

City of Springfield, Florida

Financial Statements

September 30, 2008

City of Springfield, Florida
Table of Contents
September 30, 2008

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	15
Statement of Net Assets – Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Notes to Basic Financial Statements	19

City of Springfield, Florida
Table of Contents
September 30, 2008

Compliance Section

Schedule of Expenditures of Federal Awards	40
Notes to Schedule of Expenditures of Federal Awards	41
Schedule of Findings and Questioned Costs	42
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Report on Compliance with Requirements Applicable to Each Major Federal Program on Internal Control over Compliance in Accordance with OMB Circular A-133	51
Independent Auditor's Management Letter	53



Carr, Riggs & Ingram, LLC
14101 Panama City Beach Parkway
Suite 200
Panama City Beach, FL 32413

(850) 784-6733
(850) 784-4866 (fax)
www.cricpa.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Florida (the City), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Florida, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2009, on our consideration of the City of Springfield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Springfield, Florida's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Springfield, Florida. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Carri Riggs & Ingram, L.L.C.

Panama City Beach, Florida

June 25, 2009

Management's Discussion and Analysis

Management's Discussion and Analysis

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

Financial Highlights

- Total assets of the City exceeded total liabilities by \$12,464,736 (net assets). Of this amount, \$276,604 is a deficit in unrestricted net assets for Governmental Activities and \$5,607,161 is unrestricted net assets for Business-type Activities, while \$1,583,814 is restricted net assets for Business-type Activities.
- Total net assets increased by \$248,341. Of this amount, a decrease of \$200,150 is attributable to Governmental Activities and an increase of \$448,491 is attributable to Business-type Activities.
- As of September 30, 2008, the general fund's unreserved fund balance had a deficit of \$188,125 or 5% of total general fund expenditures.
- Governmental Activities revenues decreased to \$3,832,272 or 2%, while Governmental Activities expenditures increased 2% to \$4,032,422. Business-type Activities revenues decreased to \$5,204,892 or 5%, while Business-type Activities expenditures increased 15% to \$4,756,401.

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, 2008 and 2007. At the end of the fiscal year 2008, the City is able to report positive balances in all three categories of net assets, for the government as a whole, and for its governmental activities and business-type activities, however, the City has a deficit balance in the governmental activities unrestricted net assets.

City of Springfield, Florida Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 357,170	\$ 420,110	\$ 7,841,156	\$ 7,779,300	\$ 8,198,326	\$ 8,199,410
Capital assets	2,846,734	2,735,601	9,565,435	9,790,824	12,412,169	12,526,425
Total assets	3,203,904	3,155,711	17,406,591	17,570,124	20,610,495	20,725,835
Current liabilities	245,873	385,431	550,072	801,048	795,945	1,186,479
Noncurrent liabilities	426,987	39,086	6,922,827	7,112,916	7,349,814	7,152,002
Total liabilities	672,860	424,517	7,472,899	7,913,964	8,145,759	8,338,481
Net assets invested in capital assets, net of related debt	2,807,648	2,634,719	2,742,717	2,698,006	5,550,365	5,332,725
Net assets – restricted	-	-	1,583,814	1,189,169	1,583,814	1,189,169
Net assets – unrestricted	(276,604)	96,475	5,607,161	5,768,985	5,330,557	5,865,460
Total net assets	\$ 2,531,044	\$ 2,731,194	\$ 9,933,692	\$ 9,656,160	\$12,464,736	\$12,387,354

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents 45% 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 13% of the City's net assets, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of net assets is *unrestricted net assets* (\$5,330,557), which may be used to help meet the government's ongoing obligations to citizens and creditors.

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

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program revenues						
Charges for services	\$ 328,802	\$ 237,192	\$ 4,654,920	\$ 4,771,214	\$ 4,983,722	\$ 5,008,406
Operating grants/contributions	1,024,472	1,073,210	-	-	1,024,472	1,073,210
Capital grants/contributions	312,444	304,554	432,409	42,795	744,853	347,349
General revenues						
Gross receipts taxes	1,114,746	1,106,649	-	-	1,114,746	1,106,649
Utility taxes/franchise fees	860,054	954,720	-	-	860,054	954,720
Other	191,754	224,585	117,563	165,108	309,317	389,693
Total revenues	3,832,272	3,900,910	5,204,892	4,979,117	9,037,164	8,880,027
Expenses						
General government	677,568	759,721	-	-	677,568	759,721
Public safety	1,851,019	1,714,539	-	-	1,851,019	1,714,539
Highways and streets	542,456	498,685	-	-	542,456	498,685
Maintenance	162,729	159,579	-	-	162,729	159,579
Housing and urban development	453,746	517,700	-	-	453,746	517,700
Culture/recreation	334,427	289,117	-	-	334,427	289,117
Community redevelopment	2,096	-	-	-	2,096	-
Interest on long-term debt	8,381	5,245	-	-	8,381	5,245
Water	-	-	1,361,274	969,661	1,361,274	969,661
Sewer	-	-	1,862,459	1,631,342	1,862,459	1,631,342
Sanitation	-	-	1,106,990	970,845	1,106,990	970,845
Cable TV	-	-	425,678	562,321	425,678	562,321
Total expenses	4,032,422	3,944,586	4,756,401	4,134,169	8,788,823	8,078,755
Change in net Assets before transfers	(200,150)	(43,676)	448,491	844,948	248,341	801,272
Transfers	-	28,000	-	(28,000)	-	-
Change in net assets	(200,150)	(15,676)	448,491	816,948	248,341	802,272
Net assets - beginning						
As originally reported	2,731,194	2,746,870	9,656,160	8,839,212	12,387,354	11,586,082
Prior period adjustment	-	-	(170,959)	-	(170,959)	-
As restated	2,731,194	2,746,870	9,485,201	8,839,212	12,216,395	11,586,082
Net assets - ending	\$ 2,531,044	\$ 2,731,194	\$ 9,933,692	\$ 9,656,160	\$ 12,464,736	\$ 12,387,354

Governmental activities expenses exceeded revenues by \$200,150, while business-type activities revenues exceeded expenses by \$448,491. Total revenues increased \$157,137 from the previous year. Total expenses increased \$710,068 from the previous year.

52% of the revenues for governmental activities were generated by gross receipts, franchise and utility taxes. Most of the governmental resources were expended for public safety (46%), general government (17%), and highways and streets (13%) activities.

Charges for services provided 89% of the revenues for business-type activities, while sewer fund consumed 39% of business-type activities expenses.

Financial Analysis of the City's Funds

Governmental Funds

General Fund

The main operating fund of the City is the General Fund. As of September 30, 2008, total assets were \$436,779 and total liabilities were \$620,883. At the end of fiscal year 2008, unreserved fund balance of the general fund had a deficit of \$188,125 while the total fund balance deficit equaled \$184,104.

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 expense in the general fund.

Proprietary Funds

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

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

Fund	2008	2007
Water	\$ 1,127,659	\$ 1,187,897
Sewer	3,917,331	4,006,441
Sanitation	545,315	567,351
Cable TV	16,856	7,296
Total	\$ 5,607,161	\$ 5,768,985

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, 2008, was \$12,412,169 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 612,138	\$ 612,138	\$ 90,170	\$ 90,170	\$ 702,308	\$ 702,308
Buildings	299,008	324,149	49,533	61,464	348,541	385,613
Improvements/ distribution system	1,051,943	790,197	9,017,294	9,316,484	10,069,237	10,106,681
Machinery and equipment	615,477	733,430	408,438	322,706	1,023,915	1,056,136
Streets	268,168	275,687	-	-	268,168	275,687
Total	\$ 2,846,734	\$ 2,735,601	\$ 9,565,435	\$ 9,790,824	\$12,412,169	\$12,526,425

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 \$6,861,804. This debt amount represents notes payable and capital leases secured by specified revenue sources and equipment.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Capital leases	\$ 39,086	\$ 100,882	\$ -	\$ 16,375	\$ 39,086	\$ 117,257
Notes payable	-	-	6,822,718	7,076,443	6,822,718	7,076,443
Total	\$ 39,086	\$ 100,882	\$ 6,822,718	\$ 7,092,818	\$ 6,861,804	\$ 7,193,700

Principal repayments during the year on notes payable and capital leases totaled \$331,896.

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 \$561,098, which was due primarily to grant revenues received but not included in the budget. The General Fund's actual expenditures exceeded budgeted expenditures by \$887,862. The City did not budget for grant expenditures in housing and urban development in the amount of \$453,746 and for storm water improvements funded by grants in the amount of \$294,196. In addition, actual expenditures exceeded budgeted expenditures in general government, highways and streets, maintenance, culture and recreation, and capital outlay.

Economic Factors and Next Year's Budget and Rates

Although the national economy has continued to slow due to fluctuating fuel prices, a continued decline in the housing market, and employment rate, long-term demographics continue to make the area attractive. While the decline in the housing market has lowered the overall taxable value for many operating millages, including several within Bay County, the City of Springfield has continued to increase in overall property values. A 3.71% increase in overall taxable value is anticipated for the 2008/2009 Fiscal Year for the City of Springfield.

Completion of the new Digitrax, Inc. business has brought 112 new jobs to the City. A new 216 apartment complex, Waterstone at Tyndall Parkway, has been completed. In the Fiscal Year 2008/2009, two new industries, Flowers Bakery & Distribution Center and a John Eagle Honda and Volkswagen Dealership began construction. These new industries will provide future employment maintaining stable economic growth within the City. Also, in the Fiscal Year 2008/2009, the City will complete the construction of a \$2.4 million dollar stormwater project in the Robindale Subdivision with federal and state grant funds. The new infrastructure will vastly improve the area further increasing property values within the City. Several other grant awards in excess of \$50,000 have been allocated to the City for law enforcement from the Federal Stimulus Funds.

As part of the regular budget monitoring process, the finance department prepares a monthly financial report that the City Clerk and City Commission can use to follow the actual performance of revenue and expenditure estimates. During the upcoming 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 amend the budget by resolution. Nationally and statewide many cities and governments have begun to cut services. The City has continued to provide a multitude of services with decreasing state revenues and will strive to work within its financial means. Efforts are being made to establish new operating revenues to continue to provide services that enhance the quality of the lives of our citizens. Procedures are being implemented to evaluate the need for services and the fees charged for those services. Some increases in fees are anticipated in the upcoming fiscal year.

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, 2008

Primary Government			
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 137,134	\$ 2,982,656	\$ 3,119,790
Accounts receivable, net	-	431,847	431,847
Taxes receivable	103,969	-	103,969
Prepaid expenses	3,054	-	3,054
Internal balances	(426,987)	426,987	-
Due from other governments	113,013	-	113,013
Due from joint venture	-	163,455	163,455
Restricted assets			
Cash and cash equivalents, customer deposits	-	478,564	478,564
Cash and cash equivalents, impact fees	-	1,583,814	1,583,814
Investment in joint venture	-	1,773,833	1,773,833
Capital assets			
Nondepreciable	612,138	90,170	702,308
Depreciable, net	2,234,596	9,475,265	11,709,861
Total assets	2,776,917	17,406,591	20,183,508
Liabilities			
Current liabilities			
Accounts payable	122,614	200,319	322,933
Accrued interest	-	33,203	33,203
Accrued payroll and other liabilities	55,646	25,124	80,770
Long-term liabilities			
Due within one year			
Accrued compensated absences	28,527	14,868	43,395
Notes payable	-	276,558	276,558
Obligations under capital lease	39,086	-	39,086
Due in more than one year			
Customer deposits	-	376,667	376,667
Notes payable	-	6,546,160	6,546,160
Total liabilities	245,873	7,472,899	7,718,772
Net assets			
Invested in capital assets, net of related debt	2,807,648	2,742,717	5,550,365
Restricted by impact fee ordinance	-	1,583,814	1,583,814
Unrestricted	(276,604)	5,607,161	5,330,557
Total net assets	\$ 2,531,044	\$ 9,933,692	\$ 12,464,736

City of Springfield, Florida
Statement of Activities
Year Ended September 30, 2008

Functions / Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 677,568	\$ 311,707	\$ 513,310	\$ -	\$ 147,449	\$ -	\$ 147,449
Public safety	1,851,019	-	43,699	13,090	(1,794,230)	-	(1,794,230)
Highways and streets	542,456	-	9,695	271,854	(260,907)	-	(260,907)
Maintenance	162,729	-	-	5,000	(157,729)	-	(157,729)
Housing and urban development	453,746	-	453,669	-	(77)	-	(77)
Culture and recreation	334,427	17,095	4,099	22,500	(290,733)	-	(290,733)
Community redevelopment	2,096	-	-	-	(2,096)	-	(2,096)
Interest on long-term debt	8,381	-	-	-	(8,381)	-	(8,381)
Total governmental activities	4,032,422	328,802	1,024,472	312,444	(2,366,704)	-	(2,366,704)
Business-type activities							
Water	1,361,274	1,190,663	-	161,731	-	(8,880)	(8,880)
Sewer	1,862,459	2,077,199	-	251,298	-	466,038	466,038
Sanitation	1,106,990	1,016,014	-	12,880	-	(78,096)	(78,096)
Cable TV	425,678	371,044	-	6,500	-	(48,134)	(48,134)
Total business-type activities	4,756,401	4,654,920	-	432,409	-	330,928	330,928
Total primary government	\$ 8,788,823	\$ 4,983,722	\$ 1,024,472	\$ 744,853	(2,366,704)	330,928	(2,035,776)
General Revenues							
Taxes							
Utility taxes					421,317	-	421,317
Franchise fees					438,737	-	438,737
Local option gas tax					153,027	-	153,027
Communications services tax					251,453	-	251,453
Half cent sales tax					710,266	-	710,266
Ad valorem CRA					25,551	-	25,551
Miscellaneous revenues					148,628	-	148,628
Interest earnings					17,575	134,985	152,560
Loss on sale of assets					-	(17,422)	(17,422)
Total general revenues					2,166,554	117,563	2,284,117
Change in net assets					(200,150)	448,491	248,341
Net assets - beginning							
As originally stated					2,731,194	9,656,160	12,387,354
Prior period adjustment					-	(170,959)	(170,959)
As restated					2,731,194	9,485,201	12,216,395
Net assets - ending					\$ 2,531,044	\$ 9,933,692	\$ 12,464,736

See accompanying notes

City of Springfield, Florida
Balance Sheet
Governmental Funds
September 30, 2008

	General	Community Redevelopment	Other Governmental Funds (Debt Service)	Total
Assets				
Cash and cash equivalents	\$ 112,614	\$ -	\$ -	\$ 112,614
Taxes receivable	103,969	-	-	103,969
Due from other funds	104,129	-	-	104,129
Due from other governments	113,013	-	-	113,013
Prepaid expenses	3,054	-	-	3,054
Restricted assets - cash	-	24,520	-	24,520
Total assets	\$ 436,779	\$ 24,520	\$ -	\$ 461,299
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 126,251	\$ -	\$ -	\$ 126,251
Accrued expenses	52,009	-	-	52,009
Due to other funds	442,623	88,493	-	531,116
Total liabilities	620,883	88,493	-	\$ 709,376
Fund balances				
Reserved for				
Prepaid expenses	3,054	-	-	\$ 3,054
Law enforcement education	967	-	-	967
Community redevelopment	-	(63,973)	-	(63,973)
Unreserved, reported in				
General fund	(188,125)	-	-	(188,125)
Total fund balances	(184,104)	(63,973)	-	\$ (248,077)
Total liabilities and fund balances	\$ 436,779	\$ 24,520	\$ -	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				2,846,734
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(67,613)
Net assets of governmental activities				\$ 2,531,044

City of Springfield, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2008

	General	Community Redevelopment	Other Governmental Funds (Debt Service)	Total
Revenues				
Taxes				
Utility taxes	\$ 421,317	\$ -	\$ -	\$ 421,317
Franchise fees	438,737	-	-	438,737
Local option gas tax	153,027	-	-	153,027
Communications service	251,453	-	-	251,453
Half cent sales tax	710,266	-	-	710,266
Property taxes	-	25,551	-	25,551
Intergovernmental	540,078	-	-	540,078
Licenses and permits	16,634	-	-	16,634
Charges for services	46,449	-	-	46,449
Fines and forfeitures	119,566	-	-	119,566
Rents	203,215	-	-	203,215
Interest	17,575	-	-	17,575
Grants	782,113	-	-	782,113
Contributions and donations	20,839	-	-	20,839
Other fees and miscellaneous	68,027	-	-	68,027
Total revenues	3,789,296	25,551	-	3,814,847
Expenditures				
Current				
General government	621,339	-	-	621,339
Public safety	1,711,081	-	-	1,711,081
Highways and streets	499,122	-	-	499,122
Maintenance	154,813	-	-	154,813
Housing and urban development	453,746	-	-	453,746
Culture and recreation	264,994	-	-	264,994
Community redevelopment	-	2,096	-	2,096
Debt service				
Principal	-	-	61,796	61,796
Interest and fiscal charges	-	-	8,381	8,381
Capital outlay				
General government	5,000	-	-	5,000
Public safety	92,411	-	-	92,411
Highways and streets	300,196	-	-	300,196
Maintenance	6,605	-	-	6,605
Culture and recreation	6,753	-	-	6,753
Total expenditures	4,116,060	2,096	70,177	4,188,333
Excess (deficit) of revenues over (under) expenditures	(326,764)	23,455	(70,177)	(373,486)
Other financing sources (uses)				
Transfer from (to) other funds	(71,197)	1,020	70,177	-
Total other financing sources (uses)	(71,197)	1,020	70,177	-
Net change in fund balances	(397,961)	24,475	-	(373,486)
Fund balances - beginning, as originally reported	125,409	-	-	125,409
Prior period adjustment	88,448	(88,448)	-	-
Fund balances - Beginning, as restated	213,857	(88,448)	-	125,409
Fund balances - ending	\$ (184,104)	\$ (63,973)	\$ -	\$ (248,077)

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, 2008

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)	\$ (373,486)
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.	93,708
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments , and donations) is to increase net assets	17,425
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.	407
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.	61,796
Change in net assets of governmental activities (page 11)	\$ (200,150)

City of Springfield, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended September 30, 2008

	Budget		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive (Negative)
Revenues				
Taxes				
Utility taxes	\$ 582,509	\$ 582,509	\$ 421,317	\$ (161,192)
Franchise fees	473,000	473,000	438,737	(34,263)
Local option gas tax	153,403	153,403	153,027	(376)
Communications service tax	267,572	267,572	251,453	(16,119)
Half cent sales tax	688,763	688,763	710,266	21,503
Intergovernmental	546,490	546,490	540,078	(6,412)
Licenses and permits	30,352	30,352	16,634	(13,718)
Charges for services	37,256	37,256	46,449	9,193
Fines and forfeitures	109,963	109,963	119,566	9,603
Rents	193,190	193,190	203,215	10,025
Interest	27,000	27,000	17,575	(9,425)
Grants	-	-	782,113	782,113
Contributions and donations	8,700	8,700	20,839	12,139
Other fees and miscellaneous	12,000	12,000	68,027	56,027
Total revenues	3,130,198	3,130,198	3,789,296	659,098
Expenditures				
Current				
General government				
Special governing	167,313	167,313	168,665	(1,352)
Administration	335,891	335,891	388,794	(52,903)
Protective service	66,483	66,483	63,880	2,603
Total general government	569,687	569,687	621,339	(51,652)
Public safety				
Police	1,269,121	1,269,121	1,267,337	1,784
Fire	495,142	495,142	443,744	51,398
Total public safety	1,764,263	1,764,263	1,711,081	53,182
Highways and streets	476,719	476,719	499,122	(22,403)
Maintenance	144,647	144,647	154,813	(10,166)
Housing and urban development	-	-	453,746	(453,746)
Culture and recreation				
Library	68,645	68,645	59,329	9,316
Recreation	191,637	191,637	205,665	(14,028)
Total culture and recreation	260,282	260,282	264,994	(4,712)
Capital Outlay				
General government	-	-	5,000	(5,000)
Public safety	-	-	92,411	(92,411)
Highways and streets	9,000	9,000	300,196	(291,196)
Maintenance	-	-	6,605	(6,605)
Culture and recreation	3,600	3,600	6,753	(3,153)
Total expenditures	3,228,198	3,228,198	4,116,060	(887,862)
Excess (deficiency) of revenues over (under) expenditures	(98,000)	(98,000)	(326,764)	(228,764)
Other financing sources (uses)				
Transfers to other funds	-	-	(71,197)	(71,197)
Total other financing sources (uses)	-	-	(71,197)	(71,197)
Net change in fund balance	(98,000)	(98,000)	(397,961)	(299,961)
Fund balance - beginning, as originally reported	98,000	98,000	125,409	27,409
Prior period adjustment	-	-	88,448	88,448
Fund balance - beginning, as restated	98,000	98,000	213,857	115,857
Fund balances- ending	\$ -	\$ -	\$ (184,104)	\$ (184,104)

See accompanying notes

City of Springfield, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2008

Business-type Activities / Enterprise Funds

	Water	Sewer	Sanitation	Cable TV	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 1,674,676	\$ 1,040,643	\$ 253,996	\$ 13,341	\$ 2,982,656
Accounts receivable, net	95,882	192,621	104,367	38,977	431,847
Due from joint venture	-	163,455	-	-	163,455
Due from other funds	123,677	903,066	245,597	-	1,272,340
Total current assets	1,894,235	2,299,785	603,960	52,318	4,850,298
Noncurrent assets					
Restricted assets - cash and cash equivalents					
Customer deposits	478,564	-	-	-	478,564
Impact fees	605,441	978,373	-	-	1,583,814
Investment in joint venture	-	1,773,833	-	-	1,773,833
Capital assets					
Nondepreciable	-	-	42,457	47,713	90,170
Depreciable	3,792,105	5,416,208	248,012	18,940	9,475,265
Total noncurrent assets	4,876,110	8,168,414	290,469	66,653	13,401,646
Total assets	6,770,345	10,468,199	894,429	118,971	18,251,944
Liabilities					
Current liabilities					
Accounts payable	18,810	123,543	43,233	14,733	200,319
Accrued interest	33,203	-	-	-	33,203
Accrued payroll liabilities	9,009	4,537	8,127	3,451	25,124
Accrued compensated absences	2,309	3,639	7,285	1,635	14,868
Due to other funds	805,142	24,568	-	15,643	845,353
Notes payable, current	112,469	164,089	-	-	276,558
Total current liabilities	980,942	320,376	58,645	35,462	1,395,425
Noncurrent liabilities					
Customer deposits	376,667	-	-	-	376,667
Notes payable	2,620,038	3,926,122	-	-	6,546,160
Total noncurrent liabilities	2,996,705	3,926,122	-	-	6,922,827
Total liabilities	3,977,647	4,246,498	58,645	35,462	8,318,252
Net assets					
Invested in capital assets, net of related debt	1,059,598	1,325,997	290,469	66,653	2,742,717
Restricted by impact fee ordinance	605,441	978,373	-	-	1,583,814
Unrestricted	1,127,659	3,917,331	545,315	16,856	5,607,161
Total net assets	\$ 2,792,698	\$ 6,221,701	\$ 835,784	\$ 83,509	\$ 9,933,692

See accompanying notes

City of Springfield, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
Year Ended September 30, 2008

Business-type Activities / Enterprise Funds					
	Water	Sewer	Sanitation	Cable TV	Total
Operating revenues					
Charges for services					
Sales	\$ 1,094,069	\$ 1,818,473	\$ 986,770	\$ 331,904	\$ 4,231,216
Connection / reconnection fees	-	-	-	10,425	10,425
Penalties	72,241	54,763	29,044	7,277	163,325
Tap fees	12,963	8,400	-	-	21,363
Other income	11,390	3,242	200	21,438	36,270
Total operating revenues	1,190,663	1,884,878	1,016,014	371,044	4,462,599
Operating expenses					
Personal services	313,802	194,066	359,944	96,433	964,245
Professional services	41,944	12,390	15,230	1,323	70,887
Contractual services	1,871	772	14,818	50	17,511
Insurance	55,084	7,464	23,290	8,530	94,368
Repairs and maintenance	57,771	80,521	13,766	2,801	154,859
Operating supplies	95,218	19,972	108,343	2,719	226,252
Communication services	2,639	1,936	2,768	7,858	15,201
Public utility purchases	453,037	965,978	409,983	15,268	1,844,266
Transportation	4,689	4,620	2,868	-	12,177
Travel and per diem	712	1,343	4,340	-	6,395
Rentals	77,773	77,300	76,500	252,649	484,222
Miscellaneous	3,080	8,459	2,761	2,200	16,500
Amortization	-	-	-	1,694	1,694
Depreciation	117,406	245,598	71,656	33,039	467,699
Total operating expenses	1,225,026	1,620,419	1,106,267	424,564	4,376,276
Net operating income (loss)	(34,363)	264,459	(90,253)	(53,520)	86,323
Nonoperating revenues (expenses)					
Interest income	43,562	78,994	12,429	-	134,985
Income from joint venture	-	192,321	-	-	192,321
Interest expense	(136,248)	(242,040)	(723)	(1,114)	(380,125)
Gain (loss) on asset disposal	(17,052)	-	1,230	(1,600)	(17,422)
Total nonoperating revenues (expenses)	(109,738)	29,275	12,936	(2,714)	(70,241)
Net income (loss) before transfers	(144,101)	293,734	(77,317)	(56,234)	16,082
Capital Contributions	161,731	264,178	-	6,500	432,409
Transfers in (out)	-	(215,864)	116,460	99,404	-
Change in net assets	17,630	342,048	39,143	49,670	448,491
Total net assets - beginning					
As originally reported	2,775,068	6,050,612	796,641	33,839	9,656,160
Prior period adjustment	-	(170,959)	-	-	(170,959)
As restated	2,775,068	5,879,653	796,641	33,839	9,485,201
Total net assets - ending	\$ 2,792,698	\$ 6,221,701	\$ 835,784	\$ 83,509	\$ 9,933,692

See accompanying notes

City of Springfield, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2008

Business-type Activities / Enterprise Funds

	Water	Sewer	Sanitation	Cable TV	Total
Operating activities					
Receipts from customers and users	\$ 1,274,443	\$ 1,795,936	\$ 971,834	\$ 375,780	\$ 4,417,993
Payments to suppliers	(854,008)	(1,262,024)	(649,968)	(322,328)	(3,088,328)
Payments for personal services	(311,181)	(191,195)	(355,441)	(100,061)	(957,878)
Net cash provided (used) by operating activities	109,254	342,717	(33,575)	(46,609)	371,787
Noncapital financing activities					
Transfers to/from other funds	-	(215,864)	116,460	99,404	-
Net cash provided (used) by noncapital financing activities	-	(215,864)	116,460	99,404	-
Capital and related financing activities					
Proceeds from the sale of assets	-	-	1,230	-	1,230
Principal paid on notes and leases	(29,671)	(155,795)	(16,375)	(68,259)	(270,100)
Interest paid on notes and leases	(134,184)	(242,040)	(723)	(1,114)	(378,061)
Capital contributions	156,731	251,298	-	6,500	414,529
Purchase of capital assets	-	(120,021)	(116,460)	(6,490)	(242,971)
Net cash provided (used) by capital and related financing activities	(7,124)	(266,558)	(132,328)	(69,363)	(475,373)
Investing activities					
Distributions from joint venture	-	124,887	-	-	124,887
Interest received	43,562	78,994	12,429	-	134,985
Net cash provided by investing activities	43,562	203,881	12,429	-	259,872
Net increase (decrease) in cash and cash equivalents	145,692	64,176	(37,014)	(16,568)	156,286
Cash and cash equivalents - beginning	2,612,989	1,954,840	291,010	29,909	4,888,748
Cash and cash equivalents - ending	2,758,681	2,019,016	253,996	13,341	5,045,034
Cash and cash equivalents classified as					
Current assets	1,674,676	1,040,643	253,996	13,341	2,982,656
Restricted assets	1,084,005	978,373	-	-	2,062,378
Total cash and cash equivalents	2,758,681	2,019,016	253,996	13,341	5,045,034
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities					
Net operating income (loss)	(34,363)	264,459	(90,253)	(53,520)	86,323
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	117,406	245,498	71,656	33,039	467,599
Amortization	-	-	-	1,694	1,694
(Increase) decrease in assets					
Accounts receivable	1,503	(12,933)	(44,180)	4,736	(50,874)
Prepaid expenses	2,823	1,412	2,353	941	7,529
Due from other funds	107,365	(74,809)	-	-	32,556
Increase (decrease) in liabilities					
Accounts payable	(63,013)	(83,781)	22,346	(29,871)	(154,319)
Accrued payroll liabilities	4,362	1,798	3,149	(3,233)	6,076
Accrued compensated absences	(1,741)	1,073	1,354	(395)	291
Customer deposits	(25,088)	-	-	-	(25,088)
Total adjustments	143,617	78,258	56,678	6,911	285,464
Net cash provided (used) by operating activities	\$ 109,254	\$ 342,717	\$ (33,575)	\$ (46,609)	\$ 371,787
Noncash investing and financing activities					
Donated property and equipment received	\$ 5,000	\$ 12,880	\$ -	\$ -	\$ 17,880

See accompanying notes

City of Springfield, Florida

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Component Unit – The Springfield Community Redevelopment Agency

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

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

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

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

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

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Basis of Presentation

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

Governmental Major Funds

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

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

Proprietary Major Funds

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

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

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

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

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Noncurrent Governmental Assets/Liabilities

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

Budgets

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

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

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

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

Encumbrances

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

Cash and Cash Equivalents

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

Accounts Receivable, Net

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

Due to and Due from Other Funds

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

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

Unamortized Loan Issuance Costs

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

Long-term Obligations

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

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

Accumulated Vacation and Sick Leave

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

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

Interfund Advances

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

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

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

Estimates

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

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

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

The governmental funds balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$2,846,734 difference are as follows:

Cost of capital assets	\$ 5,196,912
Less: accumulated depreciation	(2,350,178)
<hr/>	
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ 2,846,734

Another element of that reconciliation states, "long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(67,613) difference are as follows:

Capital leases	\$ (39,086)
Compensated absences	(28,527)
<hr/>	
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ (67,613)

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

City of Springfield, Florida

Notes to Basic Financial Statements

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense." The details of this \$93,708 difference are as follows:

Capital outlay	\$	410,965
Depreciation expense		(317,257)
<hr/>		
Net adjustment to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	93,708

Another element of the reconciliation states that "the net effect of miscellaneous noncash transactions involving capital assets is to increase net assets. " The details of this \$17,425 difference are as follows:

Proceeds from sale of surplus property	\$	17,425
<hr/>		
Net adjustment to increase <i>net change in fund balance – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	17,425

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 \$407 difference are as follows:

Compensated absences	\$	407
<hr/>		
Net adjustment to decrease <i>net change in fund balance – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	407

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 \$61,796 difference are as follows:

Long-term debt		
Principal payments on capital lease obligations	\$	61,796
<hr/>		
Net adjustment to increase <i>net change in fund balance – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$	61,796

Notes to Basic Financial Statements

NOTE 3 – BUDGETS

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

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits Policies

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

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

Investment Policies

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

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

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

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

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

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

There were no investments at September 30, 2008.

City of Springfield, Florida

Notes to Basic Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risks

At September 30, 2008, the City did not hold any investments that were considered to be an interest rate risk.

Credit Risks

At September 30, 2008, the City did not hold any investments that were considered to be a credit risk.

Custodial Risks

At September 30, 2008, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

As September 30, 2008, 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, 2008, accounts receivable in the proprietary funds is summarized as follows:

Total accounts receivable	\$	477,761
Less: allowance for doubtful accounts		(45,914)
Net accounts receivable	\$	431,847

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2008 is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General	Cable	\$ 15,636
General	CRA	88,493
Water	General	123,670
Water	Cable	7
Sewer	Water	705,839
Sewer	General	197,227
Sanitation	Water	99,303
Sanitation	Sewer	24,568
Sanitation	General	121,726
Total		\$ 1,376,469

City of Springfield, Florida

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.

The City's transfers from the general fund to the debt service fund in the amount of \$70,177 provides for the principal and interest payments on capital leases.

NOTE 7 – CAPITAL ASSETS

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

	October 1, 2007	Transfers	Increases	Decreases	September 30, 2008
Capital assets, not being depreciated					
Land	\$ 612,138	\$ -	\$ -	\$ -	\$ 612,138
Total capital assets, not being depreciated	612,138	-	-	-	612,138
Capital assets, being depreciated					
Buildings	1,182,063	-	-	-	1,182,063
Streets	300,750	-	-	-	300,750
Improvements	893,163	128	302,554	-	1,195,845
Machinery and equipment	1,852,606	24,194	108,411	(79,094)	1,906,117
Total capital assets, being depreciated	4,228,582	24,322	410,965	(79,094)	4,584,775
Less accumulated depreciation					
Buildings	857,914	-	25,141	-	883,055
Streets	25,063	-	7,519	-	32,582
Improvements	102,966	40	40,896	-	143,902
Machinery and equipment	1,119,176	6,857	243,701	(79,094)	1,290,640
Total accumulated depreciation	2,105,119	6,897	317,257	(79,094)	2,350,179
Total capital assets, being depreciated	2,123,463	17,425	93,708	-	2,234,596
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 2,735,601	\$ 17,425	\$ 93,708	\$ -	\$ 2,846,734

City of Springfield, Florida

Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2008:

	Water	Sewer	Sanitation	Cable TV	Total
Land	\$ -	\$ 42,457	\$ 47,713	\$ -	\$ 90,170
Buildings and improvements	17,489	-	38,671	61,290	117,450
Distribution system	4,568,966	7,163,330	-	856,121	12,588,417
Equipment and furniture	260,426	355,018	855,060	439,982	1,910,486
Total	4,846,881	7,560,805	941,444	1,357,393	14,706,523
Less: accumulated depreciation					
Buildings and improvements	-	-	18,322	49,595	67,917
Distribution system	828,764	1,913,547	-	828,812	3,571,123
Equipment and furniture	226,012	231,050	632,653	412,333	1,502,048
Total accumulated depreciation	1,054,776	2,144,597	650,975	1,290,740	5,141,088
Total business-type activities capital assets (net of accumulated depreciation)	\$ 3,792,105	\$ 5,416,208	\$ 290,469	\$ 66,653	\$ 9,565,435

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

	October 1, 2007	Transfers	Increases	Decreases	September 30, 2008
Capital assets, not being depreciated					
Land	\$ 90,170	\$ -	\$ -	\$ -	\$ 90,170
Total capital assets, not being depreciated	90,170	-	-	-	90,170

City of Springfield, Florida

Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	October 1, 2007	Transfers	Increases	Decreases	September 30, 2008
Capital assets, being depreciated					
Buildings and improvements	\$ 132,353	\$ (14,903)	\$ -	\$ -	\$ 117,450
Distribution system	12,572,492	12,564	3,361	-	12,588,417
Machinery and equipment	1,723,586	2,339	250,962	(66,401)	1,910,486
Total capital assets, being depreciated	14,428,431	-	254,323	(66,401)	14,616,353
Less accumulated depreciation					
Buildings and improvements	70,889	(7,865)	4,893	-	67,917
Distribution system	3,256,008	7,253	307,862	-	3,571,123
Machinery and equipment	1,400,880	12,625	154,944	(66,401)	1,502,048
Total accumulated depreciation	4,727,777	12,013	467,699	(66,401)	5,141,088
Total capital assets, being depreciated, net	9,700,654	(12,013)	(213,376)	-	9,475,265
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 9,790,824	\$ (12,013)	\$ (213,376)	\$ -	\$ 9,565,435

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

Governmental activities	
General government	\$ 40,593
Public safety	156,709
Highways and streets	43,155
Maintenance	8,287
Culture and recreation	68,513
Total depreciation expense - governmental activities	\$ 317,257

City of Springfield, Florida

Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Business-type activities			
Water	\$		117,406
Sewer			245,598
Sanitation			71,656
Cable TV			33,039
<hr/>			
Total depreciation expense - business-type activities	\$		467,699

NOTE 8 – CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of police vehicles and a fire pumper truck. 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:

			Governmental Activities
<hr/>			
Assets			
Machinery and equipment	\$		178,436
Less accumulated depreciation			(172,488)
<hr/>			
Total net assets	\$		5,948

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008 are as follows:

			Governmental Activities
<hr/>			
2009	\$		40,507
<hr/>			
Total minimum lease payments			40,506
Less amount representing interest			(1,420)
<hr/>			
Present value of minimum lease payments			39,086
Less amount due within one year			-
<hr/>			
Amount due in more than one year	\$		39,086

City of Springfield, Florida

Notes to Basic Financial Statements

NOTE 9 – LONG-TERM DEBT

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

	Balance September 30, 2008
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.	\$ 2,732,507
Due to joint venture; principal and interest payable monthly based on the debt service incurred in the joint venture related to the City. Interest rates range from 5.6% to 5.7%. The amount due and interest are collateralized by the revenues of the sewer system. Note matures September 2028.	4,090,211
Total notes payable	6,822,718
Less amounts due within one year	(276,558)
Notes payable amount due in more than one year	\$ 6,546,160

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

Year Ended September 30,	Principal	Interest	Total Debt Service Requirements
2009	\$ 276,558	\$ 306,430	\$ 582,988
2010	287,415	296,038	583,453
2011	357,344	285,113	642,457
2012	374,071	270,898	644,969
2013	392,077	255,927	648,004
2014-2018	1,854,385	1,067,943	2,922,328
2019-2023	2,189,094	618,351	2,807,445
2024-2027	1,091,774	117,865	1,209,639
	\$ 6,822,718	\$ 3,218,565	\$ 10,041,283

City of Springfield, Florida

Notes to Basic Financial Statements

NOTE 9 – LONG-TERM DEBT (CONTINUED)

Long-term liability activity for the year ended September 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Capital leases	\$ 100,882	\$ -	\$ (61,796)	\$ 39,086	\$ 39,086
Compensated absences	28,934	28,527	(28,934)	28,527	28,527
Total governmental activities	\$ 129,816	\$ 28,527	\$ (90,730)	\$ 67,613	\$ 67,613
Business-type activities					
Notes payable	\$ 7,076,443	\$ -	\$ (253,725)	\$ 6,822,718	\$ 276,558
Capital leases	16,375	-	(16,375)	-	-
Compensated absences	14,577	14,868	(14,577)	14,868	14,868
Total business-type activities	\$ 7,107,395	\$ 14,868	\$ (284,677)	\$ 6,837,586	\$ 291,426

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, 2008 totaled \$3,491,702. Semi-annual principal and interest payments on the loan required 17% of water system gross revenues. Principal and interest payments and gross revenues for the current year in the water fund were \$210,844 and \$1,234,225, respectively.

Notes to Basic Financial Statements

NOTE 11 – ACCRUED ABSENCES

Accrued compensated absences consist of the following:

September 30, 2008

	Accrued Vacation Leave
Enterprise funds:	
Water	\$ 2,309
Sewer	3,639
Sanitation	7,285
Cable TV	1,635
General fund	28,527
Total accrued compensated absences	\$ 43,395

NOTE 12 – PENSION PLAN

Defined Benefit Pension Plan

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

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

	July 1, 2005 Through June 30, 2006	July 1, 2006 Through September 30, 2008
Regular employees	7.83%	9.85%
Special risk employees	18.53%	20.92%

Contributions made to the System for the year ended September 30, 2008, 2007 and 2006 were \$287,046, \$279,618, and \$118,576 respectively; these contributions represent 13.35%, 13.84%, and 12.24%, of covered payroll, respectively, and are equal to the required contributions for each year.

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

Notes to Basic Financial Statements

NOTE 13– NET ASSETS RESTRICTIONS

The following is a description of reported net asset restrictions in governmental activities and business-type activities at September 30, 2008.

Business-type Activities

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

Summary

Specific restrictions of net assets are summarized below as of September 30, 2008:

Business-type activities	
Impact fees	\$ 1,583,814
<hr/>	
Total	\$ 1,583,814

NOTE 14 – FUND BALANCE RESERVATIONS

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

The following is a description of reported reserves in governmental activities at September 30, 2008:

General Fund

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

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

Other Governmental Funds

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

Notes to Basic Financial Statements

NOTE 14 – FUND BALANCE RESERVATIONS (CONTINUED)

Summary

Specific reservations of fund balances are summarized below as of September 30, 2008:

General fund		
Reserved for prepaid items	\$	3,054
Reserved for law enforcement education		967
<hr/>		
Total reserved for general fund	\$	4,021
<hr/>		
Special Revenue Fund		
Reserved for community redevelopment	\$	(63,973)
<hr/>		

NOTE 15 – RISK MANAGEMENT

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

NOTE 16 – INVESTMENT IN JOINT VENTURE

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

The joint venture is owned and governed by its owners. The owners are Bay County, the Cities of Callaway, Parker, Springfield and the Town of Cedar Grove. One owner is selected by the others to be responsible for operating the System. The owner delegated to be the operator is Bay County, Florida. The operator of the System, in accordance with the interlocal agreement, prepares the system’s annual budget, sets treatment rates and collects funds sufficient to pay debt service; cost of operations and maintenance; renewal and replacement; and any enhancements to reserves. The results of operations and cash flows, are accounted for, in total, within the financial statements of the joint venture. The City’s interest in equity is reported within the City’s Sewer Fund. As of September 30, 2008, the City’s portion of the equity of the venture was \$1,773,833. Complete financial statements for the joint venture, may be obtained from the operator at P.O. Box 2269, Panama City, Florida 32402.

City of Springfield, Florida

Notes to Basic Financial Statements

NOTE 16 – INVESTMENT IN JOINT VENTURE (CONTINUED)

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

Statement of Net Assets

September 30, 2008

Assets	
Current assets	\$ 3,099,792
Noncurrent assets	36,938,778
Total assets	40,038,570
Liabilities	
Current liabilities	2,848,958
Noncurrent liabilities	28,826,000
Total liabilities	31,675,558
Net assets	\$ 8,363,012

Statement of Activities

Year Ended September 30, 2008

Operating revenues	\$ 5,950,322
Operating expenses	3,949,343
Operating income	2,000,979
Nonoperating revenues (expenses), net	(956,285)
Net income before distributions to owners	1,044,694
Distributions to owners	(660,588)
Change in net assets	384,106
Net assets, beginning	7,978,906
Net assets, ending	\$ 8,363,102

The City's net income from the joint venture in the amount of \$192,321 is derived as follows:

Share of operating income	\$ 169,791
Reduction in reserve requirements	22,530
Net income from joint venture	\$ 192,321

Notes to Basic Financial Statements

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

NOTE 18 – DEFICIT FUND BALANCES

A deficit in unreserved fund balance of \$184,104 exists in the general fund. The deficit resulted from incurring expenditures in excess of revenues.

A deficit in reserved fund balance of \$63,973 exists in the community redevelopment fund resulting from start-up operations prior to the receipt of revenues. It is expected that ad valorem revenues beginning in fiscal 2009 will provide a positive fund balance.

NOTE 19 – PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2008, the City became aware that the reported equity by owner in the Joint Venture financial statements for the year ended September 30, 2007 were incorrectly allocated to the various owners. The effect of the error was an overstatement of the investment in joint venture and net assets in the sewer fund for the year ended September 30, 2007 in the amount of \$170,959. As a result, a decrease of that amount has been made to the investment in joint venture and net assets in the sewer fund.

Compliance Section

City of Springfield, Florida

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2008

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency or Pass-through Number	Grant Award	Total Expenditures
<u>U.S. Environmental Protection Agency</u>				
<u>Passed Through Florida Department of Environmental Protection</u>				
Capitalization Grants for Drinking Water State Revolving Fund (Note 2)	66.468	DW0308010	\$ 2,796,462	\$ 2,732,507
<u>U.S. Department of Justice Passed Through</u>				
<u>Passed Through Florida Department of Law Enforcement</u>				
Edward Byrne Memorial	16.738	2007-DJ-BX-1345	13,090	13,090
Edward Byrne Memorial	16.738	2007-JAGC-BAY-7-Q9-171	27,000	27,000
			40,090	40,090
<u>U.S. Department of Homeland Security</u>				
<u>Passed through Florida Department of Community Affairs</u>				
Hazard Mitigation Grant	97.039	07HM-4"-01-13-02-004	92,070	21,504
<u>U.S. Department of Housing and Urban Development</u>				
<u>Passed through Florida Department of Community Affairs</u>				
Community Development Block Grant	14.228	07DB-3R-01-13-02-H10	750,000	339,725
Total Federal Awards			\$ 3,678,622	\$ 3,133,826

City of Springfield, Florida

Notes to Schedule of Expenditures of
Federal Awards

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – LOAN BALANCE

The amount reported in the total expenditures column on the schedule of expenditures of federal awards for the capitalization grants for drinking water state revolving fund represents the outstanding loan balance at September 30, 2008. This amount is reported due to continuing compliance requirements associated with the loan.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2008

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

X yes ___ no

Significant deficiencies identified not considered to be material weaknesses?

X yes ___ none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?

___ yes X no

Significant deficiencies identified not considered to be material weaknesses?

___ yes X none reported

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

Unqualified

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

___ yes X no

Identification of Major Programs

Federal/State Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor Number
--	-------------	-----------------------------

Federal Awards:

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

66.468

DW0308010
 (Continued)

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2008

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

U.S. Department of Housing and Urban Development Passed through Florida Department of Community Affairs – Community Development Block Grant	14.228	07DB-3R-01-02-H10
		Federal
<hr/>		
Dollar threshold used to distinguish between Type A and Type B programs		<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no

Section II – Financial Statement Findings

Prior Year Findings

07-01 Audit Adjusting Entries

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

Status: This finding is not corrected. See current year finding 08-01.

07-02 Financial Statements

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

Status: This finding is not corrected. See current year finding 08-02.

07-03 Bank Reconciliations

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

Status: This finding is not corrected. See current year finding 08-03.

07-04 Account Balances and Journal Entries

Condition: Several general ledger accounts had incorrect balances.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2008

Section II – Financial Statement Findings (Continued)

Status: This finding is not corrected. See current year finding 08-04.

07-05 Operating Expenditures Exceed Budget

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

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

Status: This finding is not corrected. See current year finding 08-05.

07-06 Transfers and Internal Balances

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

Status: This finding is not corrected. See current year finding 08-06.

07-07 Payroll Returns

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

Status: This finding is corrected.

07-08 Payroll Reconciliation

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

Status: This finding is corrected.

07-09 Accounts Receivable

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

Status: This finding is not corrected. See current year finding 08-07.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2008

Section II – Financial Statement Findings (Continued)

07-10 Property and Equipment

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

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

Current Year Findings

08-01 Audit Adjusting Entries

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

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

Response: Management agrees with our recommendation

08-02 Financial Statements

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

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

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

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

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

08-03 Bank Reconciliations

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

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2008

Section II – Financial Statement Findings (Continued)

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

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

08-04 Account Balances

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

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

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

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

08-05 Operating Expenditures Exceed Budget

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

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

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2008

Section II – Financial Statement Findings (Continued)

08-06 Transfers and Internal Balances

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

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

Effect: Misstatement of financial data reported to management.

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

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

08-07 Accounts Receivable

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

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

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

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

08-08 Property and Equipment

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

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

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2008

Section II – Financial Statement Findings (Continued)

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

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

Section III - Federal Award Findings and Questioned Costs

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the accompanying financial statements of the governmental activities and the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Florida (the City), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report dated June 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Springfield, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that findings 08-01, 08-02, 08-03, 08-04, 08-07 described in the Schedule of Findings and Questioned Costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We have included the responses to the findings identified in our audit in the Schedule of Findings and Questioned Costs. We did not audit the responses and accordingly, we express no opinion on them.

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

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

Panama City Beach, Florida
June 25, 2009

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

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

Compliance

We have audited the compliance of City of Springfield, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended September 30, 2008. City of Springfield, Florida's major federal programs are identified in the summary of Auditor's results sections of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Springfield, Florida's management. Our responsibility is to express an opinion on City of Springfield, Florida's compliance based on our audit.

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

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

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

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

Carri Riggs & Ingram, L.L.C.

Panama City Beach, Florida

June 25, 2009

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of the City of Springfield, Florida, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated June 25, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditor's Report on Compliance and Internal Control over Compliance to Each Major Federal Program and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated June 25, 2009, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. All prior year comments other than those noted below have been addressed.

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 findings and recommendations to improve financial management. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts 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 are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, contracts or grant agreements, or abuse that have occurred, or were likely to have occurred, (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we have the following finding:

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

Prior Year Comments and Recommendations

Prior year findings 07-01, 07-02, 07-03, 07-04, 07-05, 07-06, 07-09, 07-10 have been repeated in the current year. Prior year findings 07-07 and 07-08 have been resolved

Current Year Comments and Recommendations

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

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Springfield, Florida for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(h)7(c). and 10.556(7), Rules of the Auditor General, we applied financial assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Pursuant to Chapter 119, Florida Statutes, this management letter is 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 management of the City of Springfield, Florida, the State of Florida Office of the Auditor General, and appropriate 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.

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

Panama City Beach, Florida

June 25, 2009