

CITY OF CHIEFLAND,  
FLORIDA

AUDIT REPORT

SEPTEMBER 30, 2009

**City of Chiefland, Florida  
Audit Report  
September 30, 2009**

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## Independent Auditors' Report

The Honorable Mayor and  
City Commissioners  
City of Chiefland, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chiefland, Florida (the "City"), as of and for the year ended September 30, 2009, 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, 2009, 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 7, 2010 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.

The Honorable Mayor and City Commissioners  
City of Chiefland, Florida  
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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.

*Carr, Riggs & Ingram LLC*

May 7, 2010  
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, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2009:

- Total ending unrestricted net assets were \$1,413,564.
- The City had total expenses for the year of \$4,135,215, compared to revenues of \$4,103,223.

### **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		
	2008	2009	2008	2009	2008
ASSETS:					
Non-Capital Assets	\$ 1,162,273	\$ 1,232,221	\$ 1,146,767	\$ 807,384	\$ 2,309,040
Capital Assets	2,443,628	2,565,754	3,934,409	3,997,503	6,378,037
TOTAL ASSETS	<u>3,605,901</u>	<u>3,797,975</u>	<u>5,081,176</u>	<u>4,804,887</u>	<u>8,687,077</u>
LIABILITIES:					
Current Liabilities	207,235	391,284	327,759	351,966	534,994
Long-term Liabilities	315,131	253,449	477,392	378,770	792,523
TOTAL LIABILITIES	<u>522,366</u>	<u>644,733</u>	<u>805,151</u>	<u>730,736</u>	<u>1,327,517</u>
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	2,055,826	2,266,646	3,385,893	3,533,201	5,441,719
Restricted	8,037	13,982	-	-	8,037
Unrestricted	1,019,672	872,614	890,132	540,950	1,909,804
TOTAL NET ASSETS	<u>\$ 3,083,535</u>	<u>\$ 3,153,242</u>	<u>\$ 4,276,025</u>	<u>\$ 4,074,151</u>	<u>\$ 7,359,560</u>
	CHANGES IN NET ASSETS				
	Governmental		Business-type		Total
	Activities		Activities		
		2008	2009	2008	2009
PROGRAM REVENUES:					
Charges for Services	\$ 284,588	\$ 346,335	\$ 1,317,472	\$ 1,576,420	\$ 1,602,060
Capital Grants & Contributions	15,427	172,981	247,276	3,500	262,703
Operating Grants & Contributions	61,980	63,586	-	-	61,980
GENERAL REVENUES:					
Property Taxes	688,276	708,160	-	-	688,276
Other Taxes and Shared Revenues	1,147,795	1,189,226	-	-	1,147,795
Miscellaneous	47,038	28,692	16,961	2,604	63,999
Investment Earnings	26,511	7,384	20,444	4,335	46,955
TOTAL REVENUES	<u>2,271,615</u>	<u>2,516,364</u>	<u>1,602,153</u>	<u>1,586,859</u>	<u>3,873,768</u>
PROGRAM EXPENSES					
General Government	606,761	650,552	-	-	606,761
Public Safety	1,299,603	1,430,528	-	-	1,299,603
Physical Environment	6,197	2,861	-	-	6,197
Transportation	253,608	175,017	-	-	253,608
Culture and Recreation	152,688	171,050	-	-	152,688
Interest on Long-term Debt	21,291	16,649	-	-	21,291
Water and Sewer	-	-	1,352,077	1,671,181	1,352,077
Industrial Park	-	-	17,245	17,377	17,245
TOTAL EXPENSES	<u>2,340,148</u>	<u>2,446,657</u>	<u>1,369,322</u>	<u>1,688,558</u>	<u>3,709,470</u>
CHANGE IN NET ASSETS	(68,533)	69,707	232,831	(101,699)	164,298
BEGINNING NET ASSETS, as Restated	<u>3,138,634</u>	<u>3,083,535</u>	<u>4,056,628</u>	<u>4,175,850</u>	<u>7,195,262</u>
ENDING NET ASSETS	<u>\$ 3,070,101</u>	<u>\$ 3,153,242</u>	<u>\$ 4,289,459</u>	<u>\$ 4,074,151</u>	<u>\$ 7,359,560</u>

## **OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

### **Governmental Activities**

The governmental activities generated \$582,902 in program revenues, \$1,933,462 of general revenues and incurred \$2,446,657 of program expenses. This resulted in a \$69,707 increase in net assets.

### **Business-Type Activities**

Revenues of the Utility Service fund and Industrial Park fund were \$1,586,859 compared to expenses of \$1,688,558. This resulted in a decrease in net assets for the year of \$101,699.

## **THE CITY'S INDIVIDUAL FUNDS**

### **General Fund**

The General Fund's fund balance decreased by \$129,645 from \$1,083,012 to \$953,367.

### **Utility Service Fund**

The Utility Service fund net assets decreased by \$109,583, from \$3,934,701 (restated) to \$3,825,121.

## **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**

In the General Fund, the City completed two FRDAP grants totaling \$146,879 and paved four new roads in the amount of \$140,236. In the Utility Fund, the City bought 33 acres in the amount of \$166,676. 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 \$172,908 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, 2009**

	<b>Governmental <u>Activities</u></b>	<b>Business-type <u>Activities</u></b>	<b><u>Total</u></b>
<b><u>ASSETS</u></b>			
Cash and Equivalents	\$ 956,249	\$ 609,362	\$ 1,565,611
Investments	80,930	43,964	124,894
Accounts Receivable	53,547	136,561	190,108
Internal Balances	7,609	(7,609)	-
Due from Other Governments	133,886	-	133,886
Inventory	-	25,106	25,106
Capital Assets:			
Non-Depreciable	714,884	204,673	919,557
Depreciable, Net	<u>1,850,870</u>	<u>3,792,830</u>	<u>5,643,700</u>
<b>TOTAL ASSETS</b>	<u><u>3,797,975</u></u>	<u><u>4,804,887</u></u>	<u><u>8,602,862</u></u>
<b><u>LIABILITIES</u></b>			
Accounts Payable and Accrued Liabilities	256,305	112,800	369,105
Deposits	-	129,664	129,664
Unearned Revenue	8,567	-	8,567
Noncurrent Liabilities:			
Due Within One Year	126,412	109,502	235,914
Due in More Than One Year	<u>253,449</u>	<u>378,770</u>	<u>632,219</u>
<b>TOTAL LIABILITIES</b>	<u><u>644,733</u></u>	<u><u>730,736</u></u>	<u><u>1,375,469</u></u>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	2,266,646	3,533,201	5,799,847
Restricted for Law Enforcement	13,982	-	13,982
Unrestricted	<u>872,614</u>	<u>540,950</u>	<u>1,413,564</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 3,153,242</u></u>	<u><u>\$ 4,074,151</u></u>	<u><u>\$ 7,227,393</u></u>

See accompanying notes.

**City of Chiefland, Florida**  
**Statement of Activities**  
**For the Year Ended September 30, 2009**

<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	\$ 650,552	\$ 62,581	\$ -	\$ -	\$ (587,971)	\$ -	\$ (587,971)
Public Safety	1,430,528	281,428	27,930	1,200	(1,119,970)	-	(1,119,970)
Physical Environment	2,861	2,326	-	-	(535)	-	(535)
Transportation	175,017	-	35,656	-	(139,361)	-	(139,361)
Culture and Recreation	171,050	-	-	171,781	731	-	731
Interest on Long-Term Debt	16,649	-	-	-	(16,649)	-	(16,649)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>2,446,657</b>	<b>346,335</b>	<b>63,586</b>	<b>172,981</b>	<b>(1,863,755)</b>	<b>-</b>	<b>(1,863,755)</b>
BUSINESS-TYPE ACTIVITIES:							
Water and Sewer	1,671,181	1,551,858	-	3,500	-	(115,823)	(115,823)
Industrial Park	17,377	24,562	-	-	-	7,185	7,185
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,688,558</b>	<b>1,576,420</b>	<b>-</b>	<b>3,500</b>	<b>-</b>	<b>(108,638)</b>	<b>(108,638)</b>
<b>TOTAL</b>	<b>\$ 4,135,215</b>	<b>\$ 1,922,755</b>	<b>\$ 63,586</b>	<b>\$ 176,481</b>	<b>(1,863,755)</b>	<b>(108,638)</b>	<b>(1,972,393)</b>
GENERAL REVENUES:							
Property Taxes					708,160	-	708,160
Shared Revenues					218,697	-	218,697
Discretionary Sales Surtaxes					151,202	-	151,202
Franchise Fees					329,795	-	329,795
Utility Taxes					347,989	-	347,989
Communications Service Tax					141,543	-	141,543
Investment Earnings					7,384	4,335	11,719
Impact Fees					-	2,604	2,604
Miscellaneous					28,692	-	28,692
<b>TOTAL GENERAL REVENUES</b>					<b>1,933,462</b>	<b>6,939</b>	<b>1,940,401</b>
CHANGE IN NET ASSETS					69,707	(101,699)	(31,992)
NET ASSETS – BEGINNING OF YEAR, as Restated					3,083,535	4,175,850	7,259,385
NET ASSETS – END OF YEAR					<b>\$ 3,153,242</b>	<b>\$ 4,074,151</b>	<b>\$ 7,227,393</b>

See accompanying notes.

**City of Chiefland, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2009**

	<b>General Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>			
Cash and Equivalents	\$ 942,267	\$ 13,982	\$ 956,249
Investments	80,930	-	80,930
Accounts Receivable	53,547	-	53,547
Due from Other Funds	7,609	-	7,609
Due from Other Governments	<u>133,886</u>	<u>-</u>	<u>133,886</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,218,239</u></b>	<b><u>\$ 13,982</u></b>	<b><u>\$ 1,232,221</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable and Accrued Liabilities	\$ 256,305	\$ -	\$ 256,305
Deferred Revenue	<u>8,567</u>	<u>-</u>	<u>8,567</u>
<b>TOTAL LIABILITIES</b>	<b><u>264,872</u></b>	<b><u>-</u></b>	<b><u>264,872</u></b>
<b><u>FUND BALANCES</u></b>			
Unreserved, Reported In:			
General Fund	953,367	-	953,367
Special Revenue Funds	<u>-</u>	<u>13,982</u>	<u>13,982</u>
<b>TOTAL FUND BALANCES</b>	<b><u>953,367</u></b>	<b><u>13,982</u></b>	<b><u>967,349</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,218,239</u></b>	<b><u>\$ 13,982</u></b>	<b><u>\$ 1,232,221</u></b>

See accompanying notes.

**City of Chiefland, Florida**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**September 30, 2009**

FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 967,349
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	2,565,754
Long-term liabilities are not reported in the governmental funds.	
Notes Payable	(299,108)
Compensated Absences	<u>(80,753)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,153,242</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, 2009**

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>			
Taxes	\$ 1,714,345	\$ -	\$ 1,714,345
Permits, Fees & Special Assessments	38,826	-	38,826
Intergovernmental	404,212	-	404,212
Charges for Services	274,389	-	274,389
Fines and Forfeitures	36,949	11,248	48,197
Miscellaneous	39,374	37	39,411
	<u>2,508,095</u>	<u>11,285</u>	<u>2,519,380</u>
<b>TOTAL REVENUES</b>			
<b><u>EXPENDITURES</u></b>			
Current:			
General Government	602,998	-	602,998
Public Safety	1,341,758	5,340	1,347,098
Physical Environment	1,394	-	1,394
Transportation	316,045	-	316,045
Culture and Recreation	270,202	-	270,202
Debt Service:			
Principal Retirement	88,694	-	88,694
Interest and Fiscal Charges	16,649	-	16,649
	<u>2,637,740</u>	<u>5,340</u>	<u>2,643,080</u>
<b>TOTAL EXPENDITURES</b>			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(129,645)	5,945	(123,700)
FUND BALANCES – BEGINNING OF YEAR	<u>1,083,012</u>	<u>8,037</u>	<u>1,091,049</u>
FUND BALANCES – END OF YEAR	<u>\$ 953,367</u>	<u>\$ 13,982</u>	<u>\$ 967,349</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, 2009**

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ (123,700)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Acquisitions of Capital Assets	361,195
Current Year Depreciation Expense	(236,053)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net assets of governmental activities.</p>	
Principal Payments	88,694
<p>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.</p>	
Compensated Absences	(17,413)
<p>In the statement of activities, only the gain on the disposition of capital assets is reported.</p>	
Proceeds from Sale	(14,904)
Gain on Sale	11,888
	11,888
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 69,707

See accompanying notes.

**City of Chiefland, Florida**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2009**

	<b>Business-type Activities</b>		<b>Total</b>
	<b>– Enterprise Funds</b>		
	<b>Utility</b>	<b>Other</b>	<b>Enterprise</b>
	<b>Service</b>	<b>Enterprise</b>	<b>Funds</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>
<b><u>CURRENT ASSETS</u></b>			
Cash and Equivalents	\$ 439,342	\$ 170,020	\$ 609,362
Investments	43,964	-	43,964
Accounts Receivable	135,250	1,311	136,561
Inventory	<u>25,106</u>	<u>-</u>	<u>25,106</u>
<b>TOTAL CURRENT ASSETS</b>	<b>643,662</b>	<b>171,331</b>	<b>814,993</b>
<b><u>NONCURRENT ASSETS</u></b>			
Capital Assets, Net	<u>3,919,587</u>	<u>77,916</u>	<u>3,997,503</u>
<b>TOTAL ASSETS</b>	<b><u>4,563,249</u></b>	<b><u>249,247</u></b>	<b><u>4,812,496</u></b>
<b><u>CURRENT LIABILITIES</u></b>			
Accounts Payable and Accrued Liabilities	112,800	-	112,800
Deposits	129,447	217	129,664
Due to Other Funds	7,609	-	7,609
Current Portion of Long-Term Liabilities	<u>109,502</u>	<u>-</u>	<u>109,502</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>359,358</b>	<b>217</b>	<b>359,575</b>
<b>NONCURRENT LIABILITIES</b>	<u>378,770</u>	<u>-</u>	<u>378,770</u>
<b>TOTAL LIABILITIES</b>	<b><u>738,128</u></b>	<b><u>217</u></b>	<b><u>738,345</u></b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	3,455,285	77,916	3,533,201
Unrestricted	<u>369,836</u>	<u>171,114</u>	<u>540,950</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 3,825,121</u></b>	<b><u>\$ 249,030</u></b>	<b><u>\$ 4,074,151</u></b>

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, 2009**

	<b>Business-type Activities</b>		<b>Total</b>
	<b>– Enterprise Funds</b>		
	<b>Utility</b>	<b>Other</b>	<b>Enterprise</b>
	<b>Service</b>	<b>Enterprise</b>	<b>Funds</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>
<b><u>OPERATING REVENUES</u></b>			
User Fees	<u>\$ 1,551,858</u>	<u>\$ 24,562</u>	<u>\$ 1,576,420</u>
<b><u>OPERATING EXPENSES</u></b>			
Personal Services	419,405	-	419,405
Operating Expenses	1,014,099	9,568	1,023,667
Depreciation	<u>210,993</u>	<u>7,809</u>	<u>218,802</u>
TOTAL OPERATING EXPENSES	<u>1,644,497</u>	<u>17,377</u>	<u>1,661,874</u>
OPERATING INCOME (LOSS)	<u>(92,639)</u>	<u>7,185</u>	<u>(85,454)</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Impact Fees	2,604	-	2,604
Investment Earnings	3,636	699	4,335
Interest Expense	<u>(26,684)</u>	<u>-</u>	<u>(26,684)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(20,444)</u>	<u>699</u>	<u>(19,745)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(113,083)	7,884	(105,199)
Capital Contributions – Grants	<u>3,500</u>	<u>-</u>	<u>3,500</u>
CHANGE IN NET ASSETS	(109,583)	7,884	(101,699)
NET ASSETS – BEGINNING OF YEAR, as Restated	<u>3,934,704</u>	<u>241,146</u>	<u>4,175,850</u>
NET ASSETS – END OF YEAR	<u><u>\$ 3,825,121</u></u>	<u><u>\$ 249,030</u></u>	<u><u>\$ 4,074,151</u></u>

See accompanying notes.

**City of Chiefland, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2009**

	<b>Business-type Activities</b>		<b>Total</b>
	<b>– Enterprise Funds</b>		
	<b>Utility</b>	<b>Other</b>	<b>Enterprise</b>
	<b>Service</b>	<b>Enterprise</b>	<b>Funds</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>
<b><u>OPERATING ACTIVITIES</u></b>			
Receipts from Customers	\$ 1,529,394	\$ 26,079	\$ 1,555,473
Payments to Suppliers	(1,119,559)	(9,587)	(1,129,146)
Payments to Employees	<u>(307,525)</u>	<u>-</u>	<u>(307,525)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>102,310</u>	<u>16,492</u>	<u>118,802</u>
<b><u>CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Capital Grants	3,500	-	3,500
Acquisitions of Capital Assets	(243,896)	(5,000)	(248,896)
Principal Paid on Debt	(84,214)	-	(84,214)
Interest Paid on Debt	(26,684)	-	(26,684)
Impact Fees Received	<u>2,604</u>	<u>-</u>	<u>2,604</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(348,690)</u>	<u>(5,000)</u>	<u>(353,690)</u>
<b><u>INVESTING ACTIVITIES</u></b>			
Interest Received	3,636	699	4,335
Acquisition of Investments	<u>(1,418)</u>	<u>-</u>	<u>(1,418)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>2,218</u>	<u>699</u>	<u>2,917</u>
<b>CHANGE IN CASH AND EQUIVALENTS</b>	(244,162)	12,191	(231,971)
<b>CASH AND EQUIVALENTS – BEGINNING OF YEAR</b>	<u>683,504</u>	<u>157,829</u>	<u>841,333</u>
<b>CASH AND EQUIVALENTS – END OF YEAR</b>	<u><u>\$ 439,342</u></u>	<u><u>\$ 170,020</u></u>	<u><u>\$ 609,362</u></u>
<b>OPERATING INCOME (LOSS)</b>	\$ (92,639)	\$ 7,185	\$ (85,454)
Depreciation	210,993	7,809	218,802
Change In:			
Accounts Receivable	(26,669)	1,517	(25,152)
Due from Other Funds	7,181	-	7,181
Inventory	(11,541)	-	(11,541)
Accounts Payable and Accrued Liabilities	7,857	(19)	7,838
Due to Other Funds	5,167	-	5,167
Compensated Absences	(2,244)	-	(2,244)
Customer Deposits	<u>4,205</u>	<u>-</u>	<u>4,205</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 102,310</u></u>	<u><u>\$ 16,492</u></u>	<u><u>\$ 118,802</u></u>
<b>NONCASH CAPITAL ACTIVITIES:</b>			
Capital Assets Reclassified	<u><u>\$ 33,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,000</u></u>

See accompanying notes.

**City of Chiefland, Florida**  
**Notes to Financial Statements**  
**September 30, 2009**

**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, 2009**

**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, 2009**

**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 \$12,900 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, 2009**

**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 2009.

**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, 2009**

**NOTE 2 – INTERFUND BALANCES**

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

At September 30, 2009, interfund balances were as follows:

	<b><u>Interfund Receivable</u></b>	<b><u>Interfund Payable</u></b>
General Fund	\$ 7,609	\$ -
Enterprise Funds:		
Utility Service	-	7,609
Total	<u>\$ 7,609</u>	<u>\$ 7,609</u>

**NOTE 3 – CAPITAL ASSET ACTIVITY**

During the year ended September 30, 2009, the following changes in capital assets occurred:

	<b><u>Balance October 1, 2008</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance September 30, 2009</u></b>
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 714,884	\$ -	\$ -	\$ 714,884
Capital Assets Being Depreciated:				
Land Improvements	671,398	146,879	-	818,277
Infrastructure	-	140,236	-	140,236
Buildings and Improvements	1,183,622	28,084	-	1,211,706
Furniture and Equipment	1,403,343	45,996	71,640	1,377,699
Total Capital Assets Being Depreciated	<u>3,258,363</u>	<u>361,195</u>	<u>71,640</u>	<u>3,547,918</u>
Less Accumulated Depreciation for:				
Land Improvements	187,771	45,644	-	233,415
Buildings and Improvements	458,429	42,150	-	500,579
Furniture and Equipment	883,419	148,259	68,624	963,054
Total Accumulated Depreciation	<u>1,529,619</u>	<u>236,053</u>	<u>68,624</u>	<u>1,697,048</u>
Total Capital Assets Being Depreciated, Net	<u>1,728,744</u>	<u>125,142</u>	<u>3,016</u>	<u>1,850,870</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,443,628</u>	<u>\$ 125,142</u>	<u>\$ 3,016</u>	<u>\$ 2,565,754</u>

**City of Chiefland, Florida**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 3 – CAPITAL ASSET ACTIVITY**

	<b>Balance October 1, 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2009</b>
<b><u>Business-type Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 36,382	\$ 166,676	\$ -	\$ 203,058
Construction in Progress	-	1,615	-	1,615
Total Capital Assets Not Being Depreciated	<u>36,382</u>	<u>168,291</u>	<u>-</u>	<u>204,673</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	145,236	-	-	145,236
Industrial Park	-	5,000	-	5,000
Water System	2,822,235	49,048	-	2,871,283
Sewer Treatment Plant and System	4,020,629	59,557	-	4,080,186
Garbage Services	1,067	-	-	1,067
Total Capital Assets Being Depreciated	<u>6,989,167</u>	<u>113,605</u>	<u>-</u>	<u>7,102,772</u>
Less Accumulated Depreciation for:				
Building and Improvements	100,893	7,750	-	108,643
Industrial Park	-	59	-	59
Water System	1,094,735	83,380	-	1,178,115
Sewer Treatment Plant and System	1,895,246	127,399	-	2,022,645
Garbage Services	266	214	-	480
Total Accumulated Depreciation	<u>3,091,140</u>	<u>218,802</u>	<u>-</u>	<u>3,309,942</u>
Total Capital Assets Being Depreciated, Net	<u>3,898,027</u>	<u>(105,197)</u>	<u>-</u>	<u>3,792,830</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,934,409</u>	<u>\$ 63,094</u>	<u>\$ -</u>	<u>\$ 3,997,503</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 32,630
Public Safety	123,364
Physical Environment	1,467
Transportation	5,898
Culture and Recreation	72,694
Total Depreciation Expense - Governmental Activities	<u>\$ 236,053</u>
Business-type Activities	
Utility Service	\$ 210,993
Industrial Park	7,809
Total Depreciation Expense - Business-type Activities	<u>\$ 218,802</u>

**City of Chiefland, Florida  
Notes to Financial Statements  
September 30, 2009**

**NOTE 4 – LONG-TERM OBLIGATIONS**

**Governmental Activities**

5.15% note for land; Payable \$3,247 monthly, including interest	\$ 164,882
4.50% note for fire truck; Payable \$1,755 monthly, including interest	86,976
4.55% note for radios; Payable \$1,447 monthly, including interest	<u>47,250</u>
Total	<u><u>\$ 299,108</u></u>

**Business-type Activities**

5.15% Water and Sewer 2009 Consolidating Loan; Payable \$9,242 monthly, including interest.	<u><u>\$ 464,302</u></u>
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Aggregate maturities of long-term debt are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 64,260	\$ 13,130	\$ 89,001	\$ 21,897
2011	67,445	9,947	93,695	17,204
2012	69,230	6,609	98,635	16,571
2013	56,493	3,530	103,837	9,542
2014	<u>41,680</u>	<u>788</u>	<u>79,134</u>	<u>1,718</u>
Totals	<u><u>\$ 299,108</u></u>	<u><u>\$ 34,004</u></u>	<u><u>\$ 464,302</u></u>	<u><u>\$ 66,932</u></u>

**City of Chiefland, Florida**  
**Notes to Financial Statements**  
**September 30, 2009**

**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>2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2009</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Notes Payable	\$ 387,802	\$ -	\$ 88,694	\$ 299,108	\$ 64,260
Compensated Absences	63,340	88,011	70,598	80,753	62,152
Total	<u>\$ 451,142</u>	<u>\$ 88,011</u>	<u>\$ 159,292</u>	<u>\$ 379,861</u>	<u>\$ 126,412</u>
<u>Business-type Activities</u>	<u>Balance</u> <u>October 1,</u> <u>2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2009</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Loan Payable	\$ 548,516	\$ -	\$ 84,214	\$ 464,302	\$ 89,001
Compensated Absences	26,214	23,983	26,227	23,970	20,501
Total	<u>\$ 574,730</u>	<u>\$ 23,983</u>	<u>\$ 110,441</u>	<u>\$ 488,272</u>	<u>\$ 109,502</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, 2009 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, 2009, 2008 and 2007 were \$193,395, \$174,275 and \$170,132, respectively, equal to the required contributions for each year.

**City of Chiefland, Florida**  
**Notes to Financial Statements**  
**September 30, 2009**

**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.

**NOTE 7 – RESTATEMENT OF NET ASSETS**

The City restated the net asset balance as of October 1, 2008 in its business-type activities. It was determined that the City had incorrectly recorded a prepaid lease in the amount of \$100,175. The restatement of net assets reflects that this prepaid lease should have been expensed in a prior year. The restatement is summarized below:

Net assets, September 30, 2008, as previously reported	\$ 4,276,025
Restatement	<u>(100,175)</u>
Net assets, October 1, 2008, as restated	<u><u>\$ 4,175,850</u></u>

**NOTE 8 – CONTINGENCIES**

The City is sometimes a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the City cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the City.

**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, 2009**

	<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>
<b><u>REVENUES</u></b>				
Taxes	\$ 1,646,875	\$ 1,646,875	\$ 1,714,345	\$ 67,470
Permits, Fees & Special Assessments	178,500	178,500	38,826	(139,674)
Intergovernmental	396,447	416,981	404,212	(12,769)
Charges for Services	274,044	274,044	274,389	345
Fines and Forfeitures	43,000	43,000	36,949	(6,051)
Miscellaneous	120,500	137,906	39,374	(98,532)
<b>TOTAL REVENUES</b>	<b><u>2,659,366</u></b>	<b><u>2,697,306</u></b>	<b><u>2,508,095</u></b>	<b><u>(189,211)</u></b>
<b><u>EXPENDITURES</u></b>				
Current:				
General Government	613,864	616,164	602,998	13,166
Public Safety	1,370,346	1,424,387	1,341,758	82,629
Physical Environment	5,700	5,700	1,394	4,306
Transportation	468,645	468,645	316,045	152,600
Culture and Recreation	280,891	295,384	270,202	25,182
Contingency	73,518	40,624	-	40,624
Debt Service:				
Principal Retirement	89,599	89,599	88,694	905
Interest and Fiscal Charges	16,803	16,803	16,649	154
<b>TOTAL EXPENDITURES</b>	<b><u>2,919,366</u></b>	<b><u>2,957,306</u></b>	<b><u>2,637,740</u></b>	<b><u>319,566</u></b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(260,000)</b>	<b>(260,000)</b>	<b>(129,645)</b>	<b>130,355</b>
<b>FUND BALANCES – BEGINNING OF YEAR</b>	<b><u>360,000</u></b>	<b><u>360,000</u></b>	<b><u>1,083,012</u></b>	<b><u>723,012</u></b>
<b>FUND BALANCES – END OF YEAR</b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 953,367</u></b>	<b><u>\$ 853,367</u></b>

See accompanying notes.

**City of Chiefland, Florida**  
**Notes to Required Supplementary Information**  
**For the Year Ended September 30, 2009**

**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

We have audited the financial statements of the City of Chiefland (the "City") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated May 7, 2010. 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 findings and recommendations made in the preceding audit. In that regard, prior audit finding 08-1 is repeated in the accompanying Schedule of Findings as item 09-1.

### 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.

To the Honorable Mayor and City Commissioners  
City of Chiefland, Florida  
Page 2

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, 2009, 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, 2009.

Investment of Public Funds

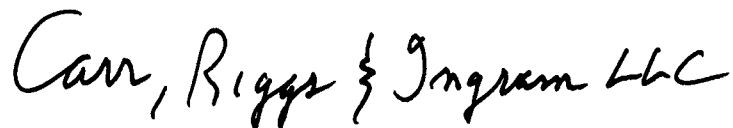
As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal noncompliance with the provisions of Section 218.415, Florida Statutes.

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.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram LLC". The signature is written in a cursive, flowing style.

May 7, 2010  
Gainesville, Florida

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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2010. 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.

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

#### 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 09-1 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.

### **Communication with Those Charged with Governance**

Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are sometimes particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no particularly sensitive estimates significantly affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are sometimes particularly sensitive because of their significance to financial statement users. There are no particularly sensitive disclosures significantly affecting the financial statements.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We detected no misstatements during the audit.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter.

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.

*Carr, Riggs & Ingram LLC*

May 7, 2010  
Gainesville, Florida

**City of Chiefland, Florida**  
**Schedule of Findings**  
**For the Year Ended September 30, 2009**

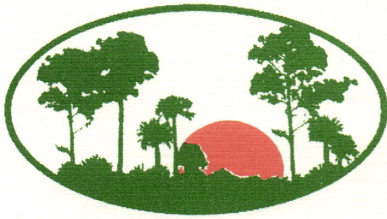
- 09-1 Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists 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, 2009  
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 ~

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**Teal Pomeroy**  
Mayor

**Teresa Barron**  
Vice Mayor

**Frank Buie**  
Commissioner

**Sammy Cason**  
Commissioner

**Rollin Hudson**  
Commissioner

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May 7, 2010

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: 2009 Annual Audit Report

Dear Mr. Martin,

Carr, Riggs & Ingram, LLC, formerly Davis Monk and Company, Inc., prepared an independent annual audit of the City of Chiefland financial records for fiscal year ending September 30, 2009.

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 Fiscal Year Ending September 30, 2009**

**09-1** The City will continue to segregate incompatible duties, as much as possible, so that no one City employee has access to both physical assets and the related accounting records, or to all phases of a transaction. City of Chiefland staff is committed to protecting public financial interests for the City of Chiefland.