

CITY OF CHIEFLAND,
FLORIDA

AUDIT REPORT

SEPTEMBER 30, 2008

**City of Chiefland, Florida
Audit Report
September 30, 2008**

Table of Contents

	Page
INDEPENDENT AUDITORS' REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Governmental Fund Financial Statements:	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6
Proprietary Fund Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Fund Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	19
Notes to Required Supplementary Information	20
ADDITIONAL ELEMENTS REQUIRED BY THE RULES OF THE AUDITOR GENERAL:	
Management Letter	21
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	23
Schedule of Findings	25
Corrective Action Plan	--



Independent Auditors' Report

The Honorable Mayor and
City Commissioners
City of Chiefland, Florida

Certified Public Accountants
& Business Consultants

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Professional Associations*

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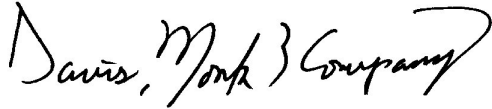
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chiefland, Florida (the "City"), as of and for the year ended September 30, 2008, which collectively comprise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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2009 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Davis, Monk & Company". The signature is written in a cursive, flowing style.

May 8, 2009
Gainesville, Florida

Management's Discussion and Analysis

This discussion and analysis of the City of Chiefland's financial performance provides an overview of the City's financial activities for the fiscal year ending September 30, 2008. Please read it in conjunction with the City's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2008:

- Total ending unrestricted net assets were \$1,909,804.
- The City had total expenses for the year of \$3,709,470, compared to revenues of \$3,873,768.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the City's activities as a whole and fund financial statements that report on the City's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Assets. This statement includes all of the City's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenditures are recorded, regardless of when cash is received or paid. Net assets – the difference between assets and liabilities – can be used to measure the City's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net assets during the fiscal year. Over time, the increases or decreases in net assets are useful indicators of whether the City's financial health is improving or deteriorating. However, other non-financial factors, such as road conditions or changes in the tax base, must also be considered when assessing the overall health of the City.

In these statements, the City's activities are divided as follows:

- Governmental activities – Most of the City's basic services are reported here, including administration, fire and police services, and road maintenance. Taxes and charges for services finance most of these activities.
- Business-type activities – These activities are financed in whole or in part by fees charged to external parties for goods or services. The activities of the water and sewer system and garbage services are reported as a business-type activity, along with the Industrial Park.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the City's funds.

Governmental funds – The General Fund and Law Enforcement Trust Fund are the City's only governmental funds. These funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the difference between the fund financial statements and the government-wide financial statements.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

- Proprietary funds – The Utility Service fund and Industrial Park fund are the City's only proprietary funds. Proprietary funds are reported using the accrual basis of accounting and, accordingly, there is a correlation between the amounts reported in the fund financial statements and the amounts reported in the government-wide financial statements.

CONDENSED FINANCIAL INFORMATION

	NET ASSETS					
	Governmental		Business-type		Total	
	Activities		Activities		Total	
	2007	2008	2007	2008	2007	2008
ASSETS:						
Non-Capital Assets	\$ 1,284,498	\$ 1,162,273	\$ 1,302,443	\$ 1,146,767	\$ 2,586,941	\$ 2,309,040
Capital Assets	2,586,035	2,443,628	3,816,989	3,934,409	6,403,024	6,378,037
TOTAL ASSETS	3,870,533	3,605,901	5,119,432	5,081,176	8,989,965	8,687,077
LIABILITIES:						
Current Liabilities	332,438	207,235	504,607	327,759	837,045	534,994
Long-term Liabilities	399,461	315,131	558,197	477,392	957,658	792,523
TOTAL LIABILITIES	731,899	522,366	1,062,804	805,151	1,794,703	1,327,517
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	2,083,676	2,055,826	3,335,786	3,385,893	5,419,462	5,441,719
Restricted	9,527	8,037	-	-	9,527	8,037
Unrestricted	1,045,431	1,019,672	720,842	890,132	1,766,273	1,909,804
TOTAL NET ASSETS	\$ 3,138,634	\$ 3,083,535	\$ 4,056,628	\$ 4,276,025	\$ 7,195,262	\$ 7,359,560
CHANGES IN NET ASSETS						
	Governmental		Business-type		Total	
	Activities		Activities		Total	
	2007	2008	2007	2008	2007	2008
PROGRAM REVENUES:						
Charges for Services	\$ 335,427	\$ 284,588	\$ 1,319,019	\$ 1,317,472	\$ 1,654,446	\$ 1,602,060
Capital Grants & Contributions	103,725	15,427	172,389	247,276	276,114	262,703
Operating Grants & Contributions	60,118	61,980	-	-	60,118	61,980
GENERAL REVENUES:						
Property Taxes	607,741	688,276	-	-	607,741	688,276
Other Taxes and Shared Revenues	1,212,103	1,147,795	-	-	1,212,103	1,147,795
Miscellaneous	23,269	47,038	-	16,961	23,269	63,999
Investment Earnings	34,903	26,511	26,248	20,444	61,151	46,955
TOTAL REVENUES	2,377,286	2,271,615	1,517,656	1,602,153	3,894,942	3,873,768
PROGRAM EXPENSES						
General Government	593,548	606,761	-	-	593,548	606,761
Public Safety	1,318,895	1,299,603	-	-	1,318,895	1,299,603
Physical Environment	5,391	6,197	-	-	5,391	6,197
Transportation	179,876	253,608	-	-	179,876	253,608
Culture and Recreation	152,034	152,688	-	-	152,034	152,688
Interest on Long-term Debt	21,686	21,291	-	-	21,686	21,291
Water and Sewer	-	-	1,367,111	1,352,077	1,367,111	1,352,077
Industrial Park	-	-	19,978	17,245	19,978	17,245
TOTAL EXPENSES	2,271,430	2,340,148	1,387,089	1,369,322	3,658,519	3,709,470
TRANSFERS	(29,179)	13,434	29,179	(13,434)	-	-
CHANGE IN NET ASSETS	76,677	(55,099)	159,746	219,397	236,423	164,298
BEGINNING NET ASSETS	3,061,957	3,138,634	3,896,882	4,056,628	6,958,839	7,195,262
ENDING NET ASSETS	\$ 3,138,634	\$ 3,083,535	\$ 4,056,628	\$ 4,276,025	\$ 7,195,262	\$ 7,359,560

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$361,995 in program revenues, \$1,923,054 of general revenues and transfers in, and incurred \$2,340,148 of program expenses. This resulted in a \$55,099 decrease in net assets.

Business-Type Activities

Revenues of the Utility Service fund and Industrial Park fund were \$1,602,153 compared to expenses and transfers out of \$1,382,756. This resulted in an increase in net assets for the year of \$219,397.

THE CITY'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance decreased by \$14,019 from \$1,097,031 to \$1,083,012.

Utility Service Fund

The Utility Service fund net assets increased by \$205,694, from \$3,829,185 to \$4,034,879. A large part of the increase was due to grants received in the amount of \$247,276.

BUDGETARY HIGHLIGHTS

The final budgeted revenues and expenditures reflect budget amendments for unanticipated revenue and grants.

Revenues of the General Fund were less than budgeted amounts.

General Fund expenditures were below budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City completed the construction in progress for the CDBG totaling \$463,648. For all other capital asset activity during the year, please refer to a note to the accompanying financial statements entitled, *Capital Asset Activity*.

Debt Administration

The City's long-term debt was reduced by about \$195,000 during the year. Please refer to a note to the accompanying financial statements entitled *Long-term Obligations* for more detailed information about the City's long-term debt activity.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the City's financial position or results of operations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact City Hall at 214 East Park Avenue, Chiefland, FL 32626.

City of Chiefland, Florida
Statement of Net Assets
September 30, 2008

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Equivalents	\$ 945,324	\$ 841,333	\$ 1,786,657
Investments	78,077	42,546	120,623
Accounts Receivable	60,604	111,409	172,013
Internal Balances	(4,739)	4,739	-
Due From Other Governments	83,007	-	83,007
Inventory	-	13,565	13,565
Prepaid Expenses	-	133,175	133,175
Capital Assets:			
Non-Depreciable	714,884	36,382	751,266
Depreciable, Net	<u>1,728,744</u>	<u>3,898,027</u>	<u>5,626,771</u>
TOTAL ASSETS	<u>3,605,901</u>	<u>5,081,176</u>	<u>8,687,077</u>
<u>LIABILITIES</u>			
Accounts Payable and Accrued Liabilities	60,029	104,962	164,991
Deposits	-	125,459	125,459
Unearned Revenue	11,195	-	11,195
Noncurrent Liabilities:			
Due Within One Year	136,011	97,338	233,349
Due in More Than One Year	<u>315,131</u>	<u>477,392</u>	<u>792,523</u>
TOTAL LIABILITIES	<u>522,366</u>	<u>805,151</u>	<u>1,327,517</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	2,055,826	3,385,893	5,441,719
Restricted for Law Enforcement	8,037	-	8,037
Unrestricted	<u>1,019,672</u>	<u>890,132</u>	<u>1,909,804</u>
TOTAL NET ASSETS	<u><u>\$ 3,083,535</u></u>	<u><u>\$ 4,276,025</u></u>	<u><u>\$ 7,359,560</u></u>

See accompanying notes.

City of Chiefland, Florida
Statement of Activities
For the Year Ended September 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES:							
General Government	\$ 606,761	\$ 73,184	\$ 8,032	\$ -	\$ (525,545)	\$ -	\$ (525,545)
Public Safety	1,299,603	207,129	14,683	3,450	(1,074,341)	-	(1,074,341)
Physical Environment	6,197	4,275	-	-	(1,922)	-	(1,922)
Transportation	253,608	-	39,265	-	(214,343)	-	(214,343)
Culture and Recreation	152,688	-	-	11,977	(140,711)	-	(140,711)
Interest on Long-Term Debt	21,291	-	-	-	(21,291)	-	(21,291)
TOTAL GOVERNMENTAL ACTIVITIES	2,340,148	284,588	61,980	15,427	(1,978,153)	-	(1,978,153)
BUSINESS-TYPE ACTIVITIES:							
Water and Sewer	1,352,077	1,289,849	-	247,276	-	185,048	185,048
Industrial Park	17,245	27,623	-	-	-	10,378	10,378
TOTAL BUSINESS-TYPE ACTIVITIES	1,369,322	1,317,472	-	247,276	-	195,426	195,426
TOTAL	\$ 3,709,470	\$ 1,602,060	\$ 61,980	\$ 262,703	(1,978,153)	195,426	(1,782,727)
GENERAL REVENUES:							
Property Taxes					688,276	-	688,276
Shared Revenues					217,077	-	217,077
Discretionary Sales Surtaxes					164,875	-	164,875
Franchise Fees					288,039	-	288,039
Utility Taxes					339,432	-	339,432
Communications Service Tax					138,372	-	138,372
Investment Earnings					26,511	20,444	46,955
Impact Fees					24,834	14,868	39,702
Miscellaneous					22,204	2,093	24,297
Transfers					13,434	(13,434)	-
TOTAL GENERAL REVENUES AND TRANSFERS					1,923,054	23,971	1,947,025
CHANGE IN NET ASSETS					(55,099)	219,397	164,298
NET ASSETS – BEGINNING OF YEAR					3,138,634	4,056,628	7,195,262
NET ASSETS – END OF YEAR					\$ 3,083,535	\$ 4,276,025	\$ 7,359,560

See accompanying notes.

**City of Chiefland, Florida
Balance Sheet
Governmental Funds
September 30, 2008**

	General Fund	Other Governmental Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and Equivalents	\$ 937,287	\$ 8,037	\$ 945,324
Investments	78,077	-	78,077
Accounts Receivable	60,604	-	60,604
Due From Other Funds	2,442	-	2,442
Due From Other Governments	83,007	-	83,007
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,161,417</u>	<u>\$ 8,037</u>	<u>\$ 1,169,454</u>
<u>LIABILITIES</u>			
Accounts Payable and Accrued Liabilities	\$ 60,029	\$ -	\$ 60,029
Due to Other Funds	7,181	-	7,181
Deferred Revenue	11,195	-	11,195
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>78,405</u>	<u>-</u>	<u>78,405</u>
<u>FUND BALANCES</u>			
Unreserved, Reported In:			
General Fund	1,083,012	-	1,083,012
Special Revenue Funds	-	8,037	8,037
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>1,083,012</u>	<u>8,037</u>	<u>1,091,049</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,161,417</u>	<u>\$ 8,037</u>	<u>\$ 1,169,454</u>

See accompanying notes.

City of Chiefland, Florida
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2008

FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 1,091,049
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the governmental funds.	
Capital Assets – Net.....	2,443,628
Long-term liabilities are not reported in the governmental funds.	
Notes Payable.....	(387,802)
Compensated Absences.....	<u>(63,340)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,083,535</u></u>

See accompanying notes.

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

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Taxes	\$ 1,658,260	\$ -	\$ 1,658,260
Licenses and Permits	48,018	-	48,018
Intergovernmental	237,735	-	237,735
Charges for Services	212,297	-	212,297
Fines and Forfeitures	32,057	7,334	39,391
Miscellaneous	75,738	176	75,914
	<u>2,264,105</u>	<u>7,510</u>	<u>2,271,615</u>
TOTAL REVENUES			
<u>EXPENDITURES</u>			
Current:			
General Government	570,412	-	570,412
Public Safety	1,191,222	9,000	1,200,222
Physical Environment	4,731	-	4,731
Transportation	262,399	-	262,399
Culture and Recreation	126,946	-	126,946
Debt Service:			
Principal Retirement	114,557	-	114,557
Interest and Fiscal Charges	21,291	-	21,291
	<u>2,291,558</u>	<u>9,000</u>	<u>2,300,558</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(27,453)	(1,490)	(28,943)
<u>OTHER FINANCING SOURCES</u>			
Transfers In	13,434	-	13,434
NET CHANGE IN FUND BALANCES			
FUND BALANCES – BEGINNING OF YEAR	1,097,031	9,527	1,106,558
FUND BALANCES – END OF YEAR	<u>\$ 1,083,012</u>	<u>\$ 8,037</u>	<u>\$ 1,091,049</u>

See accompanying notes.

City of Chiefland, Florida
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended September 30, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ (15,509)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.

Acquisitions of Capital Assets.....	96,831
Current Year Depreciation Expense.....	(239,238)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net assets of governmental activities.

Principal Payments.....	114,557
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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.

Compensated Absences.....	<u>(11,740)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (55,099)

See accompanying notes.

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

	Business-type Activities		Total
	– Enterprise Funds		
	Utility	Other	Enterprise
	Service	Enterprise	Funds
	Fund	Fund	Funds
<u>CURRENT ASSETS</u>			
Cash and Equivalents	\$ 683,504	\$ 157,829	\$ 841,333
Investments	42,546	-	42,546
Accounts Receivable	108,581	2,828	111,409
Due From Other Funds	7,181	-	7,181
Inventory	13,565	-	13,565
Prepaid Expenses	6,230	-	6,230
	<u>861,607</u>	<u>160,657</u>	<u>1,022,264</u>
TOTAL CURRENT ASSETS	861,607	160,657	1,022,264
<u>NONCURRENT ASSETS</u>			
Prepaid Lease Expense	126,945	-	126,945
Capital Assets, Net	3,853,684	80,725	3,934,409
	<u>3,853,684</u>	<u>80,725</u>	<u>3,934,409</u>
TOTAL ASSETS	4,842,236	241,382	5,083,618
<u>CURRENT LIABILITIES</u>			
Accounts Payable and Accrued Liabilities	104,943	19	104,962
Deposits	125,242	217	125,459
Due to Other Funds	2,442	-	2,442
Current Portion of Long-Term Liabilities	97,338	-	97,338
	<u>329,965</u>	<u>236</u>	<u>330,201</u>
TOTAL CURRENT LIABILITIES	329,965	236	330,201
<u>NONCURRENT LIABILITIES</u>			
	<u>477,392</u>	<u>-</u>	<u>477,392</u>
TOTAL LIABILITIES	807,357	236	807,593
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	3,305,168	80,725	3,385,893
Unrestricted	729,711	160,421	890,132
	<u>729,711</u>	<u>160,421</u>	<u>890,132</u>
TOTAL NET ASSETS	\$ 4,034,879	\$ 241,146	\$ 4,276,025

See accompanying notes.

City of Chiefland, Florida
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2008

	Business-type Activities		Total
	– Enterprise Funds		
	Utility	Other	Enterprise
	Service	Enterprise	Funds
	Fund	Fund	Funds
<u>OPERATING REVENUES</u>			
User Fees	<u>\$ 1,289,849</u>	<u>\$ 27,623</u>	<u>\$ 1,317,472</u>
<u>OPERATING EXPENSES</u>			
Personal Services	399,726	-	399,726
Operating Expenses	715,161	8,988	724,149
Depreciation	<u>206,392</u>	<u>8,257</u>	<u>214,649</u>
TOTAL OPERATING EXPENSES	<u>1,321,279</u>	<u>17,245</u>	<u>1,338,524</u>
OPERATING INCOME (LOSS)	<u>(31,430)</u>	<u>10,378</u>	<u>(21,052)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Impact Fees	14,868	-	14,868
Investment Earnings	17,119	3,325	20,444
Interest Expense	(30,798)	-	(30,798)
Gain on Disposal of Capital Assets	<u>2,093</u>	<u>-</u>	<u>2,093</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,282</u>	<u>3,325</u>	<u>6,607</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(28,148)	13,703	(14,445)
Capital Contributions – Grants	247,276	-	247,276
Transfers Out	<u>(13,434)</u>	<u>-</u>	<u>(13,434)</u>
CHANGE IN NET ASSETS	205,694	13,703	219,397
NET ASSETS – BEGINNING OF YEAR	<u>3,829,185</u>	<u>227,443</u>	<u>4,056,628</u>
NET ASSETS – END OF YEAR	<u>\$ 4,034,879</u>	<u>\$ 241,146</u>	<u>\$ 4,276,025</u>

See accompanying notes.

City of Chiefland, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2008

	Business-type Activities		Total
	- Enterprise Funds		
	Utility	Other	Enterprise
	Service	Enterprise	Funds
	Fund	Fund	Funds
<u>OPERATING ACTIVITIES</u>			
Receipts From Customers	\$ 1,355,792	\$ 27,752	\$ 1,383,544
Payments to Suppliers	(946,337)	(8,969)	(955,306)
Payments to Employees	<u>(291,709)</u>	<u>-</u>	<u>(291,709)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>117,746</u>	<u>18,783</u>	<u>136,529</u>
<u>NONCAPITAL FINANCING ACTIVITIES</u>			
Transfers Out	<u>(8,469)</u>	<u>-</u>	<u>(8,469)</u>
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Capital Grants	247,276	-	247,276
Acquisitions of Capital Assets	(337,991)	-	(337,991)
Principal Paid on Debt	(80,012)	-	(80,012)
Interest Paid on Debt	(30,798)	-	(30,798)
Impact Fees Received	14,868	-	14,868
Proceeds from of Sale of Capital Assets	<u>3,050</u>	<u>-</u>	<u>3,050</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(183,607)</u>	<u>-</u>	<u>(183,607)</u>
<u>INVESTING ACTIVITIES</u>			
Interest Received	17,119	3,325	20,444
Acquisition of Investments	<u>(2,743)</u>	<u>-</u>	<u>(2,743)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>14,376</u>	<u>3,325</u>	<u>17,701</u>
CHANGE IN CASH AND EQUIVALENTS	(59,954)	22,108	(37,846)
CASH AND EQUIVALENTS – BEGINNING OF YEAR	<u>743,458</u>	<u>135,721</u>	<u>879,179</u>
CASH AND EQUIVALENTS – END OF YEAR	<u><u>\$ 683,504</u></u>	<u><u>\$ 157,829</u></u>	<u><u>\$ 841,333</u></u>
OPERATING INCOME (LOSS)			
Depreciation	\$ (31,430)	\$ 10,378	\$ (21,052)
Change In:	206,392	8,257	214,649
Accounts Receivable	(4,100)	129	(3,971)
Grants Receivable	117,511	-	117,511
Due From Other Funds	1,416	-	1,416
Prepaid Expense	6,230	-	6,230
Inventory	(3,055)	-	(3,055)
Accounts Payable and Accrued Liabilities	(111,409)	19	(111,390)
Due To Other Funds	(17,524)	-	(17,524)
Unearned Revenue	(50,061)	-	(50,061)
Compensated Absences	2,599	-	2,599
Customer Deposits	<u>1,177</u>	<u>-</u>	<u>1,177</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 117,746</u></u>	<u><u>\$ 18,783</u></u>	<u><u>\$ 136,529</u></u>

See accompanying notes.

City of Chiefland, Florida
Notes to Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Chiefland, Florida (the “City”), was established by Section 13948, Laws of Florida, in 1929.

As required by generally accepted accounting principles, the accompanying financial statements present the City as a primary government.

Component units are entities for which the City is considered financially accountable. There are no blended or discretely presented component units included in the City’s financial reporting entity.

Basis of Presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are hereafter described.

Reporting Model

Effective October 1, 2003, the City adopted GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees charged to external parties.

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: charges for services that are directly related to a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as *general revenues*.

City of Chiefland, Florida
Notes to Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements, but all nonmajor funds are aggregated and displayed in a single column. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The City reports the following major governmental fund:

General Fund – the primary operating fund, used to account for all activities except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

Utility Service Fund – to account for the assets, operation and maintenance of the City-owned water and sewer system and garbage services.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are 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.

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Taxes and certain intergovernmental revenues constitute the most significant sources of revenue considered susceptible to accrual. In governmental funds, expenditures are generally recognized when the related liability is incurred. However, debt service expenditures, and expenditures for compensated absences and claims and judgments, are recorded only when payment is due.

Application of FASB Pronouncements

For its enterprise funds, the City applies all applicable GASB pronouncements. Additionally, the City applies pronouncements of the FASB and its predecessor bodies issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

City of Chiefland, Florida
Notes to Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purpose of the Statement of Cash Flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Deposits and Investments

All deposits are placed in a bank that qualifies as a public depository, as required by law (Florida Security For Public Deposits Act). Accordingly, all deposits are insured by Federal depository insurance and/or entirely collateralized pursuant to Chapter 280, Florida Statutes.

The City only invests excess public funds in certificates of deposit with qualified public depositories, which is an authorized form of investment pursuant to the provisions of Section 218.415, Florida Statutes. Such investments are stated at cost and are entirely insured or collateralized.

Accounts Receivable

Receivables are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable of the Utility Service Fund are net of a \$9,500 allowance.

Inventories

Inventories are stated at cost, based on the first-in, first-out method.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at fair value at the date of contribution. The City uses a capitalization threshold of \$1,000 for all classes of capital assets.

In accordance with GASB Statement No. 34, the City has elected not to report general infrastructure assets acquired prior to October 1, 2003.

Depreciation of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Buildings and improvements	30
Furniture, equipment and vehicles	5 – 15
Water and sewer system	40 – 50

City of Chiefland, Florida
Notes to Financial Statements
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For its business-type activities, the City's policy is to capitalize construction period interest costs on projects funded specifically through debt financing. Interest earnings are offset against construction costs for qualified projects financed with tax-exempt debt. No interest costs were capitalized during 2008.

Compensated Absences

The City's policy is to allow limited vesting of employee vacation pay and accumulated sick leave. A liability for accrued compensated absences of employees of the governmental funds has been accrued. Since this liability will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements.

Property Taxes

The Levy County Tax Collector bills and collects property taxes for the City. In governmental funds, property tax revenues are recognized when levied, to the extent that they result in current receivables.

Details of the City's tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1
Due Date	March 31

Operating Revenues and Expenses

The enterprise 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 an enterprise fund's principal ongoing operations. Operating expenses for enterprise 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.

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.

City of Chiefland, Florida
Notes to Financial Statements
September 30, 2008

NOTE 2 – INTERFUND BALANCES AND TRANSFERS

The interfund balances and transfers resulted from the normal course of operations. Interfund balances are expected to be repaid within one year.

At September 30, 2008, interfund balances were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 2,442	\$ 7,181
Enterprise Funds:		
Utility Service	7,181	2,442
Total	<u>\$ 9,623</u>	<u>\$ 9,623</u>

For the year ended September 30, 2008, transfers were as follows:

	Transfers In	Transfers Out
General Fund	\$ 13,434	\$ -
Utility Service Fund	-	13,434
Total	<u>\$ 13,434</u>	<u>\$ 13,434</u>

NOTE 3 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2008, the following changes in capital assets occurred:

	Balance October 1, 2007	Increases	Decreases	Balance September 30, 2008
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 714,884	\$ -	\$ -	\$ 714,884
Capital Assets Being Depreciated:				
Land Improvements	646,637	24,761	-	671,398
Buildings and Improvements	1,155,617	28,005	-	1,183,622
Furniture and Equipment	1,359,278	44,065	-	1,403,343
Total Capital Assets Being Depreciated	<u>3,161,532</u>	<u>96,831</u>	<u>-</u>	<u>3,258,363</u>
Less Accumulated Depreciation for:				
Land Improvements	143,925	43,846	-	187,771
Buildings and Improvements	417,981	40,448	-	458,429
Furniture and Equipment	728,475	154,944	-	883,419
Total Accumulated Depreciation	<u>1,290,381</u>	<u>239,238</u>	<u>-</u>	<u>1,529,619</u>
Total Capital Assets Being Depreciated, Net	<u>1,871,151</u>	<u>(142,407)</u>	<u>-</u>	<u>1,728,744</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,586,035</u>	<u>\$ (142,407)</u>	<u>\$ -</u>	<u>\$ 2,443,628</u>

City of Chiefland, Florida
Notes to Financial Statements
September 30, 2008

NOTE 3 – CAPITAL ASSET ACTIVITY

	<u>Balance</u> <u>October 1,</u> <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>September 30,</u> <u>2008</u>
<u>Business-type Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 36,382	\$ -	\$ -	\$ 36,382
Construction in Progress	221,907	-	221,907	-
Total Capital Assets Not Being Depreciated	<u>258,289</u>	<u>-</u>	<u>221,907</u>	<u>36,382</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	145,236	-	-	145,236
Water System	2,399,166	490,838	67,769	2,822,235
Sewer Treatment Plant and System	3,957,803	69,060	6,234	4,020,629
Garbage Services	1,067	-	-	1,067
Total Capital Assets Being Depreciated	<u>6,503,272</u>	<u>559,898</u>	<u>74,003</u>	<u>6,989,167</u>
Less Accumulated Depreciation for:				
Building and Improvements	92,636	8,257	-	100,893
Water System	1,075,132	81,450	61,847	1,094,735
Sewer Treatment Plant and System	1,776,751	124,729	6,234	1,895,246
Garbage Services	53	213	-	266
Total Accumulated Depreciation	<u>2,944,572</u>	<u>214,649</u>	<u>68,081</u>	<u>3,091,140</u>
Total Capital Assets Being Depreciated, Net	<u>3,558,700</u>	<u>345,249</u>	<u>5,922</u>	<u>3,898,027</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,816,989</u>	<u>\$ 345,249</u>	<u>\$ 227,829</u>	<u>\$ 3,934,409</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 31,004
Public Safety	128,772
Physical Environment	1,467
Transportation	8,327
Culture and Recreation	69,668
Total Depreciation Expense - Governmental Activities	<u>\$ 239,238</u>
Business-type Activities	
Utility Service	\$ 206,392
Industrial Park	8,257
Total Depreciation Expense - Business-type Activities	<u>\$ 214,649</u>

City of Chiefland, Florida
Notes to Financial Statements
September 30, 2008

NOTE 4 – LONG-TERM OBLIGATIONS

Governmental Activities

5.15% note for land; Payable \$3,247 monthly, including interest	\$ 194,471
4.50% note for fire truck; Payable \$1,755 monthly, including interest	103,650
3.75% note for vehicles; Payable \$14,230 quarterly, including interest	27,570
4.55% note for radios; Payable \$1,447 monthly, including interest	<u>62,111</u>
Total	<u><u>\$ 387,802</u></u>

Business-type Activities

5.15% Water and Sewer 2008 Consolidating Loan; Payable \$9,242 monthly, including interest.	<u><u>\$ 548,516</u></u>
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Aggregate maturities of long-term debt are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	88,276	16,538	83,061	26,320
2010	64,273	13,118	89,038	21,860
2011	67,458	9,934	93,734	17,165
2012	69,261	6,595	98,676	12,223
2013	56,508	3,515	103,880	7,019
2014	<u>42,026</u>	<u>765</u>	<u>80,127</u>	<u>1,653</u>
Totals	<u><u>\$ 387,802</u></u>	<u><u>\$ 50,465</u></u>	<u><u>\$ 548,516</u></u>	<u><u>\$ 86,240</u></u>

City of Chiefland, Florida
Notes to Financial Statements
September 30, 2008

NOTE 4 – LONG-TERM OBLIGATIONS

Following is a summary of changes in long-term obligations:

<u>Governmental Activities</u>	<u>Balance</u> <u>October 1,</u> <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2008</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Notes Payable	\$ 502,359	\$ -	\$ 114,557	\$ 387,802	\$ 88,276
Compensated Absences	51,600	98,730	86,990	63,340	47,735
Total	<u>\$ 553,959</u>	<u>\$ 98,730</u>	<u>\$ 201,547</u>	<u>\$ 451,142</u>	<u>\$ 136,011</u>

<u>Business-type Activities</u>	<u>Balance</u> <u>October 1,</u> <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2008</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Loan Payable	\$ 628,528	\$ -	\$ 80,012	\$ 548,516	\$ 83,061
Compensated Absences	23,615	26,165	23,566	26,214	14,277
Total	<u>\$ 652,143</u>	<u>\$ 26,165</u>	<u>\$ 103,578</u>	<u>\$ 574,730</u>	<u>\$ 97,338</u>

NOTE 5 – PENSION PLAN

Plan Description. The City contributes to the Florida Retirement System ("System"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides 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 System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, PO Box 9000, Tallahassee, Florida 32315, or by calling (850) 488-6491.

Funding Policy. The System is employee noncontributory. The City is required to contribute at an actuarially determined rate. The rates at September 30, 2008 were as follows: Regular Employees 9.85%; Special Risk Employees 20.92%; Senior Management 13.12%; Elected Officials 16.53%. The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. The City's contributions to the System for the years ended September 30, 2008, 2007 and 2006 were \$174,275, \$170,132 and \$135,385, respectively, equal to the required contributions for each year.

City of Chiefland, Florida
Notes to Financial Statements
September 30, 2008

NOTE 6 – RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, workers' compensation, public liability, law enforcement liability, property damage, and errors and omissions. To manage its risks, the City participates in the Florida League of Cities Self Insurance Fund (the "Fund") a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to the Fund for its coverage. The premiums are designed to fund the liability risks assumed by the Fund and are based on certain actual exposures of each member.

REQUIRED SUPPLEMENTARY INFORMATION

City of Chiefland, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
For the Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u> <u>Budget</u>
<u>REVENUES</u>				
Taxes	\$ 1,632,488	\$ 1,632,488	\$ 1,658,260	\$ 25,772
Licenses and Permits	170,000	170,000	48,018	(121,982)
Intergovernmental	233,209	258,189	237,735	(20,454)
Charges for Services	197,292	199,692	212,297	12,605
Fines and Forfeitures	50,000	50,000	32,057	(17,943)
Miscellaneous	44,000	63,800	75,738	11,938
TOTAL REVENUES	2,326,989	2,374,169	2,264,105	(110,064)
<u>EXPENDITURES</u>				
Current:				
General Government	609,179	614,911	570,412	44,499
Public Safety	1,223,205	1,245,424	1,191,222	54,202
Physical Environment	5,700	5,700	4,731	969
Transportation	216,697	316,697	262,399	54,298
Culture and Recreation	116,000	158,977	126,946	32,031
Contingency	23,748	-	-	-
Debt Service:				
Principal Retirement	109,868	109,868	114,557	(4,689)
Interest and Fiscal Charges	22,592	22,592	21,291	1,301
TOTAL EXPENDITURES	2,326,989	2,474,169	2,291,558	182,611
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(100,000)	(27,453)	72,547
<u>OTHER FINANCING SOURCES</u>				
Transfers In	-	-	13,434	13,434
NET CHANGE IN FUND BALANCES	-	(100,000)	(14,019)	85,981
FUND BALANCES – BEGINNING OF YEAR	100,000	100,000	1,097,031	997,031
FUND BALANCES – END OF YEAR	\$ 100,000	\$ -	\$ 1,083,012	\$ 1,083,012

See accompanying notes.

City of Chiefland, Florida
Notes to Required Supplementary Information
For the Year Ended September 30, 2008

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. Budgetary control is maintained at the department level. The fund is the legal level of control.
5. Appropriations lapse at the end of the fiscal year.
6. The budget is prepared on a basis which does not differ materially from generally accepted accounting principles.

**ADDITIONAL ELEMENTS REQUIRED BY THE
RULES OF THE AUDITOR GENERAL**



Management Letter

To the Honorable Mayor and
City Commissioners
City of Chiefland, Florida

Certified Public Accountants
& Business Consultants

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We have audited the financial statements of the City of Chiefland (the "City") as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated May 8, 2009. We have also issued our report on internal control over financial reporting and on compliance and other matters. That report should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding audit. In that regard, prior audit finding 07-1 is repeated in the accompanying Schedule of Findings as item 08-1.

Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the City has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(7). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

Members:

CPAmerica International

Florida Institute of
Certified Public Accountants

American Institute of
Certified Public Accountants

Horwath International

To the Honorable Mayor and
City Commissioners
City of Chiefland, Florida

Page Two

Annual Financial Report

As required by the Rules of the Auditor General, we determined that City's annual financial report for the fiscal year ended September 30, 2008, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in substantial agreement with the audit report for the fiscal year ended September 30, 2008.

Investment of Public Funds

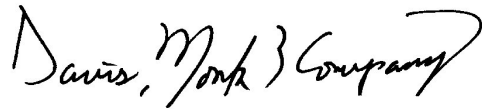
As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal noncompliance with the provisions of Section 218.415, Florida Statutes.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

This management letter is intended solely for the information and use of the Honorable Mayor and City Commissioners, management, and oversight audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.



May 8, 2009
Gainesville, Florida



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& Business Consultants

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters**

The Honorable Mayor and City Commissioners
City of Chiefland, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chiefland, Florida (the "City") as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings as item 08-1 to be a significant deficiency in internal control over financial reporting.

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

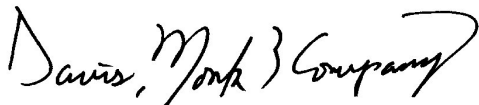
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 08-1 to be a material weakness.

Compliance and Other Matters

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

The City's response to the finding identified in our audit is described in its accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor and City Commissioners, management, and oversight audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.



May 8, 2009
Gainesville, Florida

City of Chiefland, Florida
Schedule of Findings
For the Year Ended September 30, 2008

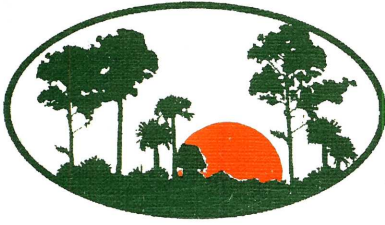
- 08-1 Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. Our audit did not reveal any significant errors or irregularities resulting from this lack of separation of employee duties and responsibilities. However, we feel it is important that you are made aware of this condition.

**Corrective Action Plan
For the Year Ended September 30, 2008
City of Chiefland, Florida**

The City Manager is responsible for the implementation of the current year corrective action plan. He may be contacted as shown below:

214 East Park Avenue
Chiefland, Florida 32626
Telephone Number: (352) 493-6711

The City's corrective actions are described on the following page.



City of Chiefland

~ The Gem of the Suwannee Valley ~

Teal Pomeroy
Mayor

Teresa Barron
Vice Mayor

Frank Buie
Commissioner

Sammy Cason
Commissioner

Rollin Hudson
Commissioner

May 19, 2009

David W. Martin, CPA
State of Florida Auditor General
Local Government Audits/342
Room 401, Claude Pepper Building
111 W. Madison Street
Tallahassee, FL 32399-1450

RE: 2008 Annual Audit Report

Dear Mr. Martin,

Davis Monk and Company, Inc. prepared an independent annual audit of the City of Chiefland financial records for fiscal year ending September 30, 2008.

The City provided all records upon request for all aspects of financial activity and I believe the audit was prepared in accordance with generally accepted auditing standards, Government Auditing Standards and Rules of the Auditor General.

Please accept my response, attached, to the finding as a result of the review of the City's financial records for transactions that occurred during this period.

Sincerely,

Grady Hartzog
City Manager'

Attachment

**City of Chiefland Management Response
To Schedule of Findings for the Fiscal Year Ending September 30, 2008**

08-1 The City has and will continue to segregate incompatible duties, as much as possible, so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. City staff is committed to protecting public financial interests for the City of Chiefland.