

**City of Springfield
Calhoun County, Michigan**

FINANCIAL STATEMENTS

June 30, 2015



City of Springfield

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Springfield
Calhoun County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Springfield (the City) as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Springfield as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note M to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the City's unfunded defined pension benefit obligation as a liability for the first time, and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note M to the financial statements, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the City recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in employer's net pension liability and related ratios, schedule of employer contributions, and schedules of funding progress and employer contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 25, 2015

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Our discussion and analysis of the City of Springfield, Michigan's financial performance provides a narrative explanation of the City's financial statements that enables residents, business owners, public officials, and other interested parties to see the city through the eyes of its Chief Executive. The goal of this document is to improve the City's overall financial disclosure by providing information about the quality, consistency, and diversity of the City's revenue sources, and the expectations and returns anticipated from City expenses and investments. Please read this document in conjunction with the City's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements, described as follows:

The *statement of net position* and the *statement of activities* provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting to measure the cost of providing services during the current year, and determine whether the taxpayers have funded the full cost of providing government services within that year.

The *fund financial statements* present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds.

The *fiduciary fund statements* provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2014:

Property Taxes are the General Fund's main source of revenue. In FY 2014-15 a total of \$1,038,366 was collected from a millage rate of \$15 per \$1,000 of taxable value. This included 14 mills for Operating and 1 mill for Public Safety Retirement. This amount also included administrative fees and late penalties. The amount received by the General Fund is after TIFA (Tax Increment Finance Authority) and Brownfield captures from the 2014 tax roll. The total amount collected represents a slight decrease in revenue of approximately 6.3% compared to the prior year. The City's 2014 taxable value of \$80,122,301 concurrently showed a slight decrease of approximately 4.0%. This includes Ad Valorem and Land Bank parcels, plus two Act 425 Agreements with the City of Battle Creek.

The TIFA and Brownfield Funds captured a total of \$300,957 from the 2014 tax roll. These funds continue to promote economic development within the City.

Income Taxes are also an important revenue source for the City. Tax collected from the local income tax totaled \$934,368; an increase of \$101,478 or 12.2% compared to prior year collections. In FY 2014-15, the Income Tax provided funding to the General Fund in the amount of \$398,500 for Public Safety services, a decrease of \$101,900, or 20.4% compared to prior year funding.

State Shared Revenue distributions of Constitutional Sales Tax and EVIP dollars received by the General Fund totaled \$663,383. This was an increase of 2.2% compared to last year. In addition, grant proceeds totaling \$45,441 were received from the State's *Competitive Grant Assistance Program (CGAP)* for consolidated Police Services. Total CGAP dollars received over the last two fiscal years was \$74,634. Springfield continues to be successful in meeting the State's requirements under its '*Revenue Sharing Programs*', for financial *Accountability and Transparency, Consolidation of Services* and the *Management of Unfunded Liabilities*.

Street Act 51 shared revenue received by the Major and Local Street Funds totaled \$418,284 in FY 2014-15, an increase of 2.1% compared to prior year.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Vehicles The City purchased a new truck for public works at a total cost of \$113,851.

Change in General Fund Balance At fiscal year-end, the General Fund showed an decrease of \$49,400 in overall fund balance ending the year with a healthy balance of \$853,683 representing approximately 35.0% of actual fiscal year expenditures including other financing uses.

The City as a Whole

This table shows in a condensed format, the City's net position at **June 30, 2015**, compared to the prior year:

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets						
Current assets	\$ 3,286,591	\$ 2,747,755	\$ 1,351,449	\$ 1,205,107	\$ 4,638,040	\$ 3,952,862
Capital assets	<u>7,067,588</u>	<u>7,656,006</u>	<u>2,114,155</u>	<u>2,308,736</u>	<u>9,181,743</u>	<u>9,964,742</u>
Total assets	10,354,179	10,403,761	3,465,604	3,513,843	13,819,783	13,917,604
Deferred Outflows of Resources						
	230,972	-	-	-	230,972	-0-
Liabilities						
Current liabilities	347,741	227,516	161,978	163,606	509,719	391,122
Long-term liabilities	<u>2,980,321</u>	<u>759,936</u>	<u>139,201</u>	<u>150,505</u>	<u>3,119,522</u>	<u>910,441</u>
Total liabilities	<u>3,328,062</u>	<u>987,452</u>	<u>301,179</u>	<u>314,111</u>	<u>3,629,241</u>	<u>1,301,563</u>
Net Position						
Net investment in capital assets	6,578,044	7,132,717	1,963,699	2,147,025	8,541,743	9,279,742
Restricted	1,841,385	1,469,011	-	-	1,841,385	1,469,011
Unrestricted	<u>(1,162,340)</u>	<u>814,581</u>	<u>1,200,726</u>	<u>1,052,707</u>	<u>38,386</u>	<u>1,867,288</u>
	<u>\$ 7,257,089</u>	<u>\$ 9,416,309</u>	<u>\$ 3,164,425</u>	<u>\$ 3,199,732</u>	<u>\$ 10,421,514</u>	<u>\$ 12,616,041</u>

Net Position of the City's Governmental and Business-type activities at year-end totaled approximately \$10.4 million. This includes cash, investments, receivables, capital assets, and deferred outflows of resources versus current and long-term liabilities. Overall, the City realized a decrease in net position of \$132,089. The decrease is primarily attributable to capital asset depreciation and net disposals during the fiscal year totaling \$993,652. Current and long-term liabilities increased largely in relation to GASB Statement No. 68 and the requirement to record the net pension liability of approximately \$2,330,560 in the Statement of Net Position as of June 30, 2015. Long-term debt principal paid off during the fiscal year totaled \$45,000. Current assets (cash and receivables) increased \$685,178. Total assets of approximately \$13.8 million are rich in comparison to liabilities of about \$3.7 million.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

This table summarizes the change in the City's net position at **June 30, 2015**, compared to the prior year. (Note: the 2014 column is prior to the implementation of GASB Statement No. 68, which was effective for fiscal years beginning after June 15, 2014.)

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for						
Services	\$ 177,920	\$ 286,872	\$ 1,672,346	\$ 1,688,052	\$ 1,850,266	\$ 1,974,924
Grants and						
Contributions	762,784	518,455	-	-	762,784	518,455
General Revenues						
Property Taxes	1,016,466	1,084,628	-	-	1,016,466	1,084,628
City Income Taxes	934,368	832,890	-	-	934,368	832,890
State Shared						
Revenue	663,383	649,405	-	-	663,383	649,405
Investment Earnings	83	42,620	(42)	18,416	41	61,036
Miscellaneous	110,662	136,428	43,688	57,200	154,350	193,628
Transfers	(47,000)	(32,800)	47,000	32,800	-0-	-0-
Total Revenues	3,618,666	3,518,498	1,762,992	1,796,468	5,381,658	5,314,966
Expenses						
General Government	794,517	282,464	-	-	794,517	282,464
Public Safety	1,488,092	1,769,076	-	-	1,488,092	1,769,076
Public Works	1,281,096	1,677,233	-	-	1,281,096	1,677,233
Community and						
Economic Develop.	75,998	64,349	-	-	75,998	64,349
Recreation and Cultural	22,197	67,744	-	-	22,197	67,744
Other	23,746	25,209	1,798,299	1,773,117	1,822,045	1,798,326
Total Expenses	3,685,646	3,886,075	1,798,299	1,773,117	5,483,945	5,659,192
Change in Net Position	(66,980)	(367,577)	(35,307)	23,351	(102,287)	(344,226)
Restated Beginning Net Position	7,324,069	9,783,886	3,199,732	3,176,381	10,523,801	12,960,267
Ending Net Position	\$ 7,257,089	\$ 9,416,309	\$ 3,164,425	\$ 3,199,732	\$ 10,421,514	\$ 12,616,041

GOVERNMENTAL ACTIVITY HIGHLIGHTS

Economic Development

In 2014, a Major Street re-alignment and utility expansion project was completed. The project opened up 25 acres for commercial business development. This property is in close proximity to a well-established golf course and restaurant. Springfield's 2015-16 budget provides funding of \$50,000 for a beautification project in this area to enhance business attraction.

Pulver Dryer, a new business to Springfield in 2012 shows the number of employees has almost doubled and annual wages paid have increased nearly \$1 million dollars since they opened. Springfield is home to Pulver Dryer's corporate world headquarters, and also the research/development and manufacturing components of the business.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The City continues to encourage construction in its 2006 Orchard Hills new housing investment. The land was developed into a platted subdivision with streets, curbs, gutters, storm sewers, water service, sanitary sewer service, and buried electrical/cable/telephone service. Since 2006, 25 of 41 lots have been sold and developed despite the slowed market for new homes. It is anticipated that between one and five lots will be sold and developed in FY 15-16. The remainder of the development should be complete in the next four to six years. The completed development should add approximately \$40,000 annually to the City's property tax collections and \$15,000 annually to the City's Income Tax collections.

Three new businesses opened in Springfield during FY 2014-15. The old Springfield Tire facility on West Michigan was redeveloped to serve as a convenience store and fueling station. Fuel tanks were added and the new owner worked with the newly formed Zoning Board of Appeals to resolve some parking challenges. Springfield Metal Recyclers purchased the Clark Equipment facility and have slowly been demolishing the steel buildings for scrap. With the removal of the buildings, it is expected that the taxable value of the property will drop by half. Finally, Sam's liquor store moved in on West Dickman in late 2014.

Economic Development - PA 425 Agreements

In 2005, 2007, and 2008, the City of Springfield entered into three separate PA 425 Annexation Agreements with the City of Battle Creek. These Agreements were crafted to encourage investments in the *Magnificent Motor Mile Business Improvement District*, a district shared by Springfield and the City of Battle Creek. To date, the Agreements have resulted in a large-scale expansion and redevelopment of the Henkel Chrysler-Dodge, Battle Creek Honda, and Sunshine Toyota dealerships. All three dealerships committed to invest in their local properties in Springfield rather than relocate to higher-profile areas near the interstate.

These temporary annexation agreements helped the dealerships to obtain certain redevelopment tax credits. One of the three agreements expired in 2014. The remaining agreements will expire in 2016 and 2017, respectively. It is anticipated the overall investment in Springfield will exceed \$2 million dollars.

Financial Management and Performance

The original adopted FY 2014-15 General Fund Budget was balanced. However, during the fiscal year the City opted to offer a buyout package to its three department heads. Two of the three agreed and accepted a total buyout amount of \$75,000. Even with this large unforeseen expense, the final draw of fund balance from the General Fund amounted to \$49,399. The retirement of these department heads will initially increase the City's annual retirement contribution but in the long run it will prove a wise financial savings due to the closing of the premium department head retirement division with MERS. The savings will far outpace the initial cost of the buyout.

During FY 2012-13, the City of Springfield completed an extensive project that reviewed our entire organization from a personnel standpoint. We focused on reviewing existing job duties, making appropriate changes to job duties, consolidating departments, and flattening our hierarchy. In June of 2013, we implemented our Reorganization Plan and the end result is a more-efficient and effective local government operation.

The City has made great strides in reducing personnel expenses. The number of full-time funded positions has decreased from 35 to 16 since 2008. Initially, four public safety, one public works, and one income tax position were eliminated. With the consolidation of Police Service in 2013, there has been a total decrease of 49% in funded full-time positions. Positions were strategically eliminated in a manner that avoided layoffs, job loss or unemployment expense. With the Police Consolidation, all of Springfield's Public Safety Officers transferred to either the Calhoun County's Sheriff Department or were hired by the City of Battle Creek Police Department. Since 2008, the annual savings to the City exceeds \$1.2 million. In addition to 16 regular full time employees, the City has 8 part-time contractual positions that provide Assessing, Attorney, Finance, Income Tax, Inspector, Computer Network, and Website/Graphic Design Services. On call part-time Fire Fighters total 18 and the City routinely utilizes 3 to 5 part-time seasonal employees. The Public Safety Director position was replaced with a part-time Fire Chief in 2015. The City will continue to focus on maintaining an appropriate-sized staff to accommodate the needs of our residents and business owners.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The move to contractual police service and other cost reduction measures has resulted in renewed financial strength for the City of Springfield. At fiscal year-end 2014-15, the City shows cash reserves in the General Fund and Income Tax Fund exceeding \$1.7 Million.

NEXT YEAR BUDGETARY HIGHLIGHTS

The City of Springfield proposes a General Fund Budget shortfall of \$112,800 in FY 2015-2016. The General Fund's main source of revenue is generated through taxes on real and personal property. The City's 2015 taxable value (before any adjustments) is \$80,593,987. This represents a modest decrease of 0.6% compared to the 2014 final taxable value of \$80,122,301. After tax capture by Springfield's Tax Increment Finance (TIFA) and Brownfield Redevelopment (BRA) Authorities, the City expects to collect approximately \$1,009,200 from its 14 Operating Mills and 1 Public Safety Retirement Mill. The TIFA and Brownfield Funds will capture a total of \$298,300 from taxing units in FY 2015-16. Administrative fees received by the General Fund for the collection of property taxes will total \$22,000.

State of Michigan Revenue Sharing is Springfield's second largest General Fund revenue source. For FY 2015-16, estimated revenue is \$683,600. This represents an increase of 1% over FY 2014-15. General Fund State Shared Revenue has fallen from more than \$1 million dollars annually in 2001 to its current level, costing the City of Springfield more than \$3.7 million in lost revenue over the past 14 years. In coming budget years, depending on the decisions of Michigan's state officials, the City of Springfield may be required to rely even less on this revenue source to fund general operating activities because of recent decisions to divert state General Fund monies to address the deteriorating roads in the state.

Budgeted transfers from the Income Tax Fund in the amount of \$302,400 are the General Fund's third largest revenue source. These transfers help to finance Public Safety expenses and capital projects and maintenance. The FY 2015-16 budgeted transfers reflect a decrease of \$96,100 or 24% from FY 2014-15 transfers of \$398,500.

Other noteworthy revenue sources anticipated in the City's General Fund for FY 2015-16 includes grant proceeds of \$67,000 from FEMA for replacement of fire-fighting equipment, employee/retiree medical insurance cost share of \$94,300, cable television franchise fees of \$55,000, court fines totaling \$36,000 and an excess asset distribution from the City's property and liability provider in the amount of \$24,000. Total General Fund revenue is expected to equal \$2,305,000. This reflects a decrease of approximately \$129,100 or 5% from the previous fiscal year's amended budget. This decrease is due primarily to the first phase of Personal Property Tax elimination as well as a decrease in the transfer from the Income Tax Fund.

Total General Fund Expenditures for FY 2015-16 are anticipated to equal \$2,427,800. Public Safety accounts for \$1.26 million or 52%, which represents a cost savings of \$385,000 from FY 2012-2103. FY 2015-16 will be the second full year the City of Springfield operates under the new law enforcement contract with the Calhoun County Sheriff that took effect in October 2013. Additional Public Safety cost savings are expected in future years due to the significant impact this change will have on future pension and OPEB liabilities related to former Public Safety Officers. The change will also allow the City to consider other options for providing fire service to the residents of Springfield that will also yield significant cost savings in future years.

Other Funds

The **Major Street Fund** is expected to receive \$335,000 in FY 2015-16 primarily from State Shared Act 51 dollars, a Metro Act distribution, special assessments, and reimbursement from the State for trunk line maintenance. No major street projects are planned this budget year. The Major Street budget funds \$237,900 in soft construction costs, routine, traffic service and winter maintenance. Expenditures also include \$25,500 for administrative costs and a \$9,000 debt service payment for 2006 Bond Debt. The Major Street Fund will transfer \$75,000 to the Local Street Fund this budget year. The net appropriation will result in a decrease of \$12,400 in the Fund's cash balance.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The **Local Street Fund** is expected to receive \$204,100 in FY 2015-16 primarily from State Shared Act 51 dollars, a Metro Act distribution, and special assessments. The Local Street Fund will also receive a \$75,000 transfer from the Major Street Fund. State law permits the use of up to 50% of Major Street Act 51 dollars for local streets. The Local Street budget funds \$145,000 in soft construction costs, routine, traffic service and winter maintenance. Local street resurfacing and culvert repair cost of \$100,000 is included in this year's budget. Expenditures also include \$9,500 for administrative costs and a \$47,100 debt service payment for 2006 Bond Debt. The net appropriation will result in a decrease of \$97,500 in the Fund's cash balance.

The **Income Tax Fund** anticipated revenue for FY 2015-16 is \$802,400. Income Tax administration expense is budgeted at \$239,200, an increase of 3% compared to prior year. In FY 2015-16, Income Tax will transfer \$302,400 to the General Fund to be used to offset the cost of the new law enforcement contract, a decrease of \$96,100 or 24% from the prior year. The net appropriation will result in an increase of \$259,200 in the Fund's cash balance.

The **TIFA B Fund** will receive \$164,400 primarily from captured property taxes and investment income. The Fund will spend \$19,000 in budgeted projects that include: 20th Street Beautification, Economic Development and the Magnificent Motor Mile. In addition, the TIFA B budget funds \$27,600 in operating costs, a \$12,100 transfer to the Brownfield and a \$86,000 debt service payment for 1999 Bond Debt. The net appropriation will result in an increase of \$19,700 in the Fund's cash balance.

The **TIFA D Fund** will receive \$138,000 from captured property taxes and investment income. The Fund will spend \$26,500 in budgeted projects that include: the Farmers Market Kitchen, 20th Street Beautification, Avenue A Beautification, and Economic Development. In addition, the TIFA D budget funds \$38,100 in operating costs and \$40,800 in debt service payments for 2007 Bond Debt. The net appropriation will result in an increase of \$32,600 in the Fund's cash balance.

The **Economic Development Fund** will receive \$91,300 primarily from the sale of city property, a Communications Site Lease, and a pass-thru of special assessments for the Magnificent Motor Mile. The Economic Development budget funds \$47,800 in operating cost, a pass-thru of MMM special assessments and small grants to local residents under the Fix & Repair Program. There is also a \$70,000 project budget for demolition of the Legion Villa property. The net appropriation results in a decrease of \$26,500 in the Fund's cash balance.

The **Farmers Market Fund** is expected to receive \$115,800. Vendor fees, Banquet Center rental, Kitchen rental fees, special events, and miscellaneous income will generate \$59,800. A transfer of \$53,600 from the General Fund will provide additional funding. Expenses related to the Farmers Market and its events are expected to equal \$83,100, while expenses for the operation of the community kitchen and the banquet facility are expected to total \$18,500 and \$14,200, respectively. The Fund is expected to break even at year-end.

The **Vehicle Fund** owns all City vehicles and related equipment. This enterprise fund charges rental rates to the other city departments for the use of vehicles. The Vehicle Fund is expected to receive \$402,400 in FY 2015-16. Loan proceeds for equipment and vehicle replacement costs account for \$190,000. Budgeted expenses total \$477,300 which includes the appropriation of the loan proceeds to replace a backhoe, two industrial mowers, and a one-ton dump truck. The loan will be paid off in 5 annual installments of \$38,000. After adjustment for \$74,900 of non-cash depreciation, the fund will break even for the year.

CONTACTING THE CITY'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Manager's office.

BASIC FINANCIAL STATEMENTS

City of Springfield

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,640,785	\$ 974,464	\$ 3,615,249	\$ 837,550
Receivables	411,166	327,933	739,099	398
Due from other governmental units	228,467	49,052	277,519	-
Prepays	6,173	-	6,173	-
Total current assets	3,286,591	1,351,449	4,638,040	837,948
Noncurrent assets				
Capital assets not being depreciated	595,564	-	595,564	49,349
Capital assets being depreciated, net	6,472,024	2,114,155	8,586,179	-
Total noncurrent assets	7,067,588	2,114,155	9,181,743	49,349
TOTAL ASSETS	10,354,179	3,465,604	13,819,783	887,297
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows of resources related to pensions	230,972	-	230,972	-
LIABILITIES				
Current liabilities				
Accounts payable	209,542	134,825	344,367	7,200
Accrued liabilities	48,490	1,000	49,490	-
Accrued interest payable	3,724	1,240	4,964	6,761
Unearned revenue	9,825	13,658	23,483	-
Current portion of compensated absences	42,415	-	42,415	-
Current portion of long-term debt	33,745	11,255	45,000	110,964
Total current liabilities	347,741	161,978	509,719	124,925
Noncurrent liabilities				
Noncurrent portion of compensated absences	39,903	-	39,903	-
Noncurrent portion of long-term debt	455,799	139,201	595,000	768,135
Net other post-employment benefit obligation	154,059	-	154,059	-
Net pension liability	2,330,560	-	2,330,560	-
Total noncurrent liabilities	2,980,321	139,201	3,119,522	768,135
TOTAL LIABILITIES	3,328,062	301,179	3,629,241	893,060
NET POSITION				
Net investment in capital assets	6,578,044	1,963,699	8,541,743	49,349
Restricted				
Other purposes	1,841,385	-	1,841,385	-
Unrestricted	(1,162,340)	1,200,726	38,386	(55,112)
TOTAL NET POSITION	\$ 7,257,089	\$ 3,164,425	\$ 10,421,514	\$ (5,763)

See accompanying notes to financial statements.

City of Springfield
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit (EDC)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 794,517	\$ 111,109	\$ 49,740	\$ 108,324	\$ (525,344)	\$ -	\$ (525,344)	\$ -
Public safety	1,488,092	36,232	2,822	-	(1,449,038)	-	(1,449,038)	-
Public works	1,281,096	5,942	477,177	124,721	(673,256)	-	(673,256)	-
Community and economic development	75,998	24,637	-	-	(51,361)	-	(51,361)	-
Recreation and cultural	22,197	-	-	-	(22,197)	-	(22,197)	-
Interest and fees on long-term debt	23,746	-	-	-	(23,746)	-	(23,746)	-
Total governmental activities	3,685,646	177,920	529,739	233,045	(2,744,942)	-0-	(2,744,942)	-0-
Business-type activities								
Sewer	863,318	862,950	-	-	-	(368)	(368)	-
Water	584,116	509,699	-	-	-	(74,417)	(74,417)	-
Refuse	206,518	232,283	-	-	-	25,765	25,765	-
Building code enforcement	41,425	36,571	-	-	-	(4,854)	(4,854)	-
Farmers market	102,922	30,843	-	-	-	(72,079)	(72,079)	-
Total business-type activities	1,798,299	1,672,346	-0-	-0-	-0-	(125,953)	(125,953)	-0-
Total primary government	\$ 5,483,945	\$ 1,850,266	\$ 529,739	\$ 233,045	(2,744,942)	(125,953)	(2,870,895)	-0-
Component unit								
Economic Development Corporation	\$ 204,830	\$ 204	\$ -	\$ -	-	-	-0-	(204,626)
General revenues								
Property taxes					1,016,466	-	1,016,466	300,957
Income taxes					934,368	-	934,368	-
State shared revenue					663,383	-	663,383	-
Investment earnings, net of fees					83	(42)	41	1
Miscellaneous					110,662	43,688	154,350	-
Transfers					(47,000)	47,000	-0-	-
Total general revenues and transfers					2,677,962	90,646	2,768,608	300,958
Change in net position					(66,980)	(35,307)	(102,287)	96,332
Restated net position, beginning of the year					7,324,069	3,199,732	10,523,801	(102,095)
Net position, end of the year					\$ 7,257,089	\$ 3,164,425	\$ 10,421,514	\$ (5,763)

See accompanying notes to financial statements.

City of Springfield
Governmental Funds
BALANCE SHEET
June 30, 2015

	General	Major Streets	Local Streets
ASSETS			
Cash and cash equivalents	\$ 902,961	\$ 380,961	\$ 349,989
Receivables			
Accounts	58,524	713	-
Taxes	24,823	-	-
Special assessment	-	10,110	16,056
Due from other governmental units	145,334	55,803	27,330
Prepays	6,173	-	-
TOTAL ASSETS	\$ 1,137,815	\$ 447,587	\$ 393,375
LIABILITIES			
Accounts payable	\$ 175,909	\$ 11,141	\$ 10,217
Accrued liabilities	48,490	-	-
Unearned revenue	9,825	-	-
TOTAL LIABILITIES	234,224	11,141	10,217
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	49,908	10,110	16,056
FUND BALANCES			
Nonspendable	6,173	-	-
Restricted	-	426,336	367,102
Committed	-	-	-
Assigned	122,800	-	-
Unassigned	724,710	-	-
TOTAL FUND BALANCES	853,683	426,336	367,102
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,137,815	\$ 447,587	\$ 393,375

See accompanying notes to financial statements.

Income Tax	Nonmajor Governmental Funds	Total
\$ 825,756	\$ 128,932	\$ 2,588,599
-	-	59,237
299,932	-	324,755
-	-	26,166
-	-	228,467
-	-	6,173
<u>\$ 1,125,688</u>	<u>\$ 128,932</u>	<u>\$ 3,233,397</u>
\$ 5,967	\$ 3,916	\$ 207,150
-	-	48,490
-	-	9,825
5,967	3,916	265,465
180,408	-	256,482
-	-	6,173
939,313	108,815	1,841,566
-	16,201	16,201
-	-	122,800
-	-	724,710
<u>939,313</u>	<u>125,016</u>	<u>2,711,450</u>
<u>\$ 1,125,688</u>	<u>\$ 128,932</u>	<u>\$ 3,233,397</u>

City of Springfield

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2015

Total fund balances - governmental funds \$ 2,711,450

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 27,422,360	
Accumulated depreciation is	<u>(20,708,983)</u>	
Capital assets, net		6,713,377

Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the government-wide statement of net position.

Net position of the governmental activities accounted for in the Internal Service Fund		405,013
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Long-term receivables are not available to pay for current period expenditures and therefore, are considered unavailable in the funds.		256,482
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Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions		230,972
--	--	---------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds payable	489,544	
Accrued interest payable	3,724	
Compensated absences	82,318	
Net other post-employment benefit obligation	154,059	
Net pension liability	<u>2,330,560</u>	
		<u>(3,060,205)</u>

Net position of governmental activities \$ 7,257,089

See accompanying notes to financial statements.

City of Springfield

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>
REVENUES			
Taxes	\$ 1,038,366	\$ -	\$ -
Licenses and permits	72,635	-	-
Intergovernmental	715,210	351,683	135,330
Charges for services	23,235	1,727	-
Fines and forfeits	33,172	-	-
Interest and rents	9,647	146	158
Other	89,558	14,276	9,092
TOTAL REVENUES	1,981,823	367,832	144,580
EXPENDITURES			
Current			
General government	502,411	-	-
Public safety	1,384,638	-	-
Public works	294,810	209,190	174,424
Community and economic development	-	-	-
Recreation and cultural	21,149	-	-
Other	142,315	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	2,345,323	209,190	174,424
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(363,500)	158,642	(29,844)
OTHER FINANCING SOURCES (USES)			
Transfers in	407,600	-	50,000
Transfers out	(93,500)	(59,208)	(48,537)
TOTAL OTHER FINANCING SOURCES (USES)	314,100	(59,208)	1,463
NET CHANGE IN FUND BALANCES	(49,400)	99,434	(28,381)
Fund balances, beginning of year	903,083	326,902	395,483
Fund balances, end of year	<u>\$ 853,683</u>	<u>\$ 426,336</u>	<u>\$ 367,102</u>

See accompanying notes to financial statements.

Income Tax	Nonmajor Governmental Funds	Total
\$ 934,368	\$ -	\$ 1,972,734
-	-	72,635
-	-	1,202,223
-	-	24,962
-	2,822	35,994
-	11,444	21,395
-	24,137	137,063
<u>934,368</u>	<u>38,403</u>	<u>3,467,006</u>
233,614	-	736,025
-	4,867	1,389,505
-	-	678,424
-	36,509	36,509
-	-	21,149
-	-	142,315
-	57,745	57,745
<u>233,614</u>	<u>99,121</u>	<u>3,061,672</u>
700,754	(60,718)	405,334
-	57,745	515,345
<u>(398,500)</u>	<u>-</u>	<u>(599,745)</u>
<u>(398,500)</u>	<u>57,745</u>	<u>(84,400)</u>
302,254	(2,973)	320,934
<u>637,059</u>	<u>127,989</u>	<u>2,390,516</u>
<u>\$ 939,313</u>	<u>\$ 125,016</u>	<u>\$ 2,711,450</u>

City of Springfield

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 320,934

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 20,033	
Depreciation expense	<u>(676,448)</u>	
Excess of depreciation expense over capital outlay		(656,415)

The loss on disposal of capital assets is reported in the statement of activities. The loss is not a use of current resources and thus is not reported in the funds. (1,777)

Some items reported in the statement of activities do not require the use of or are not sources of current financial resources and therefore are not reported as expenditures/revenues in governmental funds. These activities consist of:

Capital assets contributed to the City 108,324

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Change in net position of the Internal Service Fund (32,205)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in unavailable revenue 90,336

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Repayment of long-term debt 33,745

Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

Increase in deferred outflows of resources	127,911	
Decrease in accrued interest payable	254	
Decrease in compensated absences	17,166	
Decrease in net other post-employment benefit obligation	60,006	
(Increase) in net pension liability	<u>(135,259)</u>	
		<u>70,078</u>

Change in net position of governmental activities \$ (66,980)

See accompanying notes to financial statements.

City of Springfield

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2015

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 343,962	\$ 506,541	\$ 123,961
Accounts receivable	160,849	96,073	71,011
Due from other governmental units	23,683	25,369	-
Total current assets	528,494	627,983	194,972
Noncurrent assets			
Capital assets being depreciated, net	989,945	1,124,210	-
TOTAL ASSETS	1,518,439	1,752,193	194,972
LIABILITIES			
Current liabilities			
Accounts payable	77,193	34,130	23,502
Accrued liabilities	-	520	480
Unearned revenue	-	2,000	11,658
Accrued interest payable	645	595	-
Current portion of long-term debt	5,628	5,627	-
Total current liabilities	83,466	42,872	35,640
Noncurrent liabilities			
Noncurrent portion of long-term debt	72,973	66,228	-
TOTAL LIABILITIES	156,439	109,100	35,640
NET POSITION			
Net investment in capital assets	911,344	1,052,355	-
Unrestricted	450,656	590,738	159,332
TOTAL NET POSITION	\$ 1,362,000	\$ 1,643,093	\$ 159,332

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 974,464	\$ 52,186
327,933	1,008
49,052	-
<u>1,351,449</u>	<u>53,194</u>
<u>2,114,155</u>	<u>354,211</u>
3,465,604	407,405
134,825	2,392
1,000	-
13,658	-
1,240	-
11,255	-
<u>161,978</u>	<u>2,392</u>
<u>139,201</u>	<u>-</u>
<u>301,179</u>	<u>2,392</u>
1,963,699	354,211
1,200,726	50,802
<u>\$ 3,164,425</u>	<u>\$ 405,013</u>

City of Springfield

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2015

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 862,950	\$ 509,699	\$ 263,126
Licenses and permits	-	-	36,571
Other	5,020	12,296	26,372
TOTAL OPERATING REVENUES	867,970	521,995	326,069
OPERATING EXPENSES			
Operating expenses	748,835	490,859	350,865
Depreciation	95,978	52,343	-
TOTAL OPERATING EXPENSES	844,813	543,202	350,865
OPERATING INCOME (LOSS)	23,157	(21,207)	(24,796)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	-
Interest earned, net of fees	3	(96)	51
Interest expenses and fees	(4,086)	(3,778)	-
Loss on disposal of capital assets	(14,419)	(37,136)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(18,502)	(41,010)	51
INCOME (LOSS) BEFORE TRANSFERS	4,655	(62,217)	(24,745)
TRANSFERS			
Transfers in	-	-	58,500
Transfers out	-	-	(11,500)
TOTAL TRANSFERS	-0-	-0-	47,000
CHANGE IN NET POSITION	4,655	(62,217)	22,255
Net position, beginning of year	1,357,345	1,705,310	137,077
Net position, end of year	\$ 1,362,000	\$ 1,643,093	\$ 159,332

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,635,775	\$ 132,980
36,571	-
<u>43,688</u>	<u>3,233</u>
1,716,034	136,213
1,590,559	141,450
<u>148,321</u>	<u>69,150</u>
<u>1,738,880</u>	<u>210,600</u>
(22,846)	(74,387)
-0-	108,009
(42)	24
(7,864)	-
<u>(51,555)</u>	<u>(103,251)</u>
<u>(59,461)</u>	<u>4,782</u>
(82,307)	(69,605)
58,500	37,400
<u>(11,500)</u>	<u>-</u>
<u>47,000</u>	<u>37,400</u>
(35,307)	(32,205)
<u>3,199,732</u>	<u>437,218</u>
<u>\$ 3,164,425</u>	<u>\$ 405,013</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 833,703	\$ 523,059	\$ 323,049
Cash paid for operating expenses	(746,250)	(509,702)	(349,857)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	87,453	13,357	(26,808)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt/payment of interfund balances	(28,103)	28,103	-
Transfers in	-	-	58,500
Transfers out	-	-	(11,500)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(28,103)	28,103	47,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expenses and fees	(4,129)	(3,820)	-
Intergovernmental	-	-	-
Capital purchases	(2,647)	(2,648)	-
Payments on borrowings	(5,846)	(5,409)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(12,622)	(11,877)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received, net of fees	3	(96)	51
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,731	29,487	20,243
Cash and cash equivalents, beginning of year	297,231	477,054	103,718
Cash and cash equivalents, end of year	<u>\$ 343,962</u>	<u>\$ 506,541</u>	<u>\$ 123,961</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,679,811	\$ 141,647
<u>(1,605,809)</u>	<u>(141,631)</u>
74,002	16
-0-	625
58,500	37,400
<u>(11,500)</u>	<u>-</u>
47,000	38,025
(7,949)	-
-0-	108,009
(5,295)	(133,851)
<u>(11,255)</u>	<u>-</u>
(24,499)	(25,842)
<u>(42)</u>	<u>24</u>
96,461	12,223
<u>878,003</u>	<u>39,963</u>
<u>\$ 974,464</u>	<u>\$ 52,186</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2015

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 23,157	\$ (21,207)	\$ (24,796)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	95,978	52,343	-
(Increase) decrease in:			
Accounts receivable	(12,294)	(5,881)	(14,678)
Due from other governmental units	(21,973)	4,945	-
Increase (decrease) in:			
Accounts payable	2,585	(18,843)	1,025
Accrued liabilities	-	-	(17)
Unearned revenue	-	2,000	11,658
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 87,453</u>	 <u>\$ 13,357</u>	 <u>\$ (26,808)</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ (22,846)	\$ (74,387)
148,321	69,150
(32,853)	5,434
(17,028)	-
(15,233)	(181)
(17)	-
<u>13,658</u>	<u>-</u>
	.
<u>\$ 74,002</u>	<u>\$ 16</u>

City of Springfield

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2015

	<u>Trust and Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 21,642</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 21,642</u>

See accompanying notes to financial statements.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Springfield is located in Calhoun County, Michigan, and has a population of approximately 5,260. The City of Springfield operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has seven (7) City Council members who are elected at large for overlapping four (4) year terms. The Council appoints the City Manager, Finance Director/Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City of Springfield (primary government), and its component unit. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The City has no blended component units at year end. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. All component units are included in the City's audited financial statements and are not audited separately.

2. Discretely Presented Component Unit

The component unit is reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for this entity or the nature and significance of the relationship between the entity and the City is such that exclusion of the entity would render the financial statements misleading or incomplete. The financial statements contain the following discretely presented component unit:

The Economic Development Corporation (EDC) was created to encourage and provide the means and methods for industrial and commercial enterprises to locate and expand within the City so as to provide needed services and facilities to residents of the City. The EDC's governing body consists of nine (9) members as selected by the Mayor with the assistance and consent of the City Council.

The EDC Board governs the Tax Increment Finance Authority (TIFA) Development Areas B and D and the Brownfield Authority and these funds are combined and reported within the component unit column of the financial statements to further show they are legally separate from the City and are reflected in the combining statements in the Other Supplementary Information.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component unit as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of 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 and charges for support.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

GOVERNMENT WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and its component unit and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all restricted financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Streets Fund is a Special Revenue Fund used to account for restricted financial resources (primarily Act 51 revenues) that are used for repairs and maintenance of the City's major streets.
- c. The Local Streets Fund is a Special Revenue Fund used to account for restricted financial resources (primarily Act 51 revenues) that are used for repairs and maintenance of the City's local streets.
- d. The Income Tax Fund is a Special Revenue Fund used to account for the restricted revenues from income tax collection. The City's income tax was approved by voters for the purpose of funding applicable City operations.

The City reports the following major enterprise funds:

- a. The Sewer System Fund is an Enterprise Fund used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- b. The Water System Fund is an Enterprise Fund used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Additionally, the City reports an internal service fund to account for the management of motor vehicles pool services provided to other departments on a cost reimbursement basis.

The City also reports fiduciary funds to account for assets held by the City as the agent (Agency Funds) for others. Fiduciary Funds are not included in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for agency funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both “measurable” and “available to finance expenditures of the current period”). Revenues that are considered measurable but not available are recorded as a receivable and unearned revenue. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days of the end of the current period. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and agency funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/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.

6. Budgets and Budgetary Accounting

The General and Special Revenue Fund budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgets and Budgetary Accounting - continued

The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. On the Council meeting nearest but no later than the second Council meeting in April, the City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A budget study session is conducted in May, with the City Manager and Department Heads presenting their budgets to the City Council and addressing any questions or concerns of the Council.
- c. A Public Hearing is conducted to obtain taxpayers' comments by the end of May.
- d. Prior to July 1, the budget is legally adopted with passage by Council vote.
- e. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- f. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.

7. Cash and Cash Equivalents

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash and cash equivalents consist of checking accounts and uncategorized pooled investment mutual funds with a maturity from date of purchase of 90 days or less. All mutual funds are recorded at fair (market) value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

8. Receivables

Receivables consist of amounts due from the State and Federal Government for various payments and grants and receivables for charges for services provided to local governmental units, accounts receivable related to charges for services, interest receivable, and other amounts owed to the City at year-end.

9. Property Tax

The City of Springfield bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Springfield on July 1 and are payable without penalty through August 31. All real property taxes not paid to the City by August 31 are turned over to the Calhoun County Treasurer for collection. The Calhoun County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services and an unlimited amount for pension. The operating millage had a maximum allowable millage after roll-back for the 2014 levy of 14.8743 mills. For the year ended June 30, 2015, the City levied \$14.00 per \$1,000 of taxable valuation for general governmental services and \$1.00 per \$1,000 for pension. The total taxable value for the 2014 levy for property within the City was \$77,926,101.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Income Tax Revenues

In accordance with GASB Statement No. 22, *Accounting for Taxpayer - Assessed Tax Revenues in Governmental Funds*, the City has recognized taxpayer-assessed taxes, net of estimated refunds, as revenue in the accounting period in which they become susceptible to accrual (i.e., measurable and available to finance expenditures of the fiscal period). The City has calculated this amount based on the income tax collections made within sixty (60) days after year-end that relate to the prior years. Estimated refunds of these amounts are considered to be immaterial.

11. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The Internal Service Fund records charges for services to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

12. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Roads and sidewalks	20 - 30 years
Buildings and improvements	7 - 50 years
Land improvements	10 - 20 years
Vehicles	2 - 20 years
Furniture and fixtures	5 years
Other tools and equipment	5 - 15 years
Water and sewer systems	3 - 40 years

13. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year are reported as current liabilities with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation. Employees are not paid for accumulated sick leave. All employees with accumulated unused vacation pay at June 30, 2015, were vested and the total due to them, along with related payroll taxes, is recorded entirely in the government-wide financial statements.

15. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized on the government-wide statements.

16. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position or in the governmental funds balance sheet.

The City reports deferred inflows of resources for items which arise only under a modified accrual basis of accounting and qualify for reporting in this category. Accordingly, the item, *unavailable revenues*, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from revenues collected subsequent to sixty (60) days after year end and from long-term special assessment receivables. These amounts are deferred and recognized as an inflows of resources in the period that the amounts become available.

The City also reports deferred outflows of resources which correspond to the City's net pension liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

17. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which preclude their use for unrestricted purposes.

18. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

As of June 30, 2015, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 2,166,501	\$ 2,174,640
COMPONENT UNIT		
Checking	340,623	340,623
FIDUCIARY FUNDS		
Checking	<u>21,642</u>	<u>21,642</u>
TOTAL REPORTING ENTITY	<u>\$ 2,528,766</u>	<u>\$ 2,536,905</u>

The primary government cash and cash equivalents caption on the basic financial statements included \$800 of imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2015, the City accounts were insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000, and the amount of \$2,286,905 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods that at year-end.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Investments

As of June 30, 2015, the carrying amounts and fair values for the investments as reported in the cash and cash equivalents caption on the financial statements are as follows:

Investment Type	Carrying Amount	Fair Value	Weighted Average Maturity
PRIMARY GOVERNMENT			
Uncategorized pooled investment funds			
Fidelity Advantage Mutual Fund			
Strategic income class A	\$ 768,327	\$ 768,327	7.2 years
Short fixed income class A	200,448	200,448	2.1 years
Floating rate high income class A	361,863	361,863	4.4 years
Intermediate municipal income class A	22,514	22,514	4.9 years
Government income class A	94,796	94,796	6.0 years
Total primary government	1,447,948	1,447,948	
COMPONENT UNIT			
Uncategorized pooled investment funds			
Fidelity Advantage Mutual Fund			
Strategic income class A	263,685	263,685	7.2 years
Short fixed income class A	68,793	68,793	2.1 years
Floating rate high income class A	124,189	124,189	4.4 years
Intermediate municipal income class A	7,727	7,727	4.9 years
Government income class A	32,533	32,533	6.0 years
Total component unit	496,927	496,927	
TOTAL REPORTING ENTITY	\$ 1,944,875	\$ 1,944,875	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2015, the rating information on the City's investments is presented below.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Credit risk - continued

	Strategic Income Class A	Short Fixed Income Class A	Floating Rate High Income Class A	Intermediate Municipal Income Class A	Government Income Class A
US Government	20.38%	25.90%	0.00%	0.00%	97.12%
AAA	4.88%	24.53%	0.00%	11.70%	2.38%
AA	0.52%	6.74%	0.00%	47.59%	0.00%
A	4.71%	27.54%	0.00%	28.46%	0.00%
BBB	9.09%	13.30%	3.10%	7.48%	0.00%
BB	20.88%	0.23%	45.10%	0.35%	0.00%
B	19.03%	0.19%	39.20%	0.00%	0.00%
CCC and Below	6.74%	0.17%	2.98%	0.00%	0.00%
Short-Term Rated	0.00%	0.00%	0.00%	0.00%	0.00%
Not Rated/Not Available	10.61%	0.15%	4.45%	3.19%	1.42%
Cash and Net Other Assets	3.16%	1.25%	5.17%	1.23%	-0.92%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Interest rate risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

Concentration of credit risk

The City has designated two banks for the deposit of its funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit.

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents caption on the basic financial statements, based upon criteria disclosed in Note A.

The following summarizes the categorization of these amounts as of June 30, 2015:

	Primary Government	Component Unit	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	<u>\$ 3,615,249</u>	<u>\$ 837,550</u>	<u>\$ 21,642</u>	<u>\$ 4,474,441</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, enterprise funds, and component units have been eliminated.

Transfers to General Fund from:	
Income Tax Fund	\$ 398,500
Nonmajor enterprise funds	<u>9,100</u>
	<u>\$ 407,600</u>
Transfers to Local Streets Fund from:	
Major Streets Fund	<u>\$ 50,000</u>
Transfers to nonmajor governmental funds from:	
Major Streets Fund	\$ 9,208
Local Streets Fund	<u>48,537</u>
	<u>\$ 57,745</u>
Transfers to nonmajor enterprise funds from:	
General Fund	\$ 56,100
Nonmajor enterprise funds	<u>2,400</u>
	<u>\$ 58,500</u>
Transfers to Internal Service Fund from:	
General Fund	<u>\$ 37,400</u>

The transfers to the nonmajor governmental (Debt Redemption) fund were for debt payments. The other transfers made during the year to various funds were for the purposes of funding specific projects within certain funds or to cover operational costs reflected in a particular fund.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 597,341	\$ -	\$ (1,777)	\$ 595,564
Capital assets being depreciated				
Roads and sidewalks	22,999,593	-	-	22,999,593
Buildings and improvements	3,058,817	122,767	-	3,181,584
Land improvements	144,996	-	-	144,996
Vehicles	1,482,602	133,851	(123,877)	1,492,576
Furniture and fixtures	103,344	-	-	103,344
Other tools and equipment	391,689	5,590	-	397,279
Subtotal	28,181,041	262,208	(123,877)	28,319,372
Less accumulated depreciation for:				
Roads and sidewalks	(18,202,229)	(566,577)	-	(18,768,806)
Buildings and improvements	(1,326,709)	(76,689)	-	(1,403,398)
Land improvements	(63,690)	(8,104)	-	(71,794)
Vehicles	(1,089,841)	(69,150)	20,626	(1,138,365)
Furniture and fixtures	(85,916)	(7,374)	-	(93,290)
Other tools and equipment	(353,991)	(17,704)	-	(371,695)
Subtotal	(21,122,376)	(745,598)	20,626	(21,847,348)
Net capital assets being depreciated	7,058,665	(483,390)	(103,251)	6,472,024
Capital assets, net	<u>\$ 7,656,006</u>	<u>\$ (483,390)</u>	<u>\$ (105,028)</u>	<u>\$ 7,067,588</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 40,261
Public safety	100,591
Public works	567,202
Community and economic development	37,544
Total depreciation expense	<u>\$ 745,598</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE D: CAPITAL ASSETS - CONTINUED

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Business-type activities				
(Sewer system)				
Capital assets being depreciated				
Sewer distribution system	\$ 4,133,727	\$ -	\$ (2,480)	\$ 4,131,247
Sewer tools and equipment	184,952	2,647	(26,864)	160,735
Subtotal	4,318,679	2,647	(29,344)	4,291,982
Less accumulated depreciation for:				
Sewer distribution system	(3,119,511)	(91,294)	527	(3,210,278)
Sewer tools and equipment	(101,473)	(4,684)	14,398	(91,759)
Subtotal	(3,220,984)	(95,978)	14,925	(3,302,037)
Capital assets being depreciated	<u>\$ 1,097,695</u>	<u>\$ (93,331)</u>	<u>\$ (14,419)</u>	<u>\$ 989,945</u>
(Water system)				
Capital assets being depreciated				
Water distribution system	\$ 2,357,758	\$ -	\$ (17,694)	\$ 2,340,064
Water tools and equipment	209,136	2,648	(58,050)	153,734
Subtotal	2,566,894	2,648	(75,744)	2,493,798
Less accumulated depreciation for:				
Water distribution system	(1,242,663)	(47,827)	9,304	(1,281,186)
Water tools and equipment	(113,190)	(4,516)	29,304	(88,402)
Subtotal	(1,355,853)	(52,343)	38,608	(1,369,588)
Capital assets being depreciated	<u>\$ 1,211,041</u>	<u>\$ (49,695)</u>	<u>\$ (37,136)</u>	<u>\$ 1,124,210</u>
Component Unit				
Capital assets not being depreciated				
Land	<u>\$ 49,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,349</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2015.

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
2006 Capital Improvement Bonds	\$ 523,289	\$ -	\$ (33,745)	\$ 489,544	\$ 33,745
Compensated Absences	99,484	34,093	(51,259)	82,318	42,415
	622,773	34,093	(85,004)	571,862	76,160
Business-Type Activities					
2006 Capital Improvement Bonds	161,711	-	(11,255)	150,456	11,255
TOTAL PRIMARY GOVERNMENT	784,484	34,093	(96,259)	722,318	87,415
COMPONENT UNIT					
1999 Tax Increment Bonds	375,000	-	(65,000)	310,000	70,000
2007 Tax Increment Bonds	480,000	-	(20,000)	460,000	20,000
Brownfield Loan	129,652	-	(20,553)	109,099	20,964
TOTAL COMPONENT UNIT	984,652	-0-	(105,553)	879,099	110,964
TOTAL REPORTING ENTITY	\$ 1,769,136	\$ 34,093	\$ (201,812)	\$ 1,601,417	\$ 198,379

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES

Capital Improvement Bonds

\$747,245 Capital Improvement Bonds dated May 1, 2006, due in annual installments ranging from \$33,745 to \$61,524 through May 1, 2026, with interest ranging from 4.50 to 4.75 percent, payable semi-annually. These bonds are repaid partially by governmental activities and partially by business-type activities.

\$ 489,544

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and accrued longevity liabilities. The dollar amounts, including related payroll taxes, of these vested rights have been recorded in the government-wide financial statements. They amount to \$82,318 at June 30, 2015.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - BUSINESS-TYPE ACTIVITIES

Capital Improvement Bonds

\$247,755 Capital Improvement Bonds dated May 1, 2006, due in annual installments ranging from \$8,476 to \$17,430 through May 1, 2026, with interest ranging from 4.50 to 4.75 percent, payable semi-annually. These bonds are repaid partially by governmental activities and partially by business-type activities.

\$ 150,456

COMPONENT UNIT

Tax Increment Finance Authority Bonds

The annual requirements to pay the debt principal and interest outstanding for the bonds and loans are as follows:

\$995,000 Tax Increment Finance Authority Bonds dated May 1, 1999, due in annual installments ranging from \$70,000 to \$85,000 through May 1, 2019, with interest ranging from 5.10 to 5.20 percent, payable semi-annually.

\$ 310,000

\$550,000 Tax Increment Finance Authority Bonds dated October 10, 2007, due in annual installments ranging from \$20,000 to \$60,000 through May 1, 2027, with interest ranging from 4.30 to 4.60 percent, payable semi-annually.

460,000

\$ 770,000

Brownfield Loan

\$300,000 Brownfield Loan dated March 10, 2005, due in annual installments of \$23,146 through March 18, 2020, including interest of 2.00 percent.

\$ 109,099

Primary Government - Government Activities

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2016	\$ 33,745	\$ 22,346
2017	37,550	20,825
2018	37,550	19,135
2019	41,305	17,446
2020	41,305	15,566
2021-2025	236,565	47,020
2026	61,524	2,497
Total	<u>\$ 489,544</u>	<u>\$ 144,835</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: LONG-TERM DEBT - CONTINUED

Primary Government - Business-type Activities

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2016	\$ 11,255	\$ 7,409
2017	12,450	6,905
2018	12,450	6,345
2019	13,695	5,784
2020	13,695	5,161
2021-2025	78,435	15,590
2026	8,476	828
Total	<u>\$ 150,456</u>	<u>\$ 48,022</u>

Component Unit

Year Ending June 30,	Tax Increment Bonds		Brownfield Loan	
	Principal	Interest	Principal	Interest
2016	\$ 90,000	\$ 36,745	\$ 20,964	\$ 2,182
2017	100,000	32,315	21,384	1,762
2018	105,000	27,415	21,811	1,335
2019	115,000	22,180	22,247	899
2020	30,000	16,470	22,693	454
2021-2025	215,000	57,730	-	-
2026-2027	115,000	8,050	-	-
Total	<u>\$ 770,000</u>	<u>\$ 200,905</u>	<u>\$ 109,099</u>	<u>\$ 6,632</u>

NOTE F: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property, liability, crime, and auto losses. The pool is organized under Public Act 138 of 1982, as amended. State pool members' limits of coverage (per occurrence) are detailed in their policy agreements with the Authority. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: RETIREMENT PLAN

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

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

Benefits Provided

Benefits provided include plans with multipliers ranging from 2.00% to 3.00%.

Vesting period of 10 years.

Normal retirement age is 60 with early retirement at 55 with 25 years of service or reduces early retirement at 50 with 25 years of service or 55 with 15 years of service.

Final average compensation is calculated based a range of 3 to 5 years. Member contributions range from 2% to 7%.

At the December 31, 2014, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>16</u>
Total employees covered by MERS	<u><u>72</u></u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 12.11% to 16.68% based on annual payroll for open divisions. Two (2) divisions that are closed to new employees have an annual employer contribution range of \$4,899 to \$5,413.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: RETIREMENT PLAN - CONTINUED

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, and 2016, respectively).

Investment rate of return: 8.0%, net of investment expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: RETIREMENT PLAN - CONTINUED

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/13	\$ 9,212,026	\$ 7,016,725	\$ 2,195,301
Changes for the Year			
Service Cost	73,304	-	73,304
Interest on Total Pension Liability	734,738	-	734,738
Changes in benefits	-	-	-0-
Difference between expected and actual experience	-	-	-0-
Changes in assumptions	-	-	-0-
Employer contributions	-	235,339	(235,339)
Employee contributions	-	18,296	(18,296)
Net investment income	-	435,038	(435,038)
Benefit payments, including employee refunds	(685,524)	(685,524)	-0-
Administrative expense	-	(15,889)	15,889
Other changes	1	-	1
Net changes	<u>122,519</u>	<u>(12,740)</u>	<u>135,259</u>
Balances at 12/31/14	<u>\$ 9,334,545</u>	<u>\$ 7,003,985</u>	<u>\$ 2,330,560</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employer, calculated using the discount rates of 8.25%, as well as what the City's net pension liability would be using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 3,285,506	\$ 2,330,560	\$ 1,529,541

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: RETIREMENT PLAN - CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expenses of \$270,300. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	100,298	-
Contributions subsequent to the measurement date*	<u>130,674</u>	<u>-</u>
Total	<u>\$ 230,972</u>	<u>\$ -0-</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$130,674), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense</u>
2016	\$ 25,074
2017	25,074
2018	25,074
2019	25,076

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City provides certain retiree medical benefits as other post-employment benefits (OPEB) to all eligible employees upon retirement in accordance with labor agreements. The following are the Governmental Accounting Standards Board (GASB) Statement No. 45 required disclosures and these disclosures have been implemented prospectively by the City. The City pays the full cost of coverage for these benefits for retired employees up to certain limits as defined by the plan. The retirees must contribute the balance of premiums not paid by the employer in accordance with plan provisions.

During the year ended June 30, 2015, 23 retirees and their beneficiaries were receiving benefits. Expenditures for postemployment benefits are recognized when claims are paid. During the year, expenditures of \$131,529 were recognized for post-employment benefits. As of June 30, 2015, the City had \$302,720 in their Retiree Health Care Trust fund account.

The plan does not issue a separate stand-alone financial statement.

Funding Policy

The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). For the year ended June 30, 2015, the City’s contributions included all required premiums for retirees. The amount of the annual required contribution is reflected in the schedule that follows. Administrative costs of the plan are paid for by the City.

Funding Progress

For the year ended June 30, 2015, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of June 30, 2014. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

The City’s computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 68,202
Interest on net OPEB obligation	10,703
Adjustment to annual required contribution	<u>(7,382)</u>
Annual OPEB cost (expense)	71,523
Amounts contributed:	
Payments of current requirements (gross of employee reimbursement)	<u>131,529</u>
Decrease in net OPEB obligation	(60,006)
OPEB obligation - Beginning of year	<u>214,065</u>
OPEB obligation - End of year	<u><u>\$ 154,059</u></u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the following years ended, was as follows:

	Year Ended June 30,		
	2013	2014	2015
Annual OPEB cost	\$ 151,293	\$ 102,208	\$ 71,523
Percentage of annual OPEB cost contributed	79.0%	102.1%	183.9%
Net OPEB obligation	\$ 216,262	\$ 214,065	\$ 154,059

The current funding progress of the plan as of June 30, 2014, the most recent valuation, is as follows:

Fair value of assets	\$ 269,235
Actuarial accrued liability (AAL)	902,086
Unfunded AAL (UAAL)	632,851
Funded ratio	29.8%
Covered payroll	\$ 653,869
Ratio of UAAL to covered payroll	96.8%

Methods and Assumptions

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revisions as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the fair value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014, alternative measurement calculation, the entry age normal cost method was used. The assumptions include a 5.0 percent per year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets and an average salary increase of 3 percent. A discount rate of 5.0 percent was also used. There was also an inflationary rate assumption factored into the calculation and premium increases ranging from 5.0 percent to 8.0 percent were also factored into the calculation.

NOTE I: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities due to a change in accounting principles.

Beginning net position	\$ 9,416,309
Deferred outflows related to pensions	103,061
Net pension liability	<u>(2,195,301)</u>
Restated beginning net position	<u>\$ 7,324,069</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE J: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various restrictions in net position as of June 30, 2015:

PRIMARY GOVERNMENT	
Other purposes	
Streets and highways	\$ 793,438
Economic development	108,634
City operations	<u>939,313</u>
	<u>\$ 1,841,385</u>

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the City's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment is a council resolution.

For assigned fund balance, the City Council is authorized to assign amounts to a specific purpose. Currently, assigned fund balance is determined through the budget and any residual amounts of fund balance in governmental funds other than the General Fund.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

For the classification of fund balances, the City considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

	General Fund	Major Streets	Local Streets	Income Tax	Nonmajor Governmental Funds	Total
Fund Balances						
Nonspendable						
Prepays	\$ 6,173	\$ -	\$ -	\$ -	\$ -	\$ 6,173
Restricted						
Streets	-	426,336	367,102	-	-	793,438
City operations	-	-	-	939,313	-	939,313
Economic development	-	-	-	-	108,634	108,634
Debt service	-	-	-	-	181	181
Committed						
Public safety	-	-	-	-	16,201	16,201
Assigned						
Subsequent year's expenditures	122,800	-	-	-	-	122,800
Unassigned	724,710	-	-	-	-	724,710
 TOTAL FUND BALANCES	 <u>\$ 853,683</u>	 <u>\$ 426,336</u>	 <u>\$ 367,102</u>	 <u>\$ 939,313</u>	 <u>\$ 125,016</u>	 <u>\$ 2,711,450</u>

NOTE L: SUBSEQUENT EVENT

The City signed an installment purchase agreement on July 15, 2015. The Installment Purchase Agreement was issued for \$158,000, to purchase equipment used to aid the services provided by the public works department. Future General Fund revenues and fund balance are expected to be sufficient to cover this commitment.

NOTE M: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses and issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2015-2016 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Operating	\$ 920,200	\$ 920,200	\$ 941,655	\$ 21,455
Pension	64,700	64,700	66,465	1,765
Tax collection fees	21,000	21,000	21,901	901
Penalties and interest	7,000	7,000	8,345	1,345
Total taxes	1,012,900	1,012,900	1,038,366	25,466
Licenses and permits				
Trailer fees	1,300	1,300	1,305	5
Business licenses	3,500	3,500	6,703	3,203
Liquor licenses	5,000	5,000	4,164	(836)
Cable franchise fees	52,000	52,000	60,463	8,463
Total licenses and permits	61,800	61,800	72,635	10,835
Intergovernmental				
Local	-	-	2,087	2,087
State grants				
Police training grants	-	-	1,139	1,139
Statutory sales tax	339,600	339,600	311,207	(28,393)
Constitutional sales tax	408,300	408,300	400,777	(7,523)
Total state grants	747,900	747,900	715,210	(32,690)
Charges for services	25,000	25,000	23,235	(1,765)
Fines and forfeits	42,000	42,000	33,172	(8,828)
Interest and rents	26,900	26,900	9,647	(17,253)
Other				
Refunds and reimbursements	76,000	76,000	81,890	5,890
Other	34,000	34,000	7,668	(26,332)
Total other	110,000	110,000	89,558	(20,442)
TOTAL REVENUES	2,026,500	2,026,500	1,981,823	(44,677)

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
EXPENDITURES				
Current				
General government				
City council	\$ 50,200	\$ 50,200	\$ 50,878	\$ (678)
City manager	123,800	37,400	35,229	2,171
Finance and administrative services	387,700	453,500	416,304	37,196
Public safety	1,376,500	1,397,400	1,384,638	12,762
Public service	294,000	374,300	315,959	58,341
Post-employment benefits	113,400	124,200	142,315	(18,115)
TOTAL EXPENDITURES	<u>2,345,600</u>	<u>2,437,000</u>	<u>2,345,323</u>	<u>91,677</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(319,100)	(410,500)	(363,500)	47,000
OTHER FINANCING SOURCES (USES)				
Transfers in	407,600	407,600	407,600	-0-
Transfers out	<u>(88,500)</u>	<u>(93,500)</u>	<u>(93,500)</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>319,100</u>	<u>314,100</u>	<u>314,100</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	-0-	(96,400)	(49,400)	47,000
Fund balance, beginning of year	<u>903,083</u>	<u>903,083</u>	<u>903,083</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 903,083</u>	<u>\$ 806,683</u>	<u>\$ 853,683</u>	<u>\$ 47,000</u>

City of Springfield

Major Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final		
REVENUES				
Intergovernmental	\$ 315,900	\$ 326,600	\$ 351,683	\$ 25,083
Charges for services	1,200	1,200	1,727	527
Interest	100	100	146	46
Other				
Special assessments	13,000	13,000	13,371	371
Miscellaneous	-	-	905	905
TOTAL REVENUES	330,200	340,900	367,832	26,932
EXPENDITURES				
Current				
Public works	262,400	263,900	209,190	54,710
EXCESS OF REVENUES OVER EXPENDITURES	67,800	77,000	158,642	81,642
OTHER FINANCING (USES)				
Transfer out	(59,300)	(59,300)	(59,208)	92
NET CHANGE IN FUND BALANCE	8,500	17,700	99,434	81,734
Fund balance, beginning of year	326,902	326,902	326,902	-0-
Fund balance, end of year	\$ 335,402	\$ 344,602	\$ 426,336	\$ 81,734

City of Springfield

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final		
REVENUES				
Intergovernmental	\$ 116,000	\$ 132,700	\$ 135,330	\$ 2,630
Interest	100	100	158	58
Other				
Special assessments	9,000	9,000	9,092	92
TOTAL REVENUES	125,100	141,800	144,580	2,780
EXPENDITURES				
Current				
Public works	264,100	264,100	174,424	89,676
EXCESS OF REVENUES (UNDER) EXPENDITURES	(139,000)	(122,300)	(29,844)	92,456
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-0-
Transfers out	(48,900)	(48,900)	(48,537)	363
TOTAL OTHER FINANCING SOURCES (USES)	1,100	1,100	1,463	363
NET CHANGE IN FUND BALANCE	(137,900)	(121,200)	(28,381)	92,819
Fund balance, beginning of year	395,483	395,483	395,483	-0-
Fund balance, end of year	\$ 257,583	\$ 274,283	\$ 367,102	\$ 92,819

City of Springfield

Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 781,000	\$ 781,000	\$ 934,368	\$ 153,368
Interest	7,200	7,200	-	(7,200)
TOTAL REVENUES	788,200	788,200	934,368	146,168
EXPENDITURES				
Current				
General government	233,700	233,700	233,614	86
EXCESS OF REVENUES OVER EXPENDITURES	554,500	554,500	700,754	146,254
OTHER FINANCING (USES)				
Transfers out	(398,500)	(398,500)	(398,500)	-0-
NET CHANGE IN FUND BALANCE	156,000	156,000	302,254	146,254
Fund balance, beginning of year	637,059	637,059	637,059	-0-
Fund balance, end of year	<u>\$ 793,059</u>	<u>\$ 793,059</u>	<u>\$ 939,313</u>	<u>\$ 146,254</u>

City of Springfield

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Last Fiscal Year (Ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 12/31 of each fiscal year)

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 73,304
Interest	734,738
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including employee refunds	(685,524)
Other	<u>1</u>
Net Change in Total Pension Liability	122,519
Total Pension Liability, beginning	<u>9,212,026</u>
Total Pension Liability, ending	<u><u>\$ 9,334,545</u></u>
Plan Fiduciary Net Position	
Contributions-employer	\$ 235,339
Contributions-employee	18,296
Net investment income	435,038
Benefit payments including employee refunds	(685,524)
Administrative expense	<u>(15,889)</u>
Net Change in Plan Fiduciary Net Position	(12,740)
Plan Fiduciary Net Position, beginning	<u>7,016,725</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 7,003,985</u></u>
Employer Net Pension Liability	<u><u>\$ 2,330,560</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75%
Covered employee payroll	\$ 776,341
Employer's Net Pension Liability as a percentage of covered employee payroll	300%

City of Springfield

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Fiscal Year (Ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	<u>2015</u>
Actuarial determined contributions	\$ 262,952
Contributions in relation to the actuarially determined contribution	<u>262,952</u>
Contribution deficiency (excess)	<u>\$ -0-</u>
Covered employee payroll	\$ 782,016
Contributions as a percentage of covered employee payroll	34%

City of Springfield

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2015

OTHER POST-EMPLOYMENT BENEFITS PLAN

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Fair Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Ratio of UAAL to Covered Payroll
6/30/2014	\$ 269,235	\$ 903,086	\$ 633,851	29.8%	\$ 653,869	96.9%
6/30/2013	208,387	1,531,885	1,323,498	13.6%	1,402,010	94.4%
6/30/2010	-	1,669,757	1,669,757	0.0%	1,501,991	111.2%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2015	\$ 71,523	183.9%	\$ 154,059
2014	102,208	102.1%	214,065
2013	151,293	79.0%	216,262

City of Springfield

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In required supplementary information to the financial statements, the City's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2015, the City incurred expenditures in two (2) activities in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
City Council	\$ 50,200	\$ 50,878	\$ 678
Post-employment benefits	124,200	142,315	18,115

OTHER SUPPLEMENTARY INFORMATION

City of Springfield
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2015

	Special Revenue		Debt Service	
	Drug Law Enforcement Fund	Economic Development	Debt Redemption Fund	Total
ASSETS				
Cash and cash equivalents	\$ 16,201	\$ 112,550	\$ 181	\$ 128,932
LIABILITIES				
Accounts payable	\$ -	\$ 3,916	\$ -	\$ 3,916
FUND BALANCES				
Restricted	-	108,634	181	108,815
Committed	16,201	-	-	16,201
TOTAL FUND BALANCES	16,201	108,634	181	125,016
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,201	\$ 112,550	\$ 181	\$ 128,932

City of Springfield

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	Special Revenue		Debt Service	Total
	Drug Law Enforcement Fund	Economic Development	Debt Redemption Fund	
REVENUES				
Fines and forfeits	\$ 2,822	\$ -	\$ -	\$ 2,822
Interest and rents	5	11,439	-	11,444
Other				
Special assessment	-	17,233	-	17,233
Other	-	6,904	-	6,904
TOTAL REVENUES	2,827	35,576	-0-	38,403
EXPENDITURES				
Current				
Public safety	4,867	-	-	4,867
Community and economic development	-	36,509	-	36,509
Debt service				
Principal	-	-	33,745	33,745
Interest and fiscal agent fees	-	-	24,000	24,000
TOTAL EXPENDITURES	4,867	36,509	57,745	99,121
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,040)	(933)	(57,745)	(60,718)
OTHER FINANCING SOURCES				
Transfers in	-	-	57,745	57,745
NET CHANGE IN FUND BALANCES	(2,040)	(933)	-0-	(2,973)
Fund balances, beginning of year	18,241	109,567	181	127,989
Fund balances, end of year	\$ 16,201	\$ 108,634	\$ 181	\$ 125,016

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2015

	<u>Refuse</u>	<u>Building Code Enforcement</u>	<u>Farmers Market</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 69,127	\$ 43,691	\$ 11,143	\$ 123,961
Accounts receivable	51,767	5,000	14,244	71,011
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	120,894	48,691	25,387	194,972
LIABILITIES				
Current liabilities				
Accounts payable	15,504	3,439	4,559	23,502
Accrued liabilities	-	-	480	480
Unearned revenue	-	-	11,658	11,658
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	15,504	3,439	16,697	35,640
NET POSITION				
Unrestricted	<u>\$ 105,390</u>	<u>\$ 45,252</u>	<u>\$ 8,690</u>	<u>\$ 159,332</u>

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

Year Ended June 30, 2015

	Refuse	Building Code Enforcement	Farmers Market	Total
OPERATING REVENUES				
Charges for services	\$ 232,283	\$ -	\$ 30,843	\$ 263,126
Licenses and permits	-	36,571	-	36,571
Other	-	13,823	12,549	26,372
TOTAL OPERATING REVENUES	232,283	50,394	43,392	326,069
OPERATING EXPENSES				
Operating expenses	206,518	41,425	102,922	350,865
OPERATING INCOME (LOSS)	25,765	8,969	(59,530)	(24,796)
NONOPERATING REVENUES				
Interest earned	29	18	4	51
INCOME (LOSS) BEFORE TRANSFERS	25,794	8,987	(59,526)	(24,745)
TRANSFERS				
Transfers in	-	-	58,500	58,500
Transfers out	(11,500)	-	-	(11,500)
TOTAL TRANSFERS	(11,500)	-0-	58,500	47,000
CHANGE IN NET POSITION	14,294	8,987	(1,026)	22,255
Net position, beginning of year	91,096	36,265	9,716	137,077
Net position, end of year	<u>\$ 105,390</u>	<u>\$ 45,252</u>	<u>\$ 8,690</u>	<u>\$ 159,332</u>

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

	Refuse	Building Code Enforcement	Farmers Market	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 230,272	\$ 45,394	\$ 47,383	\$ 323,049
Cash paid for operating expenses	<u>(206,328)</u>	<u>(38,538)</u>	<u>(104,991)</u>	<u>(349,857)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	23,944	6,856	(57,608)	(26,808)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	58,500	58,500
Transfers out	<u>(11,500)</u>	<u>-</u>	<u>-</u>	<u>(11,500)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(11,500)	-0-	58,500	47,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>29</u>	<u>18</u>	<u>4</u>	<u>51</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,473	6,874	896	20,243
Cash and cash equivalents, beginning of year	<u>56,654</u>	<u>36,817</u>	<u>10,247</u>	<u>103,718</u>
Cash and cash equivalents, end of year	<u><u>\$ 69,127</u></u>	<u><u>\$ 43,691</u></u>	<u><u>\$ 11,143</u></u>	<u><u>\$ 123,961</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 25,765	\$ 8,969	\$ (59,530)	\$ (24,796)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities (Increase) in:				
Accounts receivable	(2,011)	(5,000)	(7,667)	(14,678)
Increase (decrease) in:				
Accounts payable	190	2,887	(2,052)	1,025
Accrued liabilities	-	-	(17)	(17)
Unearned revenue	<u>-</u>	<u>-</u>	<u>11,658</u>	<u>11,658</u>
NET CASH PROVIDED (USED) BY BY OPERATING ACTIVITIES	<u><u>\$ 23,944</u></u>	<u><u>\$ 6,856</u></u>	<u><u>\$ (57,608)</u></u>	<u><u>\$ (26,808)</u></u>

City of Springfield
Component Unit Fund

COMBINING BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION (EDC)

June 30, 2015

	Brownfield	TIFA B	TIFA D	Total
ASSETS				
Cash and cash equivalents	\$ 311	\$ 466,647	\$ 370,592	\$ 837,550
Special assessments receivable	-	-	398	398
TOTAL ASSETS	\$ 311	\$ 466,647	\$ 370,990	\$ 837,948
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 7,200	\$ 7,200
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	398	398
FUND BALANCES				
Restricted	311	466,647	363,392	830,350
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 311	\$ 466,647	\$ 370,990	\$ 837,948

City of Springfield

Component Unit Fund

RECONCILIATION OF THE COMBINING BALANCE SHEET TO THE STATEMENT
OF NET POSITION - ECONOMIC DEVELOPMENT CORPORATION (EDC)

June 30, 2015

Total fund balances - governmental funds \$ 830,350

Amounts reported for the component unit activities in the statement of net position are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is 49,349

Long-term assets are not available to pay for current period expenditures and are therefore considered unavailable in the funds. 398

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year-end consist of:

Bonds and loans payable	\$ 879,099
Accrued interest payable	<u>6,761</u>

(885,860)

Net position of governmental funds \$ (5,763)

City of Springfield

Component Unit Fund

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ECONOMIC DEVELOPMENT CORPORATION (EDC)

Year Ended June 30, 2015

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
REVENUES				
Taxes	\$ 11,061	\$ 161,189	\$ 128,707	\$ 300,957
Interest	1	-	-	1
Other				
Special assessments	-	442	1,671	2,113
	<u>11,062</u>	<u>161,631</u>	<u>130,378</u>	<u>303,071</u>
TOTAL REVENUES	11,062	161,631	130,378	303,071
EXPENDITURES				
Current				
Community and economic development	127	27,172	132,881	160,180
Debt service	23,146	84,975	42,130	150,251
	<u>23,273</u>	<u>112,147</u>	<u>175,011</u>	<u>310,431</u>
TOTAL EXPENDITURES	23,273	112,147	175,011	310,431
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,211)	49,484	(44,633)	(7,360)
OTHER FINANCING SOURCES (USES)				
Transfer in	12,100	-	-	12,100
Transfer out	-	(12,100)	-	(12,100)
	<u>12,100</u>	<u>(12,100)</u>	<u>-0-</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	12,100	(12,100)	-0-	-0-
NET CHANGE IN FUND BALANCES	(111)	37,384	(44,633)	(7,360)
Fund balance, beginning of year	<u>422</u>	<u>429,263</u>	<u>408,025</u>	<u>837,710</u>
Fund balance, end of year	<u>\$ 311</u>	<u>\$ 466,647</u>	<u>\$ 363,392</u>	<u>\$ 830,350</u>

City of Springfield

Component Unit Fund

RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION (EDC)

Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (7,360)

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

Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

(Decrease) in unavailable revenue (1,909)

Reductions of long-term debt are reported as expenditures in governmental funds, but repayments and other related adjustments reduce long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Repayment of long-term debt 105,553

Some items reported in the statement of activities do not result in the use of current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

Decrease in accrued interest payable 48

Change in net position of governmental funds \$ 96,332