (Debt Service)	Total
<b>Revenues</b>				
Taxes				
Utility taxes	\$ 453,609	\$ -	\$ -	\$ 453,609
Local option gas tax	115,548	-	-	115,548
Communications services tax	250,204	-	-	250,204
Half cent sales tax	620,478	-	-	620,478
Local business tax	14,227	-	-	14,227
Property taxes	-	13,340	-	13,340
Intergovernmental	508,854	-	-	508,854
Licenses and permits	1,820	-	-	1,820
Franchise fees	484,999	-	-	484,999
Charges for services	80,526	-	-	80,526
Fines and forfeitures	29,265	-	-	29,265
Rents	348,777	-	-	348,777
Interest	6,931	-	-	6,931
Grants	256,974	-	-	256,974
Contributions and donations	6,234	-	-	6,234
Other fees and miscellaneous	81,567	-	-	81,567
<b>Total revenues</b>	<b>3,260,013</b>	<b>13,340</b>	<b>-</b>	<b>3,273,353</b>
<b>Expenditures</b>				
Current				
General government	425,428	-	-	425,428
Public safety	1,941,338	-	-	1,941,338
Highways and streets	518,092	-	-	518,092
Maintenance	130,511	-	-	130,511
Culture and recreation	299,521	-	-	299,521
Debt service				
Principal	-	-	91,708	91,708
Interest and fiscal charges	-	-	8,503	8,503
Capital outlay				
General government	39,881	-	-	39,881
Public safety	28,382	-	-	28,382
Highways and streets	392,725	-	-	392,725
Culture and recreation	16,092	-	-	16,092
<b>Total expenditures</b>	<b>3,791,970</b>	<b>-</b>	<b>100,211</b>	<b>3,892,181</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(531,957)</b>	<b>13,340</b>	<b>(100,211)</b>	<b>(618,828)</b>
<b>Other financing sources (uses)</b>				
Transfer from (to) other funds	(72,997)	(21,307)	100,211	5,907
<b>Total other financing sources (uses)</b>	<b>(72,997)</b>	<b>(21,307)</b>	<b>100,211</b>	<b>5,907</b>
<b>Net change in fund balances</b>	<b>(604,954)</b>	<b>(7,967)</b>	<b>-</b>	<b>(612,921)</b>
<b>Fund balance (deficit) - beginning</b>	<b>(849,160)</b>	<b>9,784</b>	<b>-</b>	<b>(839,376)</b>
<b>Fund balance (deficit) - ending</b>	<b>\$ (1,454,114)</b>	<b>\$ 1,817</b>	<b>\$ -</b>	<b>\$ (1,452,297)</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, 2011

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)	\$ (612,921)
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.	108,107
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, and donations) is to decrease net assets.	(100)
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.	(258,698)
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.	91,708
<b>Change in net assets of governmental activities (page 11)</b>	<b>\$ (671,904)</b>

City of Springfield, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - General Fund  
Year Ended September 30, 2011

	Budget		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Utility taxes	\$ 450,000	\$ 450,000	\$ 453,609	\$ 3,609
Local option gas tax	168,013	168,013	115,548	(52,465)
Communications services tax	265,364	265,364	250,204	(15,160)
Half cent sales tax	623,643	623,643	620,478	(3,165)
Local business tax	32,100	32,100	14,227	(17,873)
Intergovernmental	522,094	522,094	508,854	(13,240)
Licenses and permits	5,450	5,450	1,820	(3,630)
Franchise fees	540,523	540,523	484,999	(55,524)
Charges for services	59,031	59,031	80,526	21,495
Fines and forfeitures	56,734	56,734	29,265	(27,469)
Rents	355,800	355,800	348,777	(7,023)
Interest	2,000	2,000	6,931	4,931
Grants	-	-	256,974	256,974
Contributions and donations	15,000	15,000	6,234	(8,766)
Other fees and miscellaneous	32,000	32,000	81,567	49,567
Total revenues	3,127,752	3,127,752	3,260,013	132,261
<b>Expenditures</b>				
Current				
General government				
Special governing	182,099	182,099	215,078	(32,979)
Administration	236,632	236,632	210,350	26,282
Total general government	418,731	418,731	425,428	(6,697)
Public safety				
Police	1,288,052	1,288,052	1,373,475	(85,423)
Fire	459,232	459,232	490,214	(30,982)
Protective services	61,411	61,411	77,649	(16,238)
Total public safety	1,808,695	1,808,695	1,941,338	(132,643)
Highways and streets	458,124	458,124	518,092	(59,968)
Maintenance	146,088	146,088	130,511	15,577
Culture and recreation				
Library	62,666	62,666	68,114	(5,448)
Recreation	204,073	204,073	231,407	(27,334)
Total culture and recreation	266,739	266,739	299,521	(32,782)
Capital outlay				
General government	500	500	39,881	(39,381)
Public safety	53,875	53,875	28,382	25,493
Highways and streets	-	-	392,725	(392,725)
Culture and recreation	-	-	16,092	(16,092)
Total capital outlay	54,375	54,375	477,080	(422,705)
Total expenditures	3,152,752	3,152,752	3,791,970	(639,218)
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>(531,957)</b>	<b>(506,957)</b>
<b>Other financing sources (uses)</b>				
Transfers from (to) other funds	25,000	25,000	(72,997)	(97,997)
Total other financing sources (uses)	25,000	25,000	(72,997)	(97,997)
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>(604,954)</b>	<b>(604,954)</b>
<b>Fund balance (deficit)- beginning</b>	<b>(849,160)</b>	<b>(849,160)</b>	<b>(849,160)</b>	<b>-</b>
<b>Fund balance (deficit) - ending</b>	<b>\$ (849,160)</b>	<b>\$ (849,160)</b>	<b>\$ (1,454,114)</b>	<b>\$ (604,954)</b>

See accompanying notes

City of Springfield, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2011

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Sanitation	Cable TV	Total
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 196,478	\$ 85,872	\$ 47,157	\$ 7,730	\$ 337,237
Accounts receivable, net	112,758	140,646	93,096	49,701	396,201
Due from other funds	721,624	426,491	539,608	-	1,687,723
<b>Total current assets</b>	<b>1,030,860</b>	<b>653,009</b>	<b>679,861</b>	<b>57,431</b>	<b>2,421,161</b>
Noncurrent assets					
Restricted assets - cash and cash equivalents					
Customer deposits	480,140	-	-	-	480,140
Impact fees	602,217	736,800	-	-	1,339,017
Investment in joint venture	-	2,804,181	-	-	2,804,181
Capital assets					
Nondepreciable	3,610	42,457	47,713	-	93,780
Depreciable, net	3,598,749	4,860,041	71,704	18,309	8,548,803
<b>Total noncurrent assets</b>	<b>4,684,716</b>	<b>8,443,479</b>	<b>119,417</b>	<b>18,309</b>	<b>13,265,921</b>
<b>Total assets</b>	<b>5,715,576</b>	<b>9,096,488</b>	<b>799,278</b>	<b>75,740</b>	<b>15,687,082</b>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	3,426	176,072	31,326	22,630	233,454
Accrued interest	28,944	-	-	-	28,944
Accrued payroll liabilities	7,027	9,038	8,380	2,644	27,089
Other current liabilities	-	-	-	13,774	13,774
Accrued compensated absences	3,192	4,106	8,735	2,026	18,059
Due to other funds	30,471	36,309	-	138,760	205,540
Notes payable, current	121,669	252,402	-	-	374,071
<b>Total current liabilities</b>	<b>194,729</b>	<b>477,927</b>	<b>48,441</b>	<b>179,834</b>	<b>900,931</b>
Noncurrent liabilities					
Customer deposits	421,380	-	-	10,915	432,295
Notes payable	2,264,444	3,262,938	-	-	5,527,382
Other postemployment benefits	73,725	50,615	80,385	25,284	230,009
<b>Total noncurrent liabilities</b>	<b>2,759,549</b>	<b>3,313,553</b>	<b>80,385</b>	<b>36,199</b>	<b>6,189,686</b>
<b>Total liabilities</b>	<b>2,954,278</b>	<b>3,791,480</b>	<b>128,826</b>	<b>216,033</b>	<b>7,090,617</b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	1,216,246	1,387,158	119,417	18,309	2,741,130
Restricted by impact fee ordinance	602,217	736,800	-	-	1,339,017
Unrestricted	942,835	3,181,050	551,035	(158,602)	4,516,318
<b>Total net assets</b>	<b>\$ 2,761,298</b>	<b>\$ 5,305,008</b>	<b>\$ 670,452</b>	<b>\$ (140,293)</b>	<b>\$ 8,596,465</b>

See accompanying notes

City of Springfield, Florida  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
Year Ended September 30, 2011

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Sanitation	Cable TV	Total
<b>Operating revenues</b>					
Charges for services					
Sales	\$ 946,431	\$ 1,766,591	\$ 1,125,245	\$ 333,439	\$ 4,171,706
Connection / reconnection fees	37,845	-	-	10,600	48,445
Penalties	31,813	53,538	25,784	6,508	117,643
Tap fees	5,696	4,200	-	-	9,896
Other income	8,703	-	26	2,550	11,279
Impact fees	15,636	22,596	-	-	38,232
Total operating revenues	1,046,124	1,846,925	1,151,055	353,097	4,397,201
<b>Operating expenses</b>					
Personal services	344,656	259,784	370,828	117,642	1,092,910
Professional services	17,377	13,304	17,942	14,472	63,095
Contractual services	11,712	11,637	17,775	5,425	46,549
Insurance	48,984	5,549	20,317	7,395	82,245
Repairs and maintenance	3,075	12,478	3,049	1,745	20,347
Operating supplies	136,290	50,179	73,683	10,783	270,935
Communication services	4,052	2,896	1,984	766	9,698
Public utility purchases	554,469	1,074,230	414,045	23,093	2,065,837
Transportation	7,431	5,391	4,471	-	17,293
Travel and per diem	1,568	-	-	-	1,568
Rentals	108,257	108,216	108,000	256,599	581,072
Bad debt expense	3,121	29,340	19,903	-	52,364
Miscellaneous	3,781	303	738	8,323	13,145
Depreciation	136,762	222,873	45,487	11,709	416,831
Total operating expenses	1,381,535	1,796,180	1,098,222	457,952	4,733,889
Net operating income (loss)	(335,411)	50,745	52,833	(104,855)	(336,688)
<b>Nonoperating revenues (expenses)</b>					
Income from joint venture	-	263,496	-	-	263,496
Interest expense	(63,856)	(219,818)	-	-	(283,674)
Gain (loss) on asset disposal	(350)	-	-	-	(350)
Total nonoperating revenues (expenses)	(64,206)	43,678	-	-	(20,528)
Net income (loss) before transfers	(399,617)	94,423	52,833	(104,855)	(357,216)
Transfers (out)	(1,969)	(1,969)	-	(1,969)	(5,907)
<b>Change in net assets</b>	(401,586)	92,454	52,833	(106,824)	(363,123)
<b>Total net assets - beginning</b>	3,162,884	5,212,554	617,619	(33,469)	8,959,588
<b>Total net assets - ending</b>	\$ 2,761,298	\$ 5,305,008	\$ 670,452	\$ (140,293)	\$ 8,596,465

See accompanying notes

City of Springfield, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2011

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Sanitation	Cable TV	Total
<b>Operating activities</b>					
Receipts from customers and users	\$ 1,180,986	\$ 1,858,308	\$ 1,153,653	\$ 338,154	\$ 4,531,101
Payments to suppliers	(904,740)	(1,260,346)	(687,352)	(309,232)	(3,161,670)
Payments for personal services	(310,934)	(226,187)	(330,853)	(107,015)	(974,989)
Net cash provided (used) by operating activities	(34,688)	371,775	135,448	(78,093)	394,442
<b>Noncapital financing activities</b>					
Transfers to other funds	(1,969)	(1,969)	-	(1,969)	(5,907)
Changes in internal balances	12,951	(68,560)	(233,780)	81,768	(207,621)
Net cash provided (used) by noncapital financing activities	10,982	(70,529)	(233,780)	79,799	(213,528)
<b>Capital and related financing activities</b>					
Principal paid on notes and leases	(118,469)	(238,823)	-	-	(357,292)
Interest paid on notes and leases	(65,348)	(219,818)	-	-	(285,166)
Purchase of capital assets	(67,208)	(36,008)	(1,891)	(1,891)	(106,998)
Net cash used by capital and related financing activities	(251,025)	(494,649)	(1,891)	(1,891)	(749,456)
<b>Investing activities</b>					
Investment in joint venture	-	(37,014)	-	-	(37,014)
Distributions from joint venture	-	98,831	-	-	98,831
Net cash provided by investing activities	-	61,817	-	-	61,817
<b>Net decrease in cash and cash equivalents</b>	(274,731)	(131,586)	(100,223)	(185)	(506,725)
<b>Cash and cash equivalents - beginning</b>	1,553,566	954,258	147,380	7,915	2,663,119
<b>Cash and cash equivalents - ending</b>	\$ 1,278,835	\$ 822,672	\$ 47,157	\$ 7,730	\$ 2,156,394
<b>Cash and cash equivalents classified as</b>					
Current assets	\$ 196,478	\$ 85,872	\$ 47,157	\$ 7,730	\$ 337,237
Restricted assets	1,082,357	736,800	-	-	1,819,157
Total cash and cash equivalents	\$ 1,278,835	\$ 822,672	\$ 47,157	\$ 7,730	\$ 2,156,394
<b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities</b>					
Net operating income (loss)	\$ (335,411)	\$ 50,745	\$ 52,833	\$ (104,855)	\$ (336,688)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	136,762	222,873	45,487	11,709	416,831
(Increase) decrease in assets					
Accounts receivable, net	(15,500)	11,383	2,598	(22,403)	(23,922)
Increase (decrease) in liabilities					
Accounts payable	(4,623)	53,177	(5,445)	5,595	48,704
Accrued payroll liabilities	(1,415)	4,514	(88)	10,381	13,392
Other current liabilities					
Accrued compensated absences	1,285	(338)	(966)	1,160	1,141
Other postemployment benefits	33,852	29,421	41,029	12,860	117,162
Customer deposits	150,362	-	-	7,460	157,822
Total adjustments	300,723	321,030	82,615	26,762	731,130
Net cash provided (used) by operating activities	\$ (34,688)	\$ 371,775	\$ 135,448	\$ (78,093)	\$ 394,442

See accompanying notes

Notes to Basic Financial Statements

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

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

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

***Reporting Entity***

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

***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 (the "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

Notes to Basic Financial Statements

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

allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

Notes to Basic Financial Statements

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

their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The Commission applies all GASB pronouncements as well as all FASB Statements and interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not contradict GASB pronouncements.

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

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

***Basis of Presentation***

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

***Governmental Major Funds***

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

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.

Notes to Basic Financial Statements

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

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

***Noncurrent Governmental Assets/Liabilities***

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

***Budgets***

Annual budgets are legally adopted 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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Due to and Due from Other Funds***

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

***Capital Assets***

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

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

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

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

***Unamortized Loan Issuance Costs***

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

***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.

Notes to Basic Financial Statements

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

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.

***Fund balances***

The City has implemented GASB Statement 54 employing new terminology and classifications for fund balance.

**Nonspendable** – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The balance as of September 30, 2011 of \$1,527 is from prepaid expenditures which are not in spendable form.

**Restricted** – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of September 30, 2011 of \$16,687 is restricted by enabling legislation.

**Committed** – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the City Commissioners. There are no committed funds as of September 30, 2011.

**Assigned** – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. There are no assigned funds as of September 30, 2011.

**Unassigned** – This category is the residual classification for the City's fund balances. The balance as of September 30, 2011 is a deficit of \$(1,470,511).

***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 – committed, assigned, and unassigned – in order as 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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Subsequent events**

The City has evaluated subsequent events through, May 31, 2013, the date the financial statements were available to be 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 \$5,204,421 difference are as follows:

Cost of capital assets	\$ 8,407,490
Less: accumulated depreciation	(3,203,069)
<hr/>	
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ 5,204,421
<hr/>	

Another element of that reconciliation states, "long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(784,180) difference are as follows:

Capital leases	\$ (235,108)
Other post employment benefits	(516,881)
Compensated absences	(32,191)
<hr/>	
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ (784,180)
<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:

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.

Notes to Basic Financial Statements

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

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 \$108,107 difference are as follows:

Capital outlay	\$ 477,080
Depreciation expense	(368,973)
<hr/>	
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 108,107

Another element of the reconciliation states that "the net effect of miscellaneous noncash transactions involving capital assets is to decrease net assets." The details of this \$(100) difference are as follows:

Loss on sale of surplus property	\$ (100)
<hr/>	
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (100)

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 \$(258,698) difference are as follows:

Compensated absences	\$ (6,278)
Other post employment benefits	(252,420)
<hr/>	
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (258,698)

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 \$91,708 difference are as follows:

Long-term debt	
Principal payments on capital lease obligations	\$ 91,708
<hr/>	
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$ 91,708

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. Actual expenditures exceeded the budget by \$639,218.

**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.

Notes to Basic Financial Statements

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

***Interest Rate Risks***

At September 30, 2011, the City did not hold any investments that were considered to be an interest rate risk.

***Credit Risks***

At September 30, 2011, the City did not hold any investments that were considered to be a credit risk.

***Custodial Risks***

At September 30, 2011, the City did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

As September 30, 2011, 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, 2011, accounts receivable in the general fund and proprietary funds is summarized as follows:

	<b>General</b>	<b>Proprietary</b>
Total accounts receivable	\$ 83,089	\$ 733,165
Less: allowance for doubtful accounts	-	(336,964)
<b>Accounts receivable, net</b>	<b>\$ 83,089</b>	<b>\$ 396,201</b>

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

The composition of interfund balances as of September 30, 2011 is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Cable	\$ 128,930
Water	General	721,624
Sewer	General	426,491
Sanitation	Cable	9,830
Sanitation	General	462,998
Sanitation	Sewer	36,309
Sanitation	Water	30,471
<b>Total</b>		<b>\$ 1,816,653</b>

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.

<b>Transfers To</b>	<b>Transfers From</b>	<b>Amount</b>
General	Community Redevelopment Agency	\$ 21,307
Debt Service	General	94,304
Debt Service	Cable	1,969
Debt Service	Sewer	1,969
Debt Service	Water	1,969
<b>Total</b>		<b>\$ 121,518</b>

The transfer to the general fund from the community redevelopment agency was for operating purposes. Transfers to debt service were for required payment of debt.

**NOTE 7 – CAPITAL ASSETS**

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

	<b>October 1, 2010</b>	<b>Increases</b>	<b>Decreases</b>	<b>September 30, 2011</b>
Capital assets, not being depreciated				
Land	\$ 772,138	\$ -	\$ -	\$ 772,138
Total capital assets, not being depreciated	772,138	-	-	772,138
Capital assets, being depreciated				
Buildings	1,656,444	-	-	1,656,444
Streets	300,750	69,466	-	370,216
Improvements	2,903,223	313,635	-	3,216,858
Machinery and equipment	2,372,732	93,980	(74,878)	2,391,834
Total capital assets, being depreciated	7,233,149	477,081	(74,878)	7,635,352
Less accumulated depreciation				
Buildings	946,183	37,000	-	983,183
Streets	47,619	8,387	-	56,006

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

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

	October 1, 2010	Increases	Decreases	September 30, 2011
Improvements	\$ 243,542	\$ 93,496	\$ -	\$ 337,038
Machinery and equipment	1,671,530	230,090	(74,778)	1,826,842
Total accumulated depreciation	2,908,874	368,973	(74,778)	3,203,069
Total capital assets being depreciated (net of accumulated depreciation)	4,324,275	108,108	(100)	4,432,283
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 5,096,413	\$ 108,108	\$ (100)	\$ 5,204,421

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2011:

	Water	Sewer	Sanitation	Cable TV	Total
Land	\$ -	\$ 42,457	\$ 47,713	\$ -	\$ 90,170
Construction in progress	3,610	-	-	-	3,610
Buildings and improvements	17,489	-	41,966	61,290	120,745
Distribution system	4,627,004	7,221,368	-	856,121	12,704,493
Equipment and furniture	367,037	465,990	687,769	399,861	1,920,657
Total	5,015,140	7,729,815	777,448	1,317,272	14,839,675
Less: accumulated depreciation					
Buildings and improvements	5,770	-	22,187	59,226	87,183
Distribution system	1,148,301	2,477,157	-	846,525	4,471,983
Equipment and furniture	258,710	350,160	635,844	393,212	1,637,926
Total accumulated depreciation	1,412,781	2,827,317	658,031	1,298,963	6,197,092
Total business-type activities capital assets (net of accumulated depreciation)	\$ 3,602,359	\$ 4,902,498	\$ 119,417	\$ 18,309	\$ 8,642,583

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, 2010	Increases	Decreases	September 30, 2011
Capital assets, not being depreciated				
Land	\$ 90,170	\$ -	\$ -	\$ 90,170
Construction in progress	3,610	-	-	3,610
<b>Total capital assets, not being depreciated</b>	<b>93,780</b>	<b>-</b>	<b>-</b>	<b>93,780</b>
Capital assets, being depreciated				
Buildings and improvements	120,745	-	-	120,745
Distribution system	12,704,493	-	-	12,704,493
Machinery and equipment	2,022,512	107,000	(208,855)	1,920,657
<b>Total capital assets, being depreciated</b>	<b>14,847,750</b>	<b>107,000</b>	<b>(208,855)</b>	<b>14,745,895</b>
Less accumulated depreciation				
Buildings and improvements	83,066	4,117	-	87,183
Distribution system	4,177,644	294,339	-	4,471,983
Machinery and equipment	1,728,056	118,375	(208,505)	1,637,926
<b>Total accumulated depreciation</b>	<b>5,988,766</b>	<b>416,831</b>	<b>(208,505)</b>	<b>6,197,092</b>
<b>Total capital assets, being depreciated, net</b>	<b>8,858,984</b>	<b>(309,831)</b>	<b>(350)</b>	<b>8,548,803</b>
<b>Total business-type activities' capital assets (net of accumulated depreciation)</b>	<b>\$ 8,952,764</b>	<b>\$ (309,831)</b>	<b>\$ (350)</b>	<b>\$ 8,642,583</b>

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

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

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

Public safety		154,089
Highways and streets		78,558
Maintenance		7,095
Culture and recreation		66,605
Total depreciation expense - governmental activities		\$ 368,973

Business-type activities

Business-type activities

Water		\$ 136,762
Sewer		222,873
Sanitation		45,487
Cable TV		11,709
Total depreciation expense - business-type activities		\$ 416,831

**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>
Assets		
Machinery and equipment	\$	402,635
Less accumulated depreciation		(182,247)
Total net assets		\$ 220,388

Notes to Basic Financial Statements

**NOTE 8 – CAPITAL LEASES (CONTINUED)**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 are as follows:

<i>Years Ending September 30,</i>	<b>Governmental Activities</b>
2012	\$ 100,216
2013	52,337
2014	52,337
2015	52,337
Total minimum lease payments	257,227
Less amount representing interest	(22,119)
Present value of minimum lease payments	235,108
Less amount due within one year	(89,978)
Amount due in more than one year	\$ 145,130

**NOTE 9 – LONG-TERM DEBT**

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

	<b>September 30, 2011</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.	\$ 2,386,113
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 2027.	3,515,340
Total notes payable	5,901,453
Less amounts due within one year	(374,071)
Notes payable amount due in more than one year	\$ 5,527,382

Notes to Basic Financial Statements

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

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

Years Ending September 30,	Principal	Interest	Total Debt Service Requirements
2012	\$ 374,071	\$ 270,898	\$ 644,969
2013	392,077	255,927	648,004
2014	410,193	240,194	650,387
2015	293,220	223,688	516,908
2016	186,971	212,271	399,242
2017-2021	2,237,987	827,489	3,065,476
2022-2026	1,827,416	296,965	2,124,381
2027	179,518	3,502	183,020
	<b>\$ 5,901,453</b>	<b>\$ 2,330,934</b>	<b>\$ 8,232,387</b>

Long-term liability activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Capital leases	\$ 326,816	\$ -	\$ (91,708)	\$ 235,108	\$ 89,978
Compensated absences	25,913	32,191	(25,913)	32,191	32,191
Total governmental activities	<b>\$ 352,729</b>	<b>\$ 32,191</b>	<b>\$ (117,621)</b>	<b>\$ 267,299</b>	<b>\$ 122,169</b>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Notes payable	\$ 6,258,745	\$ -	\$ (357,292)	\$ 5,901,453	\$ 374,071
Compensated absences	16,918	18,059	(16,918)	18,059	18,059
Total business-type activities	<b>\$ 6,275,663</b>	<b>\$ 18,059</b>	<b>\$ (374,210)</b>	<b>\$ 5,919,512</b>	<b>\$ 392,130</b>

Notes to Basic Financial Statements

**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, 2011 totaled \$2,940,255. Principal and interest paid for the current year and total pledged revenues were \$183,815 and (\$214,285), respectively. The pledged revenues were not sufficient to cover the principal and interest paid for the current year.

**NOTE 11 – ACCRUED COMPENSATED ABSENCES**

Accrued compensated absences consist of the following at September 30, 2011:

	<b>Accrued Vacation Leave</b>
Enterprise funds:	
Water	\$ 3,192
Sewer	4,106
Sanitation	8,735
Cable TV	2,026
General fund	32,191
<b>Total accrued compensated absences</b>	<b>\$ 50,250</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.

Notes to Basic Financial Statements

**NOTE 12 – PENSION PLAN (CONTINUED)**

FRS is funded through employee and employer contributions. The City is required to contribute at an actuarially determined rate. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 12.25%, and 18.64% for regular employees, Drop employees, and elected officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 4.42%, and 11.14% for regular employees, Drop employees, and elected officials, respectively. Starting on July 1, 2011 employee contributions of 3% were required for all participants.

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. The City's contributions to the FRS for the years ending September 30, 2011, 2010, and 2009 were \$248,266, \$307,733, and \$296,068, respectively, and were equal to the required contributions for each year. The required employee contributions made to the plan for the year ending September 30, 2011, were \$14,342.

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.

***Defined Contribution Plan***

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a cost-sharing multiple-employer defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. This FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. Changes to the law can only occur through an act of the Florida Legislature. The FRS Investment Plan is administered by the Florida State Board of Administration. Information about this plan can be obtained by writing to FRS Plan Administrator, P. O. Box 56290, Jacksonville, FL 32241-6290 or by calling 866-377-2121.

FRS Investment Plan is funded through employee and employer contributions. Rates effective for October 1, 2010 through June 30, 2011, were 10.77%, 12.25%, and 18.64% for regular employees, Drop employees, and elected officials, respectively. Rates effective for July 1, 2011 through September 30, 2011, were 4.91%, 4.42%, and 11.14% for regular employees, Drop employees, and elected officials, respectively. Starting July 1, 2011, employee contributions of 3% were required for all participants. Required employer and employee contributions made to the plan during the year totaled \$37,389 and \$1,808, respectively.

**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, 2011.

***Business-type Activities***

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

Notes to Basic Financial Statements

**NOTE 13 – NET ASSETS RESTRICTIONS (CONTINUED)**

**Summary**

Specific restrictions of net assets are summarized below as of September 30, 2011:

Business-type activities	
Impact fees	\$ 1,339,017
<hr/>	
Total	\$ 1,339,017
<hr/>	

**NOTE 14 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past five fiscal years.

**NOTE 15 – 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.

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, 2011, the City’s portion of the equity of the venture was \$2,804,181. 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:

City of Springfield, Florida

Notes to Basic Financial Statements

NOTE 15 – INVESTMENT IN JOINT VENTURE (CONTINUED)

Statement of Net Assets

September 30, 2011

<b>Assets</b>		
Current assets	\$	3,428,990
Noncurrent assets		33,399,337
Total assets		36,828,327
<b>Liabilities</b>		
Current liabilities		2,412,554
Noncurrent liabilities		22,538,716
Total liabilities		24,951,270
Net assets	\$	11,877,057

Statement of Activities

Year Ended September 30, 2011

<b>Operating revenues</b>	\$	6,597,955
<b>Operating expenses</b>		(4,305,781)
Operating income		2,292,174
Nonoperating revenues (expenses), net		(977,685)
Net income before contributions from owners		1,314,489
Contributions from owners		112,009
<b>Change in net assets</b>		1,426,498
<b>Net assets, beginning</b>		10,450,559
<b>Net assets, ending</b>	\$	11,877,057

The City's net income from the joint venture in the amount of \$263,496 is derived as follows:

Share of operating income	\$	263,496
Net income from joint venture	\$	263,496

Notes to Basic Financial Statements

**NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Effective for the year ended September 30, 2010, the City has implemented Governmental Accounting Standards Board Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for retiree health insurance. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for benefits of \$3,393,713 at transition, amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of implementation.

Plan Description

The City has established the Retiree’s Health Insurance Other Postemployment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the City and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The City subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The City currently has 67 total active and retired employees eligible to receive these benefits. No stand alone report is issued for the plan.

Eligibility

A participant is eligible to receive benefits from the plan upon retirement under the Florida Retirement System plan provisions. To be eligible for retiree benefits, the participant must be covered under the medical plan as an active participant immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

Funding Policy

Although the contribution requirement is established by Statute, the contribution amount required by plan members and the government are established and may be amended by the City of Springfield’s Council Members. Currently, members receiving benefits pay \$90 per month for insurance and the City pays \$6,644 for medical coverage and \$221 for dental coverage. Per Capita Annual Benefit Costs Per Participant are as follows:

Program	Pre 65 Cost	Post 65 Cost
Medical Insurance	\$ 7,724	\$ 3,074
Dental Insurance	\$ 221	\$ 221

The City has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the City is estimated to have provided contributions of \$118,072 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

Notes to Basic Financial Statements

**NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Annual OPEB Cost and Net OPEB Obligation

The following table shows the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

<u>Description</u>	
Normal cost (service cost for one year)	\$ 487,655
Amortization of unfunded actuarial accrued liability	-
Annual required contribution	<u>487,655</u>
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>487,655</u>
Contribution toward the OPEB cost	<u>(118,072)</u>
Increase in net OPEB obligation	369,583
Net OPEB obligation, beginning of year	<u>377,307</u>
Net OPEB obligation, end of year	<u><u>\$ 746,890</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2011 was as follows:

<u>Year ending September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	N/A	N/A	N/A
2010	\$ 487,655	22.6%	\$ 377,307
2011	\$ 487,655	24.2%	\$ 746,890

Funding Status and Funding Progress

The funding status and funding progress information can be found in the schedule of funding progress which is presented as required supplementary information immediately following the notes. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Methods and Assumptions

The City had an actuarial valuation completed for the fiscal year ended September 30, 2011. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends.

Notes to Basic Financial Statements

**NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially determined accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB valuation method used for the City was the entry age normal actuarial cost method. This method is used to estimate the actuarial liabilities and costs. This method was selected because it produced the best estimate of the OPEB liability and annual cost for the City employees. The actuarial assumptions include a 4.5% rate of return on investments. The actuarial assumptions also include an annual healthcare cost trend rate. For the City, this rate begins with an initial rate for 2009-10 fiscal year of 8%. It decreases over the years reaching a future year's rate of 5% in 2013. The assumed retirement age used is 60, and the average salary increase estimate used is 0%. The unfunded actuarial accrued liability is being amortized with a level percentage of payroll method. The remaining open amortization period at September 30, 2011 is 28 years.

**NOTE 17 – DEFICIT BALANCES**

The General fund has a deficit unassigned fund balance of \$1,470,511 as of September 30, 2011.

The Cable TV fund has a deficit unrestricted net assets balance of \$158,602 at September 30, 2011.

## Required Supplementary Information

City of Springfield, Florida  
 Required Supplementary Information  
 September 30, 2011

**Schedule of Funding Progress for the Retiree's Health Insurance Other Postemployment Benefits Plan:**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio
October 1, 2009	N/A	N/A	N/A	N/A
October 1, 2010	\$ 0	\$ 3,393,713	\$ 3,393,713	0.0%
October 1, 2011	N/A	N/A	N/A	N/A

**Schedule of Employer Contributions for the Retiree's Health Insurance Other Postemployment Benefits Plan:**

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2009	N/A	N/A	N/A
2010	\$110,348	\$ 487,655	22.6%
2011	\$118,072	\$ 487,655	24.2%

## Compliance Section

**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 were engaged to audit 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, 2011, which collectively comprise the City of Springfield, Florida's basic financial statements and have issued our report thereon dated May 31, 2013. We did not express an opinion on the financial statements as a whole because we were unable to obtain sufficient supporting documentation related to proprietary funds accounts receivable, customer deposit liability, and revenue. Also, the City was not able to provide documentation supporting the charges to a credit card account which affected all funds. Finally, due in part to the lack of reconciliation of the monthly pooled cash account during the year, the City was unable to provide sufficient evidence that the bank activity for the year was appropriately recorded. The City's records do not permit the application of other auditing procedures.

Internal Control Over Financial Reporting

Management of City of Springfield, Florida is responsible for establishing and maintaining effective 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 below 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 below to be material weaknesses.

11-01 Audit Adjusting Entries (Prior Years 10-01 and 09-01) (Initially reported in 2007)

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

Criteria: The requirement is for the City to be able to provide materially correct financial information.

Effect: The auditor proposed a number of journal entries which the City reviewed and approved.

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

Response: Management agrees with our recommendation.

11-02 Financial Statements (Prior Years 10-02 and 09-02) (Initially reported in 2007)

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 cost beneficial to have the auditors assist in the preparation of the financial statements.

11-03 Bank Reconciliations (Prior Years 10-03 and 09-03) (Initially reported in 2007)

Condition: Several general ledger bank account balances did not agree with related reconciliations because activity was not recorded in a timely manner when we initially began the audit and currently there are still differences between the reconciliations and the general ledger for certain accounts. We also noted that bank reconciliations were not being completed in a timely manner.

Criteria: The requirement is that bank reconciliations are to be reconciled in a timely manner.

Effect: Failure to perform timely reconciliations could result in a material error going undetected and ineffective cash management.

Recommendation: We recommend that the City establish procedures to ensure that all bank reconciliations agree with the general ledger, that all activity be recorded and in a timely manner, and that all bank reconciliations be completed in a timely manner. We recommend that the bank reconciliations be reviewed by a member of management who 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.

#### 11-04 Account Balances (Prior Years 10-04 and 09-04) (Initially reported in 2007)

Condition: Many general ledger accounts had incorrect balances and were not reconciled to the subsidiary ledger when the audit was started.

Criteria: Account balances should be accurate and agree with subsidiary ledgers or other supporting documentation.

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 City employees about how the accounting software processes and posts transactions to the general ledger. The result of this situation caused account balances to be incorrect. It also did not allow for accurate and timely financial reporting to the Commission.

Recommendation: We recommend that the City implement procedures to ensure that City finance personnel have the knowledge to ensure that account balances are accurate and agree with supporting documentation. All accounts should be reviewed and adjusted monthly for accuracy. City finance personnel should also have more training on how the software posts transactions to the general ledger to verify the transactions are posting properly. We also recommend that a monthly review by an appropriate level of management be performed to assure that reconciliations are accurately and timely prepared

Response: The City agrees and will take steps to provide any necessary training to finance personnel. The City will also assign an appropriate level of management to provide oversight.

#### 11-05 Operating Expenditures Exceed Budget (Prior Years 10-05 and 09-05) (Initially reported in 2007)

Condition: We noted expenditures exceeded the approved budget in total for the general fund and in the special governing, police, fire, protective services, highways and streets, library and recreation departments.

Criteria: Costs compared to budget should be closely monitored and the budget should be amended when actual amounts exceed budgeted amounts.

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 will review and amend the budget throughout the year.

#### 11-06 Transfers and Inter-fund Balances (Prior Years 10-06 and 09-06) (Initially reported in 2007)

Condition: We noted that transfers out of funds did not equal the related transfers in the related funds. We noted instances where the related due from/to did not balance either. An audit adjusting entry was proposed to correct these errors.

Criteria: Transfers between funds and inter-fund balances between funds must agree.

Effect: Misstatement of financial data reported to management.

Recommendation: The City needs to establish policies and procedures to ensure that all transfers between funds and inter-fund transactions are recorded in all related funds.

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

#### 11-07 Accounts Receivable (Prior Years 10-07 and 09-07) (Initially reported in 2007)

Condition: The subsidiary ledger of accounts receivable for the proprietary funds did not agree with, and was not reconciled to, the general ledger as of September 30, 2011. Accounts receivable summary reports were printed on September 30, 2011 for water, sewer, and sanitation funds and were subsequently used to adjust the general ledger balances. These summary reports did not provide information that was needed for detail testing. The appropriate report was not printed for the cable fund at all.

Criteria: Detailed accounts receivable reports should be printed as of September 30 of each year. The accounts receivable account in the general ledger should be compared to the subsidiary ledger and reconciled if not in agreement.

Effect: Incorrect financial information and failure to detect and correct errors in a timely manner.

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

Response: The City will establish procedures to include printing of the reference reports, preparation of the monthly reconciliation and provide proof of the preparer's initials.

#### 11-08 Property and Equipment (Prior Years 10-08 and 09-08) (Initially reported in 2007)

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

Criteria: A documented physical inventory and inspection of property and equipment should be conducted at least annually. A reconciliation should be completed between the current year additions on the inventory listing and the capital outlay accounts for the year. The inventory log should be reviewed for errors. Finally, a tag system should be implemented and used throughout the City to keep track of City assets.

Effect: Failure to detect and correct errors in property and equipment records in a timely manner. Possibility of property theft without the City's knowledge if they are unsure what assets they are supposed to have.

Recommendation: Although the City has taken certain steps to improve the records and implement the tagging system, we recommend further improvement in this area, including coordination between the fiscal office and the purchasing department to assist in reconciling additions. We also recommend that a detailed inventory of all capital assets be taken annually,

and that the tagging system be utilized. Finally, we recommend the inventory log be reviewed periodically to look for errors in additions, deletions, calculation, etc.

Response: The City has started the process of tagging all of their assets but the project is still in process. The City will continue to improve the record keeping of the property and equipment including taking an annual inventory.

#### 11-09 Customer Deposits (Prior Years 10-09 and 09-09) (Initially reported in 2009)

Condition: The subsidiary ledger of customer deposits did not agree with and was not reconciled to the general ledger.

Criteria: The customer deposit account in the general ledger should agree with the subsidiary ledger and, if not, should be reconciled and any adjustments made.

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

Recommendation: We recommend that the appropriate reports be printed on a monthly basis, and that if the general ledger account balance doesn't agree with the report, a reconciliation be performed. Any reconciling items should be investigated and cleared promptly. We also recommend that all reconciliations be signed or initialed by the preparer for documentation that the reconciliation was performed. Related to the change in software, we recommend that the City review the customer deposits in detail to determine any errors that occurred during the conversion and correct them as needed.

Response: The City will establish procedures to perform the reconciliation, make necessary corrections for errors, and will include documentation of who prepared the reconciliation.

#### 11-10 Summary of Grant Awards (Prior Years 10-10 and 09-10) (Initially reported in 2009)

Condition: Certain grants were not initially identified by the client as grants awarded due to lack of organized records. Also, a summary of grant activity was not prepared.

Criteria: A summary of grant activity should be prepared that includes all grant activity.

Effect: The City was unable to provide an accurate summary of grant awards.

Recommendation: We recommend that the City maintain a spreadsheet containing all grants in process during the year to include 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 grant 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.

#### 11-11 Separation of Duties (Prior Years 10-11 and 09-11) (Initially reported in 2009)

Condition: Due to the small number of staff, the City doesn't have proper segregation of duties in many areas. Of particular importance, the Finance Director as well as other employees with access to the general ledger or has some role in the handling or reporting of cash periodically

worked at the utility customer service window. In addition, employees approving credits to customer accounts have access to cash on a consistent basis.

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

Recommendation: We recommend that the City segregate duties related to those who have access to the general ledger, handling or reporting of cash, or who reconciles the bank statements. We also recommend that the person approving customer credits does not have access to change customer account data or access to cash.

Management's response: We will establish procedures to segregate incompatible duties as much as possible.

#### 11-12 Transaction Documentation (Prior Years 10-12 and 09-12) (Initially reported in 2009)

Condition: During our audit, we noted that various types of transactions had little or none supporting documentation such as copies of cleared checks, voided checks, return checks, credits to customer accounts, credit card purchases, and adjusting journal entries.

Criteria: Proper documentation for all transaction should be properly maintained.

Effect: Lack of or improper documentation makes it difficult, if not impossible, 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 timely authorized supporting documentation for all transactions be maintained.

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

#### 11-13 Recording Activity in the Proper Period and in a Timely Manner (Prior Years 10-14 and 09-17) (Initially reported in 2009)

Condition: On numerous occasions, the City did not record transactions in the general ledger in a timely manner. Also certain transactions were recorded in the wrong period.

Criteria: All transactions should be timely recorded and in the proper period.

Effect: Financial reporting is not accurate. The Commission is not able to make informed decisions or monitor accurate financial condition.

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

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

#### 11-14 Improper computer access (Initially reported in 2011)

Condition: Certain employees have computer access to areas considered unnecessary to perform their job description. Also, the system administrator is heavily involved with the day to day finances of the City.

Criteria: Computer access to employees should be limited to areas for which they have assigned duties. Also, the system administrator should not have duties related to the recording and reporting of financial information.

Effect: Improper or unnecessary computer access do not allow for proper control over recording, monitoring, safe keeping, and reporting of financial transactions.

Recommendation: We recommend someone outside of the financing department be the system administrator. That way any changes to computer controls or settings would need to be discussed with a third party who has no responsibilities for the day to day finances of the City.

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

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 deficiencies described below to be significant deficiencies.

#### 11-15 Month End Closing (Prior Year 10-16) (Initially reported in 2010)

Condition: The City lacks month end closing procedures that would provide for determining that all accounting activity for the month has been appropriately recorded.

Criteria: Month end closing procedures should be established to verify all major accounts are appropriately reported at month end.

Effect: Without month end closing procedures in place, errors can go uncorrected and those errors can become more and more difficult to determine and correct over time as errors over months accumulate. Also, the commission and management is not able to make informed decisions when corrections aren't made in a timely manner.

Recommendation: We recommend the City implement a month end closing process which includes, but is not limited to, adjusting as needed for transfers, reconciling bank accounts, and reconciling subsidiary ledger accounts to the general ledger.

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

#### 11-16 Errors in Customer Billings (Prior Year 10-17) (Initially reported in 2010)

Condition: While testing customer billings, one bill was found that was done incorrectly and not found by the City. This error was corrected by default in the subsequent month as the consumption amount for the month missed would have been billed in the subsequent month. While we only found one error that wasn't caught by the City, we did notice a number of adjustments in the general ledger which we were told were made to correct customer billings. This indicates a lack of controls in place in reviewing customer billings before they are processed. There was also a lack of documentation associated with the adjustments.

Effect: Errors in customer billings will affect the amount of utility revenue received each year.

Recommendation: We recommend policies be established to review the customer billings before they are processed and mailed and that policies are put in place to identify errors when possible. A policy should also be put in place to document when errors are found and the adjustment made to correct the error.

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

#### 11-17 Cash management (Initially reported in 2011)

Condition: Numerous instances were noted during the audit of late payments to vendors resulting in fines and penalties. For example, \$4,431 was paid to Bay County for late payments of water purchased during the year. Through current year and subsequent testing it was also noted that penalties in excess of \$7,000 were paid to the Florida Department of Revenue for penalties associated with disallowed collection allowances taken for April 2011 through December 2011.

Effect: The payment of penalties and fines are generally not an appropriate use of funds.

Recommendation: We recommend the City develop a system to make sure bills are paid in a timely manner.

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

#### 11-18 Collection and Submission of Sales Tax (Initially reported in 2011)

Condition: It was brought to our attention this year that the City is collecting small amounts of sales taxes on certain sales transactions as required but they are not remitting these collections to the State.

Criteria: The City is required to collect and remit sales tax in a timely manner.

Effect: Not complying with requirements.

Recommend: We recommend the City contact the Department of Revenue to determine the best course of action to take for the previous collections not remitted and to start remitting the fees in a timely manner going forward.

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

#### Compliance and Other Matters

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

The City's responses to the findings identified in our audit are described above. 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 management, the City Commissioners, others within the entity, 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.*

Certified Public Accountants

May 31, 2013

## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We were engaged to audit the financial statements of City of Springfield, Florida, as of and for the year ended September 30, 2011, and have issued our report thereon dated May 31, 2013. We did not express an opinion on the financial statements as a whole because we were unable to obtain sufficient supporting documentation related to proprietary funds accounts receivable, customer deposit liability, and revenue. Also, the City was not able to provide documentation supporting the charges to a credit card account which affected all funds. Finally, due in part to the lack of reconciliation of the monthly pooled cash account during the year, the City was unable to provide sufficient evidence that the bank activity for the year was appropriately recorded. The City's records do not permit the application of other auditing procedures.

We were also engaged to 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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated May 31, 2013, 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 report:

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 the extent considered necessary, other than for those comments repeated in the 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*.

Findings reported the two previous years include 11-01, 11-02, 11-03, 11-04, 11-05, 11-06, 11-07, 11-08, 11-09, 11-10, 11-11, 11-12, and 11-13.

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 except as recommended in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

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 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 this 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 governmental 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 the 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, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(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 same. In connection with our audit, we determined that the City of Springfield's financial condition is deteriorating. We concluded this based on continuing negative operating cash balances, frequent late payment of monthly bills, and continuing decreases in fund balance and net assets. In connection with our audit, we did not find any instances where payments were made over 90 days after an uncontested claim was made. However, we are aware of instances where checks were written and held, so whether a check was written within the 90 days but not released beyond that time was not clear.

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 Florida Auditor General, the City Commission, certain regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

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

Certified Public Accountants

May 31, 2013