

CITY OF CHIEFLAND,  
FLORIDA

AUDIT REPORT

SEPTEMBER 30, 2010

**City of Chiefland, Florida  
Audit Report  
September 30, 2010**

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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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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.

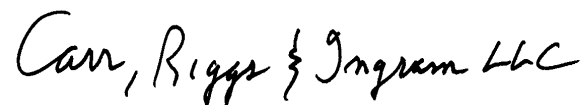
As discussed in Note 6 to the financial statements, the City has not implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, the business-type activities and the Utility Service Fund are not reasonably determinable.

In our opinion, except for the effects of not implementing the provisions of GASB Statement No. 45, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the Utility Service Fund of the City as of September 30, 2010, 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 addition, in our opinion, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the General Fund and the aggregate remaining fund information of the City as of September 30, 2010, 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 February 22, 2011 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 "Carr, Riggs & Ingram LLC". The signature is written in a cursive, flowing style.

February 22, 2011  
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, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2010:

- Total ending unrestricted net assets were \$1,314,222.
- The City had total expenses for the year of \$4,023,800, compared to revenues of \$3,961,034.

### 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**

Comparative condensed financial information is presented on the following page.

## NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2010	2009	2010	2009	2010
ASSETS:						
Non-Capital Assets	\$ 1,232,221	\$ 1,079,181	\$ 807,384	\$ 780,923	\$ 2,039,605	\$ 1,860,104
Capital Assets	2,565,754	2,435,283	3,997,503	3,898,551	6,563,257	6,333,834
TOTAL ASSETS	<u>3,797,975</u>	<u>3,514,464</u>	<u>4,804,887</u>	<u>4,679,474</u>	<u>8,602,862</u>	<u>8,193,938</u>
LIABILITIES:						
Current Liabilities	391,284	218,505	351,966	332,201	743,250	550,706
Long-term Liabilities	253,449	186,634	378,770	291,971	632,219	478,605
TOTAL LIABILITIES	<u>644,733</u>	<u>405,139</u>	<u>730,736</u>	<u>624,172</u>	<u>1,375,469</u>	<u>1,029,311</u>
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	2,266,646	2,200,323	3,533,201	3,522,957	5,799,847	5,723,280
Restricted	13,982	22,065	-	105,060	13,982	127,125
Unrestricted	872,614	886,937	540,950	427,285	1,413,564	1,314,222
TOTAL NET ASSETS	<u>\$ 3,153,242</u>	<u>\$ 3,109,325</u>	<u>\$ 4,074,151</u>	<u>\$ 4,055,302</u>	<u>\$ 7,227,393</u>	<u>\$ 7,164,627</u>

## CHANGES IN NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2010	2009	2010	2009	2010
PROGRAM REVENUES:						
Charges for Services	\$ 346,335	\$ 331,648	\$ 1,576,420	\$ 1,611,693	\$ 1,922,755	\$ 1,943,341
Capital Grants & Contributions	172,981	68,148	3,500	-	176,481	68,148
Operating Grants & Contributions	63,586	55,112	-	-	63,586	55,112
GENERAL REVENUES:						
Property Taxes	708,160	666,329	-	-	708,160	666,329
Other Taxes and Shared Revenues	1,189,226	1,169,069	-	-	1,189,226	1,169,069
Impact Fees		8,520	2,604	21,868	2,604	30,388
Miscellaneous	28,692	17,762	-	-	28,692	17,762
Investment Earnings	7,384	7,948	4,335	2,937	11,719	10,885
TOTAL REVENUES	<u>2,516,364</u>	<u>2,324,536</u>	<u>1,586,859</u>	<u>1,636,498</u>	<u>4,103,223</u>	<u>3,961,034</u>
PROGRAM EXPENSES						
General Government	650,552	581,572	-	-	650,552	581,572
Public Safety	1,430,528	1,453,711	-	-	1,430,528	1,453,711
Physical Environment	2,861	2,355	-	-	2,861	2,355
Transportation	175,017	147,344	-	-	175,017	147,344
Culture and Recreation	171,050	170,229	-	-	171,050	170,229
Interest on Long-term Debt	16,649	13,242	-	-	16,649	13,242
Water and Sewer	-	-	1,671,181	1,641,726	1,671,181	1,641,726
Industrial Park	-	-	17,377	13,621	17,377	13,621
TOTAL EXPENSES	<u>2,446,657</u>	<u>2,368,453</u>	<u>1,688,558</u>	<u>1,655,347</u>	<u>4,135,215</u>	<u>4,023,800</u>
CHANGE IN NET ASSETS	69,707	(43,917)	(101,699)	(18,849)	(31,992)	(62,766)
BEGINNING NET ASSETS	<u>3,083,535</u>	<u>3,153,242</u>	<u>4,175,850</u>	<u>4,074,151</u>	<u>7,259,385</u>	<u>7,227,393</u>
ENDING NET ASSETS	<u>\$ 3,153,242</u>	<u>\$ 3,109,325</u>	<u>\$ 4,074,151</u>	<u>\$ 4,055,302</u>	<u>\$ 7,227,393</u>	<u>\$ 7,164,627</u>

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

### **Governmental Activities**

The governmental activities generated \$454,908 in program revenues, \$1,869,628 of general revenues and incurred \$2,368,453 of program expenses. This resulted in a \$43,917 decrease in net assets.

### **Business-Type Activities**

Revenues of the Utility Service fund and Industrial Park fund were \$1,636,498 compared to expenses of \$1,655,347. This resulted in a decrease in net assets for the year of \$18,849.

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

### **General Fund**

The General Fund's fund balance increased by \$45,066 from \$953,367 to \$998,433.

### **Utility Service Fund**

The Utility Service fund net assets decreased by \$23,364, from \$3,825,121 to \$3,801,757.

## **BUDGETARY HIGHLIGHTS**

Revenues of the General Fund were less than budgeted amounts by \$13,622.

General Fund expenditures were below budgeted amounts by \$108,688.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

#### **Capital Assets**

For 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 decreased by about \$146,000 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, 2010**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and Equivalents	\$ 831,292	\$ 578,204	\$ 1,409,496
Investments	84,024	45,436	129,460
Accounts Receivable	58,217	141,773	199,990
Internal Balances	13,378	(13,378)	-
Due from Other Governments	90,884	-	90,884
Inventory	1,386	28,888	30,274
Capital Assets:			
Non-Depreciable	730,038	203,058	933,096
Depreciable, Net	<u>1,705,245</u>	<u>3,695,493</u>	<u>5,400,738</u>
<b>TOTAL ASSETS</b>	<u><b>3,514,464</b></u>	<u><b>4,679,474</b></u>	<u><b>8,193,938</b></u>
<b><u>LIABILITIES</u></b>			
Accounts Payable and Accrued Liabilities	64,950	97,056	162,006
Deposits	-	129,638	129,638
Unearned Revenue	15,788	-	15,788
Noncurrent Liabilities:			
Due Within One Year	137,767	105,507	243,274
Due in More Than One Year	<u>186,634</u>	<u>291,971</u>	<u>478,605</u>
<b>TOTAL LIABILITIES</b>	<u><b>405,139</b></u>	<u><b>624,172</b></u>	<u><b>1,029,311</b></u>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	2,200,323	3,522,957	5,723,280
Restricted:			
Law Enforcement	10	-	10
Impact Fees	22,055	105,060	127,115
Unrestricted	<u>886,937</u>	<u>427,285</u>	<u>1,314,222</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 3,109,325</b></u>	<u><b>\$ 4,055,302</b></u>	<u><b>\$ 7,164,627</b></u>

See accompanying notes.

**City of Chiefland, Florida**  
**Statement of Activities**  
**For the Year Ended September 30, 2010**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>							
General Government	\$ 581,572	\$ 72,023	-	\$ -	\$ (509,549)	\$ -	\$ (509,549)
Public Safety	1,453,711	255,325	15,350	66,393	(1,116,643)	-	(1,116,643)
Physical Environment	2,355	4,300	-	-	1,945	-	1,945
Transportation	147,344	-	39,762	-	(107,582)	-	(107,582)
Culture and Recreation	170,229	-	-	1,755	(168,474)	-	(168,474)
Interest on Long-Term Debt	13,242	-	-	-	(13,242)	-	(13,242)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>2,368,453</b>	<b>331,648</b>	<b>55,112</b>	<b>68,148</b>	<b>(1,913,545)</b>	<b>-</b>	<b>(1,913,545)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Water and Sewer	1,641,726	1,593,993	-	-	-	(47,733)	(47,733)
Industrial Park	13,621	17,700	-	-	-	4,079	4,079
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,655,347</b>	<b>1,611,693</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43,654)</b>	<b>(43,654)</b>
<b>TOTAL</b>	<b>\$ 4,023,800</b>	<b>\$ 1,943,341</b>	<b>\$ 55,112</b>	<b>\$ 68,148</b>	<b>(1,913,545)</b>	<b>(43,654)</b>	<b>(1,957,199)</b>
<b>GENERAL REVENUES:</b>							
Property Taxes					666,329	-	666,329
Shared Revenues					201,212	-	201,212
Discretionary Sales Surtaxes					141,965	-	141,965
Franchise Fees					349,633	-	349,633
Utility Taxes					351,340	-	351,340
Communications Service Tax					124,919	-	124,919
Investment Earnings					7,948	2,937	10,885
Impact Fees					8,520	21,868	30,388
Miscellaneous					17,762	-	17,762
<b>TOTAL GENERAL REVENUES</b>					<b>1,869,628</b>	<b>24,805</b>	<b>1,894,433</b>
<b>CHANGE IN NET ASSETS</b>					<b>(43,917)</b>	<b>(18,849)</b>	<b>(62,766)</b>
<b>NET ASSETS – BEGINNING OF YEAR</b>					<b>3,153,242</b>	<b>4,074,151</b>	<b>7,227,393</b>
<b>NET ASSETS – END OF YEAR</b>					<b>\$ 3,109,325</b>	<b>\$ 4,055,302</b>	<b>\$ 7,164,627</b>

See accompanying notes.

**City of Chiefland, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2010**

	<b>General Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>			
Cash and Equivalents	\$ 831,282	\$ 10	\$ 831,292
Investments	84,024	-	84,024
Accounts Receivable	58,217	-	58,217
Due from Other Funds	18,304	-	18,304
Due from Other Governments	90,884	-	90,884
Inventory	1,386	-	1,386
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,084,097</u>	<u>\$ 10</u>	<u>\$ 1,084,107</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable and Accrued Liabilities	\$ 64,950	\$ -	\$ 64,950
Due to Other Funds	4,926	-	4,926
Deferred Revenue	15,788	-	15,788
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>85,664</u>	<u>-</u>	<u>85,664</u>
<b><u>FUND BALANCES</u></b>			
Reserved:			
Impact Fees	22,055	-	22,055
Inventory	1,386	-	1,386
Unreserved, Reported In:			
General Fund	974,992	-	974,992
Special Revenue Funds	-	10	10
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>998,433</u>	<u>10</u>	<u>998,443</u>
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,084,097</u>	<u>\$ 10</u>	<u>\$ 1,084,107</u>

See accompanying notes.

**City of Chiefland, Florida**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**September 30, 2010**

FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 998,443
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	2,435,283
Long-term liabilities are not reported in the governmental funds.	
Notes Payable	(234,960)
Compensated Absences	<u>(89,441)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,109,325</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, 2010**

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b><u>REVENUES</u></b>			
Taxes	\$ 1,339,358	\$ -	\$ 1,339,358
Permits, Fees & Special Assessments	396,608	-	396,608
Intergovernmental	285,099	-	285,099
Charges for Services	260,932	-	260,932
Fines and Forfeitures	17,218	-	17,218
Miscellaneous	26,297	28	26,325
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	2,325,512	28	2,325,540
<b><u>EXPENDITURES</u></b>			
Current:			
General Government	548,086	-	548,086
Public Safety	1,408,121	14,000	1,422,121
Physical Environment	888	-	888
Transportation	156,727	-	156,727
Culture and Recreation	89,234	-	89,234
Debt Service:			
Principal Retirement	64,148	-	64,148
Interest and Fiscal Charges	13,242	-	13,242
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	2,280,446	14,000	2,294,446
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	45,066	(13,972)	31,094
FUND BALANCES – BEGINNING OF YEAR	953,367	13,982	967,349
	<hr/>	<hr/>	<hr/>
FUND BALANCES – END OF YEAR	\$ 998,433	\$ 10	\$ 998,443
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2010**

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 31,094
<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	104,055
Current Year Depreciation Expense	(233,523)
<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	64,148
<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	(8,688)
<p>In the statement of activities, only the gain on the disposition of capital assets is reported.</p>	
Proceeds from Sale	(2,517)
Gain on Sale	1,514
	1,514
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ (43,917)

See accompanying notes.

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

	<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	\$ 396,075	\$ 182,129	\$ 578,204
Investments	45,436	-	45,436
Accounts Receivable	140,539	1,234	141,773
Due From Other Funds	4,926	-	4,926
Inventory	28,888	-	28,888
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	615,864	183,363	799,227
<b><u>NONCURRENT ASSETS</u></b>			
Capital Assets, Net	3,826,882	71,669	3,898,551
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	4,442,746	255,032	4,697,778
<b><u>CURRENT LIABILITIES</u></b>			
Accounts Payable and Accrued Liabilities	97,056	-	97,056
Deposits	128,151	1,487	129,638
Due to Other Funds	18,304	-	18,304
Current Portion of Long-Term Liabilities	105,507	-	105,507
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	349,018	1,487	350,505
<b><u>NONCURRENT LIABILITIES</u></b>			
	291,971	-	291,971
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	640,989	1,487	642,476
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	3,451,288	71,669	3,522,957
Restricted - Impact Fees	105,060	-	105,060
Unrestricted	245,409	181,876	427,285
	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS	<u>\$ 3,801,757</u>	<u>\$ 253,545</u>	<u>\$ 4,055,302</u>

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, 2010**

	<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>\$ 1,593,993</u>	<u>\$ 17,700</u>	<u>\$ 1,611,693</u>
<b><u>OPERATING EXPENSES</u></b>			
Personal Services	414,734	-	414,734
Operating Expenses	986,739	5,075	991,814
Depreciation	<u>210,631</u>	<u>8,546</u>	<u>219,177</u>
TOTAL OPERATING EXPENSES	<u>1,612,104</u>	<u>13,621</u>	<u>1,625,725</u>
OPERATING INCOME (LOSS)	<u>(18,111)</u>	<u>4,079</u>	<u>(14,032)</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Impact Fees	21,868	-	21,868
Investment Earnings	2,501	436	2,937
Interest Expense	(22,190)	-	(22,190)
Loss on Disposal of Capital Assets	<u>(7,432)</u>	<u>-</u>	<u>(7,432)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(5,253)</u>	<u>436</u>	<u>(4,817)</u>
CHANGE IN NET ASSETS	(23,364)	4,515	(18,849)
NET ASSETS – BEGINNING OF YEAR	<u>3,825,121</u>	<u>249,030</u>	<u>4,074,151</u>
NET ASSETS – END OF YEAR	<u><u>\$ 3,801,757</u></u>	<u><u>\$ 253,545</u></u>	<u><u>\$ 4,055,302</u></u>

See accompanying notes.

**City of Chiefland, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2010**

	<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	\$ 1,582,482	\$ 19,047	\$ 1,601,529
Payments to Suppliers	(1,108,269)	(5,075)	(1,113,344)
Payments to Employees	(304,121)	-	(304,121)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>170,092</u></b>	<b><u>13,972</u></b>	<b><u>184,064</u></b>
<b><u>CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Acquisitions of Capital Assets	(125,358)	(2,299)	(127,657)
Principal Paid on Debt	(88,708)	-	(88,708)
Interest Paid on Debt	(22,190)	-	(22,190)
Impact Fees Received	21,868	-	21,868
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>(214,388)</u></b>	<b><u>(2,299)</u></b>	<b><u>(216,687)</u></b>
<b><u>INVESTING ACTIVITIES</u></b>			
Interest Received	2,501	436	2,937
Acquisition of Investments	(1,472)	-	(1,472)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b><u>1,029</u></b>	<b><u>436</u></b>	<b><u>1,465</u></b>
<b>CHANGE IN CASH AND EQUIVALENTS</b>	<b>(43,267)</b>	<b>12,109</b>	<b>(31,158)</b>
<b>CASH AND EQUIVALENTS - BEGINNING OF YEAR</b>	<b><u>439,342</u></b>	<b><u>170,020</u></b>	<b><u>609,362</u></b>
<b>CASH AND EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 396,075</u></b>	<b><u>\$ 182,129</u></b>	<b><u>\$ 578,204</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (18,111)</b>	<b>\$ 4,079</b>	<b>\$ (14,032)</b>
Depreciation	210,631	8,546	219,177
Change In:			
Accounts Receivable	(5,289)	77	(5,212)
Due from Other Funds	(4,926)	-	(4,926)
Inventory	(3,782)	-	(3,782)
Accounts Payable and Accrued Liabilities	(15,744)	-	(15,744)
Due to Other Funds	10,695	-	10,695
Compensated Absences	(2,086)	-	(2,086)
Customer Deposits	(1,296)	1,270	(26)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 170,092</u></b>	<b><u>\$ 13,972</u></b>	<b><u>\$ 184,064</u></b>

See accompanying notes.

**City of Chiefland, Florida**  
**Notes to Financial Statements**  
**September 30, 2010**

**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**

The City applies GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended.

**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, 2010**

**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, 2010**

**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 \$17,250 allowance.

**Inventories**

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

In the General Fund, the inventory is reported using the consumption method. An offsetting "reserve" is reported to indicate that inventory does not represent available spendable resources.

**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.

**City of Chiefland, Florida**  
**Notes to Financial Statements**  
**September 30, 2010**

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

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

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 the year.

**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.

**City of Chiefland, Florida**  
**Notes to Financial Statements**  
**September 30, 2010**

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

**Restricted Net Assets**

In the accompanying government-wide and proprietary funds' statements of net assets, *restricted net assets* are subject to restrictions beyond the City's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance Reserves**

*Governmental Funds* - Reserves represent portions of fund balances which cannot be appropriated for expenditure or which have been legally restricted for specific future uses.

**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.

**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, 2010, interfund balances were as follows:

	<b><u>Interfund Receivable</u></b>	<b><u>Interfund Payable</u></b>
General Fund	\$ 18,304	\$ 4,926
Enterprise Funds:		
Utility Service	4,926	18,304
Total	<u>\$ 23,230</u>	<u>\$ 23,230</u>

**City of Chiefland, Florida**  
**Notes to Financial Statements**  
**September 30, 2010**

**NOTE 3 – CAPITAL ASSET ACTIVITY**

During the year ended September 30, 2010, the following changes in capital assets occurred:

	<b>Balance October 1, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2010</b>
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 714,884	\$ -	\$ -	\$ 714,884
Construction in Progress	-	15,154	-	15,154
<b>Total Capital Assets Not Being Depreciated</b>	<b>714,884</b>	<b>15,154</b>	<b>-</b>	<b>730,038</b>
Capital Assets Being Depreciated:				
Land Improvements	818,277	-	-	818,277
Infrastructure	140,236	-	-	140,236
Buildings and Improvements	1,211,706	-	-	1,211,706
Furniture and Equipment	1,377,699	88,901	85,850	1,380,750
<b>Total Capital Assets Being Depreciated</b>	<b>3,547,918</b>	<b>88,901</b>	<b>85,850</b>	<b>3,550,969</b>
Less Accumulated Depreciation for:				
Land Improvements	233,415	53,960	-	287,375
Infrastructure	-	4,674	-	4,674
Buildings and Improvements	500,579	43,074	-	543,653
Furniture and Equipment	963,054	131,815	84,847	1,010,022
<b>Total Accumulated Depreciation</b>	<b>1,697,048</b>	<b>233,523</b>	<b>84,847</b>	<b>1,845,724</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>1,850,870</b>	<b>(144,622)</b>	<b>1,003</b>	<b>1,705,245</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$2,565,754</b>	<b>\$ (129,468)</b>	<b>\$ 1,003</b>	<b>\$2,435,283</b>

**City of Chiefland, Florida**  
**Notes to Financial Statements**  
**September 30, 2010**

**NOTE 3 – CAPITAL ASSET ACTIVITY**

	<b>Balance October 1, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2010</b>
<b><u>Business-type Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 203,058	\$ -	\$ -	\$ 203,058
Construction in Progress	1,615	-	1,615	-
Total Capital Assets Not Being Depreciated	<u>204,673</u>	<u>-</u>	<u>1,615</u>	<u>203,058</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	145,236	-	-	145,236
Industrial Park	5,000	2,299	-	7,299
Water System	2,871,283	90,431	8,326	2,953,388
Sewer Treatment Plant and System	4,080,186	36,542	8,233	4,108,495
Garbage Services	1,067	-	-	1,067
Total Capital Assets Being Depreciated	<u>7,102,772</u>	<u>129,272</u>	<u>16,559</u>	<u>7,215,485</u>
Less Accumulated Depreciation for:				
Building and Improvements	108,643	7,750	-	116,393
Industrial Park	59	796	-	855
Water System	1,178,115	81,657	904	1,258,868
Sewer Treatment Plant and System	2,022,645	128,761	8,223	2,143,183
Garbage Services	480	213	-	693
Total Accumulated Depreciation	<u>3,309,942</u>	<u>219,177</u>	<u>9,127</u>	<u>3,519,992</u>
Total Capital Assets Being Depreciated, Net	<u>3,792,830</u>	<u>(89,905)</u>	<u>7,432</u>	<u>3,695,493</u>
Business-type Activities Capital Assets, Net	<u>\$3,997,503</u>	<u>\$ (89,905)</u>	<u>\$ 9,047</u>	<u>\$3,898,551</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 24,799
Public Safety	113,735
Physical Environment	1,467
Transportation	10,772
Culture and Recreation	82,750
Total Depreciation Expense - Governmental Activities	<u>\$ 233,523</u>
Business-type Activities	
Utility Service	\$ 210,631
Industrial Park	8,546
Total Depreciation Expense - Business-type Activities	<u>\$ 219,177</u>

**City of Chiefland, Florida  
Notes to Financial Statements  
September 30, 2010**

**NOTE 4 – LONG-TERM OBLIGATIONS**

**Governmental Activities**

5.15% note for land; Payable \$3,247 monthly, including interest	\$ 133,715
4.50% note for fire truck; Payable \$1,755 monthly, including interest	69,525
4.55% note for radios; Payable \$1,447 monthly, including interest	31,720
Total	\$ 234,960

**Business-type Activities**

5.15% Water and Sewer 2009 Consolidating Loan; Payable \$9,242 monthly, including interest.	\$ 375,594
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Aggregate maturities of long-term debt are as follows:

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2011	\$ 67,445	\$ 9,947	\$ 93,695	\$ 17,204
2012	69,234	6,609	98,635	16,571
2013	56,493	3,530	103,837	9,542
2014	41,788	788	79,427	1,718
Totals	\$234,960	\$20,874	\$375,594	\$ 45,035

**City of Chiefland, Florida**  
**Notes to Financial Statements**  
**September 30, 2010**

**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>2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2010</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Notes Payable	\$ 299,108	\$ -	\$ 64,148	\$ 234,960	\$ 67,445
Compensated Absences	80,753	96,983	88,295	89,441	70,322
Total	<u>\$ 379,861</u>	<u>\$ 96,983</u>	<u>\$ 152,443</u>	<u>\$ 324,401</u>	<u>\$ 137,767</u>

<u>Business-type Activities</u>	<u>Balance</u> <u>October 1,</u> <u>2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2010</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Loan Payable	\$ 464,302	\$ -	\$ 88,708	\$ 375,594	\$ 93,695
Compensated Absences	23,970	28,213	30,299	21,884	11,812
Total	<u>\$ 488,272</u>	<u>\$ 28,213</u>	<u>\$ 119,007</u>	<u>\$ 397,478</u>	<u>\$ 105,507</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, 2010 were as follows: Regular Employees 10.77%; Special Risk Employees 23.25%; Senior Management 14.57%; Elected Officials 18.46%. 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, 2010, 2009 and 2008 were \$195,687, \$193,395 and \$174,275, respectively, equal to the required contributions for each year.

**City of Chiefland, Florida**  
**Notes to Financial Statements**  
**September 30, 2010**

**NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS**

The City provides other postemployment benefits (OPEB) to its employees by providing retirement healthcare benefits.

The City has not implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

**NOTE 7 – 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 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, 2010**

	<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	\$ 1,357,664	\$ 1,357,664	\$ 1,339,358	\$ (18,306)
Permits, Fees & Special Assessments	336,166	336,166	396,608	60,442
Intergovernmental	295,344	295,344	285,099	(10,245)
Charges for Services	269,860	269,860	260,932	(8,928)
Fines and Forfeitures	43,000	43,000	17,218	(25,782)
Miscellaneous	37,100	37,100	26,297	(10,803)
<b>TOTAL REVENUES</b>	<b><u>2,339,134</u></b>	<b><u>2,339,134</u></b>	<b><u>2,325,512</u></b>	<b><u>(13,622)</u></b>
<b><u>EXPENDITURES</u></b>				
Current:				
General Government	600,008	600,008	548,086	51,922
Public Safety	1,437,179	1,437,179	1,408,121	29,058
Physical Environment	2,600	2,600	888	1,712
Transportation	173,263	173,263	156,727	16,536
Culture and Recreation	98,259	98,259	89,234	9,025
Debt Service:				
Principal Retirement	64,548	64,548	64,148	400
Interest and Fiscal Charges	13,277	13,277	13,242	35
<b>TOTAL EXPENDITURES</b>	<b><u>2,389,134</u></b>	<b><u>2,389,134</u></b>	<b><u>2,280,446</u></b>	<b><u>108,688</u></b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>    EXPENDITURES</b>	<b>(50,000)</b>	<b>(50,000)</b>	<b>45,066</b>	<b>95,066</b>
<b>FUND BALANCES – BEGINNING OF YEAR</b>	<b><u>125,000</u></b>	<b><u>125,000</u></b>	<b><u>953,367</u></b>	<b><u>828,367</u></b>
<b>FUND BALANCES – END OF YEAR</b>	<b><u>\$ 75,000</u></b>	<b><u>\$ 75,000</u></b>	<b><u>\$ 998,433</u></b>	<b><u>\$ 923,433</u></b>

**City of Chiefland, Florida**  
**Notes to Required Supplementary Information**  
**For the Year Ended September 30, 2010**

**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, 2010, and have issued our report thereon dated February 22, 2011. 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 09-1 is repeated in the accompanying Schedule of Findings as item 10-1.

### 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, 2010, 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, 2010.

Investment of Public Funds

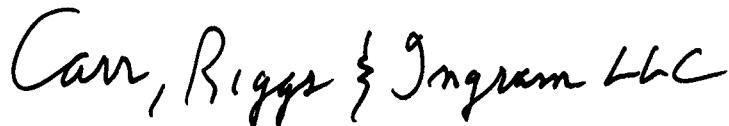
As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal noncompliance with the provisions of Section 218.415, Florida Statutes.

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.

February 22, 2011  
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, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 22, 2011. Our report on the financial statements of the governmental activities, the business-type activities and the Utility Service Fund was qualified because the City did not implement the accounting and financial reporting requirements of GASB Statement No. 45. 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 10-1 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. The most significant estimate affecting the financial statements is management's estimate of depreciation expense.

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. In Note 6 to the financial statements, the City disclosed that it did not implement the provisions of GASB Statement No. 45. Our report on the financial statements was qualified in that regard.

*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*

February 22, 2011  
Gainesville, Florida

**City of Chiefland, Florida**  
**Schedule of Findings**  
**For the Year Ended September 30, 2010**

- 10-1 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, 2010  
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

February 18, 2011

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: 2010 Annual Audit Report

Dear Mr. Martin,

Carr, Riggs & Ingram, LLC prepared an independent annual audit of the City of Chiefland financial records for fiscal year ending September 30, 2010.

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, 2010**

**10-1** This situation is constantly before us so the City continues 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. I continually monitor and review this situation for possible solutions. City of Chiefland staff is committed to protecting public financial interests for the City of Chiefland.