

City of Springfield, Florida

Financial Statements

September 30, 2010

City of Springfield, Florida  
Table of Contents  
September 30, 2010

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<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Basic Financial Statements</b>	
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 Balance – 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

**Required Supplementary Information**

Schedule of Funding Progress for the Retiree's Health Insurance Other Post Employment Benefits Plan	43
Schedule of Employer Contributions for the Retiree's Health Insurance Other Post Employment Benefits Plan	43

**Compliance Section**

Schedule of Expenditures of Federal Awards	44
Note to Schedule of Expenditures of Federal Awards	45
Schedule of Findings and Questioned Costs	46
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>	59
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	61
Independent Auditor's Management Letter	63



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Florida (the City), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Because of our inability to obtain sufficient appropriate audit evidence, we were unable to form an opinion regarding the balance of proprietary funds' customer utility deposit liability at September 30, 2010 through normal auditing procedures and were unable to satisfy ourselves about the account balance through alternative procedures.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary as a result of correcting the above limitations, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Florida, as of September 30, 2010, 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 December 28, 2011, on our consideration of the City of Springfield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis information on pages 3 through 9 and the schedule of funding progress for the retiree's health insurance other post employment benefits plan and schedule of employer contributions for the retiree's health insurance other post employment benefits plan on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose 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 financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the audit procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Certified Public Accountants  
Panama City Beach, Florida  
December 28, 2011

## Management's Discussion and Analysis

## Management's Discussion and Analysis

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

### Financial Highlights

- Total assets of the City exceeded total liabilities by \$12,599,436 (net assets). Of this amount, \$(1,129,749) is a deficit in unrestricted net assets for Governmental Activities and \$4,910,602 is unrestricted net assets for Business-type Activities, while \$1,354,967 is restricted net assets for Business-type Activities.
- Total net assets decreased by \$817,796. Of this amount, a decrease of \$374,084 is attributable to Governmental Activities, and a decrease of \$443,712 is attributable to Business-type Activities.
- As of September 30, 2010, the general fund's unreserved fund deficit is \$(878,803).
- Governmental Activities revenues decreased to \$3,659,518 or 10%, while Governmental Activities expenses increased 24% to \$4,365,480. Business-type Activities revenues increased to \$4,705,654 or 4%, while Business-type Activities expenses increased 13% to \$4,817,488.

### 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, 2010 and 2009. At the end of the fiscal year 2010, the City is able to report positive balances in all three categories of net assets, for the government as a whole, and for its business-type activities, however, the City has a deficit balance in the governmental activities unrestricted net assets for fiscal year 2010.

### Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<i>September 30,</i>						
Current and other assets	\$ -	\$ 363,154	\$ 6,912,463	\$ 7,235,379	\$ 6,912,463	\$ 7,598,533
Capital assets	5,096,413	4,072,488	8,952,764	9,313,575	14,049,177	13,386,063
<b>Total assets</b>	<b>5,096,413</b>	<b>4,435,642</b>	<b>15,865,227</b>	<b>16,548,954</b>	<b>20,961,640</b>	<b>20,984,596</b>
Current liabilities	956,997	361,773	616,918	545,688	1,573,915	907,461
Noncurrent liabilities	499,568	59,937	6,288,721	6,599,966	6,788,289	6,659,903
<b>Total liabilities</b>	<b>1,456,565</b>	<b>421,710</b>	<b>6,905,639</b>	<b>7,145,654</b>	<b>8,362,204</b>	<b>7,567,364</b>
Net assets invested in capital assets, net of related debt	4,769,597	3,984,607	2,694,019	2,767,414	7,463,616	6,752,021
Net assets – restricted	-	-	1,354,967	1,504,909	1,354,967	1,504,909
Net assets – unrestricted	(1,129,749)	29,325	4,910,602	5,130,977	3,780,853	5,160,302
<b>Total net assets</b>	<b>\$ 3,639,848</b>	<b>\$ 4,013,932</b>	<b>\$ 8,959,588</b>	<b>\$ 9,403,300</b>	<b>\$ 12,599,436</b>	<b>\$ 13,417,232</b>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents 59% of the City's net assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The *restricted net assets*, representing 11% of the City's net assets, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of net assets is *unrestricted net assets* (\$3,780,853), which may be used to help meet the government's ongoing obligations to citizens and creditors.

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

### Changes in Net Assets

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Program revenues</b>						
Charges for services	\$ 62,201	\$ 100,851	\$ 4,702,553	\$ 4,500,353	\$ 4,764,754	\$ 4,601,204
Operating grants/ contributions	526,919	536,052	-	-	526,919	536,052
Capital grants/ contributions	934,071	1,356,669	-	2,000	934,071	1,358,669
<b>General revenues</b>						
Gross receipts						
taxes	1,537,558	1,519,158	-	-	1,537,558	1,519,158
Utility taxes/ franchise fees	505,458	483,628	-	-	505,458	483,628
Other	93,311	89,730	3,101	22,730	96,412	112,460
<b>Total revenues</b>	<b>3,659,518</b>	<b>4,086,088</b>	<b>4,705,654</b>	<b>4,525,083</b>	<b>8,365,172</b>	<b>8,611,171</b>
<b>Expenses</b>						
General government	539,319	570,516	-	-	539,319	570,516
Public safety	2,229,881	1,892,187	-	-	2,229,881	1,892,187
Highways and streets	1,011,185	560,541	-	-	1,011,185	560,541
Maintenance	179,142	158,084	-	-	179,142	158,084
Culture/recreation	401,779	337,263	-	-	401,779	337,263
Community redevelopment	-	284	-	-	-	284
Interest on long- term debt	4,174	1,420	-	-	4,174	1,420
Water	-	-	1,314,505	1,156,232	1,314,505	1,156,232
Sewer	-	-	2,106,514	1,696,519	2,106,514	1,696,519
Sanitation	-	-	985,069	961,731	985,069	961,731
Cable TV	-	-	409,848	388,704	409,848	388,704
Loss on sale of assets	-	-	1,552	-	1,552	-
<b>Total expenses</b>	<b>4,365,480</b>	<b>3,520,295</b>	<b>4,817,488</b>	<b>4,203,186</b>	<b>9,182,968</b>	<b>7,723,481</b>
<b>Change in net assets before transfers</b>	<b>(705,962)</b>	<b>565,793</b>	<b>(111,834)</b>	<b>321,897</b>	<b>(817,796)</b>	<b>887,690</b>
<b>Transfers</b>	<b>331,878</b>	<b>852,289</b>	<b>(331,878)</b>	<b>(852,289)</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>(374,084)</b>	<b>1,418,082</b>	<b>(443,712)</b>	<b>(530,392)</b>	<b>(817,796)</b>	<b>887,690</b>
<b>Net assets - beginning</b>						
<b>As originally reported</b>	<b>4,013,932</b>	<b>2,531,044</b>	<b>9,403,300</b>	<b>9,933,692</b>	<b>13,417,232</b>	<b>12,464,736</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>64,806</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,806</b>
<b>As restated</b>	<b>4,013,932</b>	<b>2,595,850</b>	<b>9,403,300</b>	<b>9,933,692</b>	<b>13,417,232</b>	<b>12,529,542</b>
<b>Net assets - ending</b>	<b>\$ 3,639,848</b>	<b>\$ 4,013,932</b>	<b>\$ 8,959,588</b>	<b>\$ 9,403,300</b>	<b>\$ 12,599,436</b>	<b>\$ 13,417,232</b>

Governmental activities expenses exceeded revenues by \$705,692, while business-type activities expenses exceeded revenues by \$111,834. Total revenues decreased \$245,999 from the previous year. Total expenses increased \$1,459,487 from the previous year.

56% 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 (51%), highways and streets (23%) and general government (12%) activities.

Charges for services provided 99.9% of the revenues for business-type activities, while sewer fund consumed 44% 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, 2010, total assets were \$1,055,060 and total liabilities were \$1,904,220. At the end of fiscal year 2010, unreserved fund deficit of the general fund was (\$878,803) while the total fund deficit was (\$849,160).

#### **Community Redevelopment Fund**

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

#### **Other Governmental Funds**

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

### **Proprietary Funds**

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

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

<i>September 30,</i>	<b>2010</b>	2009
Water	<b>\$ 1,408,623</b>	\$ 1,664,923
Sewer	<b>3,108,969</b>	3,108,597
Sanitation	<b>454,606</b>	391,011
Cable TV	<b>(61,596)</b>	(33,554)
<b>Total</b>	<b>\$ 4,910,602</b>	<b>\$ 5,130,977</b>

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

### Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2010, was \$14,049,177 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress.

#### Capital Assets (net of depreciation)

September 30,	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 772,138	\$ 772,138	\$ 90,170	\$ 90,170	\$ 862,308	\$ 862,308
Construction in progress	-	765,426	3,610	-	3,610	765,426
Buildings	710,261	747,261	37,679	44,775	747,940	792,036
Improvements/ distribution system	2,659,681	1,002,904	8,526,849	8,821,682	11,186,530	9,824,586
Machinery and equipment	701,202	524,109	294,456	356,948	995,658	881,057
Streets	253,131	260,650	-	-	253,131	260,650
<b>Total</b>	<b>\$ 5,096,413</b>	<b>\$ 4,072,488</b>	<b>\$ 8,952,764</b>	<b>\$ 9,313,575</b>	<b>\$ 14,049,177</b>	<b>\$ 13,386,063</b>

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

### Debt Management

At the end of the current fiscal year, the City had total outstanding debt in the amount of \$6,585,561. This debt amount represents notes payable and capital leases secured by specified revenue sources and equipment.

#### Outstanding Debt

September 30,	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Capital leases	\$ 326,816	\$ 87,881	\$ -	\$ -	\$ 326,816	\$ 87,881
Notes payable	-	-	6,258,745	6,546,161	6,258,745	6,546,161
<b>Total</b>	<b>\$ 326,816</b>	<b>\$ 87,881</b>	<b>\$ 6,258,745</b>	<b>\$ 6,546,161</b>	<b>\$ 6,585,561</b>	<b>\$ 6,634,042</b>

Principal repayments during the year on notes payable and capital leases totaled \$331,116.

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 \$982,560, which was due primarily to grant revenues received but not included in the budget. The general fund's actual expenditures exceeded budgeted expenditures by \$1,562,989. The City did not budget for grant revenues and expenditures and most capital outlay expenditures, including the new fire truck.

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

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

The City completed work on the Martin Lake Stormwater Project during the year ended September 30, 2010.

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

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

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

City of Springfield, Florida  
Statement of Net Assets  
September 30, 2010

**Primary Government**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 44,486	\$ 844,552	\$ 889,038
Accounts receivable, net	-	372,279	372,279
Taxes receivable	115,088	-	115,088
Other receivables	2,227	-	2,227
Prepaid expenses	29,088	-	29,088
Internal balances	(1,274,562)	1,274,562	-
Due from other governments	735,208	-	735,208
Due from joint venture	-	98,831	98,831
Restricted assets			
Cash and cash equivalents, customer deposits	-	463,600	463,600
Cash and cash equivalents, impact fees	-	1,354,967	1,354,967
Investment in joint venture	-	2,503,672	2,503,672
Capital assets			
Nondepreciable	772,138	93,780	865,918
Depreciable, net	4,324,275	8,858,984	13,183,259
Total assets	4,747,948	15,865,227	20,613,175
<b>Liabilities</b>			
Current liabilities			
Accounts payable	166,448	184,750	351,198
Overdrawn cash liability	265,348	-	265,348
Accrued interest	-	30,435	30,435
Accrued payroll and other liabilities	59,115	27,471	86,586
Long-term liabilities			
Due within one year			
Accrued compensated absences	25,913	16,918	42,831
Notes payable	-	357,344	357,344
Obligations under capital lease	91,708	-	91,708
Due in more than one year			
Customer deposits	-	274,473	274,473
Notes payable	-	5,901,401	5,901,401
Obligations under capital lease	235,108	-	235,108
Other postemployment benefits	264,460	112,847	377,307
Total liabilities	1,108,100	6,905,639	8,013,739
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,769,597	2,694,019	7,463,616
Restricted by impact fee ordinance	-	1,354,967	1,354,967
Unrestricted	(1,129,749)	4,910,602	3,780,853
Total net assets	\$ 3,639,848	\$ 8,959,588	\$ 12,599,436

See accompanying notes

City of Springfield, Florida  
Statement of Activities  
Year Ended September 30, 2010

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
<b>Primary government</b>							
Governmental activities							
General government	\$ 539,319	\$ 52,576	\$ 507,919	\$ 67,922	\$ 89,098	\$ -	\$ 89,098
Public safety	2,229,881	-	15,000	-	(2,214,881)	-	(2,214,881)
Highways and streets	1,011,185	-	-	866,149	(145,036)	-	(145,036)
Maintenance	179,142	-	-	-	(179,142)	-	(179,142)
Culture and recreation	401,779	9,625	4,000	-	(388,154)	-	(388,154)
Interest on long-term debt	4,174	-	-	-	(4,174)	-	(4,174)
Total governmental activities	4,365,480	62,201	526,919	934,071	(2,842,289)	-	(2,842,289)
Business-type activities							
Water	1,314,505	1,201,184	-	-	-	(113,321)	(113,321)
Sewer	2,106,514	2,097,873	-	-	-	(8,641)	(8,641)
Sanitation	985,069	1,110,411	-	-	-	125,342	125,342
Cable TV	409,848	293,085	-	-	-	(116,763)	(116,763)
Total business-type activities	4,815,936	4,702,553	-	-	-	(113,383)	(113,383)
<b>Total primary government</b>	<b>\$ 9,181,416</b>	<b>\$ 4,764,754</b>	<b>\$ 526,919</b>	<b>\$ 934,071</b>	<b>(2,842,289)</b>	<b>(113,383)</b>	<b>(2,955,672)</b>
	General revenues						
	Taxes						
					462,911	-	462,911
					162,672	-	162,672
					272,474	-	272,474
					582,043	-	582,043
					27,775	-	27,775
					29,683	-	29,683
					505,458	-	505,458
					88,954	-	88,954
					4,357	3,101	7,458
					-	(1,552)	(1,552)
					2,136,327	1,549	2,137,876
					331,878	(331,878)	-
					2,468,205	(330,329)	2,137,876
					(374,084)	(443,712)	(817,796)
					4,013,932	9,403,300	13,417,232
					\$ 3,639,848	\$ 8,959,588	\$ 12,599,436

See accompanying notes

City of Springfield, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2010

	General	Community Redevelopment	Other Governmental Funds (Debt Service)	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 6,209	\$ -	\$ -	\$ 6,209
Taxes receivable	115,088	-	-	115,088
Other receivables	2,227	-	-	2,227
Due from other funds	167,240	-	-	167,240
Due from other governments	735,208	-	-	735,208
Prepaid expenditures	29,088	-	-	29,088
Restricted assets - cash	-	38,277	-	38,277
<b>Total assets</b>	<b>\$ 1,055,060</b>	<b>\$ 38,277</b>	<b>\$ -</b>	<b>1,093,337</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 166,448	\$ -	\$ -	166,448
Overdrawn cash liability	265,348	-	-	265,348
Accruals	59,115	-	-	59,115
Due to other funds	1,413,309	28,493	-	1,441,802
<b>Total liabilities</b>	<b>1,904,220</b>	<b>28,493</b>	<b>-</b>	<b>1,932,713</b>
<b>Fund balances</b>				
Reserved for				
Prepaid expenditures	29,088	-	-	29,088
Law enforcement education	555	-	-	555
Unreserved, reported in				
General fund	(878,803)	-	-	(878,803)
Community redevelopment	-	9,784	-	9,784
<b>Total fund balance (deficit)</b>	<b>(849,160)</b>	<b>9,784</b>	<b>-</b>	<b>(839,376)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,055,060</b>	<b>\$ 38,277</b>	<b>\$ -</b>	<b>-</b>
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				5,096,413
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(617,189)
<b>Net assets of governmental activities</b>				<b>\$ 3,639,848</b>

See accompanying notes

City of Springfield, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2010

	General	Community Redevelopment	Other Governmental Funds (Debt Service)	Total
<b>Revenues</b>				
Taxes				
Utility taxes	\$ 462,911	\$ -	\$ -	\$ 462,911
Local option gas tax	162,672	-	-	162,672
Communications service tax	272,474	-	-	272,474
Half cent sales tax	582,043	-	-	582,043
Local business tax	27,775	-	-	27,775
Property taxes	-	29,683	-	29,683
Intergovernmental	508,119	-	-	508,119
Licenses and permits	2,149	-	-	2,149
Franchise fees	505,458	-	-	505,458
Charges for services	58,433	-	-	58,433
Fines and forfeitures	38,085	-	-	38,085
Rents	351,812	-	-	351,812
Interest	4,349	8	-	4,357
Grants	933,071	-	-	933,071
Contributions and donations	4,136	-	-	4,136
Other fees and miscellaneous	47,280	-	-	47,280
<b>Total revenues</b>	<b>3,960,767</b>	<b>29,691</b>	<b>-</b>	<b>3,990,458</b>
<b>Expenditures</b>				
Current				
General government	448,723	-	-	448,723
Public safety	1,876,069	-	-	1,876,069
Highways and streets	933,482	-	-	933,482
Maintenance	153,712	-	-	153,712
Culture and recreation	311,862	-	-	311,862
Debt service				
Principal	-	-	43,700	43,700
Interest and fiscal charges	-	-	4,174	4,174
Capital outlay				
General government	103,783	-	-	103,783
Public safety	407,434	-	-	407,434
Highways and streets	886,101	-	-	886,101
Maintenance	8,973	-	-	8,973
Culture and recreation	2,211	-	-	2,211
<b>Total expenditures</b>	<b>5,132,350</b>	<b>-</b>	<b>47,874</b>	<b>5,180,224</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(1,171,583)</b>	<b>29,691</b>	<b>(47,874)</b>	<b>(1,189,766)</b>
<b>Other financing sources (uses)</b>				
Proceeds from capital lease obligations	282,635	-	-	282,635
Transfer from (to) other funds	(39,996)	-	47,874	7,878
<b>Total other financing sources (uses)</b>	<b>242,639</b>	<b>-</b>	<b>47,874</b>	<b>290,513</b>
<b>Net change in fund balances</b>	<b>(928,944)</b>	<b>29,691</b>	<b>-</b>	<b>(899,253)</b>
<b>Fund balance (deficit) - beginning</b>	<b>79,784</b>	<b>(19,907)</b>	<b>-</b>	<b>59,877</b>
<b>Fund balance (deficit) - ending</b>	<b>\$ (849,160)</b>	<b>\$ 9,784</b>	<b>\$ -</b>	<b>\$ (839,376)</b>

See accompanying notes

City of Springfield, Florida  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental  
 Funds to the Statement of Activities  
 Year Ended September 30, 2010

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)	\$ (899,253)
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.	1,030,865
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, and donations) is to decrease net assets.	(6,940)
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.	(259,821)
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.	(238,935)
Change in net assets of governmental activities (page 11)	\$ (374,084)

City of Springfield, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - General Fund  
Year Ended September 30, 2010

	Budget		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Utility taxes	\$ 420,000	\$ 420,000	\$ 462,911	\$ 42,911
Local option gas tax	148,274	148,274	162,672	14,398
Communications service tax	248,214	248,214	272,474	24,260
Half cent sales tax	580,129	580,129	582,043	1,914
Local business tax	30,000	30,000	27,775	(2,225)
Intergovernmental	517,097	517,097	508,119	(8,978)
Licenses and permits	5,450	5,450	2,149	(3,301)
Franchise fees	464,354	464,354	505,458	41,104
Charges for services	61,031	61,031	58,433	(2,598)
Fines and forfeitures	99,187	99,187	38,085	(61,102)
Rents	371,521	371,521	351,812	(19,709)
Interest	1,000	1,000	4,349	3,349
Grants	10,000	10,000	933,071	923,071
Contributions and donations	3,000	3,000	4,136	1,136
Other fees and miscellaneous	18,950	18,950	47,280	28,330
Total revenues	2,978,207	2,978,207	3,960,767	982,560
<b>Expenditures</b>				
Current				
General government				
Special governing	172,085	172,085	221,075	(48,990)
Administration	261,861	261,861	227,648	34,213
Total general government	433,946	433,946	448,723	(14,777)
Public safety				
Police	1,328,555	1,328,555	1,336,707	(8,152)
Fire	454,374	454,374	471,075	(16,701)
Protective services	64,087	64,087	68,287	(4,200)
Total public safety	1,847,016	1,847,016	1,876,069	(29,053)
Highways and streets	769,906	769,906	933,482	(163,576)
Maintenance	157,353	157,353	153,712	3,641
Culture and recreation				
Library	66,545	66,545	66,134	411
Recreation	188,079	188,079	245,728	(57,649)
Total culture and recreation	254,624	254,624	311,862	(57,238)
Capital outlay				
General government	30,112	30,112	103,783	(73,671)
Public safety	66,404	66,404	407,434	(341,030)
Highways and streets	-	-	886,101	(886,101)
Maintenance	-	-	8,973	(8,973)
Culture and recreation	10,000	10,000	2,211	7,789
Total capital outlay	106,516	106,516	1,408,502	(1,301,986)
Total expenditures	3,569,361	3,569,361	5,132,350	(1,562,989)
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(591,154)	(591,154)	(1,171,583)	(580,429)
<b>Other financing sources (uses)</b>				
Proceeds from capital lease obligations	-	-	282,635	282,635
Transfers from (to) other funds	309,531	309,531	(39,996)	(349,527)
Total other financing sources (uses)	309,531	309,531	242,639	(66,892)
<b>Net change in fund balance</b>	(281,623)	(281,623)	(928,944)	(647,321)
<b>Fund balance - beginning</b>	281,623	281,623	79,784	(201,839)
<b>Fund balance - ending</b>	\$ -	\$ -	\$ (849,160)	\$ (849,160)

See accompanying notes

City of Springfield, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2010

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Sanitation	Cable TV	Total
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 503,385	\$ 185,872	\$ 147,380	\$ 7,915	\$ 844,552
Accounts receivable, net	97,258	152,029	95,694	27,298	372,279
Due from joint venture	-	98,831	-	-	98,831
Due from other funds	975,363	463,745	318,948	-	1,758,056
Total current assets	1,576,006	900,477	562,022	35,213	3,073,718
Noncurrent assets					
Restricted assets - cash and cash equivalents					
Customer deposits	463,600	-	-	-	463,600
Impact fees	586,581	768,386	-	-	1,354,967
Investment in joint venture	-	2,503,672	-	-	2,503,672
Capital assets					
Nondepreciable	3,610	42,457	47,713	-	93,780
Depreciable, net	3,668,652	5,046,905	115,300	28,127	8,858,984
Total noncurrent assets	4,722,443	8,361,420	163,013	28,127	13,275,003
Total assets	6,298,449	9,261,897	725,035	63,340	16,348,721
<b>Liabilities</b>					
Current liabilities					
Accounts payable	8,049	122,895	36,771	17,035	184,750
Accrued interest	30,435	-	-	-	30,435
Accrued payroll liabilities	8,442	4,524	8,468	6,037	27,471
Accrued compensated absences	1,907	4,444	9,701	866	16,918
Due to other funds	271,259	142,123	13,120	56,992	483,494
Notes payable, current	118,521	238,823	-	-	357,344
Total current liabilities	438,613	512,809	68,060	80,930	1,100,412
Noncurrent liabilities					
Customer deposits	271,018	-	-	3,455	274,473
Notes payable	2,386,061	3,515,340	-	-	5,901,401
Other postemployment benefits	39,873	21,194	39,356	12,424	112,847
Total noncurrent liabilities	2,696,952	3,536,534	39,356	15,879	6,288,721
Total liabilities	3,135,565	4,049,343	107,416	96,809	7,389,133
<b>Net assets</b>					
Invested in capital assets, net of related debt	1,167,680	1,335,199	163,013	28,127	2,694,019
Restricted by impact fee ordinance	586,581	768,386	-	-	1,354,967
Unrestricted	1,408,623	3,108,969	454,606	(61,596)	4,910,602
Total net assets	\$ 3,162,884	\$ 5,212,554	\$ 617,619	\$ (33,469)	\$ 8,959,588

See accompanying notes

City of Springfield, Florida  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
Year Ended September 30, 2010

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Sanitation	Cable TV	Total
<b>Operating revenues</b>					
Charges for services					
Sales	\$ 1,095,899	\$ 1,773,871	\$ 1,080,252	\$ 263,697	\$ 4,213,719
Connection / reconnection fees	35	-	-	13,040	13,075
Penalties	72,472	49,908	30,059	5,382	157,821
Tap fees	7,650	6,600	-	-	14,250
Other income	7,797	400	100	10,966	19,263
Impact fees	17,331	21,708	-	-	39,039
<b>Total operating revenues</b>	<b>1,201,184</b>	<b>1,852,487</b>	<b>1,110,411</b>	<b>293,085</b>	<b>4,457,167</b>
<b>Operating expenses</b>					
Personal services	378,174	204,317	355,269	111,615	1,049,375
Professional services	17,987	9,127	10,534	11,207	48,855
Contractual services	27,754	14,386	33,808	2,290	78,238
Insurance	48,008	5,549	20,317	7,696	81,570
Repairs and maintenance	21,378	272,486	13,765	2,320	309,949
Operating supplies	93,065	36,829	47,786	11,287	188,967
Communication services	4,514	2,714	3,189	1,395	11,812
Public utility purchases	508,105	1,090,480	424,611	19,588	2,042,784
Transportation	6,768	6,708	4,025	-	17,501
Travel and per diem	3,797	1,329	-	-	5,126
Rentals	108,004	108,472	108,000	217,368	541,844
Bad debt expense	-	6,431	12,271	11,094	29,796
Miscellaneous	6,316	365	674	60	7,415
Depreciation	131,678	227,643	58,820	13,928	432,069
<b>Total operating expenses</b>	<b>1,355,548</b>	<b>1,986,836</b>	<b>1,093,069</b>	<b>409,848</b>	<b>4,845,301</b>
<b>Net operating income (loss)</b>	<b>(154,364)</b>	<b>(134,349)</b>	<b>17,342</b>	<b>(116,763)</b>	<b>(388,134)</b>
<b>Nonoperating revenues (expenses)</b>					
Interest income	1,080	1,656	365	-	3,101
Income from joint venture	-	245,386	-	-	245,386
Interest expense	(66,957)	(227,678)	-	-	(294,635)
Gain (loss) on asset disposal	(1,552)	-	-	-	(1,552)
<b>Total nonoperating revenues (expenses)</b>	<b>(67,429)</b>	<b>19,364</b>	<b>365</b>	<b>-</b>	<b>(47,700)</b>
<b>Net income (loss) before contributions and transfers</b>	<b>(221,793)</b>	<b>(114,985)</b>	<b>17,707</b>	<b>(116,763)</b>	<b>(435,834)</b>
<b>Transfers in (out)</b>	<b>(1,970)</b>	<b>(81,970)</b>	<b>(1,969)</b>	<b>78,031</b>	<b>(7,878)</b>
<b>Change in net assets</b>	<b>(223,763)</b>	<b>(196,955)</b>	<b>15,738</b>	<b>(38,732)</b>	<b>(443,712)</b>
<b>Total net assets - beginning</b>	<b>3,386,647</b>	<b>5,409,509</b>	<b>601,881</b>	<b>5,263</b>	<b>9,403,300</b>
<b>Total net assets - ending</b>	<b>\$ 3,162,884</b>	<b>\$ 5,212,554</b>	<b>\$ 617,619</b>	<b>\$ (33,469)</b>	<b>\$ 8,959,588</b>

See accompanying notes

City of Springfield, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2010

**Business-type Activities / Enterprise Funds**

	Water	Sewer	Sanitation	Cable TV	Total
<b>Operating activities</b>					
Receipts from customers and users	\$ 1,065,651	\$ 1,878,995	\$ 1,132,719	\$ 301,932	\$ 4,379,297
Payments to suppliers	(869,994)	(1,576,183)	(663,713)	(286,205)	(3,396,095)
Payments for personal services	(337,141)	(181,157)	(315,036)	(100,037)	(933,371)
Net cash provided (used) by operating activities	(141,484)	121,655	153,970	(84,310)	49,831
<b>Noncapital financing activities</b>					
Transfers to/(from) other funds	(1,970)	(81,970)	(1,969)	78,031	(7,878)
Changes in internal balances	(112,028)	(343,996)	(285,380)	14,635	(726,769)
Net cash provided (used) by noncapital financing activities	(113,998)	(425,966)	(287,349)	92,666	(734,647)
<b>Capital and related financing activities</b>					
Principal paid on notes and leases	(115,456)	(171,960)	-	-	(287,416)
Interest paid on notes and lease:	(68,359)	(227,678)	-	-	(296,037)
Purchase of capital assets	(32,230)	(26,379)	(10,963)	(3,238)	(72,810)
Net cash provided (used) by capital and related financing activities	(216,045)	(426,017)	(10,963)	(3,238)	(656,263)
<b>Investing activities</b>					
Investment in joint venture	-	(37,564)	-	-	(37,564)
Distributions from joint venture	-	139,735	-	-	139,735
Interest received	1,080	1,656	365	-	3,101
Net cash provided (used) by investing activities	1,080	103,827	365	-	105,272
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(470,447)</b>	<b>(626,501)</b>	<b>(143,977)</b>	<b>5,118</b>	<b>(1,235,807)</b>
<b>Cash and cash equivalents - beginning</b>	<b>2,024,013</b>	<b>1,580,759</b>	<b>291,357</b>	<b>2,797</b>	<b>3,898,926</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 1,553,566</b>	<b>\$ 954,258</b>	<b>\$ 147,380</b>	<b>\$ 7,915</b>	<b>\$ 2,663,119</b>
<b>Cash and cash equivalents classified as</b>					
Current assets	\$ 503,385	\$ 185,872	\$ 147,380	\$ 7,915	\$ 844,552
Restricted assets	1,050,181	768,386	-	-	1,818,567
Total cash and cash equivalents	\$ 1,553,566	\$ 954,258	\$ 147,380	\$ 7,915	\$ 2,663,119
<b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities</b>					
Net operating income (loss)	\$ (154,364)	\$ (134,349)	\$ 17,342	\$ (116,763)	\$ (388,134)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	131,678	227,643	58,820	13,928	432,069
(Increase) decrease in assets					
Accounts receivable, net	(97,115)	26,508	22,308	5,392	(42,907)
Increase (decrease) in liabilities					
Accounts payable	7,487	(21,307)	15,267	(1,900)	(453)
Accrued payroll liabilities	1,032	831	1,095	699	3,657
Accrued compensated absences	128	1,135	(218)	(1,545)	(500)
Other postemployment benefits	39,873	21,194	39,356	12,424	112,847
Customer deposits	(70,203)	-	-	3,455	(66,748)
Total adjustments	12,880	256,004	136,628	32,453	437,965
Net cash provided (used) by operating activities	\$ (141,484)	\$ 121,655	\$ 153,970	\$ (84,310)	\$ 49,831

See accompanying notes

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**Reporting Entity**

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

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

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

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

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

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

***Government-wide Financial Statements***

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

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

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

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

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

***Fund Financial Statements***

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

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Governmental Funds**

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

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

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

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

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

**Proprietary Funds**

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

Notes to Basic Financial Statements

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

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

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

***Basis of Presentation***

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

***Governmental Major Funds***

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

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

***Proprietary Major Funds***

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

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

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

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

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Noncurrent Governmental Assets/Liabilities***

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

***Budgets***

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

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

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

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

***Encumbrances***

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

***Cash and Cash Equivalents***

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

***Accounts Receivable, Net***

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

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

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

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Capital Assets**

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

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

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

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

**Unamortized Loan Issuance Costs**

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

**Long-term Obligations**

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

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

**Accumulated Vacation and Sick Leave**

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

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

**Interfund Advances**

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

# City of Springfield, Florida

## Notes to Basic Financial Statements

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

#### ***Restricted Assets***

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

#### ***Estimates***

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

#### ***Subsequent events***

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

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

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

The governmental funds balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$5,096,413 difference are as follows:

Cost of capital assets	\$	8,005,287
Less: accumulated depreciation		(2,908,874)
<hr/>		
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	5,096,413
<hr/>		

Another element of that reconciliation states, "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(617,189) difference are as follows:

Capital leases	\$	(326,816)
Other post employment benefits		(264,460)
Compensated absences		(25,913)
<hr/>		
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	(617,189)
<hr/>		

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

**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 change in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,030,865 difference are as follows:

Capital outlay	\$	1,408,502
Depreciation expense		(377,637)
<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>	\$	1,030,865
<hr/>		

Another element of the reconciliation states that "the net effect of miscellaneous noncash transactions involving capital assets is to decrease net assets." The details of this \$(6,940) difference are as follows:

Loss on sale of surplus property	\$	(6,940)
<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>	\$	(6,940)
<hr/>		

Another element of the reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$(259,821) difference are as follows:

Compensated absences	\$	4,639
Other post employment benefits		(264,460)
<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>	\$	(259,821)
<hr/>		

Another element of that reconciliation states, "the issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(238,935) difference are as follows:

Long-term debt		
Principal payments on capital lease obligations	\$	43,700
Proceeds from debt		(282,635)
<hr/>		
Net adjustment to decrease <i>net change in fund balance – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$	(238,935)
<hr/>		

Notes to Basic Financial Statements

**NOTE 3 – BUDGETS**

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

**NOTE 4 – DEPOSITS AND INVESTMENTS**

***Deposits Policies***

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

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

***Investment Policies***

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

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

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

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

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

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

# City of Springfield, Florida

## Notes to Basic Financial Statements

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

#### *Interest Rate Risks*

At September 30, 2010, the City did not hold any investments that were considered to be an interest rate risk.

#### *Credit Risks*

At September 30, 2010, the City did not hold any investments that were considered to be a credit risk.

#### *Custodial Risks*

At September 30, 2010, the City did not hold any deposits or investments that were considered to be a custodial risk.

#### *Concentration of Credit Risk*

As September 30, 2010, 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, 2010, accounts receivable in the proprietary funds is summarized as follows:

Total accounts receivable	\$	453,913
Less: allowance for doubtful accounts		(81,634)
<hr/>		
Net accounts receivable	\$	372,279
<hr/>		

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

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

The composition of interfund balances as of September 30, 2010 is as follows:

Due to / from other funds:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Cable	\$ 57,035
General	CRA	28,493
General	Water	59,592
General	Sewer	9,000
General	Sanitation	13,120
Sanitation	General	231,710
Sanitation	Sewer	27,922
Sanitation	Water	59,316
Sewer	General	421,229
Sewer	Water	42,516
Water	Cable	7
Water	General	870,155
Water	Sewer	105,201
<b>Total</b>		<b>\$ 1,925,296</b>

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

Transfers:

<b>Transfers To</b>	<b>Transfers From</b>	<b>Amount</b>
Cable	Sewer	\$ 80,000
Debt Service	General	39,996
Debt Service	Cable	1,969
Debt Service	Sanitation	1,969
Debt Service	Sewer	1,970
Debt Service	Water	1,970
<b>Total</b>		<b>\$ 127,874</b>

Transfer to cable was to provide cash for operations. Transfers to debt service were for required payment of debt.

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

**NOTE 7 – CAPITAL ASSETS**

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

	<b>October 1 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>September 30 2010</b>
Capital assets, not being depreciated				
Land	\$ 772,138	\$ -	\$ -	\$ 772,138
Construction in progress	765,426	-	(765,426)	-
Total capital assets, not being depreciated	1,537,564	-	(765,426)	772,138
Capital assets, being depreciated				
Buildings	1,656,444	-	-	1,656,444
Streets	300,750	-	-	300,750
Improvements	1,195,845	1,707,378	-	2,903,223
Machinery and equipment	2,037,454	466,549	(131,271)	2,372,732
Total capital assets, being depreciated	5,190,493	2,173,927	(131,271)	7,233,149
Less accumulated depreciation				
Buildings	909,183	37,000	-	946,183
Streets	40,100	7,519	-	47,619
Improvements	192,941	50,601	-	243,542
Machinery and equipment	1,513,345	282,517	(124,332)	1,671,530
Total accumulated depreciation	2,655,569	377,637	(124,332)	2,908,874
Total capital assets being depreciated (net of accumulated depreciation)	2,534,924	1,796,290	(6,939)	4,324,275
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 4,072,488	\$ 1,796,290	\$ (772,365)	\$ 5,096,413

**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, 2010:

	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Cable TV</b>	<b>Total</b>
Land	\$ -	\$ 42,457	\$ 47,713	\$ -	\$ 90,170
Construction in progress	3,610	-	-	-	3,610
Buildings and improvements	17,489	-	41,966	61,290	120,745
Distribution system	4,627,004	7,221,368	-	856,121	12,704,493
Equipment and furniture	329,148	429,981	820,163	443,220	2,022,512
<b>Total</b>	<b>4,977,251</b>	<b>7,693,806</b>	<b>909,842</b>	<b>1,360,631</b>	<b>14,941,530</b>
Less: accumulated depreciation					
Buildings and improvements	5,333	-	20,569	57,164	83,066
Distribution system	1,039,980	2,296,958	-	840,706	4,177,644
Equipment and furniture	259,676	307,486	726,260	434,634	1,728,056
<b>Total accumulated depreciation</b>	<b>1,304,989</b>	<b>2,604,444</b>	<b>746,829</b>	<b>1,332,504</b>	<b>5,988,766</b>
<b>Total business-type activities capital assets (net of accumulated depreciation)</b>	<b>\$ 3,672,262</b>	<b>\$ 5,089,362</b>	<b>\$ 163,013</b>	<b>\$ 28,127</b>	<b>\$ 8,952,764</b>

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

	<b>2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>2010</b>
Capital assets, not being depreciated				
Land	\$ 90,170	\$ -	\$ -	\$ 90,170
Construction in progress	-	3,610	-	3,610
<b>Total capital assets, not being depreciated</b>	<b>90,170</b>	<b>3,610</b>	<b>-</b>	<b>93,780</b>

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

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

	2009	Increases	Decreases	2010
Capital assets, being depreciated				
Buildings and improvements	\$ 117,450	\$ 3,295	\$ -	\$ 120,745
Distribution system	12,704,493	-	-	12,704,493
Machinery and equipment	2,005,923	65,905	(49,316)	2,022,512
Total capital assets, being depreciated	14,827,866	69,200	(49,316)	14,847,750
Less accumulated depreciation				
Buildings and improvements	72,675	10,391	-	83,066
Distribution system	3,882,811	294,833	-	4,177,644
Machinery and equipment	1,648,975	126,845	(47,764)	1,728,056
Total accumulated depreciation	5,604,461	432,069	(47,764)	5,988,766
Total capital assets, being depreciated, net	9,223,405	(362,869)	(1,552)	8,858,984
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 9,313,575	\$ (359,259)	\$ (1,552)	\$ 8,952,764

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

Governmental activities	
General government	\$ 61,856
Public safety	190,351
Highways and streets	46,742
Maintenance	10,499
Culture and recreation	68,188
Total depreciation expense - governmental activities	\$ 377,636

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

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

Business-type activities	
Water	\$ 131,678
Sewer	227,643
Sanitation	58,820
Cable TV	13,928
Total depreciation expense - business-type activities	\$ 432,069

**NOTE 8 – CAPITAL LEASES**

The City has entered into lease agreements as lessee for financing the acquisition of police vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>
Assets	
Machinery and equipment	\$ 402,635
Less accumulated depreciation	(101,667)
Total net assets	\$ 300,968

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010 are as follows:

<i>Year Ending September 30,</i>	<b>Governmental Activities</b>
2011	\$ 100,211
2012	100,216
2013	52,337
2014	52,337
2015	52,337
Total minimum lease payments	
	357,438
Less amount representing interest	
	(30,622)
Present value of minimum lease payments	
	326,816
Less amount due within one year	
	(91,708)
Amount due in more than one year	\$ 235,108

**City of Springfield, Florida**

**Notes to Basic Financial Statements**

**NOTE 9 – LONG-TERM DEBT**

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

	<b>Balance September 30, 2010</b>
SRF construction loan; principal and interest payable semiannually. Payments are \$91,908 including interest at 2.64%. The amount due is collateralized by revenues of the water system. Note matures April 2026.	\$ 2,504,582
Due to joint venture; principal and interest payable monthly based on the debt service incurred in the joint venture related to the City. Interest rates range from 5.6% to 5.7%. The amount due and interest are collateralized by the revenues of the sewer system. Note matures September 2027.	3,754,163
Total notes payable	6,258,745
Less amounts due within one year	(357,344)
Notes payable amount due in more than one year	\$ 5,901,401

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

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Service Requirements</b>
2011	\$ 357,344	\$ 285,113	\$ 642,457
2012	374,071	270,898	644,969
2013	392,077	255,927	648,004
2014	410,193	240,194	650,387
2015	293,220	223,688	516,908
2016 - 2020	1,998,151	915,250	2,913,401
2021 - 2025	1,958,245	400,537	2,358,782
2025 - 2027	475,444	24,491	499,935
	\$ 6,258,745	\$ 2,616,098	\$ 8,874,843

Notes to Basic Financial Statements

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

Long-term liability activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Capital leases	\$ 87,881	\$ 282,635	\$ (43,700)	\$ 326,816	\$ 91,708
Compensated absences	30,552	25,913	(30,552)	25,913	25,913
Total governmental activities	\$ 118,433	\$ 308,548	\$ (74,252)	\$ 352,729	\$ 117,621

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Notes payable	\$ 6,546,161	\$ -	\$ (287,416)	\$ 6,258,745	\$ 357,344
Compensated absences	17,418	16,918	(17,418)	16,918	16,918
Total business-type activities	\$ 6,563,579	\$ 16,918	\$ (304,834)	\$ 6,275,663	\$ 374,262

**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, 2010 totaled \$3,124,070. Semi-annual principal and interest payments on the loan required -456% of water pledged revenues. Principal and interest paid for the current year and total pledged revenues were \$115,456 and (\$40,017), respectively.

Notes to Basic Financial Statements

**NOTE 11 – ACCRUED ABSENCES**

Accrued compensated absences consist of the following at September 30, 2010:

	<b>Accrued Vacation Leave</b>
Enterprise funds:	
Water	\$ 1,907
Sewer	4,444
Sanitation	9,701
Cable TV	866
General fund	25,913
<b>Total accrued compensated absences</b>	<b>\$ 42,831</b>

**NOTE 12 – PENSION PLAN**

***Defined Benefit Pension Plan***

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

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

	<b>October 1, 2009 Through June 30, 2010</b>	<b>July 1, 2010 Through September 30, 2010</b>
Regular employees	9.85%	10.77%
Elected officials	16.53%	18.64%
Special risk employees	20.92%	23.25%

The City's payroll for employees covered by the system for the years ended September 30, 2010, 2009, and 2008 was \$2,126,495, \$2,107,756 and \$2,095,499, respectively. Contributions made to the System for the year ended September 30, 2010, 2009, and 2008 were \$307,733, \$296,068 and \$287,046 respectively; these contributions represent 14.47%, 14.04% and 13.70%, of covered payroll, respectively, and are equal to the required contributions for each year.

Notes to Basic Financial Statements

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

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

**NOTE 13 – NET ASSETS RESTRICTIONS**

The following is a description of reported net asset restrictions in governmental activities and business-type activities at September 30, 2010.

***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, 2010:

Business-type activities	
Impact fees	\$ 1,354,967
<hr/>	
Total	\$ 1,354,967
<hr/>	

**NOTE 14 – FUND BALANCE RESERVATIONS AND NET ASSET RESTRICTIONS**

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, 2010:

***General Fund***

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

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

***Other Governmental Funds***

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

Notes to Basic Financial Statements

**NOTE 14 – FUND BALANCE RESERVATIONS AND NET ASSET RESTRICTIONS (CONTINUED)**

**Summary**

Specific reservations of fund balances are summarized below as of September 30, 2010:

General fund		
Reserved for prepaid expenditures	\$	29,088
Reserved for law enforcement education		555
<hr/>		
Total reserved for general fund	\$	29,643
<hr/>		

Net assets restricted by enabling legislation of \$1,354,967 are comprised of impact fees.

**NOTE 15 – RISK MANAGEMENT**

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

**NOTE 16 – INVESTMENT IN JOINT VENTURE**

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

The joint venture is owned and governed by its owners. The owners are Bay County, the Cities of Callaway, Parker and Springfield. One owner is selected by the others to be responsible for operating the System. The owner delegated to be the operator is Bay County, Florida. The operator of the System, in accordance with the interlocal agreement, prepares the system’s annual budget, sets treatment rates and collects funds sufficient to pay debt service; cost of operations and maintenance; renewal and replacement; and any enhancements to reserves.

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, 2010, the City’s portion of the equity of the venture was \$2,503,672. Complete financial statements for the joint venture, may be obtained from the operator at P.O. Box 2269, Panama City, Florida 32402.

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, 2010*

<b>Assets</b>		
Current assets	\$	2,999,693
Noncurrent assets		34,876,429
<b>Total assets</b>		<b>37,876,122</b>
<b>Liabilities</b>		
Current liabilities		2,718,427
Noncurrent liabilities		24,707,136
<b>Total liabilities</b>		<b>27,425,563</b>
<b>Net assets</b>	<b>\$</b>	<b>10,450,559</b>

**Statement of Activities**

*Year Ended September 30, 2010*

<b>Operating revenues</b>	\$	6,460,709
<b>Operating expenses</b>		<b>(4,110,681)</b>
Operating income		2,350,028
Nonoperating revenues (expenses), net		(1,083,104)
Net income before distributions to owners		1,266,924
Distributions to owners		(393,009)
<b>Change in net assets</b>		<b>873,915</b>
<b>Net assets, beginning</b>		<b>9,576,644</b>
<b>Net assets, ending</b>	<b>\$</b>	<b>10,450,559</b>

The City's net income from the joint venture in the amount of \$245,386 is derived as follows:

Share of operating income	\$	185,908
Increase in reserve requirements		59,478
<b>Net income from joint venture</b>	<b>\$</b>	<b>245,386</b>

Notes to Basic Financial Statements

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

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

Plan Description

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

Eligibility

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

Funding Policy

Although the contribution requirement is established by Statute, the contribution amount required by plan members and the government are established and may be amended by the City of Springfield’s Council Members. Currently, members receiving benefits pay \$6,153 for medical coverage and \$221 for dental coverage. Per Capita Annual Benefit Costs Per Participant are as follows:

<u>Program</u>	<u>Pre 65 Cost</u>	<u>Post 65 Cost</u>
Medical Insurance	\$ 8,548	\$ 3,177
Dental Insurance	\$ 221	\$ 221

The City has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the City provided contributions of \$110,348 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

Notes to Basic Financial Statements

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

Annual OPEB Cost and Net OPEB Obligation

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

<u>Description</u>	
Normal cost (service cost for one year)	\$ 487,655
Amortization of unfunded actuarial accrued liability	-
Annual required contribution	<u>487,655</u>
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	487,655
Contribution toward the OPEB cost	<u>(110,348)</u>
Increase in net OPEB obligation	<u>377,307</u>
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ 377,307</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2010 was as follows:

<u>Year ending September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
2010	\$ 487,655	22.6%	\$ 377,307

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

The City had an actuarial valuation completed for the fiscal year ended September 30, 2010. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating

Notes to Basic Financial Statements

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

members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially determined accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB valuation method used for the City was the entry age normal actuarial cost method. This method is used to estimate the actuarial liabilities and costs. This method was selected because it produced the best estimate of the OPEB liability and annual cost for the City employees. The actuarial assumptions include a 4.5% rate of return on investments. The actuarial assumptions also include an annual healthcare cost trend rate. For the City, this rate begins with an initial rate for 2009-10 fiscal year of 8%. It decreases over the years reaching a future year's rate of 5% in 2013. The assumed retirement age used is 60, and the average salary increase estimate used is 0%. The unfunded actuarial accrued liability is being amortized with a level percentage of payroll method. The remaining open amortization period at September 30, 2010 is 29 years.

**NOTE 18 – DEFICIT BALANCES**

The General fund has a deficit unreserved fund balance of \$878,803 as of September 30, 2010.

The Cable TV fund has a deficit unrestricted net assets balance of \$61,596 at September 30, 2010.

Required Supplementary Information

City of Springfield, Florida  
 Required Supplementary Information  
 September 30, 2010

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio
October 1, 2008	N/A	N/A	N/A	N/A
October 1, 2009	N/A	N/A	N/A	N/A
October 1, 2010	\$ 0	\$ 3,393,713	\$ 3,393,713	0.0%

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

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
2010	\$110,348	\$ 487,655	22.6%

## Compliance Section

City of Springfield, Florida

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2010

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency or Pass-through Number	Total Expenditures
U.S. Department of Housing and Urban Development			
Pass through Florida Department of Community Affairs			
Community Development Block Grant	14.228	10-DB-T3-01-13-02-NE5	\$ 16,385
Total U.S. Department of Homeland Security			16,385
U.S. Department of Justice			
Passed Through Florida Department of Law Enforcement			
Edward Byrne Memorial	16.738	2010 - JAGS- BAY-3-W2-006	16,087
Edward Byrne Memorial	16.738	2010 - JAGD- BAY-3-4Y-088	2,670
Edward Byrne Memorial - ARRA	16.803	2010 - ARRC- BAY-8-W7-009	50,328
Total U.S. Department of Justice			69,085
U.S. Department of Homeland Security			
Passed through Florida Department of Community Affairs			
Hazard Mitigation Grant	97.039	10HM-28-01-13-02-002	517,810
Total U.S. Department of Homeland Security			517,810
Total Federal Awards			\$ 603,280

See independent auditor's report

City of Springfield, Florida

Note to Schedule of Expenditures of  
Federal Awards

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**NOTE 1 – BASIS OF PRESENTATION**

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

Schedule of Findings and Questioned Costs

Year Ended September 30, 2010

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

Financial Statements:

Type of auditor’s report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified?  X  yes    \_\_\_ no

Significant deficiencies identified not considered to be material weaknesses?  X  yes    \_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_ yes     X  no

Federal Awards:

Internal control over major programs:

Material weaknesses identified? \_\_\_ yes     X  no

Significant deficiencies identified not considered to be material weaknesses? \_\_\_ yes     X  none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_ yes     X  no

Identification of Major Programs

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

U.S. Department of Homeland Security

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

Year Ended September 30, 2010

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

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

Auditee qualified as low-risk auditee?     yes   X   no

**Section II – Financial Statement Findings**

***Prior Year Findings***

09-01 Audit Adjusting Entries

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

Status: This finding is not corrected. See current year finding 10-01.

09-02 Financial Statements

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

Status: This finding is not corrected. See current year finding 10-02.

09-03 Bank Reconciliations

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

Status: This finding is not corrected. See current year finding 10-03.

09-04 Account Balances

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

Status: This finding is not corrected. See current year finding 10-04.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2010

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

09-05 Operating Expenditures Exceed Budget

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

Status: This finding is not corrected. See current year finding 10-05.

09-06 Transfers and Internal Balances

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

Status: This finding is not corrected. See current year finding 10-06.

09-07 Accounts Receivable

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

Status: This finding was partially corrected. The necessary reports were printed on September 30, 2010 but the client did not reconcile the report to the ledger. See current year finding 10-07.

09-08 Property and Equipment

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

Status: This finding is not corrected. See current year finding 10-08.

09-09 Customer Deposits

Condition: The subsidiary ledger of customer deposits was not reconciled to the general ledger and the necessary customer deposit reports were not printed on September 30, 2010 which is required by the client's accounting system to obtain the correct reports.

Status: This finding is not corrected. See current year finding 10-09.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2010

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

09-10 Schedule of Expenditures of Federal Awards

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

Status: This finding is not corrected. See current year finding 10-09.

09-11 Separation of Duties

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

Status: This finding is not corrected. See current year finding 10-11.

09-12 Transaction Documentation

Condition: During our audit we noted various types of transactions with little supporting documentation such as returned checks and credits to customer accounts.

Status: This finding is not corrected. See current year finding 10-12.

09-13 Policy on Utility Cutoffs

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

Status: This finding is not corrected. See current year finding 10-13.

09-14 Holding Deposits from Closed Bank Accounts

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

Status: This finding was corrected. No deposits were found held after closing a bank account.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2010

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

09-15 Impact Fees Organized by Customer Name

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

Status: This finding was corrected. The supporting documentation was reorganized.

09-16 Use of AWT Bond Funds for Improper Purposes

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

Status: This finding was corrected. Supporting documentation showing approval of the transactions was provided.

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

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

Status: This finding is not corrected. See current year finding 10-14.

**Current Year Findings**

10-01 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 proposed audit adjustments that have been required.

Response: Management agrees with our recommendation.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2010

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

10-02 Financial Statements

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

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

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

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

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

10-03 Bank Reconciliations and Cash Management

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 and ineffective cash management.

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

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2010

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

10-04 Account Balances

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

Effect: The cause of the incorrect balances was due mostly to miscoding of transactions to the general ledger and the utility billing and a lack of understanding by the City employees about how the accounting system processes transactions and posts transactions to the general ledger. The result of this situation caused a significant amount of additional audit work and adjusting journal entries. We have reviewed all journal entries with the Finance Director and Mayor.

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

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

10-05 Operating Expenditures Exceed Budget

Condition: We noted expenditures exceeded the approved budget in total for the general fund and in the special governing, police, fire, protective services, highways and streets, maintenance 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 will review and amend the budget throughout the year.

10-06 Transfers and Internal Balances

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

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2010

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

Effect: Misstatement of financial data reported to management.

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

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

10-07 Accounts Receivable

Condition: The subsidiary ledger of accounts receivable was not reconciled to the general ledger as of September 30, 2010 but the necessary accounts receivable reports were printed on September 30, 2010 so we were able to propose adjustments to the balances as needed.

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.

10-08 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. A reconciliation should be completed between the current year additions on the inventory listing and the capital outlay accounts for the year. Finally, the inventory log should be reviewed for errors.

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

Recommendation: Although the City has taken certain steps to improve the records, we recommend further improvement in this area, including coordination between the fiscal office and the purchasing department to assist in reconciling additions. We also recommend that a detailed inventory of all capital assets be taken annually, and that the tagging system be utilized without exception. Finally, we recommend the inventory log be reviewed periodically to look for errors in additions, deletions, calculation, etc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2010

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

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

10-09 Customer Deposits

Condition: The subsidiary ledger of customer deposits was not reconciled to the general ledger and the necessary customer deposit reports were not printed on September 30, 2010 which is required by the client's accounting system to obtain the correct reports.

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

Recommendation: We recommend that a reconciliation of the customer deposit subsidiary totals to the general ledger be made at the end of each month and that any reconciling items be investigated and cleared promptly. We also recommend that all reconciliations be signed or initialed by the preparer so that responsibility can be easily determined. Finally, we recommend that the necessary reports be printed at the end of each month to have the proper supporting documentation for the customer deposit balances.

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

10-10 Schedule of Expenditures of Federal Awards

Condition: Some grants were not initially identified by the client due to lack of organized records.

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

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

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2010

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

10-11 Separation of Duties

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

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

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

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

10-12 Transaction Documentation

Condition: During our audit we noted various types of transactions with little supporting documentation such as copies of cleared checks, credits to customer accounts, and adjusting journal entries.

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

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

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

10-13 Policy on Utility Cutoffs

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2010

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

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

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

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

10-14 Recording Activity in the Proper Period and in a Timely Manner

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

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

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

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

10-15 Customer Checks Not Deposited Timely

Condition: The City doesn't consistently deposit customer checks in a timely manner. In one instance a check was found which was deposited after being held for eight months.

Effect: Not making deposits in a timely manner makes it difficult for the City to operate effectively without current information and current financial resources available. The City also runs the risk of something happening to the checks before they are deposited like being lost or damaged.

Recommendation: We recommend a policy be established that deposits must be made within at least three business days.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2010

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

10-16 Month End Closing

Condition: The City has several issues with their accounting processes. Some of the issues we noticed were the City sometimes records transfers in the general ledger but does not make the bank transfer in a timely manner, the City is writing checks and holding them or posting them to the wrong period in the general ledger, and the City doesn't reconcile subsidiary ledgers like accounts payable and accounts receivable to the general ledger each month.

Effect: By not moving funds in a timely manner, the City is holding funds in the pooled cash bank account which should be held in restricted cash accounts. By posting checks to the wrong period or holding checks, the month end balances are misstated and revenues and expenses are posted in the wrong period.

Recommendation: We recommend the City implement a month end closing process which includes making transfers, reconciling bank accounts, and reconciling subsidiary ledger accounts to the general ledger. In addition, we recommend that the City does not hold checks and that all checks are recorded in the proper period.

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

10-17 Errors in Customer Billings

Condition: While testing customer billings two bills were found that were done incorrectly and not found by the City or corrected subsequently. The City also accidentally used the wrong rates for a number of accounts for one month because the new rates were not entered correctly.

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

Recommendation: We recommend policies be established to review the customer billings before they are processed and mailed and that policies are put in place to catch errors when possible. A policy should also be put in place to document when errors are brought to the City's attention by customers that are adjusted.

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

10-18 Capital Outlay Expenditures Improperly Allocated

Condition: Incidences were noted during the audit where capital outlay expenditures were recorded to specific departments based on methods other than which department benefited by the purchase.

Schedule of Findings and Questioned Costs (Continued)

*Year Ended September 30, 2010*

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

Effect: This skews the department expenditures for the year which affects the budget process. This gives those charged with governance erroneous information to establish future budgets.

Recommendation: We recommend the City code expenditures to the departments that benefit and amend the budget as needed for the differences. This will provide correct information for future budgeting processes.

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

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

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

**Section IV – Other Issues**

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to major federal programs.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Springfield, Florida as of and for the year ended September 30, 2010, which collectively comprise City of Springfield, Florida's basic financial statements and have issued our report thereon dated December 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Springfield, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Springfield, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Springfield, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.: 10-01, 10-02, 10-03, 10-04, 10-05, 10-06, 10-07, 10-08, 10-09, 10-10, 10-11, 10-12, 10-14, and 10-18.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: 10-13, 10-15, 10-16, and 10-17.

#### Compliance and Other Matters

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

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

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

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

Panama City Beach, Florida  
December 28, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited City of Springfield, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Springfield, Florida's major federal programs for the year ended September 30, 2010. City of Springfield, Florida's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Springfield's management. Our responsibility is to express an opinion on City of Springfield, Florida's compliance based on our audit.

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

In our opinion, City of Springfield, Florida, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control over Compliance

Management of City of Springfield, Florida, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Springfield, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on

internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Springfield, Florida's internal control over compliance.

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

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

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

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

Panama City Beach, Florida  
December 28, 2011

## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of the City of Springfield, Florida, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated December 28, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures In those reports and schedule, which are dated December 28, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address prior year findings and recommendations except those repeated on the Schedule of Findings and Questioned Costs in the current year.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such findings except as recommended in the Schedule of Findings and Questioned Costs.

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

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City was established under a Charter in accordance with the Laws of Florida 51-27900. There is one component unit of the reporting entity as defined in publications cited in Rule 10.553. The City Commission of the City of Springfield, Florida is the "ex-officio" governing body of the Springfield Community Redevelopment Agency. The Agency was created on March 30, 2007 by City Ordinance 07-05 pursuant to Florida Statute 163.357.

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

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Springfield, Florida for the fiscal year ended September 30, 2010, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the City of Springfield, Florida's management, the City Commission, certain regulatory agencies, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City Beach, Florida  
December 28, 2011