# City of Springfield, Florida

**Financial Statements** 

September 30, 2018



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### **INDEPENDENT AUDITORS' REPORT**

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

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Springfield, Florida (City), as of and for the year ended September 30, 2018, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinions paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

### **Basis for Disclaimer of Opinions**

Reconciliations of the pooled cash account contained unreconciled differences, and the City was unable to provide evidence that the bank activity for the year had been appropriately recorded, affecting all funds and activities. The City was not able to provide sufficient audit evidence for the balances of the proprietary fund accounts receivable, allowance for doubtful accounts, accounts payable, or customer deposit liability. The underlying subsidiary ledgers for accounts receivable, accounts payable and customer deposits did not agree to the balances shown on the general ledger. Uncorrected balances remained on the books related to general ledger balances brought forward during the software conversion in a prior year. The City continues to be unable to determine the source of these errors. As a result, revenues and expenditures/expenses, as well as year-end balances, could not be sufficiently substantiated. The City's records are not sufficient to allow the application of compensating auditing procedures.

### **Disclaimer of Opinions**

Because of the significance of the matters described in the Basis for Disclaimer of Opinions paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express opinions on the financial statements referred to in the first paragraph.

### **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 10, the schedule of changes in the City's total other postemployment benefits liability and related ratios on page 59, the schedule of employer contributions for the retirees' health insurance other postemployment benefits plan on page 60, the schedule of the City's proportionate share of the net pension liability - Florida Retirement System on page 61, the schedule of the City's contributions - Florida Retirement System on page 62, the schedule of the City's proportionate share of the net pension liability - Health Insurance Subsidy Program on page 63, and the schedule of the City's contributions – Health Insurance Subsidy Program on page 64, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express opinions or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express opinions or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matters described in the Basis for Disclaimer of Opinions paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the schedule of expenditures of federal awards.

### Change in Accounting Principle

As described in note 2 to the financial statements, during the year ended September 30, 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Caux Rigge & Ingram, L.L.C.

Certified Public Accountants Panama City Beach, Florida October 8, 2019



### **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 and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources by \$11,561,313 (net position). Of this amount, \$(12,585,254) is a deficit in unrestricted net position for governmental activities and \$5,508,701 is unrestricted net position for business-type activities, while \$1,391,751 is restricted net position for business-type activities and \$27,333 is restricted net position for governmental activities.
- Total net position increased by \$3,978,222. Of this amount, a decrease of \$245,595 is attributable to governmental activities, and an increase of \$4,223,817 is attributable to business-type activities.
- As of September 30, 2018, the general fund's unassigned fund deficit was \$(3,043,637).
- Governmental activities' revenues increased by \$439,040 or 9%, while governmental activities' expenses increased 1% or \$84,263. Business-type activities' revenues increased by \$1,621,362 or 21%, while business-type activities' expenses decreased 8% or \$455,610.

### **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 position 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 position of governmental activities and business-type activities, as well as the change in net position. 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, and sanitation charges.

The statement of net position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City, with the difference between them reported as net position. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position are

reported separately for governmental activities and business-type activities. Increases or decreases in net position 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 expenses of the City and the change in net position for the fiscal year. All changes in net position 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, maintenance, culture and recreation and community development. Business-type activities expenses, which are mostly financed by user fees and charges, include water, sewer and sanitation services.

The government-wide financial statements include not only the City (known as the *primary government*), but also the blended component unit, the Springfield Community Redevelopment Agency (CRA). Financial information for this component unit is included in the City's financial information.

### **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, deferred outflows of resources, liabilities, and deferred inflows of resources of the funds, changes in the economic resources (revenues and expenditures), 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 balance-budget and actual. For the proprietary funds, a statement of net position; a statement of revenues, expenses, and changes in net position; 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 position, as well as all liabilities, including outstanding principal on notes 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 expenses. The *fund financial statements* provide a presentation of the City's major funds, along with a column for all nonmajor funds. In the case of governmental funds, outlays for long-lived assets are reported as expenditures and long-term liabilities, such as notes payable, 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, capital assets of the City, long-term debt and pension and other postemployment benefits (OPEB), 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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the City for the fiscal years ended September 30, 2018 and 2017. A prior period adjustment and restatement adjustment, described in more detail at note 18, were reported in the current year which adjusted balances reported below for September 30, 2017. At the end of the fiscal year 2018, the City is able to report positive balances in all three categories of net position for its business-type activities. However, the City has a deficit balance in the unrestricted net position of governmental activities and for the government as a whole at the end of fiscal years 2018 and 2017.

### **Net Position**

	Governm Activit			ss-type vities	Total				
September 30,	2018	2017	2018	2017	2018	2017			
Current and other assets Capital assets	\$ 404,762 S	\$ 420,487 6,103,599	\$ 10,032,590 15,031,229	\$ 9,818,517 10,464,834	\$ 10,437,352 22,526,596	\$ 10,239,004 16,568,433			
Total assets	7,900,129	6,524,086	25,063,819	20,283,351	32,963,948	26,807,437			
Deferred outflows of resources	2,241,947	1,805,789	325,656	247,861	2,567,603	2,053,650			
Current liabilities  Noncurrent liabilities	3,692,212 11,087,317	3,413,392 7,297,324	1,506,579 7,202,863	1,621,578 5,716,573	5,198,791 18,290,180	5,034,970 13,013,897			
Total liabilities	14,779,529	10,710,716	8,709,442	7,338,151	23,488,971	18,048,867			
Deferred inflows of resources	425,101	237,204	56,166	32,827	481,267	270,031			
Net position Net investment									
in capital assets Restricted Unrestricted	7,495,367 27,333 (12,585,254)	6,103,599 26,570 (8,748,214)	9,723,415 1,391,751 5,508,701	5,771,238 1,380,592 6,008,404	17,218,782 1,419,084 (7,076,553)	11,874,837 1,407,162 (2,739,810)			
Total net position	\$ (5,062,554)	\$ (2,618,045)	\$ 16,623,867	\$ 13,160,234	\$ 11,561,313	\$ 10,542,189			

At September 30, 2018, net investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents 149% of the City's net position. These capital assets are used to provide services to citizens; consequently, they 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 position, representing 12% of the City's net position, is subject to external restrictions, and thus is limited as to how it may be used. The remaining balance of net position is a deficit in unrestricted net position (\$7,076,553).

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

### **Change in Net Position**

	Govern Activ		Busines: Activi	••	Total				
Year Ended September 30,	2018	2017	2018	2017	2018	2017			
Program revenues		-				-			
Charges for services	\$ 835,395	\$ 907,765	\$ 6,525,063	\$ 6,316,883	\$ 7,360,458	\$ 7,224,648			
Operating grants/									
contributions	141,981	132,523	-	-	141,981	132,523			
Capital grants/									
contributions	7,754	26,633	2,822,316	1,362,824	2,830,070	1,389,457			
General revenues									
Gross receipts									
taxes	3,477,703	3,066,331	-	-	3,477,703	3,066,331			
Franchise fees	547,697	528,040	-	-	547,697	528,040			
State shared revenues	521,402	433,923	-	-	521,402	433,923			
Impact fees	-	-	11,941	26,621	11,941	26,621			
Other	38,473	10,747	7,205	3,392	45,678	14,139			
Gain (loss) on sale of assets	(19,730)	5,673	(276)	35,167	(20,006)	40,840			
Total revenues	5,550,675	5,111,635	9,366,249	7,744,887	14,916,924	12,856,522			
Expenses									
General government	443,782	436,118	-	-	443,782	436,118			
Public safety	3,777,760	3,759,288	-	-	3,777,760	3,759,288			
Highways and streets	942,919	890,387	-	-	942,919	890,387			
Maintenance	177,805	179,439	-	-	177,805	179,439			
Culture and recreation	453,829	446,600	-	-	453,829	446,600			
Community redevelopment	175	175	-	-	175	175			
Water	-	-	1,748,414	1,761,710	1,748,414	1,761,710			
Sewer	-	-	2,037,860	2,517,771	2,037,860	2,517,771			
Sanitation	-		1,356,158	1,318,561	1,356,158	1,318,561			
Total expenses	5,796,270	5,712,007	5,142,432	5,598,042	10,938,702	11,310,049			

	Govern			Busine								
	Activ	<u>ritie</u>	es	Activ	/itio	es	Total					
Year Ended September 30,	2018	2017		2018		2017		2018		2017		
Change in net position	\$ (245,595)	\$	(600,372)	\$ 4,223,817	\$	2,146,845	\$	3,978,222	\$	1,546,473		
Net position - beginning (as originally stated) Prior period adjustment/	(2,618,045)		(2,017,673)	13,160,234		11,013,389		10,542,189		8,995,716		
restatement adjustment	(2,198,914)		-	(760,184)		-		(2,959,098)		=		
Net position - beginning												
(as restated)	(4,816,959)		(2,017,673)	12,400,050		11,013,389		7,583,091		8,995,716		
Net position - ending	\$ (5,062,554)	\$	(2,618,045)	\$ 16,623,867	\$	13,160,234	\$	11,561,313	\$	10,542,189		

For the year ended September 30, 2018, governmental activities' expenses exceeded revenues by \$245,595, while business-type activities' revenues exceeded expenses by \$4,223,817. Total revenues increased \$2,060,402 from the previous year. Total expenses decreased \$371,347 from the previous year. 73% 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 (65%), highways and streets (16%), general government (8%), and culture and recreation (8%) activities. Charges for services provided 70% of the revenues for business-type activities and grant related revenues provided 30%. Sewer expenses consumed the majority (40%) of business-type activities expenses.

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

#### **Governmental Funds**

#### **General Fund**

The main operating fund of the City is the general fund. As of September 30, 2018, total assets were \$5,882,508 and total liabilities were \$8,906,050. At the end of fiscal year 2018, unassigned fund balance of the general fund was a deficit of (\$3,043,637) while the total fund deficit was (\$3,023,542).

### **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.

### **Proprietary Funds**

The City's proprietary fund 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 position of the proprietary funds at September 30, 2018 and 2017 are presented below:

September 30,	2018	2017
Water	\$ (1,615,191)	\$ (898,572)
Sewer	6,339,870	5,795,282
Sanitation	784,022	 1,111,694
Total	\$ 5,508,701	\$ 6,008,404

The proprietary funds are used to account for the operations of the City's utility systems. Refer to the statement of net position – proprietary funds and the statement of revenues, expenses, and changes in net position – 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, 2018, was \$22,526,596 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

### Capital Assets (net of depreciation)

Additional information on the City's capital assets can be found in note 8 – capital assets, of the notes to basic financial statements.

	Goverr Activ			Busine Activ	-	· -	Total						
September 30,	2018	VICIO	2017	2018	ricic	2017		2018	tui	2017			
Land Construction in	\$ 1,821,328	\$	921,328	\$ 139,900	\$	139,900	\$	1,961,228	\$	1,061,228			
progress Buildings Improvements/	567,318		- 591,457	7,598,684 42,414		3,269,952 44,024		7,598,684 609,732		3,269,952 635,481			
distribution system Intangible assets Machinery and	2,301,602 1,053		2,429,565 13,696	6,301,859 2,592		6,498,470 33,693		8,603,461 3,645		8,928,035 47,389			
equipment Streets	1,559,744 1,244,322		986,466 1,161,087	945,780		478,795 -		2,505,524 1,244,322		1,465,261 1,161,087			
Total	\$ 7,495,367	\$	6,103,599	\$ 15,031,229	\$	10,464,834	\$	22,526,596	\$	16,568,433			

### **Debt Management**

At the end of fiscal year 2018, the City had total outstanding debt in the amount of \$6,107,814. This debt amount represents notes payable secured by specified revenue sources.

### **Outstanding Debt**

		Govern Activ	_		Business-ty Activitie	•	Total						
September 30,	mber 30, 2			2017	2018	2017	2018		2017				
Notes payable	\$	800,000	\$	-	\$ <b>5,307,814</b> \$	4,693,596 \$	6,107,81	4 \$	4,693,596				

Principal repayments during the year on notes payable totaled \$891,493.

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

### **General Fund Budgetary Highlights**

The general fund final budgeted revenues exceeded actual revenues by \$633,039, which was due to less than expected revenues for half-cent sales tax, franchise fees and rental revenues. The general fund actual expenditures were less than the final budgeted expenditures by \$814,949 due to less than expected general government administration costs.

### **Subsequent Event**

In October 2018 Hurricane Michael made landfall in the Florida panhandle causing catastrophic damage. The City sustained significant damage as a result of this hurricane. The extent of the damage is not known as of the date of this report.

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

The City sustained significant damage as a result of Hurricane Michael resulting in an increase in next year's budget for debris removal and the rebuilding of damaged property. The extent of the effect of the hurricane on economic conditions is not known as of the date of this report.

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

This financial report is designed to provide a general overview of the City of Springfield, Florida'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, 3529 East Third Street, Springfield, Florida 32401.

# City of Springfield, Florida Statement of Net Position September 30, 2018

Primary	Government
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		Filliary Government	•
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 1,793,158	\$ 1,793,158
Accounts receivable, net	1,452	636,293	637,745
Prepaids	1,500	2,390	3,890
Internal balances	(2,269,951)		, -
Due from other governments	392,547	85,220	477,767
Due from joint venture	-	277,901	277,901
Restricted assets		,	,
Cash and cash equivalents, customer deposits	-	155,168	155,168
Cash and cash equivalents, impact fees	-	384,789	384,789
Cash and cash equivalents, CRA	9,263	-	9,263
Due from (to) other funds, impact fees	(1,006,962)	1,006,962	, -
Investment in joint venture	-	3,420,758	3,420,758
Capital assets		. ,	
Nondepreciable	1,821,328	7,738,584	9,559,912
Depreciable, net	5,674,039	7,292,645	12,966,684
Total assets	4,623,216	25,063,819	29,687,035
Deferred outflows of resources Deferred outflows - pension Deferred outflows - other postemployment	2,100,282	284,441	2,384,723
benefits	141,665	41,215	182,880
Total deferred outflows of resources	2,241,947	325,656	2,567,603
Liabilities			
Current liabilities Accounts payable	47,666	293,755	341,421
Accrued interest	47,000	19,917	19,917
Accrued interest Accrued payroll liabilities	84,724	9,367	94,091
Customer deposits	10,263	690,904	701,167
Long-term liabilities	10,203	090,904	701,107
Due within one year			
	72 646	9,285	01 021
Accrued compensated absences Notes payable	72,646 200,000	483,351	81,931 683,351
Due in more than one year	200,000	463,331	003,331
Notes payable	600,000	A 02A A62	E 121 162
	4,323,775	4,824,463	5,424,463
Net pension liability Other postemployment benefits liability	6,163,542	585,213 1,793,187	4,908,988 7,956,739
Total liabilities			7,956,729
וטנמו וומטווונופל	11,502,616	8,709,442	20,212,058

(Continued)

## City of Springfield, Florida Statement of Net Position (Continued) September 30, 2018

### **Primary Government**

	G	overnmental Activities	Business-type Activities		Total
<b>Deferred inflows of resources</b> Deferred inflows - pension	\$	425,101	\$ 56,166	S	481,267
Total deferred inflows of resources	·	425,101	56,166		481,267
Net position					
Net investment in capital assets		7,495,367	9,723,415		17,218,782
Restricted		27,333	1,391,751		1,419,084
Unrestricted (deficit)		(12,585,254)	5,508,701		(7,076,553)
Total net position (deficit)	\$	(5,062,554)	\$ 16,623,867	\$	11,561,313

## City of Springfield, Florida Statement of Activities Year Ended September 30, 2018

# Net (Expenses)/Revenues and Changes in Net Position

				Program Revenues					Primary Government						
				0	perating		Capital								
			harges for	G	rants and	(	Grants and	Go	vernmental	Business-type					
	Expenses	Services		Contributions			Contributions		Activities	Activities			Total		
Functions/Programs															
Primary government															
Governmental activities															
General government	\$ 443,782	\$	69,551	\$	141,981	\$	-	\$	(232,250)	\$	-	\$	(232,250)		
Public safety	3,777,760		428,042		-		-		(3,349,718)		-		(3,349,718)		
Highways and streets	942,919		-		-		7,754		(935,165)		-		(935,165)		
Maintenance	177,805		-		-		-		(177,805)		-		(177,805)		
Culture and recreation	453,829		337,802		-		-		(116,027)		-		(116,027)		
Community redevelopment	175		-		-		-		(175)		-		(175)		
Total governmental activities	5,796,270		835,395		141,981		7,754		(4,811,140)		-		(4,811,140)		
Business-type activities															
Water	1,748,414		1,676,258		-		30,915		-		(41,241)		(41,241)		
Sewer	2,037,860		3,678,921		-		2,791,401		-		4,432,462		4,432,462		
Sanitation	1,356,158		1,169,884		-		-		-		(186,274)		(186,274)		
Total business-type activities	5,142,432		6,525,063		-		2,822,316		-		4,204,947		4,204,947		
Total primary government	\$ 10,938,702	\$	7,360,458	\$	141,981	\$	2,830,070		(4,811,140)		4,204,947		(606,193)		

(Continued)

## City of Springfield, Florida Statement of Activities (Continued) Year Ended September 30, 2018

### Net (Expenses)/Revenues and Changes in Net Position Primary Government

	Go	overnmental Activities	Business-type Activities		Total
General revenues					
Taxes					
Ad valorem taxes	\$	721,265	\$	-	\$ 721,265
Utility taxes		682,155		-	682,155
Local option gas tax		196,793		-	196,793
Communications services tax		179,451		-	179,451
Half-cent sales tax		1,682,869		-	1,682,869
Local business tax		15,170		-	15,170
State shared revenues		521,402		-	521,402
Franchise fees		547,697		-	547,697
Impact fees		-		11,941	11,941
Miscellaneous revenues		38,473		7,205	45,678
Loss on sale of assets		(19,730)		(276)	(20,006)
Total general revenues		4,565,545		18,870	4,584,415
Change in net position		(245,595)		4,223,817	3,978,222
Net position - beginning of year (as originally stated)		(2,618,045)		13,160,234	10,542,189
Prior period adjustment/restatement adjustment		(2,198,914)		(760,184)	(2,959,098)
Net position - beginning of year (as restated)		(4,816,959)		12,400,050	7,583,091
Net position - end of year	\$	(5,062,554)	\$	16,623,867	\$ 11,561,313

# City of Springfield, Florida Balance Sheet Governmental Funds September 30, 2018

		General		mmunity velopment		Total
Assets						
Accounts receivable, net	\$	1,452	\$	-	\$	1,452
Due from other funds		5,487,009		-		5,487,009
Due from other governments		392,547		-		392,547
Prepaids		1,500		-		1,500
Restricted assets - cash and						
cash equivalents		-		9,263		9,263
Total assets	\$	5,882,508	\$	9,263		5,891,771
Liabilities and fund balances						
Liabilities						
Accounts payable	\$	47,666	\$	-		47,666
Accruals		84,724		-		84,724
Customer deposits		10,263		-		10,263
Due to other funds		8,763,397		525		8,763,922
Total liabilities		8,906,050		525		8,906,575
Fund balances						
Nonspendable						
Prepaids		1,500		-		1,500
Restricted						
Law enforcement education		18,595		-		18,595
Community redevelopment fund		-		8,738		8,738
Unassigned		(3,043,637)		-		(3,043,637)
Total fund balance (deficit)		(3,023,542)		8,738	_	(3,014,804)
Total liabilities and fund						
balances	\$	5,882,508	\$	9,263	_	
Amounts reported for governmental activities in the statement of net position are different because:  Capital assets used in governmental activities are not		ncial recourse	os and		_	
therefore, are not reported in the funds.  Long-term liabilities are not due and payable in the c				ore.		7,495,367
are not reported in the funds.  Deferred outflows and inflows of resources are not fi		•		,		(11,359,963)
liabilities and therefore are not reported in the fur	nds.					1,816,846
Net position of governmental activities					\$	(5,062,554)

# City of Springfield, Florida Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended September 30, 2018

		Community	
	General	Redevelopment	Total
Revenues			
Taxes			
Ad valorem taxes	\$ 721,265	\$ -	\$ 721,265
Utility taxes	682,155	-	682,155
Local option gas tax	196,793	-	196,793
Communications services tax	179,451	-	179,451
Half-cent sales tax	1,682,869	-	1,682,869
Local business tax	15,170	-	15,170
Intergovernmental	663,383	-	663,383
Licenses and permits	433,164	-	433,164
Franchise fees	547,697	-	547,697
Charges for services	35,847	-	35,847
Fines and forfeitures	28,481	-	28,481
Rents	337,802	-	337,802
Contributions and donations	7,754	-	7,754
Other fees and miscellaneous	50,952	-	50,952
Total revenues	5,582,783	-	5,582,783
Expenditures			
Current			
General government	387,830	-	387,830
Public safety	3,267,590	-	3,267,590
Highways and streets	709,901	-	709,901
Maintenance	161,011	-	161,011
Culture and recreation	415,910	-	415,910
Community redevelopment	-	175	175
Capital outlay			
General government	37,165	-	37,165
Public safety	590,801	-	590,801
Highways and streets	397,423	-	397,423
Maintenance	23,679	-	23,679
Culture and recreation	98,225	-	98,225

(Continued)

6,089,710

175

6,089,535

Total expenditures

# City of Springfield, Florida Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued) Governmental Funds Year Ended September 30, 2018

<b>C</b> -				-:+-	
CO	Ш	Ш	uı	nity	1

	General	l Redevelopmen			Total		
Net change in fund balances	\$ (506,752)	\$	(175)	\$	(506,927)		
Fund balance (deficit) -							
beginning (as originally stated)	(2,937,415	)	8,913		(2,928,502)		
Prior period adjustment	420,625		-		420,625		
Fund balance (deficit) - beginning (as restated)	(2,516,790)		8,913		(2,507,877)		
Fund balance (deficit) - ending	\$ (3,023,542)	\$	8,738	\$	(3,014,804)		

### 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, 2018

Amounts reported for governmental activities in the statement of activities are different because

Net change in fund balances - total governmental funds (page 17)	\$ (506,927)
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 outlay exceeded depreciation in the current period.	591,767
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.	(330,435)
Change in net position of governmental activities (page 14)	\$ (245,595)

# City of Springfield, Florida Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund Year Ended September 30, 2018

	Budget		Actual		iance with	
	Original		Final	Amounts	Fir	nal Budget
Revenues						
Taxes						
Ad valorem taxes	\$ 698,957	\$	698,957	\$ 721,265	\$	22,308
Utility taxes	746,975		731,805	682,155		(49,650)
Local option gas tax	200,228		200,228	196,793		(3,435)
Communications services tax	203,306		203,306	179,451		(23,855)
Half-cent sales tax	1,813,502		1,813,502	1,682,869		(130,633)
Local business tax	28,000		15,170	15,170		-
Intergovernmental	584,017		582,967	663,383		80,416
Licenses and permits	501,131		498,131	433,164		(64,967)
Franchise fees	638,300		688,350	547,697		(140,653)
Charges for services	66,900		30,500	35,847		5,347
Fines and forfeitures	28,750		37,106	28,481		(8,625)
Rents	359,500		683,500	337,802		(345,698)
Contributions and donations	1,000		11,000	7,754		(3,246)
Other fees and miscellaneous	21,300		21,300	50,952		29,652
Total revenues	5,891,866		6,215,822	5,582,783		(633,039)
Expenditures						
Current						
General government						
Special governing	79,755		75,255	63,554		11,701
Administration	1,237,531		1,240,677	324,277		916,400
Total general government	1,317,286		1,315,932	387,831		928,101
Public safety						_
Police	2,065,630		1,891,874	1,923,028		(31,154)
Fire	1,132,780		1,129,361	1,229,733		(100,372)
Protective services	133,098		126,200	114,828		11,372
Total public safety	3,331,508		3,147,435	3,267,589		(120,154)
Highways and streets	716,072		642,124	709,901		(67,777)
Maintenance	135,263		135,099	161,011		(25,912)
Culture and recreation						_
Library	96,761		101,717	100,169		1,548
Recreation	378,667		332,953	315,741		17,212
Total culture and recreation	 475,428		434,670	415,910		18,760

(Continued)

# City of Springfield, Florida Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund (Continued) Year Ended September 30, 2018

	 Buc	Budget			Actual		iance with
	Original	Final			Amounts	Fir	nal Budget
Capital outlay							
General government	\$ 78,964	\$	88,007	\$	37,165	\$	50,842
Public safety	493,538		591,649		590,801		848
Highways and streets	352,000		403,824		397,423		6,401
Maintenance	29,500		24,004		23,679		325
Culture and recreation	149,000		121,740		98,225		23,515
Total capital outlay	1,103,002		1,229,224		1,147,293		81,931
Total expenditures	7,078,559		6,904,484		6,089,535		814,949
Excess (deficit) of revenues over							
(under) expenditures	(1,186,693)		(688,662)		(506,752)		181,910
Other financing sources (uses)							
Transfers from other funds	986,166		688,662		-		(688,662)
Total other financing							
sources (uses)	986,166		688,662		-		(688,662)
Net change in fund balance	\$ (200,527)	\$	-	\$	(506,752)	\$	(506,752)

### City of Springfield, Florida Statement of Net Position Proprietary Funds September 30, 2018

**Business-type Activities/Enterprise Funds** 

	Water	Sewer	Sanitation	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 139,190	\$ 1,434	4,584 \$ 219,38	34 \$ 1,793,158
Accounts receivable, net	220,656	301	1,096 114,54	1 636,293
Prepaids	1,472		918	- 2,390
Due from joint venture	-	277	7,901	- 277,901
Due from other governments	-	85	5,220	- 85,220
Due from other funds	661,864	6,202	2,607 1,146,55	8,011,023
Total current assets	1,023,182	8,302	2,326 1,480,47	7 10,805,985
Noncurrent assets				
Restricted assets - cash and				
cash equivalents				
Customer deposits	155,168		-	- 155,168
Impact fees	114,873	269	9,916	- 384,789
Restricted assets - due from				
other funds				
Impact fees	518,432	488	8,530	- 1,006,962
Investment in joint venture	-	3,420	0,758	- 3,420,758
Capital assets				
Nondepreciable	599,820	7,092	1,051 47,71	.3 7,738,584
Depreciable, net	3,171,051	4,104	4,846 16,74	7,292,645
Total noncurrent assets	4,559,344	15,375	5,101 64,46	19,998,906
Total assets	5,582,526	23,677	7,427 1,544,93	30,804,891
Deferred outflows of resources				
Deferred outflows - pension	146,127	110	0,736 68,79	325,656
Total deferred outflows				
of resources	146,127	110	0,736 68,79	325,656
Liabilities				
Current liabilities				
Accounts payable	52,417	158	8,202 83,13	6 293,755
Accrued interest	19,917		-	- 19,917
Accrued payroll liabilities	5,539	3	3,630 19	
Accrued compensated absences	3,250	3	3,918 2,11	.7 9,285
Due to other funds	1,165,449		9,052 196,57	
Customer deposits	690,904		-	- 690,904
Notes payable, current	154,534	328	3,817	- 483,351
Total current liabilities	2,092,010	4,873	3,619 282,02	2 7,247,651

(Continued)

# City of Springfield, Florida Statement of Net Position (Continued) Proprietary Funds September 30, 2018

**Business-type Activities/Enterprise Funds** 

	Water		Sewer	Sar	nitation	Total
Noncurrent liabilities						
Notes payable	\$ 1,385,221	. \$	3,439,242	\$	-	\$ 4,824,463
Net pension liability	260,900	J	207,973		116,340	585,213
Other postemployment benefits liability	717,943	,	716,421		358,823	1,793,187
Total noncurrent liabilities	2,364,064	,	4,363,636		475,163	7,202,863
Total liabilities	4,456,074		9,237,255		757,185	14,450,514
Deferred inflows of resources						
Deferred inflows - pension	23,349	)	24,754		8,063	56,166
Total deferred inflows						
of resources	23,349		24,754		8,063	56,166
Net position						
Net investment in capital assets	2,231,116	į	7,427,838		64,461	9,723,415
Restricted - impact fees	633,305	·	758,446		-	1,391,751
Unrestricted	(1,615,191	.)	6,339,870		784,022	5,508,701
Total net position	\$ 1,249,230	\$	14,526,154	\$	848,483	\$ 16,623,867

# City of Springfield, Florida Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds Year Ended September 30, 2018

**Business-type Activities/Enterprise Funds** 

	Water	Sewer	Sanitation	Total
Operating revenues				
Charges for services				
Sales	\$ 1,519,325	\$ 3,246,378	\$ 1,136,022	\$ 5,901,725
Connection/reconnection fees	94,670	-	-	94,670
Penalties	43,096	96,096	33,862	173,054
Tap fees	19,167	15,184	-	34,351
Other income	7,205	-	-	7,205
Grants	30,915	2,791,401	-	2,822,316
Impact fees	3,218	8,723	-	11,941
Total operating revenues	1,717,596	6,157,782	1,169,884	9,045,262
Operating expenses				
Personnel services	431,605	365,175	161,406	958,186
Professional services	82,540	72,545	74,009	229,094
Contractual services	60,298	22,792	943,254	1,026,344
Insurance	72,500	72,500	10,000	155,000
Repairs and maintenance	116,637	37,519	-	154,156
Operating supplies	48,970	34,284	9,359	92,613
Communication services	16,375	9,651	6,561	32,587
Public utility purchases	575,497	864,424	7,521	1,447,442
Travel and per diem	30	16	-	46
Rentals	110,888	110,234	109,940	331,062
Printing and binding	1,103	772	-	1,875
Bad debt	8,800	18,444	8,143	35,387
Miscellaneous	25,582	35,689	13,445	74,716
Depreciation	156,781	248,972	12,520	418,273
Total operating expenses	1,707,606	1,893,017	1,356,158	4,956,781
Net operating income (loss)	9,990	 4,264,765	(186,274)	 4,088,481

(Continued)

# City of Springfield, Florida Statement of Revenues, Expenses, and Changes in Net Position (Continued) Proprietary Funds Year Ended September 30, 2018

### **Business-type Activities/Enterprise Funds**

	Water	Sewer		Sanitation		Total
Nonoperating revenues (expenses)						
Income from joint venture	\$ -	\$	321,263	\$	-	\$ 321,263
Interest expense	(40,808)		(144,843)		-	(185,651)
Gain (loss) on asset disposal	1,700		1,100		(3,076)	(276)
Total nonoperating revenues						
(expenses)	(39,108)		177,520		(3,076)	135,336
Net income (loss)	(29,118)		4,442,285		(189,350)	4,223,817
Net position - beginning (as						
originally stated)	1,586,062		10,385,497		1,188,675	13,160,234
Prior period adjustment/						
restatement adjustment	(307,714)		(301,628)		(150,842)	(760,184)
Net position - beginning (as restated)	1,278,348		10,083,869		1,037,833	12,400,050
Net position - ending	\$ 1,249,230	\$	14,526,154	\$	848,483	\$ 16,623,867

# City of Springfield, Florida Statement of Cash Flows Proprietary Funds Year Ended September 30, 2018

**Business-type Activities/Enterprise Funds** 

Business-typ	e ACCIVIL	Water	Sewer	Sanitation	Total
		TVUCCI	364461	Jameation	10tai
Operating activities					
Receipts from customers					
and users	Ś	1,746,092	\$ 6,155,716	\$ 1,176,301	\$ 9,078,109
Payments to suppliers and others		1,059,313)	(1,349,389)	(1,167,196)	(3,575,898)
Payments for personnel services	,	(417,077)	(352,819)	(156,753)	(926,649)
Net cash provided (used)		( )- /	( , ,	( / /	(= =,= = ,
by operating activities		269,702	4,453,508	(147,648)	4,575,562
Noncapital financing activities					
Changes in internal balances		61,174	(419,419)	(458,603)	(816,848)
Net cash provided (used) by		,	(120)120)	(100,000)	(0=0,010)
noncapital financing activities		61,174	(419,419)	(458,603)	(816,848)
		,	, , ,	, , ,	, ,
Capital and related financing activities			1 505 711		1 505 711
Proceeds from notes payable		-	1,505,711	-	1,505,711
Principal paid on notes		(115 702)	(775 701)		(001 402)
payable		(115,792)	(775,701)	-	(891,493)
Interest paid on notes		(42.745)	(4.4.4.0.42)		(407 507)
payable		(42,745)	(144,842)	-	(187,587)
Proceeds from sales of capital assets		1,700	1,100	-	2,800
Purchases of capital assets		(418,138)	(4,566,529)	-	(4,984,667)
Net cash used by capital and					
related financing activities		(574,975)	(3,980,261)		(4,555,236)
Investing activities					
Investments in joint venture		-	(203,538)	-	(203,538)
Receipts from joint venture		-	411,731	-	411,731
Net cash provided by					
investing activities		-	208,193	-	208,193
Net increase (decrease) in cash					
and cash equivalents		(244,099)	262,021	(606,251)	(588,329)
Cash and cash equivalents - beginning		653,330	1,442,479	825,635	2,921,444
Cash and cash equivalents - ending	\$	409,231	\$ 1,704,500	\$ 219,384	\$ 2,333,115
		,	, , , , , , , , , , , , ,	,:	, , , , , , , , , , , ,
Cash and cash equivalents classified as	^	120 400	Ć 4 424 FO4	ć 240.204	ć 1 702 4F0
Current assets	\$	139,190	\$ 1,434,584	\$ 219,384	\$ 1,793,158
Restricted assets		270,041	269,916		539,957
Total cash and cash equivalents	\$	409,231	\$ 1,704,500	\$ 219,384	\$ 2,333,115

(Continued)

# City of Springfield, Florida Statement of Cash Flows (Continued) Proprietary Funds Year Ended September 30, 2018

**Business-type Activities/Enterprise Funds** 

Business-type	ype Activities/Enterprise Funds					
		Water	Sewer	Sanitation	Total	
Reconciliation of net operating income (loss)						
to net cash provided (used) by						
operating activities		0.000	4 4 9 5 4 7 5 5	d (100.074)	4 4 000 404	
Net operating income (loss)	\$	9,990	\$ 4,264,765	\$ (186,274)	\$ 4,088,481	
Adjustments to reconcile net operating						
income (loss) to net cash provided (used)						
by operating activities						
Depreciation		156,781	248,972	12,520	418,273	
Loss on disposal of assets		-	-	(3,076)	(3,076)	
(Increase) decrease in assets						
Accounts receivable, net		(31,834)	(2,066)	6,416	(27,484)	
Prepaids		72,500	72,500	10,000	155,000	
Increase in deferred						
outflows of resources		(33,913)	(29,628)	(14,254)	(77,795)	
Increase (decrease) in liabilities						
Accounts payable		(12,593)	(143,019)	8,112	(147,500)	
Accrued compensated absences		(1,970)	1,106	(255)	(1,119)	
Net pension liability		27,841	21,046	9,604	58,491	
Other postemployment benefits liability		11,459	11,435	5,727	28,621	
Customer deposits		60,331	-	-	60,331	
Increase in deferred						
inflows of resources		11,110	8,397	3,832	23,339	
Total adjustments		259,712	188,743	38,626	487,081	
Net cash provided (used) by						
operating activities	\$	269,702	\$ 4,453,508	\$ (147,648)	\$ 4,575,562	

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

The financial statements of the City of Springfield, Florida (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, 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, maintenance, culture and recreation, water, sewer, and sanitation.

### Component Unit -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 (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 Agency is operated by the City and 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 and is disclosed using the blended presentation method. Due to the nature and significance of the Agency's relationship with the City, exclusion of its 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 provides services specifically to the Community Redevelopment Areas of the City.

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

### Measurement Focus and Basis of Accounting

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

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

### **Government-wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole. These statements include separate columns for the governmental and business-type activities of the primary government. 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, deferred outflow of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 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.

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

#### **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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

### **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 position.

### 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 another 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 No.34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 No. 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 Springfield Community Redevelopment 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.

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

### Noncurrent Governmental Assets/Liabilities

GASB Statement No. 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 position.

### **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 Statutes.

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**

Encumbrance 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 debt instruments with original maturities 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.

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

### Due to and Due from Other Funds

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

### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, infrastructure, water and sewer distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capital assets are stated at cost, except for donated assets, which are recorded at acquisition 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

### **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.

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

#### **Interfund Advances**

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

#### **Fund balances**

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, employs the following terminology and classifications for fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balance as of September 30, 2018 is \$1,500 from prepaids.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The restricted fund balance as of September 30, 2018 of \$27,333 is restricted by enabling legislation.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the City Commissioners. There is no committed fund balance as of September 30, 2018.

Assigned – This category includes resources that are intended to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. There is no assigned fund balance as of September 30, 2018.

Unassigned – This category is the residual classification for the City's fund balances. The unassigned fund balance as of September 30, 2018 is a deficit of \$(3,043,637).

#### **Net Position**

GASB Statement No.63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and this standard renames the components of net position which were previously considered net assets.

Net position is classified in three categories. The general meaning of each is as follows:

Net investment in capital assets – represents the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

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

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.

Unrestricted – indicates that portion of net position that is available for future periods.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

# **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one item that qualifies for reporting in this category which is the deferred outflows of resources related to the net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the City has one item that qualifies for reporting in this category which is the deferred inflows of resources related to the net pension liability.

# **Restricted Assets**

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

## **Property Taxes**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. All property is assessed by the county according to its fair market value on January 1 of each year.

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

Each assessment roll is submitted to the executive director of the Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mils for general operations. The City's millage rate for the year ended September 30, 2018, was 3.4650 mils.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest of 18% per year. On, or prior to, June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer.

Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations.

The City tax calendar is as follows: valuation date: January 1; levy date: November 1; due date; March 31, succeeding year; and lien date: April 1, succeeding year.

#### **Estimates**

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

# Date of Management's Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 8, 2019, the date the financial statements were available to be issued.

## **NOTE 2 – ACCOUNTING CHANGES**

As a plan sponsor, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which requires employers of single-employer defined benefit plans to report the employers' OPEB Plan liabilities. The requirements of this statement are being applied retroactively by restating the actuarially determined liabilities of \$ 3,381,655 at September 31, 2017 the date of transition.

# NOTE 3 - 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 position:

When capital assets (property, leasehold improvements and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes capital assets of the City as a whole.

Cost of capital assets	\$	11,799,691
Less: accumulated depreciation		(4,304,324)
	•	
Net adjustment to increase fund balance - total governmental funds to		
arrive at net position of governmental activities	\$	7,495,367

Long-term liabilities applicable to the City's governmental activities are not reported as fund liabilities. All liabilities are reported in the statement of net position. The details of this difference are as follows:

Notes payable	\$ (800,000)
Other postemployment benefits liability	(6,163,542)
Net pension liability	(4,323,775)
Accrued compensated absences	(72,646)
Net adjustment to decrease fund balance - total governmental funds to	
arrive at net position of governmental activities	\$ (11,359,963)

Deferred inflows and outflows related to the net pension liabilities applicable to the City's governmental activities are not reported as fund assets and liabilities. All assets and liabilities are reported in the statement of net position.

Deferred outflows of resources related to net pension liability	\$ 2,241,947
Deferred inflows of resources related to net pension liability	(425,101)
Net adjustment to increase fund balance - total governmental funds to	
arrive at net position of governmental activities	\$ 1,816,846

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One of those reconciliation elements is 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. The details of this difference are as follows:

## NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Capital outlay	\$ 1,103,688
Depreciation expense	(511,921)
Net adjustment to increase net change in fund balances - total governmental	
funds to arrive at change in net position of governmental activities	\$ 591,767

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 difference are as follows:

Compensated absences	\$ (4,766)
Deferred outflows of resources	436,158
Deferred inflows of resources	(187,897)
Pension expenses	(472,076)
Other postemployment benefits	(101,854)
Net adjustment to decrease <i>net change in fund balances</i> – <i>total</i> governmental funds to arrive at <i>change in net position of</i>	
governmental activities	\$ (330,435)

#### **NOTE 4 – BUDGETS**

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

## **NOTE 5 – 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 highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

## NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

#### **Investment Policies**

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

The Local Government Surplus Funds Trust Fund (State Board of Administration) or any intergovernmental investment pool authorized pursuant to the Florida Interposal 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

#### **Interest Rate Risk**

At September 30, 2018, the City did not hold any investments that were considered to be an interest rate risk.

#### Credit Risk

At September 30, 2018, the City did not hold any investments that were considered to be a credit risk.

#### **Custodial Risk**

At September 30, 2018, the City did not hold any deposits or investments that were considered to be a custodial risk.

## **Concentrations of Credit Risk**

As September 30, 2018, the City did not hold any investments that were considered to be a concentration of credit risk.

# NOTE 6 – ACCOUNTS RECEIVABLE, NET

At September 30, 2018, accounts receivable in the general fund and proprietary funds is summarized as follows:

# NOTE 6 – ACCOUNTS RECEIVABLE, NET (CONTINUED)

	General	<b>Proprietary</b>		
	Fund		Funds	
Total accounts receivable	\$ 1,452	\$	1,404,054	
Less: allowance for doubtful accounts	-		(767,761)	
Accounts receivable, net	\$ 1,452	\$	636,293	

# NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances and activity for the year ended September 30, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
Water	General	\$ 1,124,454
Water	Sewer	55,842
Sewer	General	6,691,137
Sanitation	General	947,806
Sanitation	Water	197,846
Sanitation	Sewer	900
General	Sewer	4,322,310
General	CRA	525
General	Sanitation	196,571
General	Water	967,603

Interfund receivables and payables are primarily the result of loans made between funds for operations.

## **NOTE 8 – CAPITAL ASSETS**

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

	Sep	tember 30,				Se	ptember 30,
		2017	I	ncreases	Decreases		2018
Capital assets, not being depreciated							
Land	\$	921,328	\$	900,000	\$	- \$	1,821,328
Total capital assets,							
not being depreciated		921,328		900,000		-	1,821,328

NOTE 8 - CAPITAL ASSETS (CONTINUED)

	Se <sub>l</sub>	ptember 30,			Septer	mber 30,
		2017	Increases	Decreases	2	018
Capital assets,						
being depreciated						
Buildings	\$	1,769,075	\$ 5,000	\$ -	\$ 1,	,774,075
Streets		1,314,654	162,427	-	1,	,477,081
Improvements		3,246,235	-	(66,778)	3,	,179,457
Intangible assets		50,571	-	-		50,571
Machinery and equipment		2,829,589	868,371	(200,781)	3,	,497,179
Total capital assets,						
being depreciated		9,210,124	1,035,798	(267,559)	9,	,978,363
Less accumulated depreciation						
Buildings		1,177,618	29,139	-	1,	,206,757
Streets		153,567	79,192	-		232,759
Improvements		816,670	95,854	(34,669)		877,855
Intangible assets		36,875	12,643	-		49,518
Machinery and equipment		1,843,123	295,093	(200,781)	1,	,937,435
Total accumulated						
depreciation		4,027,853	511,921	(235,450)	4,	,304,324
Total capital assets,						
being depreciated (net of						
accumulated depreciation)		5,182,271	523,877	(32,109)	5,	,674,039
Total governmental						
activities' capital assets						
(net of accumulated						
depreciation)	\$	6,103,599	\$ 1,423,877	\$ (32,109)	\$ 7,	,495,367

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2018:

	Wa	ater	Sewer		Sewer Sanitation		Total	
Land	\$	24,865	\$ 67,32	22 \$	47,713	\$	139,900	
Construction in progress	5	74,955	7,023,72	29	-	-	7,598,684	
Buildings and improvements		15,760	15,76	50	41,966		73,486	
Distribution system	4,7	12,059	7,189,63	31	-	13	1,901,690	
Intangible assets		41,469	41,46	59	41,469		124,407	
Equipment and furniture	5	49,103	1,256,24	11	134,078		1,939,422	
Total	5,9	18,211	15,594,15	52	265,226	2:	1,777,589	

# NOTE 8 – CAPITAL ASSETS (CONTINUED)

	Water	Sewer	Sewer Sanitation To	
Less accumulated depreciation				
Buildings and improvements	\$ 404	\$ 404	\$ 30,264	\$ 31,072
Distribution system	1,890,018	3,709,813	-	5,599,831
Intangible assets	40,605	40,605	40,605	121,815
Equipment and furniture	216,313	647,433	129,896	993,642
				_
Total accumulated depreciation	2,147,340	4,398,255	200,765	6,746,360
Total business-type activities' capital assets (net of				
accumulated depreciation)	\$ 3,770,871	\$ 11,195,897	\$ 64,461	\$ 15,031,229

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

	September 30,			September 30,
	2017	Increases	Decreases	2018
Capital assets, not being				
depreciated				
Land	\$ 139,900	\$ -	\$ -	\$ 139,900
Construction in progress	3,269,952	4,328,732	-	7,598,684
Total capital assets,				
not being depreciated	3,409,852	4,328,732		7,738,584
Capital assets, being				
depreciated				
Buildings and				
improvements	73,486	-	-	73,486
Distribution system	11,808,196	93,494	-	11,901,690
Intangible assets	124,407	-	-	124,407
Machinery and equipment	1,410,131	562,442	(33,151)	1,939,422
Total capital assets,				
being depreciated	13,416,220	655,936	(33,151)	14,039,005

# NOTE 8 – CAPITAL ASSETS (CONTINUED)

	Se	ptember 30,					Se	ptember 30,
		2017	lı	ncreases	D	ecreases		2018
Less accumulated depreciation								
Buildings and								
improvements	\$	29,462	\$	1,610	\$	-	\$	31,072
Distribution system		5,309,726		290,105		-		5,599,831
Intangible assets		90,714		31,101		-		121,815
Machinery and equipment		931,336		95,457		(33,151)		993,642
Total accumulated								
depreciation		6,361,238		418,273		(33,151)		6,746,360
Total capital assets,								
being depreciated, net		7,054,982		237,663		-		7,292,645
Total business-type activities'								
capital assets								
(net of accumulated								
depreciation)	\$	10,464,834	\$ .	4,566,395	\$	_	\$	15,031,229
Depreciation expense was charged to fun Governmental activities	ctions/pr	ograms of the	e Cit	y as follow	s:			
General government							\$	50,248
Public safety							Y	202,592
Highways and streets								222,334
Maintenance								10,428
Culture and recreation								26,319
Total depreciation expense - gov	ernmenta	al activities					\$	511,921
Business-type activities								
Water							\$	156,781
Sewer								248,972
Sanitation								12,520
Total depreciation expense - bus	iness-typ	e activities					\$	418,273

# **NOTE 9 – LONG-TERM DEBT**

Long-term debt for governmental activities is as follows:

# September 30, 2018

\$800,000 Promissory note to individuals for property; principal payable annually.  Minimum annual required annual payments are \$200,000 with no interest. Maturity	
date is November 2021.	\$ 800,000
Total notes payable	800,000
Less amounts due within one year	(200,000)
Notes payable amount due in more than one year	\$ 600,000

Debt service requirements to maturity on government activities' notes payable are summarized as follows:

# **Years Ending**

September 30,	P	rincipal	Interest		Total
2019	\$	200,000 \$		-	\$ 200,000
2020		200,000		-	200,000
2021		200,000		-	200,000
2022		200,000		-	200,000
Total	\$	800,000 \$		-	\$ 800,000

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

# September 30, 2018

\$ 1,508,839
30,915
1,950,645
\$

## NOTE 9 - LONG-TERM DEBT (CONTINUED)

Due to joint venture; principal and interest payable monthly based on the City's portion of the debt service. Interest rates range from 5.6% to 5.7%. Remaining principal and interest as of September 30, 2018 is \$2,363,538.

Maturity date is September 2027.	\$ 1,817,415
Total notes payable	5,307,814
Less amounts due within one year	(483,351)
Total notes payable due in more than one year	\$ 4,824,463

- (a) The State Revolving Fund Loan was issued April 15, 2007 to finance the cost of acquisition and construction of certain capital improvements in connection with the water utility system. The loan is secured by a pledge of gross revenues from the operation of the water system after payment of the operation and maintenance expense and satisfaction of yearly payment obligations on any senior obligations. Gross revenues 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, 2018 totaled \$1,705,071. Principal and interest paid for the year ended September 30, 2018 and total pledged revenues were \$189,453 and \$116,137 respectively. Principal and interest payments were 163% of the pledged revenues for the year ended September 30, 2018.
- (b) The State Revolving Fund Loan was issued February 16, 2018 to finance the cost of acquisition and construction of certain capital improvements in connection with the water system. Proceeds available from the loan are \$150,000 with 50% loan forgiveness at the time of the first payment. The City has drawn on \$30,915 of available funds. The loan is secured by a pledge of gross revenues from the operation of the water and sewer systems after payment of the operation and maintenance expense and satisfaction of yearly payment obligations on any senior obligations. Gross revenues include all income and earnings of the water and sewer system operations, including investment income. First semiannual loan payment after the loan forgiveness is \$4,166 due May 15, 2019. The remaining principal and interest payments on this debt as of September 30, 2018 totaled \$31,968. Principal and interest paid for the year ended September 30, 2018 and total pledged revenues were \$0 and \$1,813,284, respectively. Principal and interest payments were 0% of the pledged revenue for the year ended September 30, 2018.
- (c) The State Revolving Fund Loan of \$5,482,635 was issued December 8, 2016 to finance the cost of acquisition and construction of certain capital improvements in connection with the sewer system. The loan was amended July 19, 2018 to add an additional \$500,000 of available funding plus \$122,095 in loan service fees. The City has drawn on \$1,950,645 of available funds after loan forgiveness of \$4,154,085 which includes capitalized interest of \$143. The loan is secured by a pledge of gross revenues from the operation of the sewer system after payment of the operation and maintenance expense and satisfaction of yearly payment obligations on any senior obligations. Gross revenues include all income and earnings of the sewer system operations, including investment income. First semiannual loan payment is \$52,086 due September 15, 2019. The remaining principal and interest payments on this debt as of September 30, 2018 totaled \$1,960,507. Principal and interest paid for the year ended September 30, 2018 and total pledged revenues were \$0 and \$1,697,147, respectively. Principal and interest payments were 0% of the pledged revenue for the year ended September 30, 2018.

# NOTE 9 – LONG-TERM DEBT (CONTINUED)

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

Years Ending
--------------

September 30,	Principal		Interest		Total
2019	\$	483,351	\$ 167,937	\$	651,288
2020		539,495	147,617	,	687,112
2021		542,820	126,636	<b>,</b>	669,456
2022		563,587	104,590	)	668,177
2023		578,931	81,408	;	660,339
2024-2028		1,631,328	122,512		1,753,840
2029-2033		518,912	1,946	;	520,858
2034-2038		449,390	624	=	450,014
Total	\$	5,307,814	\$ 753,270	\$	6,061,084

Long-term liability activity for the year ended September 30, 2018, was as follows:

Governmental activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ -	\$ 800,000	\$ -	\$ 800,000	\$ 200,000
Net pension liability	3,851,699	472,076	-	4,323,775	-
Other postemployment benefits	6,065,165	98,377	_	6,163,542	_
Accrued compensated	0,003,103	30,377		0,103,542	
absences	64,403	72,646	(64,403)	72,646	72,646
Total governmental					
activities	\$ 9,981,267	\$ 1,443,099	\$ (64,403)	\$ 11,359,963	\$ 272,646

Business-type activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
		4			4
Notes payable	\$ 4,693,596	\$ 1,505,711	\$ (891,493) \$	5,307,814	\$ 483,351
Net pension liability	526,722	58,491	-	585,213	-
Other postemployment					
benefits	1,764,566	28,621	-	1,793,187	-
Accrued compensated					
absences	10,404	9,285	(10,404)	9,285	9,285
Total business-type					_
activities	\$ 6,995,288	\$ 1,602,108	\$ (901,897) \$	7,695,499	\$ 492,636

#### **NOTE 10 – PENSION PLANS**

# **Plan Description**

The City participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability and death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available at the Florida Department of Management Services website at www.dms.myflorida.com.

The Florida Retirement System (FRS) Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retirees' Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

## **Benefits Provided**

Benefits under FRS are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

# NOTE 10 – PENSION PLANS (CONTINUED)

## **Contributions**

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The City's contribution rates for the year ended September 30, 2018 were as follows:

	October 1, 2017 Through June 30, 2018		Thr	1, 2018 ough er 30, 2018
	FRS	HIS	FRS	HIS
Regular class	6.26%	1.66%	6.60%	1.66%
Special risk employee class	21.61%	1.66%	22.84%	1.66%
Elected officials	43.84%	1.66%	47.04%	1.66%
DROP participants	11.60%	1.66%	12.37%	1.66%

The City's contributions for the year ended September 30, 2018, were \$373,795 to FRS and \$49,105 to HIS.

## Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2018, the City reported a liability for its proportionate shares of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated July 1, 2017. The City's proportions of the net pension liability were based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS		
Net pension liability	\$ 3,950,601	\$ 958,387		
Proportion at:				
Current measurement date	0.013115978%	0.009054956%		
Prior measurement date	0.011803151%	0.008296777%		
Pension expense (benefit)	\$ 737,129	\$ 95,300		

# NOTE 10 - PENSION PLANS (CONTINUED)

# Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS			
	Deferred		[	Deferred
	0	outflows of	lr	nflows of
	Resources Resourc			esources
Differences between expected and actual experience	\$	334,675	\$	12,147
Changes of assumptions		1,290,864		-
Net difference between projected and actual earnings				
on pension plan investments		-		305,232
Changes in proportion and differences between employer				
contributions and proportionate share of contributions		381,405		46,106
Employer contributions subsequent to the measurement date		108,656		
Total	\$	2,115,600	\$	363,485

	HIS				
		eferred	Deferred Inflows of		
	Οι	itflows of			
	R	esources	Resources		
Differences between expected and actual experience	\$	14,672	\$	1,628	
Changes of assumptions		106,584		101,329	
Net difference between projected and actual earnings					
on pension plan investments		579		-	
Changes in proportion and differences between employer					
contributions and proportionate share of contributions		133,917		14,825	
Employer contributions subsequent to the measurement date		13,371		-	
Total	\$	269,123	\$	117,782	

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2019. Other pension related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

## NOTE 10 - PENSION PLANS (CONTINUED)

Measurement period ending June 30,	FRS	HIS
2019	\$ 585,496	\$ 38,355
2020	408,940	38,306
2021	118,613	27,692
2022	294,525	22,592
2023	198,382	3,283
Thereafter	37,503	7,742
Total	\$ 1,643,459	\$ 137,970

## **Actuarial Assumptions**

The total pension liability for each of the defined benefit plans, measured as of June 30, 2018, was determined by an actuarial valuation dated July 1, 2018, using the individual entry-age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.00%	N/A
Discount rate	7.00%	3.87%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions for FRS and HIS that determined the total pension liability as of June 30, 2018 were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2018:

FRS: The long-term expected rate of return was decreased from 7.1% to 7.0%, and the active member mortality assumption was updated.

HIS: The municipal rate used to determine total pension liability was increased from 3.58% to 3.87%.

The long-term expected investment rate of return assumption of 7.0 percent consists of two building block components: 1) a real (in excess of inflation) return of 4.4 percent, consistent with the currently articulated real return target in the current Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; and 2) a long-term average annual inflation assumption of 2.6 percent as adopted in October 2018 by FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 7.0 percent return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice.

## NOTE 10 – PENSION PLANS (CONTINUED)

The 7.0 percent reported investment return assumption differs from the 7.4 percent investment return assumption chosen by the 2018 FRS Actuarial Assumption Conference for funding policy purposes as allowable under governmental accounting and reporting standards.

For reference, the table below contains a summary of Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

		Annual Arithmetic	Compound Annual
Asset Class	<b>Target Allocation</b>	Return	(Geometric) Return
Cash	1%	2.9%	2.9%
Fixed income	18%	4.4%	4.3%
Global equity	54%	7.6%	6.3%
Real estate (property)	11%	6.6%	6.0%
Private equity	10%	10.7%	7.8%
Strategic investments	6%	6.0%	5.7%
	100%	i	

#### **Discount Rate**

The discount rate used to measure the total pension liability for FRS was 7.0%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because HIS is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

## **Sensitivity Analysis**

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the City's proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate.

		FRS						
		Current						
	:	% Decrease Discount Rate			1% Increase			
City's proportionate share	-	6.00%		7.00%		8.00%		
of the net pension liability	\$	7,210,012	\$	3,950,601	\$	1,243,467		

# NOTE 10 – PENSION PLANS (CONTINUED)

		HIS							
		Current							
	1	.% Decrease		Discount Rate		1% Increase			
City's proportionate share		2.87%		3.87%		4.87%			
of the net pension liability	\$	1,091,546	\$	958,387	\$	847,390			

# Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

## **Defined Contribution Plan**

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2018, totaled \$90,992.

#### **NOTE 11 – NET POSITION RESTRICTIONS**

The following is a description of reported net position restrictions in governmental activities and business-type activities at September 30, 2018.

Governmental activities	
Community redevelopment	\$ 8,738
Law enforcement education	18,595
Total governmental activities	27,333
Business-type activities	
Impact fees	1,391,751
Total	\$ 1,419,084

## **NOTE 12 – 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 three fiscal years.

#### **NOTE 13 – INVESTMENT IN JOINT VENTURE**

The City, in alliance with Bay County, the Cities of Parker and Callaway, and the former Town of Cedar Grove joined efforts in 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 joint venture, known as Military Point Advanced Wastewater Treatment Facility (MPAWTF), assumed ownership of the existing wastewater treatment plant and then completed construction of a new seven million gallon per day advanced wastewater treatment facility which was placed in service in 1999. The new facility was funded by a combination of conventional borrowing and State Revolving Fund loans. MPAWTF is owned and governed by Bay County; and the Cities of Callaway, Parker and Springfield. One owner is selected by the others to be responsible for operations of MPAWTF. The owner delegated to be the operator is Bay County, Florida. The operator of MPAWTF, in accordance with the interlocal agreement, prepares the annual budget, sets treatment rates, and collects funds sufficient to pay debt service; costs of operations and maintenance; renewal and replacement; and necessary 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, 2018, the City's investment in the joint venture was \$3,420,758. Complete financial statements for MPAWTF may be obtained from the operator at P.O. Box 2269, Panama City, Florida 32402.

Condensed financial statements of MPAWTF are as follows:

## Statement of Net Position

September 30, 2018	
Assets	
Current assets	\$ 10,327,954
Noncurrent assets	17,306,911
Total assets	27,634,865
Deferred outflows	
Deferred loss on bond refunding	657,115
Liabilities	
Current liabilities	3,483,102
Noncurrent liabilities	6,588,342
Total liabilities	10,071,444
Net position	\$ 18,220,536

18,220,536

# NOTE 13 – INVESTMENT IN JOINT VENTURE (CONTINUED)

#### Statement of Activities

Year ended September 30, 2018	
Operating revenues	\$ 7,012,596
Operating expenses	(4,797,034)
Operating income	2,215,562
Nonoperating revenues (expenses), net	(463,026)
Net income before distributions to owners	1,752,536
Distributions to owners	(457,589)
Change in net position	1,294,947
Net position, beginning	16,925,589

For the year ended September 30, 2018, the City had income from joint venture in the amount of \$321,263. As of September 30, 2018, the City owes the joint venture \$297,580.

The City's income from joint venture for the year ended September 30, 2018 is as follows:

City's share of operating income	\$	293,058
Increase in reserve requirements		28,205
Income from joint venture	Ś	321,263
meenie nem jeme ventare	Ŧ	/

# **NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS**

# **Plan Description**

Net position, ending

The City has established the Retirees' Health Insurance Other Postemployment Benefits (OPEB) Plan (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 97 total active and retired employees eligible to receive these benefits. No stand alone report is issued for the Plan.

# NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

## 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.

#### **Benefits Provided**

The OPEB Plan provides healthcare insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

# **Total OPEB Liability**

The measurement date for the City's total OPEB liability was September 30, 2017.

## **Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Discount rate: 3.64% per year
- Salary increase rate: 2.50% per year
- Initial trend rate: 8.5%
- Ultimate trend rate: 4.0%
- Marital Status: 100% assumed married, with male spouses 3 years older than female spouses
- Credited Service: Total completed years of employment with the City
- Annual benefit costs per participant: for 2017/18 fiscal year \$13,697 pre 65 cost and \$4,481 post 65 cost
- Retirement Rates: 100% at age 60
- Inflation: 2.5% per year
- Mortality rate: RP-2000 Combined Health Mortality Table projected to the valuation date using Scale AA
- Health Care Participation: 100% participation assumed, with 0% election spouse coverage
- Healthcare inflation: Medical 8.50% graded uniformly down to 5.5% over 10 years
- Termination rates: 29.6% age 20, 59.3% age 30, 84.10% age 40 and 100% age 50
- Disability rates: None assumed
- Funding method: Entry-Age Cost Method
- Annual premium amounts per participant(employee): medical insurance: \$10,267, life insurance
   \$5.76 per \$1000 and copay \$90

# NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

 Eligibility for insurance coverage: Class 1 \$25,000, Class 2 \$10,000, Class 3 \$25,000 and Class 4 \$10,000

#### **Discount Rate**

There are no invested plan assets held in trust to finance the OPEB Plan liability. All future benefit payments were discounted using a high-quality municipal bond rate of 3.64% based on the Bond Buyer 20-Bond Index published by the Federal Reserve.

# **Changes in the Total OPEB Plan Liability**

## September 30, 2018

· · ·	
Service cost	\$ 869,500
Interest	263,643
Differences between expected and actual experience	-
Changes in assumptions	(837,979)
Changes in benefit terms	-
Contributions - employer	-
Benefits (payments) refunds	(168,166)
Net Change in OPEB liability	126,998
Total OPEB liability, beginning of year, as restated	7,829,731
Total OPEB liability, end of year	\$ 7,956,729

## Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.64 percent) or 1 percentage point higher (4.64 percent) than the current rate:

		Current					
	19	1 % Decrease Discount Rate 1 % Incre					
		2.64% 3.64% 4.64%				4.64%	
Total OPEB Liability	\$	9,480,962	\$	7,956,729	\$	6,757,583	

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower ((3.0% to 7.5%)) or 1 percentage point higher (5.0% to 9.5%) than the current healthcare cost trend rates:

# NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

		Current	
	1 % Decrease	Trend Rate	1 % Increase
	3.0%-7.5%	4.0%-8.5%	5.0%-9.5%
Total OPEB Liability	\$ 6,709,996	\$ 7,956,729	\$ 9,541,442

#### Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	_	eferred tflows of	Deferred Inflows of
	Re	sources	Resources
Differences between expected and actual experience		N/A	N/A
Changes of assumptions		N/A	N/A
Employer contributions subsequent to the measurement date		182,880	-
Total	\$	182,880	\$ -

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the other postemployment benefits liability in the reporting period ending September 30, 2019.

#### **NOTE 15 - DEFICIT BALANCES**

The general fund has a deficit unassigned fund balance of \$3,043,637 and a deficit in total deficit fund balance of \$3,023,542 at September 30, 2018.

The water fund has a deficit unrestricted net position balance of \$1,615,191 at September 30, 2018.

The government-wide governmental activities has a deficit unrestricted net position balance of \$12,585,254 at September 30, 2018.

# NOTE 16 - PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

The following standards have been issued that may have an effect on the City but management has not yet determined the effect these statements will have on the City's financial statements.

GASB Statement No. 84, *Fiduciary Activities*, was issued with the objective of improving guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

## NOTE 16 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (CONTINUED)

GASB Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, was issued with the objective to improvement the information that is disclosed in the notes to government financial statements related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61)*, was issued to improvement to consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

## **NOTE 17 – SUBSEQUENT EVENT**

On October 10, 2018, Hurricane Michael made landfall in Bay County, with the eye of the storm passing directly over Tyndall Air Force Base and Mexico Beach. The City resides 6.5 miles from the eye of this storm. This category five storm brought 160 mile an hour winds and torrential rains to the area causing devastating property damage to residence and businesses, and significant vegetative loss. Bay County as a whole is reporting a 75% reduction in vegetation and tree loss. The City sustained substantial damage. Many of the City-owned properties, including the City Hall, Police Department, Fire Department, and Public Works Department, were so heavily impacted that they were condemned and later demolished. Some of the smaller facilities such as vehicle maintenance, wash bay, water-shed, and the sign shop were completely destroyed. The largest expense to date is the removal and disposal of debris from city streets and rights of way. This project is estimated to be more than \$14 million. The City has expended over \$7 million to date. The City secured a twelve-month line of credit at a local bank to continue the daily operations. The total estimated economic effects of this storm have not been determined.

# NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE, RESTATEMENT ADJUSTMENT AND PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2018, the City adopted a new GASB Pronouncement, Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires the City to recognize a liability and operating statement activities related to changes in the total OPEB liability. As a result of adopting this pronouncement, beginning net position has been restated as follows:

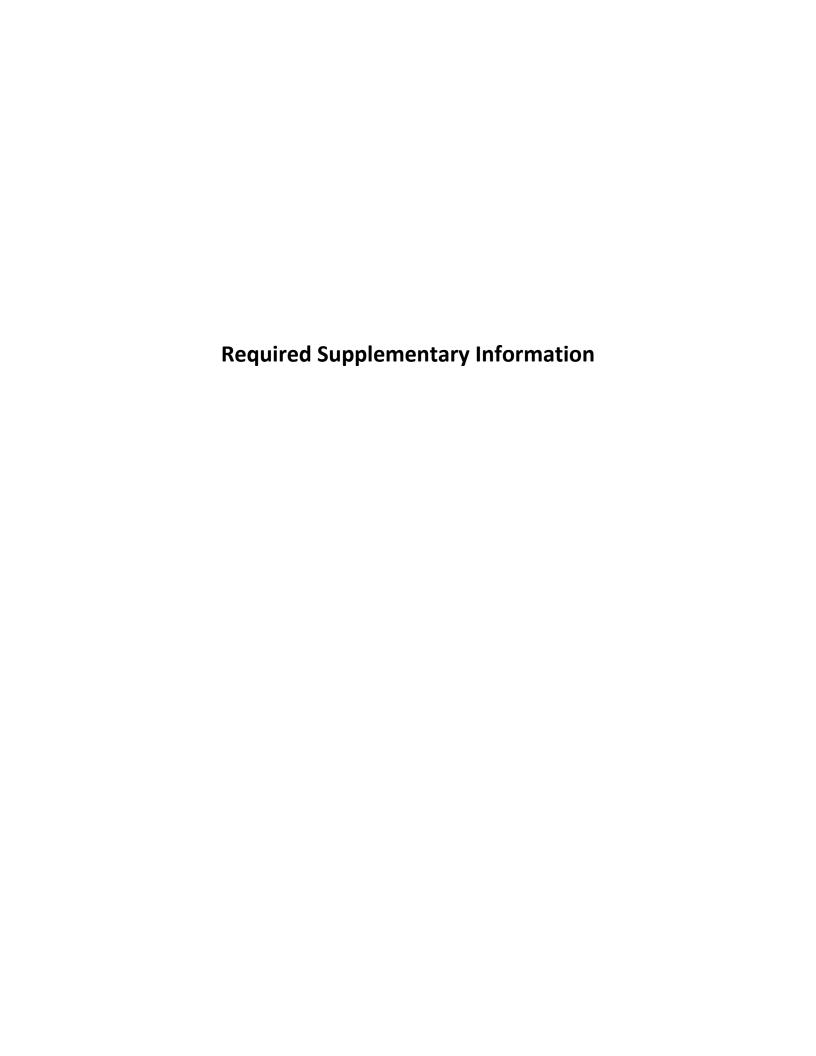
# **Restatement Adjustment**

September 30, 2017	 overnmental Activities	Water	Sewer	S	anitation	Total Business- type Activities		
Other postemployment benefits (as originally stated) Restatement adjustment	\$ 3,445,625 2,619,539	\$ 401,354 305,131	\$ 400,503 304,483	\$	200,594 152,502	\$	1,002,451 762,116	
Other postemployment benefits (as restated)	\$ 6,065,164	\$ 706,485	\$ 704,986	\$	353,096	\$	1,764,567	

# **Prior Period Adjustment**

Subsequent to the issuance of the audited financial statements for the year ended September 30, 2017, the City determined that several of the City's payable accounts in the governmental and business-type activities and the general fund were improperly recorded. The prior period adjustment to correct beginning equity for the year ended September 30, 2018 is shown below.

		Governmental				Total Business-
September 30, 2017	General Fund	Activities	Water	Sewer	Sanitation	type Activities
Fund Balance/Net Positon						
(Deficit) - as originally stated	\$ (2,937,415)	\$ (2,618,045)	\$ 1,586,062	\$ 10,385,497	\$ 1,188,675	\$ 13,160,234
Restatement adjustment						
(as shown above)	-	(2,619,539)	(305,131)	(304,483)	(152,502)	(762,116)
Prior Period Adjustment:						
Accounts Payable	262,727	262,727	(2,583)	2,855	1,660	1,932
Accrued Payroll Liability	157,898	157,898	-	-	-	-
Total change	420,625	(2,198,914)	(307,714)	(301,628)	(150,842)	(760,184)
Fund Balance/Net Position						
(Deficit) - as restated	\$ (2,516,790)	\$ (4,816,959)	\$ 1,278,348	\$ 10,083,869	\$ 1,037,833	\$ 12,400,050



# City of Springfield, Florida Schedule of Changes in the City's Total Other Postemployment Benefits Liability and Related Ratios

# September 30, 2018

September 30, 2018	
Total OPEB liability	
Service cost	\$ 869,500
Interest	263,643
Change of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(837,979)
Benefits (payments) refunds	(168,166)
Total Change in OPEB liability	126,998
Total OPEB liability, beginning of year, as restated	7,829,731
Total OPEB liability, end of year (a)	\$ 7,956,729
Plan fiduciary net position	
Contributions - employer	\$ -
Contributions - employee	-
Net investment income	-
Benefits payments/refunds	-
Administrative expenses	-
Net change in plan fiduciary net position	_
Plan fiduciary net position - beginning	_
Plan fiduciary net position - ending (b)	\$ _
Net OPEB liability - ending (a)-(b)	\$ 7,956,729
Plan fiduciary net position as a percentage of OPEB liability	0%
Covered-employee payroll	2,866,915
Net OPEB liability as a percentage of covered-employee payroll	278%

This schedule is intended to show information for 10 years. 2018 is the first year for this presentation, so no prior year data is available. Additional years will be included as they become available.

# City of Springfield, Florida Schedule of Employer Contributions for Retirees' Health Insurance other Postemployment Benefits Plan

Contractually required contributions	\$ -
Contributions in relation to the contractually required contribution	-
Contribution deficiency/(excess)	\$ -

Covered-employee payroll \$ 2,866,915

Contribution as a percentage of covered-employee payroll

September 30, 2018

0%

This schedule is intended to show information for 10 years. 2018 is the first year for this presentation, so no prior year data is available. Additional years will be included as they become available.

# City of Springfield, Florida Schedule of the City's Proportionate Share of the Net Pension Liability – Florida Retirement System

June 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
City's proportion of the net pension liability	0.0131160%	0.0118032%	0.0109979%	0.0100745%	0.0108840%	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability	\$ 3,950,601	\$ 3,492,491	\$ 2,776,988	\$ 1,301,259	\$ 664,085	N/A	N/A	N/A	N/A	N/A
City's covered payroll	2,450,775	2,180,905	2,022,121	1,887,602	1,953,330	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability as a percentage of its covered payroll	161.20%	160.14%	137.33%	68.94%	34.00%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%	N/A	N/A	N/A	N/A	N/A

<sup>\*</sup> Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.

# City of Springfield, Florida Schedule of the City's Contributions – Florida Retirement System

Year Ended September 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
Contractually required contribution	\$ 373,795 \$	307,265	\$ 268,202	\$ 245,625	\$ 238,406	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(373,795)	(307,265)	(268,202)	(245,625)	(238,406)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency/(excess)	\$ - \$	- :	\$ - :	\$ - \$	-	N/A	N/A	N/A	N/A	N/A
City's covered payroll	\$ 2,528,736 \$	2,234,846	\$ 2,108,999	\$ 1,921,145	\$ 1,900,594	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	14.78%	13.75%	12.72%	12.79%	12.54%	N/A	N/A	N/A	N/A	N/A

<sup>\*</sup> Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.

# City of Springfield, Florida Schedule of the City's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Program

June 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
City's proportion of the net pension liability	0.0090550%	0.0082968%	0.0079961%	0.0074845%	0.0078546%	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability	\$ 958,387	\$ 887,129	\$ 931,913	\$ 763,301	\$ 734,425	N/A	N/A	N/A	N/A	N/A
City's covered payroll	2,450,775	2,180,905	2,022,121	1,887,602	1,953,330	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability as a percentage of its covered payroll	39.11%	40.68%	46.09%	40.44%	37.60%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%	N/A	N/A	N/A	N/A	N/A

<sup>\*</sup> Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.

# City of Springfield, Florida Schedule of the City's Contributions – Health Insurance Subsidy Program

Year Ended September 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
Contractually required contribution	\$ 49,105 \$	43,909	40,985	\$ 28,610	\$ 26,907	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(49,105)	(43,909)	(40,985)	(28,610)	(26,907)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency/(excess)	\$ - \$	- \$	<del>-</del>	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
City's covered payroll	\$ 2,528,736 \$	2,234,846 \$	2,108,999	\$ 1,921,145	\$ 1,900,594	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	1.94%	1.96%	1.94%	1.49%	1.42%	N/A	N/A	N/A	N/A	N/A

<sup>\*</sup> Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.





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# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

## **Report on Compliance for Each Major Federal Program**

We have audited the City of Springfield, Florida's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2018. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

# Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

# Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the City'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

# Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of 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, 2018.

# **Report on Internal Control over Compliance**

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the City'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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Certified Public Accountants Panama City Beach, Florida

Can, Rigge & Ingram, L.L.C.

October 8, 2019

## City of Springfield, Florida Schedule of Expenditures of Federal Awards Year Ended September 30, 2018

Federal Agency/Pass-through Entity	CFDA	Contract/	<b>Passed Through</b>		Federal	
me of Cluster/Federal Program Number Grant II		Grant ID No.	No. to Subrecipients		Expenditures	
United States Environmental Protection Agency						
Passed through the State of Florida Department of Environmental Protection						
Clean Water State Revolving Fund Cluster						
Capitalization Grants for Clean Water State Revolving Funds (Loan)	66.458*	WW030501	\$ -	\$	1,474,655	
Capitalization Grants for Clean Water State Revolving Funds (Principal Forgiveness)	66.458*	WW030501	-		2,791,401	
Total Clean Water State Revolving Fund Cluster			-		4,266,056	
Drinking Water State Revolving Fund Cluster						
Capitalization Grants for Drinking Water State Revolving Funds (Loan)	66.468	DW030510	-		30,915	
Capitalization Grants for Drinking Water State Revolving Funds (Principal Forgiveness)	66.468	DW030510	-		30,915	
Total Drinking Water State Revolving Fund Cluster					61,830	
Total United States Environmental Protection Agency			-		4,327,886	
Total Federal Awards			\$ -	\$	4,327,886	
* denotes major program						
Capitalization Grants for Clean Water State Revolving Funds (Loan) - balance September 30, 2017		WW030501		\$	475,849	
Current year expenditures of federal awards					1,474,655	
Capitalized interest					141	
Capitalization Grants for Clean Water State Revolving Funds (Loan) - balance September 30, 2018				\$	1,950,645	
Capitalization Grants for Drinking Water State Revolving Funds (Loan) - balance September 30, 2017		DW030510		\$	-	
Current year expenditures of federal awards					30,915	
Capitalization Grants for Drinking Water State Revolving Funds (Loan) - balance September 30, 2018				\$	30,915	

# City of Springfield, Florida Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2018

#### NOTE 1 - BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the grant activities of the City of Springfield, Florida (City). Federal expenditures are presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirement of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### **NOTE 2 – LOAN PROGRAMS**

The City of Springfield was awarded a loan of \$5,604,730 in December 2016, by the State of Florida Department of Environmental Protection. This award is identified under CFDA 66.458, Clean Water State Revolving Fund. In July 2018 the City was awarded an additional \$500,000 in financing. As of September 30, 2018, the City accrued SRF loan revenues of \$1,950,645. In accordance with loan agreements, 68% or \$4,154,226 of the accrued loan revenues are to be forgiven. The City is obligated to repay \$1,950,804 in principal.

The City of Springfield was awarded a loan of \$150,000 in February 2018, by the State of Florida Department of Environmental Protection. This award is identified under CFDA 66.468, Drinking Water State Revolving Fund. As of September 30, 2018, the City accrued SRF loan revenues of \$61,830. In accordance with loan agreements, 50% or \$30,915 of the accrued loan revenues are to be forgiven. The City is obligated to repay \$30,915 in principal.

#### **NOTE 3 – INDIRECT COST**

The City has not elected to use the 10% de minimis indirect cost rate.

#### NOTE 4 – OTHER TYPES OF FINANCIAL ASSISTANCE

There were no other types of financial assistance to include endowments, insurance in effect, noncash assistance, donated property or free rent received or included in the schedule of expenditures of federal awards.

(Continued)

#### **Section I - Summary of Auditors' Results**

#### **Financial Statements** Type of auditors' report issued Disclaimer of Opinion Internal control over financial reporting Material weakness(es) identified? \_\_\_ no X yes Significant deficiency(ies) identified not considered to be material weaknesses? X yes \_\_ none reported Noncompliance material to financial statements noted? X no \_\_\_ yes **Federal Awards** Internal control over major programs Material weakness(es) identified? X no \_\_\_\_ yes Significant deficiency(ies) identified not considered to be material weaknesses? X none reported \_\_\_ yes Type of auditors' report issued on compliance for major programs Unmodified Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a) \_\_ yes X no Identification of major programs **CFDA Number** Name of Federal Program or Cluster 66.458 Clean Water State Revolving **Fund Cluster** Dollar threshold used to distinguish between Type A and Type B programs: \$750,000 Auditee qualified as low-risk auditee? <u>X</u> no \_\_\_ yes

#### Section II - Financial Statement Findings

2018-001 Audit Adjusting Entries (prior years 2017-001 and 2016-001) (Initially reported in 2007)

Condition: Significant adjustments to the financial records were required in order to correct the financial statements.

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

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

Cause: The City has a limited number of staff and is not able to produce financial records that would require no adjusting journal entries.

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

Views of Responsible Officials and Planned Corrective Action: Management agrees with auditors' recommendation.

<u>2018-002 Financial Statement and Schedule of Expenditures of Federal Awards Preparation (prior years 2017-002 and 2016-002) (Initially reported in 2007)</u>

Condition: Inadequate design of internal control over the preparation of financial statements and the schedule of expenditures of federal awards being audited gives rise to a material weakness in internal control.

Criteria: The requirement is for the City to be able to prepare its own financial statements and the schedule of expenditures of federal awards. The City is required to prepare the schedule of expenditures of federal awards as specified in 2 CFR 200.510(b).

Effect: The auditors assist in the preparation while the City retains responsibility for them.

Cause: The City has a limited number of staff and is not able to create its own financial statements and the schedule of expenditures of federal awards.

Recommendation: We recommend that the City consider taking the necessary steps to prepare their financial statements and the schedule of expenditures of federal awards to the extent practical.

Views of Responsible Officials and Planned Corrective Action: Management believes that it is cost beneficial to have the auditors assist in the preparation of the financial statements and the schedule of expenditures of federal awards.

#### 2018-003 Bank Reconciliations (prior years 2017-003 and 2016-003) (Initially reported in 2007)

Condition: The pooled cash general ledger bank account balance did not agree with related monthly and year-end reconciliations. Management is not actively reviewing bank account reconciliations for accuracy.

Criteria: The requirement is for bank reconciliations to be completed accurately and timely and reviewed by someone independent of the reconciliation process.

Effect: Failure to perform accurate and timely reconciliations and lack of review could result in ineffective cash management and/or material errors or fraud going undetected. In addition, unreconciled differences on the bank accounts results in the inability to determine if balances on the general ledger are correct allowing potential material misstatements on the financial statements.

Cause: Staff has been unable to determine the source of the unreconciled differences on the bank statement over the past several years.

Recommendation: We recommend that the City establish procedures to ensure that all bank reconciliations are prepared timely and that they agree with the general ledger. We recommend that the bank reconciliations be reviewed by a member of management or governance who is independent of the bank reconciliation process. We also recommend that all reconciliations be signed or initialed and dated by the preparer and reviewer so that timing and responsibility can be easily determined.

Views of Responsible Officials and Planned Corrective Action: 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.

#### 2018-004 Property and Equipment (prior years 2017-005 and 2016-005) (Initially reported in 2007)

Condition: Property and equipment records were not complete and the property and equipment is not being properly tagged. An inventory was not taken during the year ended September 30, 2018.

Criteria: A documented physical inventory and inspection of property and equipment should be conducted at least annually. This is required by the State of Florida per Rule 69I-73. A reconciliation should be completed between the current year additions on the property listing and the capital outlay accounts for the year. The inventory log should be reviewed for errors. Finally, a tag system should be implemented and used throughout the City to keep track of the City's assets.

Effect: Failure to detect and correct errors in property and equipment records in a timely manner. Possibility of property theft or misplacement without the City's knowledge.

Cause: The City is not performing an annual inventory of property and equipment.

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

Views of Responsible Officials and Planned Corrective Action: The City will continue to improve the record keeping of the property and equipment including taking an annual inventory with the appropriate documentation on inventory procedures.

#### 2018-005 Separation of Duties (prior years 2017-006 and 2016-006) (Initially reported in 2009)

Condition: Due to the limited number of staff, the City does not have proper segregation of duties in many areas. Even when daily activities are properly segregated, most staff is crossed trained as backups in incompatible duties. Of particular importance, employees approving credits to customer accounts have access to cash on a consistent basis, no formal review of billing adjustments, and adjustments to cash are made by the same individual reconciling the bank accounts.

Criteria: To provide effective control, help prevent deposits from being stolen, and reduce the risk of material misstatement or fraud, incompatible duties should be separated.

Effect: This situation provides ample opportunity for theft of cash, assets, and misstatement or fraud.

Cause: Limited number of staff to allow for an adequate segregation of duties.

Recommendation: The City should continue to evaluate the cost/benefit of hiring additional staff to better segregate controls. Duties should be separated as much as possible and compensating controls should be incorporated to mitigate the risk associated with the lack of proper segregation of duties. Monthly financial activity such as journal entries, significant account balances, bank reconciliations, bank statements and check images should be reviewed for reasonableness by an independent member of management with sufficient knowledge. We also recommend that the person approving customer credits does not have access to change customer account data or access to cash and oversight be implemented in other areas were possible in order to reduce the City's risks to an acceptable level.

Views of Responsible Officials and Planned Corrective Action: We will establish procedures to segregate incompatible duties and add mitigating controls to reduce the City's risk to an acceptable level.

#### 2018-006 Improper Computer Access (prior years 2017-007 and 2016-007) (Initially reported in 2011)

Condition: Certain employees have computer access to areas considered unnecessary to perform their duties according to their job descriptions.

Criteria: Employee's computer access should be limited to areas for which they have assigned duties.

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

Cause: The finance manager has access to all the computer programs and is the security administrator for the system.

Recommendation: We recommend that unique and secure passwords be issued and access be limited to only those software functions required for performing employee's assigned duties. Someone other than financial employees should be overseeing the administrative rights of personnel to the system.

Views of Responsible Officials and Planned Corrective Action: We will do as you recommended.

2018-007 Account Balances (prior years 2017-008 and 2016-008) (Initially reported in 2015)

Condition: Many general ledger accounts were not reconciled to the subsidiary ledgers at year-end.

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

Effect: The result of this situation is account balances which may be incorrect and do not allow for accurate and timely financial reporting to the Commission.

Cause: Prior year unreconciled differences between the general ledger and the subsidiary ledgers were not resolved in the current year.

Recommendation: We recommend that the City implement procedures to ensure that City finance personnel obtain the necessary training and knowledge to ensure that account balances are accurate and agree with supporting documentation. All accounts should be reviewed and adjusted as necessary for accuracy. City finance personnel should also have training on how the software posts transactions to the general ledger to verify the transactions are posting properly. We recommend that the payroll clerk review payroll related balances on a monthly basis to verify balances are appropriate and no adjustments are necessary between actual activity (e.g. insurance bills, payroll tax payments, retirement payments, etc.) and expectations based on automated entries by the system. We recommend that a monthly review by an appropriate level of management be performed and documented to assure that reconciliations are accurately and timely prepared.

Views of Responsible Officials and Planned Corrective Action: The City agrees and will take steps to provide the necessary training to finance personnel and implement policies and procedures to review account balances and adjust as needed. The City will also assign an appropriate level of management to provide oversight.

2018-008 Accounts Receivable and Customer Deposits (prior years 2017-009 and 2016-009) (Initially reported in 2015)

Condition: The subsidiary ledger of accounts receivable and customer deposits for the proprietary funds were not reconciled to the general ledger at September 30, 2018. Detailed reports were processed on October 1, 2018 for water, sewer, and sanitation funds. The detailed reports did not agree to the general ledger by significant amounts.

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

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

Cause: Lack of knowledge on how the accounting software processes activity and how journal entries are made. Utility billing was processed through the prior accounting software and then brought into the new software at the time of the changeover via journal entries. The City began billing from the new software in October 2015 and it was noted that the balances from the prior system at year-end could not be reconciled with the beginning balances brought into the new accounting software in October 2015.

Recommendation: We recommend that complete appropriate accounts receivable and customer deposit reports are processed and retained for all funds each month. We recommend that a reconciliation of the 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 and the reviewer so that responsibility can be easily determined. Finally, we recommend prior to the beginning of each year, the City review in detail the balances brought into the new year for accuracy and completeness as compared to the prior year.

Views of Responsible Officials and Planned Corrective Action: The City will establish procedures to include printing of the referenced reports, preparation of monthly reconciliations and document evidence of the preparer's and reviewer's initials.

#### 2018-009 Accounts Payable (prior years 2017-010 and 2016-010) (Initially reported in 2016)

Condition: The subsidiary ledgers of accounts payable for the governmental funds and the proprietary funds were not reconciled to the general ledger at year-end. Detailed reports were processed for water, sewer, and sanitation funds, however the detailed reports did not agree to the general ledger by significant amounts.

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

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

Cause: A number of items on the accounts payable aging schedule were not included in the accounts payable balance on the general ledger due to lack of knowledge on how the accounting software processed activity and how journal entries are made.

Recommendation: We recommend that complete appropriate accounts payable reports are processed and retained for all funds each month. We recommend that a reconciliation of the subsidiary totals to the general ledger be made at the end of each month and that any reconciling items be investigated and corrected promptly. We recommend that all reconciliations be signed or initialed by the preparer and the reviewer and dated so that responsibility can be easily determined. Finally, we recommend prior to the start of each year, the City review in detail the balances brought into the new year for accuracy and completeness as compared to the prior year.

Views of Responsible Officials and Planned Corrective Action: The City will establish procedures to include printing of the referenced reports, preparation of monthly reconciliations and document evidence of the preparer's and reviewer's initials.

2018-010 Allowance for Doubtful Accounts (prior years 2017-011 and 2016-011) (Initially reported in 2016)

Condition: During our audit, it was determined that the City is not actively evaluating its accounts receivable balances in all funds to determine if such balances are deemed to be collectible. Adjustments are not being made to these accounts and the City does not have a formal policy in place to determine when such accounts are deemed to be uncollectible.

Criteria: Individual account balances should be evaluated and adjusted regularly to ensure that the accounts receivable balance is fairly stated in all material respects.

Effect: The result of this situation was account balances were incorrect and did not allow for accurate and timely financial reporting to the Commission.

Cause: The City does not have a formal policy in place to determine an allowance for doubtful accounts based on the accounts which are deemed uncollectible.

Recommendation: We recommend that the City implement a formal policy that addresses the evaluation and writing off of accounts that are deemed to be uncollectible.

Views of Responsible Officials and Planned Corrective Action: The City agrees and will take steps to provide the necessary training to finance personnel and implement policies and procedures to evaluate and write off accounts that are deemed to be uncollectible.

<u>2018-011</u> Incorrect Billing Rates Being Used for Sales of Utility Services (prior year 2017-012) (Initially reported in 2017)

Condition: CRI noted during our test of billings that one billing selected for testing did not agree to the calculated amounts based on the current year utility charges.

Criteria: Billing rates should be evaluated and adjusted regularly to ensure that customers are being billed the proper approved rates.

Effect: The lack of proper processes to ensure that correct billing rates are being used when generating monthly utility bills could result in customers being over or under billed.

Cause: The City lacks proper processes to ensure that correct billing rates are being used when generating monthly utility bills.

Recommendation: We recommend that the City implement a formal policy which ensures that customers are being billed the proper approved rates.

Views of Responsible Officials and Planned Corrective Action: The City agrees and will take steps to provide the necessary training to billing personnel and implement policies and procedures to ensure that customers are being billed the proper approved rates.

2018-012 Month-end Closing (prior years 2017-013 and 2016-013) (Initially reported in 2010)

Condition: The City lacks month-end closing procedures which provide monthly financial statements.

Criteria: Month-end closing procedures should be established to verify all accounts are appropriately reported at month-end and produce monthly financial reports which compares actual expenditures to budget.

Effect: Without month-end financial statements, errors and fraud can go uncorrected and they can become increasingly difficult to locate and correct over time. Also, the Commission and management are not able to make informed decisions when corrections aren't made in a timely manner.

Cause: City has not implemented a formal month-end closing process.

Recommendation: We recommend the City implement a month-end closing process which includes the preparation of appropriate monthly financial statements.

Views of Responsible Officials and Planned Corrective Action: We will begin to implement a formal monthend closing process which includes the preparation of appropriate monthly financial statements.

<u>2018-013 Operating Expenditures in Excess of Budget (prior years 2017-015 and 2016-017) (Initially reported in 2015)</u>

Condition: General fund expenditures exceeded the approved budget in the public safety, highways and streets, and maintenance departments.

Criteria: Amendments to the budget should be made when expenditures exceed their budgeted amounts.

Effect: Expenditures in excess of budget could be the result of unauthorized purchases or fraudulent transactions.

Cause: The City is not reviewing the monthly financial statements and amending the budget during the year for these over-expenditures.

Recommendation: We recommend regular review of budget variances and amendments to the budget as needed.

Views of Responsible Officials and Planned Corrective Action: The City is continuing to make efforts to work towards staying within our budget and when not able to do so, we will review and amend the budget as necessary.

2018-014 Lack of Management Review (prior years 2017-016 and 2016-018) (Initially reported in 2016)

Condition: Management is not actively reviewing the quarterly payroll tax returns, W-2's, and year-end payroll accrual.

Criteria: All payroll documents and supporting schedules should be reviewed by someone independent of the preparation process to ensure that documents are accurate.

Effect: Incorrect financial information and failure to detect and correct errors, due to fraud or errors.

Cause: The City has not implemented a formal review procedure over payroll processing.

Recommendation: We recommend that management designate someone independent of the payroll preparation process review and initial all payroll related documents and supporting schedules.

Views of Responsible Officials and Planned Corrective Action: We will establish procedures for ensuring all payroll related documents and supporting schedules are reviewed by someone independent of the preparation process for accuracy.

<u>2018-015 Deteriorating Financial Condition (prior years 2017-017 and 2016-019) (Initially reported in 2013)</u>

Condition: As part of our financial condition assessment, we determined that the City has been experiencing a deteriorating financial condition. This includes continuing increases in deficit fund balances and net position.

Criteria: Fund balances and net position should not be in a deficit position.

Effect: A deteriorating financial condition may lead to a financial emergency, as defined in 218.503(1).

Cause: The City continues to have expenditures in excess of revenues in the general fund, contributing to increases in deficits in unrestricted fund balance and government-wide net position.

Recommendation: We recommend that the City continue to improve procedures to increase revenues and decrease expenditures in the general fund in order to improve cash balances and net position/fund balance. This will allow for bills to be paid timely and improve the financial condition of the City.

Views of Responsible Officials and Planned Corrective Action: The City is current and will continue to keep current with the payment of monthly bills. Water and sewer rates have been increased and a resolution passed to automatically adjust rates annually to be at least 3% above the wholesale cost. We continue to sell surplus equipment.

<u>2018-016 Purchase Order Initiated and Signed After Purchase Occurred (prior year 2017-018) (Initially reported in 2017)</u>

Condition: Acquisitions of property and equipment contained purchase orders that were dated and initiated after the invoice and title transfer.

Criteria: Purchase orders are to be initiated and approved before the final purchase is initiated.

Effect: The incorrect use of purchase order may lead to unauthorized or fraudulent purchases.

Cause: Purchase orders are being created after the invoice has been received.

Recommendation: We recommend that the City implement formal policies which ensure that all required purchase orders are initiated and approved before the final purchase is initiated.

Views of Responsible Officials and Planned Corrective Action: The City agrees and will take steps to provide the necessary training to accounting personnel and implement formal policies to ensure that purchase orders are properly used.

#### 2018-017 Uncorrected Balances (Initially reported in 2018)

Condition: Uncorrected balances remain on the books related to general ledger balances brought forward during the software conversion in a prior year.

Criteria: General ledger balances from the previous software system should match the beginning balances on the new software system.

Effect: Materially incorrect financial statements.

Cause: General ledger balances from the previous software system were not properly recorded on the new software system's general ledger.

Recommendation: We recommend that the City evaluate all balance sheet accounts for accuracy and adjust accordingly.

Views of Responsible Officials and Planned Corrective Action: Management agrees with this recommendation.

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

There are no federal award findings and questioned costs to report in the current year.

#### Section IV - Other Issues

No summary of prior audit findings is required because there were no prior audit findings related to Federal awards.



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## INDEPENDENT AUDITORS' 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 and Members of the City Commission City of Springfield, Florida

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Springfield, Florida (City), as of and for the year ended September 30, 2018, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 8, 2019. Our report disclaims an opinion on such financial statements because we were unable to gather sufficient audit evidence to allow us to express an opinion as described in the Basis for Disclaimer of Opinion section of the Independent Auditors' Report.

#### **Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements of the City, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2018-001 through 2018-012 and 2018-017.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, 2018-013, 2018-014, 2018-015 and 2018-016.

#### **Compliance and Other Matters**

In connection with our engagement to audit the financial statements of the City, 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. As a result of our tests, we noted that the City did not submit the required Annual Financial Report (AFR) and the Annual Financial Audit Report within the prescribed deadline of June 30, 2019.

#### City's Responses to Findings

The City's views of responsible officials and planned corrective actions related to the findings identified in our audit are included in the schedule of findings and questioned costs. The City's views of responsible officials and planned corrective actions were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants Panama City Beach, Florida

Can, Rigge & Ingram, L.L.C.

October 8, 2019



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#### INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

#### Report on the Financial Statements

We were engaged to audit the financial statements of the City of Springfield, Florida (City), as of and for the fiscal year ended September 30, 2018. We did not express an opinion on the financial statements because we were unable to gather sufficient audit evidence to allow us to express an opinion.

#### **Auditors' Responsibility**

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, the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance);* and Chapter 10.550, Rules of the Auditor General.

#### **Other Reporting Requirements**

We have issued our Independent Auditors' 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 Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated October 8, 2019, should be considered in conjunction with this management letter.

#### **Prior Audit Findings**

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 findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

#### **Prior Year Findings and Recommendations**

Tabulation of Uncorrected Audit Findings				
<b>Current Year</b>	2016-17 FY	2015-16 FY		
Finding #	Finding #	Finding #		
2018-001	2017-001	2016-001		
2018-002	2017-002	2016-002		
2018-003	2017-003	2016-003		
2018-004	2017-005	2016-005		
2018-005	2017-006	2016-006		
2018-006	2017-007	2016-007		
2018-007	2017-008	2016-008		
2018-008	2017-009	2016-009		
2018-009	2017-010	2016-010		
2018-010	2017-011	2016-011		
2018-011	2017-012	N/A		
2018-012	2017-013	2016-013		
2018-013	2017-015	2016-017		
2018-014	2017-016	2016-018		
2018-015	2017-017	2016-019		
2018-016	2017-018	N/A		
2018-017	N/A	N/A		

#### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City was established under a Charter in accordance with the Laws of Florida 51-27900. There is one component unit of the reporting entity as defined in publications cited in Rule 10.553. The City Commission of the City of Springfield, Florida is the "ex-officio" governing body of the Springfield Community Redevelopment Agency. The Agency was created on March 30, 2007 by City Ordinance 07-05 pursuant to Florida Statute 163.357.

#### Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statute sections 10.554(1)(i)5.a. and 10.556(7),

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our financial condition

assessment procedures performed as of the fiscal year-end disclosed a deteriorating financial condition. See finding 2018-015 for a description of the deteriorating financial condition noted.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we provided recommendations related to findings noted in the Independent Auditors' 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*.

#### **Special District Component Units**

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

#### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

#### **Purpose of This Letter**

Our management letter is intended solely for the information and use of the Joint Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Commissioners and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Can, Rigge & Ingram, L.L.C.

Certified Public Accountants Panama City Beach, Florida October 8, 2019



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#### INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the City of Springfield, Florida's (City) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management of the City is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements identified above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with the specified requirements.

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies* during the year ended September 30, 2018.

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

Certified Public Accountants Panama City Beach, Florida

Can, Rigge & Ingram, L.L.C.

October 8, 2019