

City of Springfield, Florida

Financial Statements

September 30, 2019



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City of Springfield, Florida
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September 30, 2019

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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, 2019, and the related notes to 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 all 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, accounts payable for all funds, or customer deposits liability. The underlying subsidiary ledgers for accounts receivable, accounts payable and customer deposits did not agree to the balances on the general ledger. The City underreported salaries to the pension plan during the year which understated contributions due to the plan which affects the City's allocation of the State's net pension liability and related deferred inflows and outflows of resources. Uncorrected errors remained on the books related to general ledger balances brought forward during the software conversion in a prior year. 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 our audit opinions. Accordingly, we do not express opinions on the financial statements referred to in the first paragraph.

Other Matters

Emphasis of Matter

As described in note 10 in the notes to financial statements, certain adjustments were necessary to correct beginning balances on the statement of net position, balance sheet – governmental funds, and statement of net position – proprietary funds resulting in the restatement of net position and fund balance. Our opinion was not modified as a result of this restatement.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, budgetary comparison information on pages 66 and 67, the schedules of the other postemployment benefits on pages 68 and 69, and the schedules of the defined benefit pension plans on pages 70 through 73, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and state financial assistance 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 Chapter 10.550, *Rules of the Auditor General*, 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 and state financial assistance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2020, 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.

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

Certified Public Accountants
Panama City Beach, Florida
August 25, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Springfield, Florida (City), we offer readers of the City's financial statements this narrative overview of the financial activities of the City for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

- Total liabilities and deferred inflows of resources of the City exceeded total assets and deferred outflows of resources by \$2,305,306 (net position). Of this amount, \$(24,168,691) is a deficit in unrestricted net position of the governmental activities and \$4,444,430 is unrestricted net position of the business-type activities. \$1,397,953 of net position is restricted for business-type activities and \$29,489 is restricted for governmental activities.
- Total net position decreased by \$13,841,342 during fiscal year 2019. Of this amount, a decrease of \$12,602,302 is attributable to governmental activities, and a decrease of \$1,239,040 is attributable to business-type activities.
- As of September 30, 2019, the general fund's unassigned fund deficit was \$(6,541,177).
- Governmental activities' revenues increased by \$2,229,117 or 40%, while governmental activities' expenses increased 285% or \$16,351,026. Business-type activities' revenues decreased by \$5,967,560 or 64%, while business-type activities' expenses increased 10% or \$479,471.

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 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 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 expenses), and *total* economic resources.

Fund financial statements for all governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The City's general fund includes a schedule 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 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, are just a few of the items included in the notes to 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, 2019 and 2018. A prior period adjustment, described in more detail in note 10, was reported in the current year which adjusted balances reported below for September 30, 2018. At the end of fiscal year 2019, 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 2019 and 2018.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<i>September 30,</i>						
Current and other assets	\$ 2,724,447	\$ 241,561	\$ 8,971,494	\$ 10,187,590	\$ 11,695,941	\$ 10,429,151
Capital assets	6,731,145	7,255,367	16,697,805	15,254,153	23,428,950	22,509,520
Total assets	9,455,592	7,496,928	25,669,299	25,441,743	35,124,891	32,938,671
Deferred outflows of resources	2,454,974	2,241,947	170,284	325,656	2,625,258	2,567,603
Current liabilities	9,431,729	3,692,212	1,926,217	1,506,579	11,357,946	5,198,791
Noncurrent liabilities	19,933,891	10,847,317	8,367,649	7,442,863	28,301,540	18,290,180
Total liabilities	29,365,620	14,539,529	10,293,866	8,949,442	39,659,486	23,488,971
Deferred inflows of resources	373,003	425,101	22,966	56,166	395,969	481,267
Net position						
Net investment in capital assets	6,311,145	7,495,367	9,680,368	9,706,339	15,991,513	17,201,706
Restricted	29,489	27,333	1,397,953	1,391,751	1,427,442	1,419,084
Unrestricted	(24,168,691)	(12,748,455)	4,444,430	5,663,701	(19,724,261)	(7,084,754)
Total net position	\$ (17,828,057)	\$ (5,225,755)	\$ 15,522,751	\$ 16,761,791	\$ (2,305,306)	\$ 11,536,036

At September 30, 2019, net investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the majority 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* 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* (\$19,724,261).

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

Change in Net Position

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program revenues						
Charges for services	\$ 958,048	\$ 835,395	\$ 3,486,100	\$ 6,525,063	\$ 4,444,148	\$ 7,360,458
Operating grants/ contributions	2,356,787	141,981	-	-	2,356,787	141,981
Capital grants/ contributions	52,643	7,754	10,772	2,822,316	63,415	2,830,070
General revenues						
Gross receipts taxes	3,386,444	3,477,703	-	-	3,386,444	3,477,703
Franchise fees	412,298	547,697	-	-	412,298	547,697
State shared revenues	531,936	521,402	-	-	531,936	521,402
Impact fees	-	-	20,567	11,941	20,567	11,941
Other	81,636	38,473	38,161	7,205	119,797	45,678
Gain (loss) on disposal of assets	-	(19,730)	(156,911)	(276)	(156,911)	(20,006)
Total revenues	7,779,792	5,550,675	3,398,689	9,366,249	11,178,481	14,916,924
Expenses						
General government	15,708,023	443,782	-	-	15,708,023	443,782
Public safety	4,546,582	3,716,923	-	-	4,546,582	3,716,923
Highways and streets	1,040,141	942,919	-	-	1,040,141	942,919
Maintenance	211,761	177,805	-	-	211,761	177,805
Culture and recreation	409,764	453,829	-	-	409,764	453,829
Community redevelopment	175	175	-	-	175	175
Interest on long-term debt	170,013	-	-	-	170,013	-
Water	-	-	1,824,946	1,692,990	1,824,946	1,692,990
Sewer	-	-	2,584,176	1,965,360	2,584,176	1,965,360
Sanitation	-	-	1,074,857	1,346,158	1,074,857	1,346,158
Total expenses	22,086,459	5,735,433	5,483,979	5,004,508	27,570,438	10,739,941

<i>Year Ended September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Change in net position before transfers and extraordinary item	\$ (14,306,667)	\$ (184,758)	\$ (2,085,290)	\$ 4,361,741	\$ (16,391,957)	\$ 4,176,983
Transfers	(846,250)	-	846,250	-	-	-
Change in net position before extraordinary item	(15,152,917)	(184,758)	(1,239,040)	4,361,741	(16,391,957)	4,176,983
Extraordinary item	2,550,615	-	-	-	2,550,615	-
Change in net position	(12,602,302)	(184,758)	(1,239,040)	4,361,741	(13,841,342)	4,176,983
Net position - beginning (as originally reported)	(5,225,755)	(2,618,045)	16,761,791	13,160,234	11,536,036	10,542,189
Prior period adjustment	-	(2,422,952)	-	(760,184)	-	(3,183,136)
Net position - beginning (as restated)	(5,225,755)	(5,040,997)	16,761,791	12,400,050	11,536,036	7,359,053
Net position - ending	\$ (17,828,057)	\$ (5,225,755)	\$ 15,522,751	\$ 16,761,791	\$ (2,305,306)	\$ 11,536,036

For the year ended September 30, 2019, governmental activities' expenses exceeded revenues by \$12,602,302, while business-type activities' expenses exceeded revenues by \$1,239,040. Total revenues decreased \$3,738,443 from the previous year mainly due to a decrease in utility charges for services and grant revenues. Total expenses increased \$16,830,497 from the previous year mainly due to expenses related to Hurricane Michael for debris removal which was charged to general government. 49% of the revenues for governmental activities were generated by gross receipts, franchise and utility taxes. Most of the governmental resources were expended for general government (71%), public safety (21%), and highways and streets (5%). Charges for services provided substantially all of the revenues for business-type activities. Sewer expenses consumed the majority (47%) of business-type activities, followed by water expenses (33%).

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, 2019, total assets were \$4,220,738 and total liabilities were \$10,740,989. At the end of fiscal year 2019, unassigned fund balance of the general fund was a deficit of (\$6,541,177) while the total fund deficit was (\$6,520,251).

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, 2019 and 2018 are presented below:

<i>September 30,</i>	2019	2018
Water	\$ (2,439,698)	\$ (1,542,691)
Sewer	6,117,044	6,412,370
Sanitation	767,084	794,022
Total	\$ 4,444,430	\$ 5,663,701

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, 2019, was \$23,428,950 (net of accumulated depreciation). This investment in capital assets includes land, buildings, streets, improvements, machinery and equipment, and infrastructure.

Capital Assets (net of depreciation)

Additional information on the City's capital assets can be found in note 3 – capital assets, of the notes to financial statements.

	Governmental Activities		Business-type Activities		Total	
<i>September 30,</i>	2019	2018	2019	2018	2019	2018
Land	\$ 1,581,328	\$ 1,581,328	\$ 379,900	\$ 379,900	\$ 1,961,228	\$ 1,961,228
Construction in progress	25,650	-	946,726	7,086,404	972,376	7,086,404
Buildings	310,732	567,318	105,204	42,414	415,936	609,732
Improvements/ distribution system	2,047,589	2,301,602	14,362,382	6,797,063	16,409,971	9,098,665
Intangible assets	-	1,053	-	2,592	-	3,645
Machinery and equipment	1,536,399	1,559,744	903,593	945,780	2,439,992	2,505,524
Streets	1,229,447	1,244,322	-	-	1,229,447	1,244,322
Total	\$ 6,731,145	\$ 7,255,367	\$ 16,697,805	\$ 15,254,153	\$ 23,428,950	\$ 22,509,520

Debt Management

At the end of fiscal year 2019, the City had total outstanding debt in the amount of \$14,858,559. This debt balance represents notes payable secured by specified revenue sources and obligations under capital leases.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
September 30,	2019	2018	2019	2018	2019	2018
Obligations under capital leases	\$ -	\$ -	\$ 1,284,187	\$ -	\$ 1,284,187	\$ -
Notes payable	7,420,000	800,000	6,154,372	5,307,814	13,574,372	6,107,814
Total	\$ 7,420,000	\$ 800,000	\$ 7,438,559	\$ 5,307,814	\$ 14,858,559	\$ 6,107,814

Principal repayments during the year on notes payable totaled \$528,814 and on obligations under capital leases totaled \$115,813.

More detail on the City's liabilities is presented in note 3 of the notes to financial statements.

General Fund Budgetary Highlights

The general fund final actual revenues, including other financing sources, exceeded budgeted revenues by \$11,894,348, which was primarily due to the City not budgeting for grant revenues, debt proceeds, and insurance proceeds. The general fund actual expenditures were more than the final budgeted expenditures by \$15,227,856 mainly due to not budgeting for costs related to Hurricane Michael.

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, 408 School Avenue, Springfield, Florida 32401.

City of Springfield, Florida
Statement of Net Position
September 30, 2019

Primary Government			
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,442,549	\$ 1,407,681	\$ 2,850,230
Accounts receivable, net	-	400,497	400,497
Internal balances	(563,723)	563,723	-
Due from other governments	1,251,709	302,003	1,553,712
Due from joint venture	-	572,214	572,214
Restricted assets			
Cash and cash equivalents			
Customer deposits	-	680,107	680,107
Impact fees	-	390,991	390,991
Held in escrow	-	421,122	421,122
Other	30,189	-	30,189
Due from (to) other funds, Impact fees	(1,006,962)	1,006,962	-
Investment in joint venture	-	3,226,194	3,226,194
Capital assets			
Nondepreciable	1,606,978	1,326,626	2,933,604
Depreciable, net	5,124,167	15,371,179	20,495,346
Total assets	7,884,907	25,669,299	33,554,206
Deferred outflows of resources			
Deferred outflows - pension	2,265,981	139,518	2,405,499
Deferred outflows - other postemployment benefits	188,993	30,766	219,759
Total deferred outflows of resources	2,454,974	170,284	2,625,258
Liabilities			
Current liabilities			
Accounts payable	7,444,960	587,444	8,032,404
Accrued interest	43,461	58,693	102,154
Accrued payroll liabilities	211,327	12,033	223,360
Customer deposits	9,163	708,025	717,188
Long-term liabilities			
Due within one year			
Accrued compensated absences	12,133	614	12,747
Notes payable	140,000	438,792	578,792
Obligations under capital leases	-	120,616	120,616

(Continued)

See accompanying notes

City of Springfield, Florida
Statement of Net Position (Continued)
September 30, 2019

Primary Government			
	Governmental Activities	Business-type Activities	Total
Due in more than one year			
Accrued compensated absences	\$ 68,755	\$ 3,479	\$ 72,234
Notes payable	7,280,000	5,715,580	12,995,580
Obligations under capital leases	-	1,163,571	1,163,571
Net pension liability	5,574,961	343,257	5,918,218
Other postemployment benefits liability	7,010,175	1,141,762	8,151,937
Total liabilities	27,794,935	10,293,866	38,088,801
Deferred inflows of resources			
Deferred inflows - pension	373,003	22,966	395,969
Total deferred inflows of resources	373,003	22,966	395,969
Net position			
Net investment in capital assets	6,311,145	9,680,368	15,991,513
Restricted	29,489	1,397,953	1,427,442
Unrestricted (deficit)	(24,168,691)	4,444,430	(19,724,261)
Total net position (deficit)	\$ (17,828,057)	\$ 15,522,751	\$ (2,305,306)

See accompanying notes

City of Springfield, Florida
Statement of Activities
Year Ended September 30, 2019

					Net (Expenses)/Revenues and Changes in Net Position		
Program Revenues					Primary Government		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government							
Governmental activities							
General government	\$ 15,708,023	\$ 136,880	\$ 2,356,787	\$ -	\$ (13,214,356)	\$ -	\$ (13,214,356)
Public safety	4,546,582	486,596	-	-	(4,059,986)	-	(4,059,986)
Highways and streets	1,040,141	-	-	52,643	(987,498)	-	(987,498)
Maintenance	211,761	-	-	-	(211,761)	-	(211,761)
Culture and recreation	409,764	334,572	-	-	(75,192)	-	(75,192)
Community redevelopment	175	-	-	-	(175)	-	(175)
Interest on long-term debt	170,013	-	-	-	(170,013)	-	(170,013)
Total governmental activities	22,086,459	958,048	2,356,787	52,643	(18,718,981)	-	(18,718,981)
Business-type activities							
Water	1,824,946	911,802	-	10,772	-	(902,372)	(902,372)
Sewer	2,584,176	1,901,497	-	-	-	(682,679)	(682,679)
Sanitation	1,074,857	672,801	-	-	-	(402,056)	(402,056)
Total business-type activities	5,483,979	3,486,100	-	10,772	-	(1,987,107)	(1,987,107)
Total primary government	\$ 27,570,438	\$ 4,444,148	\$ 2,356,787	\$ 63,415	(18,718,981)	(1,987,107)	(20,706,088)

(Continued)

See accompanying notes

City of Springfield, Florida
Statement of Activities (Continued)
Year Ended September 30, 2019

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

	Governmental Activities	Business-type Activities	Total
General revenues			
Taxes			
Ad valorem taxes	\$ 694,052	\$ -	\$ 694,052
Utility taxes	504,877	-	504,877
Local option gas tax	197,100	-	197,100
Communications services tax	112,802	-	112,802
Half-cent sales tax	1,864,146	-	1,864,146
Local business tax	13,467	-	13,467
State shared revenues	531,936	-	531,936
Franchise fees	412,298	-	412,298
Impact fees	-	20,567	20,567
Miscellaneous revenues	81,636	38,161	119,797
Loss on disposal of assets	-	(156,911)	(156,911)
Total general revenues	4,412,314	(98,183)	4,314,131
Transfers	(846,250)	846,250	-
Total general revenues and transfers	3,566,064	748,067	4,314,131
Change in net position before extraordinary item	(15,152,917)	(1,239,040)	(16,391,957)
Extraordinary item	2,550,615	-	2,550,615
Change in net position	(12,602,302)	(1,239,040)	(13,841,342)
Net position - beginning of year (as originally reported)	(5,062,554)	16,623,867	11,561,313
Prior period adjustment	(163,201)	137,924	(25,277)
Net position - beginning of year (as restated)	(5,225,755)	16,761,791	11,536,036
Net position - end of year	\$ (17,828,057)	\$ 15,522,751	\$ (2,305,306)

See accompanying notes

City of Springfield, Florida
Balance Sheet
Governmental Funds
September 30, 2019

	General	Community Redevelopment	Total
Assets			
Cash and cash equivalents	\$ 1,442,549	\$ -	\$ 1,442,549
Due from other funds	1,505,554	-	1,505,554
Due from other governments	1,251,709	-	1,251,709
Restricted assets - cash and cash equivalents	20,926	9,263	30,189
Total assets	\$ 4,220,738	\$ 9,263	4,230,001
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 7,444,960	\$ -	7,444,960
Accruals	211,327	-	211,327
Customer deposits	9,163	-	9,163
Due to other funds	3,075,539	700	3,076,239
Total liabilities	10,740,989	700	10,741,689
Fund balances			
Restricted			
Law enforcement education	20,926	-	20,926
Community redevelopment fund	-	8,563	8,563
Unassigned	(6,541,177)	-	(6,541,177)
Total fund balance (deficit)	(6,520,251)	8,563	(6,511,688)
Total liabilities and fund balances	\$ 4,220,738	\$ 9,263	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			6,731,145
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.			(20,129,485)
Deferred outflows and inflows of resources are not financial resources or liabilities and therefore are not reported in the funds.			2,081,971
Net position of governmental activities			\$ (17,828,057)

See accompanying notes

City of Springfield, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2019

	General	Community Redevelopment	Total
Revenues			
Taxes			
Ad valorem taxes	\$ 694,052	\$ -	\$ 694,052
Utility taxes	504,877	-	504,877
Local option gas tax	197,100	-	197,100
Communications services tax	112,802	-	112,802
Half-cent sales tax	1,864,146	-	1,864,146
Local business tax	13,467	-	13,467
Intergovernmental	697,306	-	697,306
Licenses and permits	486,505	-	486,505
Franchise fees	412,298	-	412,298
Charges for services	93,483	-	93,483
Fines and forfeitures	45,066	-	45,066
Rents	334,572	-	334,572
Grants	2,191,417	-	2,191,417
Contributions and donations	31,643	-	31,643
Other fees and miscellaneous	81,405	-	81,405
Total revenues	7,760,139	-	7,760,139
Expenditures			
Current			
General government	15,634,694	-	15,634,694
Public safety	3,687,765	-	3,687,765
Highways and streets	650,793	-	650,793
Maintenance	153,794	-	153,794
Culture and recreation	314,607	-	314,607
Community redevelopment	-	175	175
Debt service			
Principal	140,000	-	140,000
Interest and fiscal charges	126,552	-	126,552
Capital outlay			
General government	146,898	-	146,898
Public safety	969,041	-	969,041
Highways and streets	124,461	-	124,461
Maintenance	72,152	-	72,152
Culture and recreation	4,493	-	4,493
Total expenditures	22,025,250	175	22,025,425
Excess (deficit) of revenues over (under) expenditures	(14,265,111)	(175)	(14,265,286)

(Continued)

See accompanying notes

City of Springfield, Florida
Statement of Revenues, Expenditures, and
Changes in Fund Balances (Continued)
Governmental Funds
Year Ended September 30, 2019

	General	Community Redevelopment	Total
Other financing sources (uses)			
Debt proceeds	\$ 7,000,000	\$ -	\$ 7,000,000
Insurance proceeds	3,931,603	-	3,931,603
Total other financing sources (uses)	10,931,603	-	10,931,603
Net change in fund balances	(3,333,508)	(175)	(3,333,683)
Fund balance (deficit) - beginning (as originally reported)	(3,023,542)	8,738	(3,014,804)
Prior period adjustment	(163,201)	-	(163,201)
Fund balance (deficit) - beginning (as restated)	(3,186,743)	8,738	(3,178,005)
Fund balance (deficit) - ending	\$ (6,520,251)	\$ 8,563	\$ (6,511,688)

See accompanying notes

City of Springfield, Florida

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2019**

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

Net change in fund balances - total governmental funds (page 17)	\$ (3,333,683)
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.	837,113
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, and donations) is to decrease net assets.	(1,361,335)
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.	(1,840,936)
The issuance of long-term debt (i.e. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(6,903,461)
Change in net position of governmental activities (page 14)	\$ (12,602,302)

See accompanying notes

City of Springfield, Florida
Statement of Net Position
Proprietary Funds
September 30, 2019

Business-type Activities/Enterprise Funds				
	Water	Sewer	Sanitation	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 300	\$ 1,183,316	\$ 224,065	\$ 1,407,681
Accounts receivable, net	100,287	221,968	78,242	400,497
Due from joint venture	-	572,214	-	572,214
Due from other governments	41,810	260,193	-	302,003
Due from other funds	55,842	1,739,175	528,148	2,323,165
Total current assets	198,239	3,976,866	830,455	5,005,560
Noncurrent assets				
Restricted assets - cash and cash equivalents				
Customer deposits	680,107	-	-	680,107
Impact fees	117,574	273,417	-	390,991
Held in escrow	421,122	-	-	421,122
Restricted assets - due from other funds				
Impact fees	518,432	488,530	-	1,006,962
Investment in joint venture	-	3,226,194	-	3,226,194
Capital assets				
Nondepreciable	189,082	1,009,831	127,713	1,326,626
Depreciable, net	4,683,520	10,667,254	20,405	15,371,179
Total noncurrent assets	6,609,837	15,665,226	148,118	22,423,181
Total assets	6,808,076	19,642,092	978,573	27,428,741
Deferred outflows of resources				
Deferred outflows - pension	94,764	75,520	-	170,284
Total deferred outflows of resources	94,764	75,520	-	170,284
Liabilities				
Current liabilities				
Accounts payable	155,534	368,539	63,371	587,444
Accrued interest	58,693	-	-	58,693
Accrued payroll liabilities	5,878	6,155	-	12,033
Accrued compensated absences	409	205	-	614

(Continued)

See accompanying notes

City of Springfield, Florida
Statement of Net Position (Continued)
Proprietary Funds
September 30, 2019

Business-type Activities/Enterprise Funds				
	Water	Sewer	Sanitation	Total
Due to other funds	\$ 1,702,700	\$ 56,742	\$ -	\$ 1,759,442
Obligations under capital leases - current portion	120,616	-	-	120,616
Customer deposits	708,025	-	-	708,025
Notes payable - current portion	21,858	396,934	20,000	438,792
Total current liabilities	2,773,713	828,575	83,371	3,685,659
Noncurrent liabilities				
Accrued compensated absences	2,320	1,159	-	3,479
Obligations under capital leases - net of current portion	1,163,571	-	-	1,163,571
Notes payable - net of current portion	1,588,668	4,086,912	40,000	5,715,580
Net pension liability	195,301	147,956	-	343,257
Other postemployment benefits liability	570,881	570,881	-	1,141,762
Total noncurrent liabilities	3,520,741	4,806,908	40,000	8,367,649
Total liabilities	6,294,454	5,635,483	123,371	12,053,308
Deferred inflows of resources				
Deferred inflows - pension	13,067	9,899	-	22,966
Total deferred inflows of resources	13,067	9,899	-	22,966
Net position				
Net investment in capital assets	2,399,011	7,193,239	88,118	9,680,368
Restricted - impact fees	636,006	761,947	-	1,397,953
Unrestricted	(2,439,698)	6,117,044	767,084	4,444,430
Total net position	\$ 595,319	\$ 14,072,230	\$ 855,202	\$ 15,522,751

See accompanying notes

City of Springfield, Florida
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2019

Business-type Activities/Enterprise Funds				
	Water	Sewer	Sanitation	Total
Operating revenues				
Charges for services				
Sales	\$ 782,203	\$ 1,756,216	\$ 661,549	\$ 3,199,968
Connection/reconnection fees	98,041	-	-	98,041
Penalties	12,708	31,487	11,252	55,447
Tap fees	18,850	14,045	-	32,895
Other income	38,161	-	-	38,161
Impact fees	15,644	4,923	-	20,567
Total operating revenues	965,607	1,806,671	672,801	3,445,079
Operating expenses				
Personnel services	291,378	229,265	-	520,643
Professional services	98,743	92,963	79,769	271,475
Contractual services	57,213	27,592	816,601	901,406
Insurance	72,500	72,500	10,000	155,000
Repairs and maintenance	68,745	42,187	2,160	113,092
Operating supplies	41,147	43,075	8,069	92,291
Communication services	15,974	15,038	11,213	42,225
Public utility purchases	664,476	1,183,088	3,144	1,850,708
Rentals	111,578	111,244	111,051	333,873
Printing and binding	580	58	-	638
Bad debt	-	9,229	7,724	16,953
Miscellaneous	117,932	9,627	23,332	150,891
Depreciation	187,842	497,356	1,794	686,992
Total operating expenses	1,728,108	2,333,222	1,074,857	5,136,187
Net operating loss	(762,501)	(526,551)	(402,056)	(1,691,108)

(Continued)

See accompanying notes

City of Springfield, Florida
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
Year Ended September 30, 2019

Business-type Activities/Enterprise Funds				
	Water	Sewer	Sanitation	Total
Nonoperating revenues (expenses)				
Reallocation of liabilities	\$ 212,713	\$ 219,104	\$ 414,433	\$ 846,250
Income from joint venture	-	99,749	-	99,749
Interest expense	(96,838)	(250,954)	-	(347,792)
Grants	10,772	-	-	10,772
Gain (loss) on asset disposal	(73,481)	(67,772)	(15,658)	(156,911)
Total nonoperating revenues (expenses)	53,166	127	398,775	452,068
Change in net position	(709,335)	(526,424)	(3,281)	(1,239,040)
Net position - beginning (as originally reported)	1,249,230	14,526,154	848,483	16,623,867
Prior period adjustment	55,424	72,500	10,000	137,924
Net position - beginning (as restated)	1,304,654	14,598,654	858,483	16,761,791
Net position - ending	\$ 595,319	\$ 14,072,230	\$ 855,202	\$ 15,522,751

See accompanying notes

City of Springfield, Florida
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2019

Business-type Activities/Enterprise Funds				
	Water	Sewer	Sanitation	Total
Operating activities				
Receipts from customers and users	\$ 1,061,287	\$ 1,710,826	\$ 709,100	\$ 3,481,213
Payments to suppliers and others	(1,144,299)	(1,395,346)	(1,092,828)	(3,632,473)
Payments for personnel services	(250,427)	(195,386)	(2,315)	(448,128)
Net cash provided (used) by operating activities	(333,439)	120,094	(386,043)	(599,388)
Noncapital financing activities				
Proceeds from grants	10,772	-	-	10,772
Changes in internal balances	1,215,773	213,622	431,833	1,861,228
Net cash provided by noncapital financing activities	1,226,545	213,622	431,833	1,872,000
Capital and related financing activities				
Proceeds from notes payable	10,772	862,508	-	873,280
Proceeds from obligations under capital leases	1,400,000	-	-	1,400,000
Principal paid on notes payable	(20,000)	(226,721)	(20,000)	(266,721)
Interest paid on notes payable	-	(250,954)	-	(250,954)
Principal paid on obligations under capital leases	(115,813)	-	-	(115,813)
Interest paid on obligations under capital leases	(58,062)	-	-	(58,062)
Purchases of capital assets	(1,300,131)	(966,316)	(21,109)	(2,287,556)
Net cash used by capital and related financing activities	(83,234)	(581,483)	(41,109)	(705,826)
Net increase (decrease) in cash and cash equivalents	809,872	(247,767)	4,681	566,786
Cash and cash equivalents - beginning	409,231	1,704,500	219,384	2,333,115
Cash and cash equivalents - ending	\$ 1,219,103	\$ 1,456,733	\$ 224,065	\$ 2,899,901
Cash and cash equivalents classified as				
Current assets	\$ 300	\$ 1,183,316	\$ 224,065	\$ 1,407,681
Restricted assets	1,218,803	273,417	-	1,071,098
Total cash and cash equivalents	\$ 1,219,103	\$ 1,456,733	\$ 224,065	\$ 2,899,901

(Continued)

See accompanying notes

City of Springfield, Florida
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2019

**Reconciliation of net operating loss
to net cash provided (used) by
operating activities**

Net operating loss	\$ (762,501)	\$ (526,551)	\$ (402,056)	\$ (1,691,108)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities				
Depreciation	187,842	497,356	1,794	686,992
(Increase) decrease in assets				
Accounts receivable, net	120,369	79,128	36,299	235,796
Prepays	1,472	918	-	2,390
Due from other governments	(41,810)	(174,973)	-	(216,783)
Decrease in deferred outflows of resources	(3,266)	(3,100)	-	(6,366)
Increase (decrease) in liabilities				
Accounts payable	103,117	210,337	(19,765)	293,689
Accrued payroll liabilities	339	2,525	(198)	2,666
Accrued compensated absences	(521)	(2,554)	(2,117)	(5,192)
Net pension liability	33,304	25,231	-	58,535
Other postemployment benefits liability	13,910	13,910	-	27,820
Customer deposits	17,121	-	-	17,121
Decrease in deferred inflows of resources	(2,815)	(2,133)	-	(4,948)
Total adjustments	429,062	646,645	16,013	1,091,720
Net cash provided (used) by operating activities	\$ (333,439)	\$ 120,094	\$ (386,043)	\$ (599,388)

Noncash investing and financing activities

Reclassification of net pension liability and other postemployment benefits between funds	\$ 212,713	\$ 219,104	\$ 414,433	\$ 846,250
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See accompanying notes

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Springfield, Florida (City), was incorporated under the provisions of Chapter 57-1871, Laws of Florida. The current City Charter, authorizes the following services: general government, public safety, highways and streets, maintenance, culture and recreation, water, sewer, and sanitation. Education, health, and welfare are administered by other governmental entities.

Reporting Entity

The City is governed by an elected mayor and four-member governing commission (City Commission). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

In evaluating the City as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification.

Blended Component Units

The Community Redevelopment Agency (CRA) was organized to finance development within the geographic boundaries of the community redevelopment area. Although legally separate, the CRA 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 CRA and the services provided by the CRA create a financial benefit relationship with the City. The CRA does not issue separate financial statements. Their financial statements are included in the City's financial statements as a special revenue fund.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

City of Springfield, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

City of Springfield, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary funds are reported using the *economic resources measurement* focus and the *accrual basis of accounting*.

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water, sewer, and sanitation services functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *community redevelopment fund* is used to account for tax increments revenues derived from taxable real property within the geographic boundaries of the community redevelopment area to finance development within that area.

The City reports the following major enterprise funds:

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

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

City of Springfield, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, community redevelopment fund, special revenue funds and debt service fund. The capital projects funds are appropriated on a project-length basis. Certain special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level per Florida Statutes which provides 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.

City of Springfield, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 required supplementary information 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, when applicable.

Excess of expenditures over appropriations

For the year ended September 30, 2019, expenditures exceeded appropriations in the general fund (the legal level of budgetary control) by \$15,227,856.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Cash and cash equivalents

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

Receivables and payables

Unbilled receivables – An amount for unbilled revenue is recorded in the water, sewer, and sanitation funds for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 60 days are subject to being considered as uncollectible.

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the fund financial statements. Long-term borrowings between funds are classified as "advances to other funds" or "advances from other funds" in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are netted as part of the reconciliation to the government-wide presentation.

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Customer deposits – Deposited in noninterest bearing accounts and refunded upon termination of service with the City and satisfaction of all obligations due.

Impact fees – Includes certain proceeds from impact fees collected for specific purposes but unspent at year-end.

Held in escrow – Includes the balance of proceeds from a \$1,400,000 lease agreement which were unspent as of year-end.

Community redevelopment fund – Includes funds received related to the tax increments revenues derived from taxable real property within the geographic boundaries of the community redevelopment area.

Law enforcement education – Funds generated from fines and confiscated property applied towards further education and enhancement of the police department pursuant to state statutes.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, 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, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Donated or contributed capital assets are recorded at acquisition value at the date received.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method generally over the following estimated useful lives:

City of Springfield, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings	20-40 years
Improvements	5-40 years
Equipment	3-10 years
Infrastructure	10-50 years
Streets	15-40 years

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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has two (2) items that qualify for reporting as deferred outflows of resources, the *deferred outflows related to other postemployment benefits* and the *deferred outflows related to pensions*, both reported in the government-wide and proprietary funds statements of net position. The deferred outflows related to other postemployment benefits are related to contributions made after the measurement date. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting as deferred inflows of resources. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Accumulated sick leave lapses when employees leave the employ of the City and, accordingly upon separation from service, no monetary obligation exists.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits Liability

For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The City has a single employer OPEB plan. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Categories and Classification of Fund Equity

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In

City of Springfield, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The governing commission has authorized the finance director and mayor to assign fund balance. The commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the general fund.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or

City of Springfield, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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.

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 mills for general operations. The City's millage rate for the year ended September 30, 2019, was 3.4650 mills.

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.

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, sewer fund, and sanitation fund are charges to customers for sales and services. The proprietary funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through August 25, 2020, the date that the financial statements were available to be issued. See note 11 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In fiscal year 2019, the City implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. Additional information can be found in note 3.

The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in future years. These statements are as follows:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement 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 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 receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of

City of Springfield, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this statement are to improve the 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 31, 2021.

In January 2020, the GASB issued statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement are effective for reporting periods beginning after June 15, 2020.

City of Springfield, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2020, the GASB issued statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*. The primary objective of the statement is to provide temporary relief to governments in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

In June 2020, the GASB issued statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements for this statement are effective for reporting periods beginning after June 15, 2021.

The City is evaluating the requirements of the above statements and their impact on reporting.

Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net 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	\$ 9,099,269
Less: accumulated depreciation	(2,368,124)
<hr/>	
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position of governmental activities</i>	\$ 6,731,145
<hr/>	

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:

City of Springfield, Florida
Notes to Financial Statements

Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Notes payable	\$ (7,420,000)
Accrued interest	(43,461)
Other postemployment benefits liability	(7,010,175)
Net pension liability	(5,574,961)
Accrued compensated absences	(80,888)

Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position of governmental activities</i>	\$ (20,129,485)
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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	\$ 2,265,981
Deferred outflows of resources related to other postemployment benefits liability	188,993
Deferred inflows of resources related to net pension liability	(373,003)

Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position of governmental activities</i>	\$ 2,081,971
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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:

Capital outlay	\$ 1,317,045
Depreciation expense	(479,932)

Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ 837,113
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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:

City of Springfield, Florida
Notes to Financial Statements

Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Compensated absences	\$ (8,242)
Deferred outflows of resources	51,287
Deferred inflows of resources	80,351
Pension expenses	(950,694)
Other postemployment benefits	(167,388)
Transfer related to reallocation of pension and other postemployment benefits	(846,250)
<hr/>	
Net adjustment to decrease <i>net change in fund balances – total</i> governmental funds to arrive at <i>change in net position of</i> <i>governmental activities</i>	\$ (1,840,936)

Another element of that reconciliation is the issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, the statement of net position reports interest accrued on long-term debt, whereas only the current interest expense is reported in the general fund. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows:

Long-term debt	
Principal payments on capital lease obligations	\$ 140,000
Proceeds from debt	(7,000,000)
Accrued interest expense	(43,461)
<hr/>	
Net adjustment to increase <i>net change in fund balances – total</i> governmental funds to arrive at <i>change in net position of</i> <i>governmental activities</i>	\$ (6,903,461)

Another element of that reconciliation is the net effect of miscellaneous noncash transactions involving capital assets (e.g. sales, trade-ins, adjustments, donations, and impairments) that do not effect current financial resources is not reported in the governmental funds. The details of this difference are as follows:

Donation of capital assets	\$ 21,000
Impairment of capital assets	(1,382,335)
<hr/>	
Net adjustment to decrease <i>net change in fund balances – total governmental</i> <i>funds to arrive at change in net position of governmental activities</i>	\$ (1,361,335)

Note 3: DETAILED NOTES ON ALL FUNDS

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.

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

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the City places its deposits are certified as “qualified public depositories,” as required under the Florida Security for Public Deposits Act. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2019, the City did not hold any deposits or investments that were considered to be a custodial credit risk.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City's investment policy limits interest rate risk by requiring that an attempt be made to match investment maturities with known cash needs and anticipated cash flow requirements. In addition, investments of current operating funds are required to have maturities of no longer than twelve months.

City of Springfield, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Credit risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The City's investment policy limits investments to securities with specific ranking criteria. At September 30, 2019, the City did not hold any investments that were considered to be a credit risk.

Concentration risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The City's investment policy does not address concentration risk. As September 30, 2019, the City did not hold any investments that were considered to be a concentration of credit risk.

Accounts Receivable

For the water, sewer, and sanitation utility funds, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to September 30, 2019 (unbilled receivable), is estimated and accrued at year-end. If payments are not received from customers, services are shut off and deposits are applied against negative balances.

All account receivables are shown net of allowances for uncollectable accounts for governmental funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2019, were as follows:

	Accounts Receivable	Unbilled Receivable	Allowance for Uncollectible	Net
General fund	\$ -	\$ -	\$ -	-
Enterprise funds				
Water fund	6,387	111,378	(17,478)	100,287
Sewer fund	951	251,798	(30,781)	221,968
Sanitation fund	6,786	79,128	(7,672)	78,242
Total	\$ 14,124	\$ 442,304	\$ (55,931)	\$ 400,497

Property taxes are considered fully collected during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are receivable as of September 30, 2019.

Capital Assets

The following is a summary of changes in capital assets of the governmental activities during the year ended September 30, 2019:

City of Springfield, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	Restated September 30, 2018	Increases	Decreases	September 30, 2019
Capital assets, not being depreciated				
Land	\$ 1,581,328	\$ -	\$ -	\$ 1,581,328
Construction in progress	-	25,650	-	25,650
Total capital assets, not being depreciated	1,581,328	25,650	-	1,606,978
Capital assets, being depreciated				
Buildings	1,774,075	312,310	(1,745,725)	340,660
Streets	1,477,081	74,242	-	1,551,323
Improvements	3,179,457	146,480	(655,819)	2,670,118
Intangible assets	50,571	-	-	50,571
Machinery and equipment	3,497,179	779,363	(1,396,923)	2,879,619
Total capital assets, being depreciated	9,978,363	1,312,395	(3,798,467)	7,492,291
Less accumulated depreciation				
Buildings	1,206,757	11,368	(1,188,197)	29,928
Streets	232,759	89,117	-	321,876
Improvements	877,855	76,624	(331,950)	622,529
Intangible assets	49,518	1,053	-	50,571
Machinery and equipment	1,937,435	301,770	(895,985)	1,343,220
Total accumulated depreciation	4,304,324	479,932	(2,416,132)	2,368,124
Total capital assets, being depreciated (net of accumulated depreciation)	5,674,039	832,463	(1,382,335)	5,124,167
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 7,255,367	\$ 858,113	\$ (1,382,335)	\$ 6,731,145

See note 10 for details related to the restatement of the balance as of September 30, 2018.

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2019:

City of Springfield, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	Water	Sewer	Sanitation	Total
Land	\$ 104,865	\$ 147,322	\$ 127,713	\$ 379,900
Construction in progress	84,217	862,509	-	946,726
Buildings and improvements	43,823	43,822	21,109	108,754
Distribution system	5,907,601	13,810,570	-	19,718,171
Intangible assets	41,469	41,469	41,469	124,407
Equipment and furniture	508,695	1,235,399	28,895	1,772,989
Total	6,690,670	16,141,091	219,186	23,050,947
Less accumulated depreciation				
Buildings and improvements	1,423	1,423	704	3,550
Distribution system	1,594,858	3,760,931	-	5,355,789
Intangible assets	41,469	41,469	41,469	124,407
Equipment and furniture	180,318	660,183	28,895	869,396
Total accumulated depreciation	1,818,068	4,464,006	71,068	6,353,142
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 4,872,602	\$ 11,677,085	\$ 148,118	\$ 16,697,805

The following is a summary of changes in capital assets of the business-type activities during the year ended September 30, 2019:

	Restated September 30, 2018	Increases	Decreases	September 30, 2019
Capital assets, not being depreciated				
Land	\$ 379,900	\$ -	\$ -	\$ 379,900
Construction in progress	7,086,404	884,051	(7,023,729)	946,726
Total capital assets, not being depreciated	7,466,304	884,051	(7,023,729)	1,326,626

(Continued)

City of Springfield, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	Restated September 30, 2018	Increases	Decreases	September 30, 2019
Capital assets, being depreciated				
Buildings and improvements	\$ 73,486	\$ 108,754	\$ (73,486)	\$ 108,754
Distribution system	12,413,970	8,172,973	(868,772)	19,718,171
Intangible assets	124,407	-	-	124,407
Machinery and equipment	1,939,422	145,506	(311,939)	1,772,989
Total capital assets, being depreciated	14,551,285	8,427,233	(1,254,197)	21,724,321
Less accumulated depreciation				
Buildings and improvements	31,072	3,550	(31,072)	3,550
Distribution system	5,616,907	541,186	(802,304)	5,355,789
Intangible assets	121,815	2,592	-	124,407
Machinery and equipment	993,642	139,664	(263,910)	869,396
Total accumulated depreciation	6,763,436	686,992	(1,097,286)	6,353,142
Total capital assets, being depreciated, net	7,787,849	7,740,241	(156,911)	15,371,179
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 15,254,153	\$ 8,624,292	\$ (7,180,640)	\$ 16,697,805

See note 10 for details related to the restatement of the balance as of September 30, 2018.

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

Governmental activities	
General government	\$ 14,286
Public safety	189,603
Highways and streets	244,373
Maintenance	8,618
Culture and recreation	23,052
Total depreciation expense - governmental activities	\$ 479,932

City of Springfield, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

Business-type activities		
Water	\$	187,842
Sewer		497,356
Sanitation		1,794
<hr/>		
Total depreciation expense - business-type activities	\$	686,992
<hr/>		

Long-term Debt and Liabilities

Long-term debt for governmental activities is as follows:

September 30, 2019

\$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. 70% of note allocated to governmental activities with the remaining 30% allocated to enterprise funds.	\$	420,000
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\$7,000,000 Hurricane Recovery Revenue Note, Series 2019 for financing and reimbursing the City for certain costs associated with Hurricane Michael response, recovery and mitigation, including debris removal and stormwater system repair and/or such other capital improvements as established by the Commission of the City. The note has a variable interest rate equal to (a) 79% of LIBOR rates, plus (b) 72 basis points with interest payable semi-annually commencing July 1, 2019 with the principal paid at maturity on January 1, 2022. Interest rate in effect as of September 30, 2019 was 2.3885%.	7,000,000
Total notes payable	7,420,000
Less amounts due within one year	(140,000)
Notes payable amount due in more than one year	\$ 7,280,000

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

City of Springfield, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Years Ending September 30,	\$800,000 Promissory Note		\$7,000,000 Recovery Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 140,000	\$ -	\$ -	\$ 142,060	\$ 140,000	\$ 142,060
2021	140,000	-	-	142,060	140,000	142,060
2022	140,000	-	7,000,000	142,060	7,140,000	142,060
Total	\$ 420,000	\$ -	\$ 7,000,000	\$ 426,180	\$ 7,420,000	\$ 426,180

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

September 30, 2019

\$2,796,462 Drinking Water State Revolving Fund Loan; principal and interest payable semiannually. Minimum required semiannual loan payments are \$94,726 including interest at 2.64%. The loan is secured by a pledge of the net revenues of the water system and matures April 2029. The loan agreement was amended to allow for a suspension of payments for fiscal year 2019 due to hardships from Hurricane Michael. See (a) below. \$ 1,508,839

\$150,000 Drinking Water State Revolving Fund Loan; principal and interest payable semiannually. Minimum required semiannual loan payments are \$2,263 after 50% loan forgiveness including interest at 1.55%. The loan is secured by a pledge of the net revenues of the water and sewer system and matures November 2029. See (b) below. 41,687

\$6,104,730 Clean Water State Revolving Fund Loan; principal payable semiannually. Minimum required semiannual loan payments after 68% loan forgiveness are \$52,093 including interest at 0.2% on \$500,000 of the loan amount and 0.0% on the remaining balance. The loan is secured by a pledge of the net revenues of the sewer system and matures September 2038. See (c) below. 2,021,155

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. 1,540,183

\$6,404,835 Wastewater Treatment Facility Construction Loan; principal payable semiannually. Minimum required semiannual loan payments are \$22,063 including interest at 0.21%. The loan is secured by a pledge of the net revenues of the sewer system and matures June 2040. See (d) below. 862,508

(Continued)

City of Springfield, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (Continued)

September 30, 2019

\$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. 70% of note allocated to governmental activities with the remaining 30% allocated to enterprise funds.	
	\$ 180,000
Total notes payable	6,154,372
Less amounts due within one year	(438,792)
Total notes payable due in more than one year	\$ 5,715,580

- (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, 2019 totaled \$1,705,070. No payments were made in the current year due to an amendment approved to the loan which deferred payments of the loan for all of fiscal year 2019 and 2020.
- (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 \$41,687 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. The remaining principal and interest payments on this debt as of September 30, 2019 totaled \$45,247. No principal and interest were paid for the year ended September 30, 2019.
- (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 \$2,021,155 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. The remaining principal and interest payments on this debt as of September 30, 2019 totaled \$2,031,178. Principal and interest paid for the year ended September 30, 2019 and total pledged revenues were \$52,094 and a loss of \$34,118, respectively. Principal and interest payments were more than the pledged revenue for the year ended September 30, 2019.

City of Springfield, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (Continued)

- (d) The State Revolving Fund Loan of \$6,404,835 was issued March 8, 2019 to finance the cost of acquisition and construction of certain capital improvements in connection with the sewer system. The City has drawn on \$2,862,508 of available funds. 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. The remaining principal and interest payments on this debt as of September 30, 2019 totaled \$882,512. No principal and interest were paid for the year ended September 30, 2019.

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

\$1,400,000 Capital lease for the purchase and installation of an automated water metering system. Principal payable annually. Minimum required annual loan payments are \$173,875 including interest at 4.147%. Maturity date is September 2028.

	\$	1,284,187
Total obligations under capital leases		1,284,187
Less amounts due within one year		(120,616)
Total obligations under capital leases due in more than one year	\$	1,163,571

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

Years Ending September 30,	\$150,000 Drinking Water					
	\$2,796,462 Drinking Water		State Revolving Fund		\$6,104,730 Clean Water	
	State Revolving Fund Loan		Loan		State Revolving Fund Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ 1,857	\$ 405	\$ 103,203	\$ 984
2021	150,606	38,846	3,923	602	103,253	933
2022	154,609	34,844	3,984	541	103,303	883
2023	158,717	30,735	4,046	479	103,354	833
2024	162,935	26,517	4,109	416	103,404	782
2025-2029	881,972	65,289	21,525	1,100	517,781	3,150
2030-2034	-	-	2,243	17	519,059	1,874
2035-2039	-	-	-	-	467,798	584
Total	\$ 1,508,839	\$ 196,231	\$ 41,687	\$ 3,560	\$ 2,021,155	\$ 10,023

City of Springfield, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (Continued)

Years Ending September 30,	Due to Joint Venture		\$6,404,835 Wastewater Treatment Facility Construction Loan		\$800,000 Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 273,732	\$ 111,423	\$ -	\$ -	\$ 60,000	\$ -
2021	272,771	94,727	41,051	3,075	60,000	-
2022	289,146	77,075	42,423	1,703	60,000	-
2023	305,518	58,392	42,512	1,614	-	-
2024	164,754	38,676	42,601	1,524	-	-
2025-2029	234,262	37,478	214,352	6,275	-	-
2030-2034	-	-	216,615	4,014	-	-
2035-2039	-	-	218,900	1,729	-	-
2040	-	-	44,054	70	-	-
Total	\$ 1,540,183	\$ 417,771	\$ 862,508	\$ 20,004	\$ 180,000	\$ -

Years Ending September 30,	Capital Lease		Total	
	Principal	Interest	Principal	Interest
2020	\$ 120,616	\$ 53,259	\$ 559,408	\$ 166,071
2021	125,619	48,257	757,223	186,440
2022	130,828	43,047	784,293	158,093
2023	136,254	37,621	750,401	129,674
2024	141,905	31,970	619,708	99,885
2025-2029	628,965	66,537	2,498,857	179,829
2030-2034	-	-	737,917	5,905
2035-2039	-	-	686,698	2,313
2040	-	-	44,054	70
Total	\$ 1,284,187	\$ 280,691	\$ 7,438,559	\$ 928,280

Changes In Long-term Liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows for governmental activities:

Governmental activities	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ 560,000	\$ 7,000,000	\$ (140,000)	\$ 7,420,000	\$ 140,000
Net pension liability	4,323,775	1,251,186	-	5,574,961	-

(Continued)

City of Springfield, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Changes In Long-term Liabilities (Continued)

Governmental activities	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other postemployment benefits liability	\$ 6,163,542	\$ 846,633	\$ -	\$ 7,010,175	\$ -
Accrued compensated absences	72,646	80,888	(72,646)	80,888	12,133
Total governmental activities	\$ 11,119,963	\$ 9,178,707	\$ (212,646)	\$ 20,086,024	\$ 152,133

See note 10 for details related to the restatement of the balance as of September 30, 2018.

Long-term liability activity for the year ended September 30, 2019, was as follows for business-type activities:

Business-type activities	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ 5,547,814	\$ 995,372	\$ (388,814)	\$ 6,154,372	\$ 438,792
Obligations under capital leases	-	1,400,000	(115,813)	1,284,187	120,616
Net pension liability	585,213	-	(241,956)	343,257	-
Other postemployment benefits liability	1,793,187	-	(651,425)	1,141,762	-
Accrued compensated absences	9,285	4,093	(9,285)	4,093	614
Total business-type activities	\$ 7,935,499	\$ 2,399,465	\$ (1,407,293)	\$ 8,927,671	\$ 560,022

See note 10 for details related to the restatement of the balance as of September 30, 2018.

Compensated absences, other postemployment benefits liability and the net pension liability will be liquidated in future periods primarily by the general fund for governmental activities. Business-type activities' compensated absences will be liquidated by the respective proprietary fund.

City of Springfield, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables and Transfers

The composition of interfund balances and activity for the year ended September 30, 2019 is as follows:

Transfers to	Transfers from	Amount
Business-type Activities	Governmental Activities	\$ 846,250

The transfer from governmental activities to business-type activities relates to the reallocation of personnel related long-term liabilities for pensions and other postemployment benefits due to an overall reduction in personnel related to the water, sewer, and sanitation funds and an increase governmental fund employees particularly in the police and fire department.

Receivable fund	Payable fund	Amount
Water	General	\$ 518,432
Water	Sewer	55,842
Sewer	General	2,227,705
Sanitation	General	329,402
Sanitation	Water	197,846
Sanitation	Sewer	900
General	CRA	700
General	Water	1,504,854

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

Net Position Restrictions

The following is a description of reported net position restrictions in governmental activities and business-type activities at September 30, 2019.

Governmental activities	
Community redevelopment fund	\$ 8,563
Law enforcement education	20,926
Total governmental activities	29,489
Business-type activities	
Impact fees	1,397,953
Total	\$ 1,427,442

City of Springfield, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Net Investment In Capital Assets

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets, net	\$ 6,731,145	\$ 16,697,805	\$ 23,428,950
Outstanding debt related to capital assets	(420,000)	(7,438,559)	(7,858,559)
Restricted cash held in escrow	-	421,122	421,122
Net investment in capital assets	\$ 6,311,145	\$ 9,680,368	\$ 15,991,513

Deficit Balances

The general fund has a deficit unassigned fund balance of \$6,541,177 and a deficit in total deficit fund balance of \$6,520,251 at September 30, 2019.

The water fund has a deficit unrestricted net position balance of \$2,439,698 at September 30, 2019.

The government-wide governmental activities has a deficit unrestricted net position balance of \$24,168,691 and total net position deficit of \$17,828,057 at September 30, 2019.

Note 4: 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 or 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 from the Florida Department of Management Services' website (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

City of Springfield, Florida Notes to Financial Statements

Note 4: PENSION PLANS (Continued)

college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or are 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 provided by 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.

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, 2019 were as follows:

	October 1, 2018 Through June 30, 2019		July 1, 2019 Through September 30, 2019	
	FRS	HIS	FRS	HIS
Regular class	6.60%	1.66%	6.81%	1.66%
Special risk	22.84%	1.66%	23.82%	1.66%
Elected officials	47.04%	1.66%	47.16%	1.66%
DROP participants	12.37%	1.66%	12.94%	1.66%

The City's contributions for the year ended September 30, 2019, were \$455,038 to FRS and \$53,624 to HIS.

City of Springfield, Florida
Notes to Financial Statements

Note 4: PENSION PLANS (Continued)

Pension Liabilities and Pension Expenses

In its financial statements for the year ended September 30, 2019, the District reported a liability for its proportionate share of the net pension liability of FRS and its proportionate share of the net pension liability of HIS. The net pension liabilities were measured as of June 30, 2019. The District's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 4,858,720	\$ 1,059,498
Proportion at:		
Current measurement date	0.014108350%	0.009469118%
Prior measurement date	0.013115978%	0.009054956%
Pension expense (benefit)	\$ 1,299,421	\$ 112,400

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 288,185	\$ 3,015
Changes of assumptions	1,247,929	-
Net difference between projected and actual earnings on pension plan investments	-	268,810
Changes in proportion and differences between employer contributions and proportionate share of contributions	451,391	26,060
Employer contributions subsequent to the measurement date	126,232	-
Total	\$ 2,113,737	\$ 297,885

City of Springfield, Florida
Notes to Financial Statements

Note 4: PENSION PLANS (Continued)

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,869	\$ 1,297
Changes of assumptions	122,677	86,595
Net difference between projected and actual earnings on pension plan investments	684	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	141,118	10,192
Employer contributions subsequent to the measurement date	14,414	-
Total	\$ 291,762	\$ 98,084

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 year ending September 30, 2020. Other pension related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Measurement period ending June 30,	FRS	HIS
2020	\$ 552,790	\$ 51,739
2021	239,941	40,944
2022	429,630	35,519
2023	327,714	15,528
2024	110,885	18,648
Thereafter	28,660	16,886
Total	\$ 1,689,620	\$ 179,264

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2019. The total pension liability for FRS was determined by an actuarial valuation dated July 1, 2019. The total pension liability for HIS was determined by an actuarial valuation dated July 1, 2018. The total pension liability for each of the plans was determined using the individual entry-age normal actuarial cost method and the following significant actuarial assumptions:

City of Springfield, Florida
Notes to Financial Statements

Note 4: PENSION PLANS (Continued)

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	6.90%	N/A
Discount rate	6.90%	3.50%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB. For both plans, the actuarial assumptions used in the valuation dated July 1, 2019 were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The following changes in key actuarial assumptions occurred in 2019:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.0% to 6.9%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.87% to 3.5%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.3%	3.3%	1.2%
Fixed income	18.0%	4.1%	4.1%	3.5%
Global equity	54.0%	8.0%	6.8%	16.5%
Real estate (property)	10.0%	6.7%	6.1%	11.7%
Private equity	11.0%	11.2%	8.4%	25.8%
Strategic investments	6.0%	5.9%	5.7%	6.7%
	<u>100%</u>			

Discount Rate

The discount rate used to measure the total pension liability for FRS was 6.9%. 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.

City of Springfield, Florida Notes to Financial Statements

Note 4: PENSION PLANS (Continued)

Because HIS is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.5% 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		
	1% Decrease	Current	1% Increase
	5.90%	Discount Rate 6.90%	7.90%
City's proportionate share of the net pension liability	\$ 8,399,108	\$ 4,858,720	\$ 1,901,896
	HIS		
	1% Decrease	Current	1% Increase
	2.50%	Discount Rate 3.50%	4.50%
City's proportionate share of the net pension liability	\$ 1,209,473	\$ 1,059,498	\$ 934,589

Pension Plans' Fiduciary Net Position

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

Payables to the Pension Plan

As of September 30, 2019, the City reported payables to the pension plans in the amount of \$50,884.

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, 2019, totaled \$116,785.

Note 5: OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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. No stand alone report is issued for the Plan. The makeup of plan participants as of the September 30, 2017 valuation was as follows:

Retirees and beneficiaries	11
Active participants	86
<hr/>	
Total plan members	97

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, 2018.

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: 4.18% per year for measurement date September 30, 2018 and 3.64% per year for the measurement date September 30, 2017
- Salary increase rate: 2.50% per year

City of Springfield, Florida
Notes to Financial Statements

Note 5: OTHER POSTEMPLOYMENT BENEFITS (Continued)

- 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
- 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 4.18% based on the Bond Buyer 20-Bond Index published by the Federal Reserve.

Changes in the Total OPEB Plan Liability

September 30, 2019

Service cost	\$	802,527
Interest		315,536
Differences between expected and actual experience		-
Changes in assumptions		(739,975)
Changes in benefit terms		-
Contributions - employer		-
Benefits (payments) refunds		(182,880)
Net Change in OPEB liability		195,208
Total OPEB liability, beginning of year		7,956,729
Total OPEB liability, end of year	\$	8,151,937

City of Springfield, Florida
Notes to Financial Statements

Note 5: OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 (3.18 percent) or 1 percentage point higher (4.18 percent) than the current rate:

	1 % Decrease 3.18%	Current Discount Rate 4.18%	1% Increase 5.18%
Total OPEB Liability	\$ 9,599,217	\$ 8,151,937	\$ 6,995,969

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:

	1 % Decrease 3.0%-7.5%	Current Trend Rate 4.0%-8.5%	1 % Increase 5.0%-9.5%
Total OPEB Liability	\$ 587,150	\$ 8,151,937	\$ 9,772,374

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

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Employer contributions subsequent to the measurement date	219,759	-
Total	\$ 219,759	\$ -

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, 2020.

NOTE 6: 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 eEmployees; and natural disasters.

The City purchases separate commercial insurance coverage for workers' compensation, liability, and property damage. Coverage for workers' compensation and automobile claims are limited to the maximum liability exposure the City faces under Florida statutes. Coverage for general liability claims is a maximum of \$1,000,000 combined single limit.

The commercial insurance carried is a claims incurred policy for which the City is covered for claims originating against the City during the policy period. The amount of coverage is dependent on the date of the liability-imposing event. The City has maintained continuous coverage and does not believe it has any exposure to events which occurred prior to the year ended September 30, 2019.

Note 7: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the City is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the City or results of activities.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts not recorded, if any, to be immaterial.

Note 8: CONCENTRATIONS

The City purchases all of its residents' sanitation services from Mr. Trash II, LLC under an agreement dated September 12, 2016. The agreement is for a three year period from November 1, 2016 through November 1, 2019 with two automatic renewals of three years each unless notice is provided 90 days prior to expiration of the terms which did not occur as of September 30, 2019 to indicate the agreement was extended at year-end through November 1, 2022. During the year, the City paid this vendor \$809,990 under this contract for sanitation services provided to customers.

City of Springfield, Florida
Notes to Financial Statements

Note 9: 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, 2019, the City's investment in the joint venture was \$3,226,194. 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		
<i>September 30, 2019</i>		
<hr/>		
Assets		
Current assets	\$	11,219,984
Noncurrent assets		16,213,414
<hr/>		
Total assets		27,433,398
<hr/>		
Deferred outflows		
Deferred loss on bond refunding		574,976
<hr/>		
Liabilities		
Current liabilities		3,945,366
Noncurrent liabilities		5,622,000
<hr/>		
Total liabilities		9,567,366
<hr/>		
Net position	\$	18,441,008
<hr/>		

City of Springfield, Florida
Notes to Financial Statements

Note 9: INVESTMENT IN JOINT VENTURE (Continued)

Statement of Activities

Year ended September 30, 2019

Operating revenues	\$	6,065,320
Operating expenses		(4,835,997)
Operating income		1,229,323
Nonoperating revenues (expenses), net		(165,609)
Net income before distributions to owners		1,063,714
Distributions to owners		(843,242)
Change in net position		220,472
Net position, beginning		18,220,536
Net position, ending	\$	18,441,008

For the year ended September 30, 2019, the City had income from joint venture in the amount of \$99,749. As of September 30, 2019, the City owes the joint venture \$93,295.

The City's income from joint venture for the year ended September 30, 2019 is as follows:

City's share of operating income	\$	625,644
Decrease in reserve requirements		(525,895)
Income from joint venture	\$	99,749

City of Springfield, Florida
Notes to Financial Statements

Note 10: PRIOR PERIOD ADJUSTMENT

Subsequent to the issuance of the audited financial statements for the year ended September 30, 2018, 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, 2019 is shown below.

September 30, 2018	General Fund	Governmental Activities	Water	Sewer	Sanitation	Total Business- type Activities
Fund balance/net position (Deficit) - as originally reported	\$ (3,023,542)	\$ (5,062,554)	\$ 1,249,230	\$ 14,526,154	\$ 848,483	\$ 16,623,867
Prior period adjustment						
Reclassify notes payable between funds	-	240,000	(80,000)	(80,000)	(80,000)	(240,000)
Reclassify land between funds	-	(240,000)	80,000	80,000	80,000	240,000
Overstated expenses/ expenditures	60,837	60,837	72,500	72,500	10,000	155,000
Reclassify and depreciate asset from construction in progress	-	-	(17,076)	-	-	(17,076)
Overstated receivables	(224,038)	(224,038)	-	-	-	-
Total adjustment	(163,201)	(163,201)	55,424	72,500	10,000	137,924
Fund balance/net position (deficit) - as restated	\$ (3,186,743)	\$ (5,225,755)	\$ 1,304,654	\$ 14,598,654	\$ 858,483	\$ 16,761,791

Note 11: SUBSEQUENT EVENTS

Hurricane Michael

Subsequent to year-end, the City has been obligated \$15,131,834 from the Federal Emergency Management Agency for expenditures related to Hurricane Michael. Of this amount, \$11,080,343 is related to expenditures reported in fiscal year 2019 and \$4,051,491 is related to expenditures in fiscal year 2020. These amounts do not include the State of Florida's portion of certain projects, which can range from 0% to 12.5% of the project totals. There was no receivable recorded at September 30, 2019 since the funds were not obligated at that date and therefore, weren't considered available or due to the City at that time.

Note 11: SUBSEQUENT EVENTS (Continued)

COVID-19

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant impact on the operations of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Note 12: EXTRAORDINARY ITEM

The City was impacted by Hurricane Michael when it made landfall in October 2018. The City suffered an impairment loss of \$1,380,988 as a result of the hurricane related damage to its property and has received, thus far, \$3,931,603 for insurance recoveries. The insurance recoveries are included in other financing sources in the general fund column of the statement of activities and governmental fund revenues, expenditures and changes in fund balance, and shown as an extraordinary item in the statement of activities column, net of the impairment loss, for a net gain of \$2,550,615.

The total amount of damages related to Hurricane Michael has not been determined as of the report date. Thus, the actual costs for hurricane repairs could be higher than estimated at this time. If significant additional costs are incurred the City will request supplemental payments from their insurance carrier above the original estimates.

Required Supplementary Information

City of Springfield, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
Year Ended September 30, 2019

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes				
Ad valorem taxes	\$ 711,750	\$ 711,750	\$ 694,052	\$ (17,698)
Utility taxes	746,975	746,975	504,877	(242,098)
Local option gas tax	199,202	199,202	197,100	(2,102)
Communications services tax	175,452	175,452	112,802	(62,650)
Half-cent sales tax	2,371,547	2,371,547	1,864,146	(507,401)
Local business tax	20,000	20,000	13,467	(6,533)
Intergovernmental	-	-	697,306	697,306
Licenses and permits	508,945	509,839	486,505	(23,334)
Franchise fees	634,500	634,500	412,298	(222,202)
Charges for services	51,500	51,500	93,483	41,983
Fines and forfeitures	24,744	24,750	45,066	20,316
Rents	683,500	674,000	334,572	(339,428)
Grants	-	-	2,191,417	2,191,417
Contributions and donations	19,000	19,000	31,643	12,643
Other fees and miscellaneous	235,900	235,000	81,405	(153,595)
Total revenues	6,383,015	6,373,515	7,760,139	1,386,624
Expenditures				
Current				
General government				
Special governing	76,650	76,607	94,955	(18,348)
Administration	1,555,544	1,454,648	15,539,739	(14,085,091)
Total general government	1,632,194	1,531,255	15,634,694	(14,103,439)
Public safety				
Police	2,065,513	2,066,093	2,123,361	(57,268)
Fire	1,508,318	1,345,020	1,473,471	(128,451)
Protective services	137,628	80,025	90,933	(10,908)
Total public safety	3,711,459	3,491,138	3,687,765	(196,627)
Highways and streets	678,421	536,941	650,793	(113,852)
Maintenance	144,516	138,620	153,794	(15,174)
Culture and recreation				
Library	82,972	14,584	12,494	2,090
Recreation	314,610	250,919	302,113	(51,194)
Total culture and recreation	397,582	265,503	314,607	(49,104)

(Continued)

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City of Springfield, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund (Continued)
Year Ended September 30, 2019

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget
Capital outlay				
General government	\$ 97,670	\$ 97,670	\$ 146,898	\$ (49,228)
Public safety	341,267	341,267	969,041	(627,774)
Highways and streets	210,000	210,000	124,461	85,539
Maintenance	5,000	5,000	72,152	(67,152)
Culture and recreation	56,000	40,000	4,493	35,507
Total capital outlay	709,937	693,937	1,317,045	(623,108)
Debt service				
General government	140,000	140,000	266,552	(126,552)
Total expenditures	7,414,109	6,797,394	22,025,250	(15,227,856)
Excess (deficit) of revenues over				
(under) expenditures	(1,031,094)	(423,879)	(14,265,111)	(13,841,232)
Other financing sources (uses)				
Debt proceeds	-	-	7,000,000	7,000,000
Insurance proceeds	-	-	3,931,603	3,931,603
Transfers from other funds	1,031,094	423,879	-	(423,879)
Total other financing				
sources (uses)	1,031,094	423,879	10,931,603	10,507,724
Net change in fund balance	\$ -	\$ -	\$ (3,333,508)	\$ (3,333,508)

See independent auditors' report

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

September 30,	2019	2018
Total OPEB liability		
Service cost	\$ 802,527	\$ 869,500
Interest	315,536	263,643
Change of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	(739,975)	(837,979)
Benefits (payments) refunds	(182,880)	(168,166)
Total Change in OPEB liability	195,208	126,998
Total OPEB liability, beginning of year, as restated	7,956,729	7,829,731
Total OPEB liability, end of year (a)	\$ 8,151,937	\$ 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)	\$ 8,151,937	\$ 7,956,729
Plan fiduciary net position as a percentage of OPEB liability	0%	0%
Covered-employee payroll	\$ 2,938,588	\$ 2,866,915
Net OPEB liability as a percentage of covered-employee payroll	277%	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.

See independent auditors' report

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

September 30,	2019	2018
Contractually required contributions	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency/(excess)	\$ -	\$ -
Covered-employee payroll	\$ 2,938,588	\$ 2,866,915
Contribution as a percentage of covered-employee payroll	0%	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.

See independent auditors' report

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

June 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
City's proportion of the net pension liability	0.0141084%	0.0131160%	0.0118032%	0.0109979%	0.0100745%	0.0108840%	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability	\$ 4,858,720	\$ 3,950,601	\$ 3,492,491	\$ 2,776,988	\$ 1,301,259	\$ 664,085	N/A	N/A	N/A	N/A
City's covered payroll	3,166,880	2,958,706	2,644,578	2,468,455	2,273,026	2,334,996	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability as a percentage of its covered payroll	153.42%	133.52%	132.06%	112.50%	57.25%	28.44%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	N/A	N/A	N/A	N/A

* Disclosures for 2010 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

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

Year Ended September 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
Contractually required contribution	\$ 455,038	\$ 392,854	\$ 319,764	\$ 284,439	\$ 252,308	\$ 245,848	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(455,038)	(392,854)	(319,764)	(284,439)	(252,308)	(245,848)	N/A	N/A	N/A	N/A
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
City's covered payroll	\$ 3,229,751	\$ 3,028,629	\$ 2,700,307	\$ 2,604,097	\$ 2,314,821	\$ 2,284,080	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	14.09%	12.97%	11.84%	10.92%	10.90%	10.76%	N/A	N/A	N/A	N/A

* Disclosures for 2010 through 2013 are N/A because comparable information is not available at this time.

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

June 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
City's proportion of the net pension liability	0.0094691%	0.0090550%	0.0082968%	0.0079961%	0.0074845%	0.0078546%	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability	\$ 1,059,498	\$ 958,387	\$ 887,129	\$ 931,913	\$ 763,301	\$ 734,425	N/A	N/A	N/A	N/A
City's covered payroll	3,166,880	2,958,706	2,644,578	2,468,455	2,273,026	2,334,996	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability as a percentage of its covered payroll	33.46%	32.39%	33.55%	37.75%	33.58%	31.45%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	N/A	N/A	N/A	N/A

* Disclosures for 2010 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

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

Year Ended September 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
Contractually required contribution	\$ 53,624	\$ 50,287	\$ 44,814	\$ 43,237	\$ 31,315	\$ 26,937	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(53,624)	(50,287)	(44,814)	(43,237)	(31,315)	(26,937)	N/A	N/A	N/A	N/A
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
City's covered payroll	\$ 3,229,751	\$ 3,028,629	\$ 2,700,307	\$ 2,604,097	\$ 2,314,821	\$ 2,284,080	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.35%	1.18%	N/A	N/A	N/A	N/A

* Disclosures for 2010 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

Compliance Section

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, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 25, 2020. Our report disclaims opinions on such financial statements because we were unable to gather sufficient audit evidence to allow us to express opinions as described in the Basis for Disclaimer of Opinions 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, 2019-001 through 2019-010.

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, 2019-011 through 2019-015.

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

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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
August 25, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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* and the requirements described in the Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2019. The City's major federal programs and state projects 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 and state statutes, regulations, and the terms and conditions of its awards applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects 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; 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*. Those standards, the Uniform Guidance, and Chapter 10.550 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 or state project 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 and state project. 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 and state projects for the year ended September 30, 2019.

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 and state project 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 state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, 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 or state project 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 and state project 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 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, LLC

Certified Public Accountants
Panama City Beach, Florida
August 25, 2020

City of Springfield, Florida
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2019

Federal agency/pass-through entity Name of cluster/federal program	CFDA Number	Contract/ Grant ID No.	Passed Through to Subrecipients	Federal Expenditures
United States Environmental Protection Agency				
Passed through the State of Florida Department of Environmental Protection				
Drinking water state revolving fund cluster				
Capitalization grants for drinking water state revolving funds (loan)	66.468	DW030510	\$ -	\$ 10,772
Capitalization grants for drinking water state revolving funds (principal forgiveness)	66.468	DW030510	-	10,772
Total drinking water state revolving fund cluster			-	21,544
Total United States Environmental Protection Agency			-	21,544
Department of Homeland Security				
Passed through the State of Florida, Division of Emergency Management				
Disaster grants - public assistance (presidentially declared disasters)	97.036 *	FEMA - 75511	-	2,176,675
Disaster grants - public assistance (presidentially declared disasters)	97.036 *	FEMA - 24362	-	14,742
Total Department of Homeland Security			-	2,191,417
Total federal awards			\$ -	\$ 2,212,961
State agency				
State project	CSFA Number	Contract/ Grant ID No.	Passed Through to Subrecipients	State Expenditures
Florida Department of Environmental Protection				
Wastewater treatment facility construction (loan)	37.077 *	WW030520	\$ -	\$ 862,509
Total Florida Department of Environmental Protection			-	862,509
Total state financial assistance			\$ -	\$ 862,509

* denotes major program or project

(Continued)

See independent auditors' report and notes to schedule of expenditures of federal awards and state financial assistance

City of Springfield, Florida
Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)
Year Ended September 30, 2019

Capitalization grants for drinking water state revolving funds (loan) - balance September 30, 2018	DW030510	\$ 30,915
Current year expenditures of federal awards		<u>10,772</u>
Capitalization grants for drinking water state revolving funds (loan) - balance September 30, 2019		<u><u>\$ 41,687</u></u>
Wastewater treatment facility construction (loan) - balance September 30, 2018	WW030520	\$ -
Current year expenditures of state projects		<u>862,509</u>
Wastewater treatment facility construction (loan) - balance September 30, 2019		<u><u>\$ 862,509</u></u>

See independent auditors' report and notes to schedule of expenditures of federal awards and state financial assistance

City of Springfield, Florida
Notes to Schedule of Expenditures of Federal Awards and State
Financial Assistance

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying schedule of expenditures of federal awards and state financial assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance and the State of Florida Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not represent a complete presentation of the federal awards and state project activities of the City for the year ended September 30, 2019.

Note 2: INDIRECT COST RATE

The Uniform Guidance allows an organization to elect a 10% de minimis indirect cost rate. For the year ended September 30, 2019, the City did not elect to use this rate.

Note 3: LOAN/LOAN GUARANTEE OUTSTANDING BALANCES

In February 2018, the City of Springfield was awarded a \$150,000 loan from the State of Florida Department of Environmental Protection. This award is identified on the schedule under CFDA number 66.468, drinking water state revolving fund cluster. As of September 30, 2019, the City has accrued related expenses of \$83,374. In accordance with terms of the loan agreements, 50% or \$41,687 of the accrued expenses are to be forgiven. The City is obligated to repay the \$41,687 balance.

The City of Springfield was awarded a loan of \$6,404,835 in March 2019, from the State of Florida Department of Environmental Protection. This award is identified under CSFA number 37.077, wastewater treatment facility construction. As of September 30, 2019, the City has accrued related expenses of \$862,509 on the project. In accordance with loan agreements, the City is obligated to repay the \$862,509 balance.

Note 4: OTHER TYPES OF FINANCIAL ASSISTANCE

There were no other types of federal or state financial assistance to be reported that includes endowments, insurance in effect, noncash assistance, donated property or free rent.

City of Springfield, Florida
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|---|-----------------------|
| 1. Type of auditors' report issued | Disclaimer of Opinion |
| 2. Internal control over financial reporting | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified not considered to be material weaknesses? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---|
| 1. Internal control over major programs | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified not considered to be material weaknesses? | None Reported |
| 2. Type of auditors' report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosures that are required to be reported in accordance with 2 CFR 200.516(a) or Chapter 10.557, Rules of the Auditor General? | No |
| 4. Identification of major programs | |
| <u>CFDA/CSFA Number</u> | <u>Name of federal/state program or cluster</u> |
| 97.036 | Disaster grants - public assistance (presidentially declared disasters) |
| 37.077 | Wastewater treatment facility construction |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$750,000</u> |
| 6. Auditee qualified as low-risk auditee? | No |

(Continued)

City of Springfield, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

Section II – Financial Statement Findings

2019-001 Audit Adjusting Entries (prior years 2018-001 and 2017-001) (initially reported in 2007)

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

Criteria: The City is required 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. As recommended, the City will strive to reduce the number of proposed audit adjustments. However, management believes that the resources necessary to eliminate the finding would including hiring additional staff which would be cost prohibitive. Management does not believe the investment required to eliminate this finding would provide sufficient benefit to justify the cost.

2019-002 Financial Statement and Schedule of Expenditures of Federal Awards and State Financial Assistance Preparation (prior years 2018-002 and 2017-002) (initially reported in 2007)

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

Criteria: The City is required to be able to prepare its financial statements and schedule of expenditures of federal awards and state financial assistance.

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 schedule of expenditures of federal awards and state financial assistance.

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

City of Springfield, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

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 schedule of expenditures of federal awards and state financial assistance. Management does not believe the investment required to eliminate this finding would provide sufficient benefit to justify the cost.

2019-003 Bank Reconciliations (prior years 2018-003 and 2017-003) (initially reported in 2007)

Condition: The pooled cash general ledger bank account balance did not agree with related monthly and year-end reconciliations.

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: Management is not actively reviewing the monthly bank account reconciliations for accuracy. 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.

2019-004 Property and Equipment (prior years 2018-004 and 2017-005) (initially reported in 2007)

Condition: The City has obtained a better understanding of what property and equipment they have due to the effects of Hurricane Michael and the related insurance and grants. However, property and equipment records were still not complete and the property and equipment is not being properly tagged. An inventory was not taken during the year ended September 30, 2019.

Criteria: The State of Florida per Rule 69I-73 requires a documented physical inventory and inspection of property and equipment should be conducted at least annually. A reconciliation should be completed between the current year additions on the 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 capital assets.

City of Springfield, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

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 the required annual inventory of property and equipment.

Recommendation: Although the City has taken steps to improve their 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.

2019-005 Separation of Duties (prior years 2018-005 and 2017-006) (initially reported in 2009)

Condition: Due to the limited number of staff, the City does not have proper segregation of duties in many areas. Daily activities should be structured in a way that one person isn't assigned the responsibility for more than one of the following responsibilities: the approval of transactions, the custody of assets, or the recording of transactions. At the City, 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, there is no regular review of billing adjustments, and adjustments to cash are made by the same individual reconciling the bank accounts.

Criteria: To provide effective internal 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 and other assets, and misstatements of financial records through error or fraud.

Cause: Limited number of staff does not allow for adequate segregation of incompatible 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.

City of Springfield, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

2019-006 Uncorrected Account Balances (prior year 2018-017) (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 have not been properly reconciled to the new software system's general ledger.

Recommendation: We recommend that the City evaluate all balance sheet accounts for accuracy and make adjustments as necessary.

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

2019-007 Account Balances (prior years 2018-007 and 2017-008) (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.

City of Springfield, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

Views of Responsible Officials and Planned Corrective Action: The City agrees and will take steps to provide the necessary training for 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.

2019-008 Accounts Receivable and Customer Deposits (prior years 2018-008 and 2017-009) (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, 2019. Detailed reports were provided for water, sewer, and sanitation funds that did not agree to the general ledger by significant amounts.

Criteria: Detailed accounts receivable reports and customer deposit reports should be processed at the end of each month and 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 on a regular basis 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 posted.

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 and dated 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.

2019-009 Accounts Payable (prior years 2018-009 and 2017-010) (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 provided for water, sewer, and sanitation funds that 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.

City of Springfield, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

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 processes activity and how journal entries are posted.

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 and dated by the preparer and the reviewer so that responsibility can be easily determined. Finally, we recommend prior to the start of each year, the City review 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.

2019-010 Month-end Closing (prior years 2018-012 and 2017-013) (initially reported in 2010)

Condition: The City has started to setup a month-end closing process to review balances and provide monthly financial statements to governance and management but have not been able to implement those processes and procedures.

Criteria: Month-end closing procedures should be established and implemented 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: The City has started to setup a process but have not implemented a formal month-end closing process.

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

Views of Responsible Officials and Planned Corrective Action: We have setup a month-end process but are behind in implementing those processes. We will begin to implement a formal month-end closing process which includes the preparation of appropriate monthly financial statements.

City of Springfield, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

2019-011 Operating Expenditures in Excess of Budget (prior years 2018-013 and 2017-015) (initially reported in 2015)

Condition: General fund expenditures exceeded the approved budget in all of the City's general fund departments. The City prepared a budget amendment that was approved in January 2020, which would have resulted in only one department in excess of budget. This amendment was not reported in the financial statements as a legal amendment was not completed within the 60 days after year-end allowed by Florida Statutes.

Criteria: Amendments to the budget should be approved when expenditures exceed budgeted amounts within the time period allowed by Florida Statutes.

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

Cause: The City does not review the monthly financial statements for expenditures in excess of budget. The City did not prepare the final budget amendments in a timely manner per Florida Statutes.

Recommendation: We recommend regular review of budget variances and amend to the budget as needed. We also recommend that review be completed in a timely manner at or near year-end so a budget amendment can be completed and approved within 60 days of year-end as required by Florida Statutes.

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.

2019-012 Lack of Management Review (prior years 2018-014 and 2017-016) (initially reported in 2016)

Condition: Management is not actively reviewing the quarterly payroll tax returns, W-2's, and year-end payroll accrual. The City also does not have a process in place to review journal entries.

Criteria: All payroll documents and supporting schedules should be reviewed by someone independent of the preparation process to ensure that documents are accurate. All journal entries and supporting records should be reviewed by someone independent of the preparation process to ensure that journal entries are accurate and documentation is sufficient and appropriate.

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 or journal entry preparation.

Recommendation: We recommend that management designate a qualified person independent of the payroll preparation process to review, initial, and date all payroll related documents and supporting schedules. We also recommend that management designate a qualified person to review, initial, and date all journal entries and the related to documentation prior to posting.

City of Springfield, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

Views of Responsible Officials and Planned Corrective Action: The City has implemented a review process related to payroll activities including reviewing payroll tax returns, year-end reports, and monthly deductions in fiscal year 2020. We will establish procedures for ensuring month-end payroll accruals are accurate and adjusted as needed in a timely manner. We will also implement a review process related to journal entries in the future.

2019-013 Deteriorating Financial Condition (prior years 2018-015 and 2017-017) (initially reported in 2013)

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. In the current year the City also reported significant losses in the enterprise funds due to a significant downturn in charges for services resulting in the water fund reporting a deficit unrestricted net position.

Recommendation: We recommend that the City continue to improve procedures to increase revenues and decrease expenditures in all funds 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.

2019-014 Improper Computer Access (prior years 2018-006 and 2017-007) (initially reported in 2011)

Condition: While reviewing computer access it was noted one employee had more access than necessary to perform their duties.

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 employee was initially given the access due to another employee's departure, but their access wasn't removed when it was no longer necessary.

City of Springfield, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

Recommendation: We recommend a quarterly review of computer access be completed and documented by management to verify that users only have the access necessary to perform their assigned duties.

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

2019-015 Note Covenant Requirements (initially reported in 2019)

Condition: The City did not create a sinking fund for the \$7,000,000 Recovery Note as required by the agreement. Also, the City did not provide financial statements to the bank within 270 days of the end of the fiscal year as required.

Criteria: Per Section 10 of the note payable agreement, the City is required to create a separate sinking fund from which to make the required loan payments. Deposits to the sinking fund are required to be made from non ad valorem revenues no later than the day prior to the date of each semi-annual payment in an amount sufficient to pay the principal and interest coming due on the note at such date. The City is also required to submit financial statements not later than 270 days following the end of the fiscal year.

Effect: Noncompliance with the requirements of the note agreement could result in default.

Cause: The City was unaware that a separate sinking fund was required for the note. The City is working on completing their financial statement in a more timely manner in order to meet the 270 day requirement per the agreement.

Recommendation: We recommend a sinking fund account be setup as required by the note agreement and that the City strive toward completing their audit in a more timely manner in order to meet the requirements of the note. We also recommend if the City anticipates not meeting these requirements to obtain a waiver from the bank in the future.

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

Section III – Federal Award Findings and Questioned Costs

There are no federal award or state project findings or questioned costs reported for the year ended September 30, 2019

Section IV – Other Issues

No summary of prior audit findings is required because there were no audit findings related to federal awards or state projects in the prior year.

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, 2019. 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 Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; 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 August 25, 2020, 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		
Current Year Finding #	2017-18 FY Finding #	2016-17 FY Finding #
2019-001	2018-001	2017-001
2019-002	2018-002	2017-002
2019-003	2018-003	2017-003
2019-004	2018-004	2017-005
2019-005	2018-005	2017-006
2019-006	2018-017	N/A
2019-007	2018-007	2017-008
2019-008	2018-008	2017-009
2019-009	2018-009	2017-010
2019-010	2018-012	2017-013
2019-011	2018-013	2017-015
2019-012	2018-014	2017-016
2019-013	2018-015	2017-017
2019-014	2018-006	2017-007

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 financial statements. The City was established under a Charter in accordance with the Laws of Florida 57-1871. 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 2019-013 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, State 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.

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

Certified Public Accountants
Panama City Beach, Florida
August 25, 2020

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, 2019. 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, 2019.

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.

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

Certified Public Accountants
Panama City Beach, Florida
August 25, 2020

CITY OF SPRINGFIELD

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Springfield, Florida 32401
(850) 872-7570 * (850) 872-7663 fax



Ralph Hammond, Mayor

COMMISSIONERS:

Dennis Haddock

Phillip Dykes

Jackie Kennington

Topeka Humphries

Corrective Action Plan September 30, 2019

2019-001 Audit Adjusting Entries

Planned Corrective Action: Management agrees with auditors' recommendation. As recommended, the City will strive to reduce the number of proposed audit adjustments. However, management believes that the resources necessary to eliminate the finding would include hiring additional staff which would be cost prohibitive. Management does not believe the investment required to eliminate this finding would provide sufficient benefit to justify the cost.

Anticipated Completion Date: Ongoing

Responsible Contact Person: Beth Strobel

2019-002 Financial Statement and Schedule of Expenditures of Federal Awards and State Financial Assistance Preparation

Planned Corrective Action: Management believes that it is cost beneficial to have the auditors assist in the preparation of the financial statements and schedule of expenditures of federal awards and state financial assistance. Management does not believe the investment required to eliminate this finding would provide sufficient benefit to justify the cost.

Anticipated Completion Date: Ongoing

Responsible Contact Person: Beth Strobel

2019-003 Bank Reconciliations

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.

Anticipated Completion Date: Ongoing

Responsible Contact Person: Beth Strobel

2019-004 Property and Equipment

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.

Anticipated Completion Date: September 30, 2020

Responsible Contact Person: Ralph Hammond

2019-005 Separation of Duties

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.

Anticipated Completion Date: Ongoing

Responsible Contact Person: Beth Strobel

2019-006 Uncorrected Account Balances

Planned Corrective Action: Management agrees with this recommendation.

Anticipated Completion Date: September 30, 2020

Responsible Contact Person: Beth Strobel

2019-007 Account Balances

Planned Corrective Action: The City agrees and will take steps to provide the necessary training for 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.

Anticipated Completion Date: September 30, 2020

Responsible Contact Person: Beth Strobel

2019-008 Accounts Receivable and Customer Deposits

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.

Anticipated Completion Date: September 30, 2020

Responsible Contact Person: Beth Strobel

2019-009 Accounts Payable

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.

Anticipated Completion Date: September 30, 2020

Responsible Contact Person: Beth Strobel

2019-010 Month-end Closing

Planned Corrective Action: We have setup a month-end process but are behind in implementing those processes. We will begin to implement a formal month-end closing process which includes the preparation of appropriate monthly financial statements.

Anticipated Completion Date: September 30, 2020

Responsible Contact Person: Beth Strobel

2019-011 Operating Expenditures in Excess of Budget

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.

Anticipated Completion Date: November 30, 2020

Responsible Contact Person: Beth Strobel

2019-012 Lack of Management Review

Planned Corrective Action: The City has implemented a review process related to payroll activities including reviewing payroll tax returns, year-end reports, and monthly deductions in fiscal year 2020. We will establish procedures for ensuring month-end payroll accruals are accurate and adjusted as needed in a timely manner. We will also implement a review process related to journal entries in the future.

Anticipated Completion Date: September 30, 2020

Responsible Contact Person: Beth Strobel

2019-013 Deteriorating Financial Condition

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.

Anticipated Completion Date: Ongoing

Responsible Contact Person: Ralph Hammond

2019-014 Improper Computer Access

Planned Corrective Action: We will do as recommended.

Anticipated Completion Date: September 30, 2020

Responsible Contact Person: Beth Strobel

2019-015 Note Sinking Fund and F/S Covenant Requirements

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

Anticipated Completion Date: September 30, 2020

Responsible Contact Person: Beth Strobel