

**City of Springfield
Calhoun County, Michigan**

FINANCIAL STATEMENTS

June 30, 2016



City of Springfield

TABLE OF CONTENTS

June 30, 2016

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-viii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	8
Proprietary Funds	
Statement of Net Position	9-10
Statement of Revenues, Expenses, and Changes in Net Position	11-12
Statement of Cash Flows	13-16
Fiduciary Funds	
Statement of Assets and Liabilities	17
Notes to Financial Statements	18-41
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule	42-43
Major Streets Fund	
Budgetary Comparison Schedule	44
Local Streets Fund	
Budgetary Comparison Schedule	45
Income Tax Fund	
Budgetary Comparison Schedule	46
Economic Development Fund	
Budgetary Comparison Schedule	47
Schedule of Changes in Employer's Net Pension Liability and Related Ratios	48
Schedule of Employer Contributions	49
Schedules of Funding Progress and Employer Contributions	50
Note to Required Supplementary Information	51

City of Springfield

TABLE OF CONTENTS - CONTINUED

June 30, 2016

Page

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Combining Balance Sheet 52

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 53

Nonmajor Enterprise Funds

Combining Statement of Net Position 54

Combining Statement of Revenues, Expenses, and Changes in Net Position 55

Combining Statement of Cash Flows 56

COMPONENT UNIT FUND

Economic Development Corporation (EDC)

Combining Balance Sheet 57

Reconciliation of the Combining Balance Sheet to the Statement of Net Position 58

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 59

Reconciliation of the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities 60

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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, 2016, 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, 2016, 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.

Changes in Accounting Principles

As discussed in Note N to the financial statements, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the year. As a result, 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. Our opinions are not modified with respect to this matter.

Also, as discussed in Note N to the financial statements, the City implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, during the year. As a result, this 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. Our opinions are not modified with respect to this matter.

Finally, as discussed in Note N to the financial statements, the City implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, during the year. As a result, the City's external investment pool has measured all of its investments at amortized cost for financial reporting purposes. This Statement also established additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized costs for financial reporting purposes and for governments that participate in those pools. 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 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

December 12, 2016

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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, 2016:

Property Taxes are the General Fund's main source of revenue. In FY 2015-16 a total of \$1,041,965 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 2015 tax roll. The total amount collected represents a slight increase in revenue of approximately 0.3% compared to the prior year. The City's 2015 taxable value of \$77,960,495 concurrently showed a slight increase of less than 0.1%. 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 \$295,497 from the 2015 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 \$1,020,475; an increase of \$86,107 or 9.2% compared to prior year collections. In FY 2015-16, the Income Tax provided funding to the General Fund in the amount of \$302,400 for Public Safety services, a decrease of \$96,100, or 24.1% compared to prior year funding.

State Shared Revenue distributions of Constitutional Sales Tax and EVIP dollars received by the General Fund totaled \$662,996. This was a decrease of less than 1% compared to last year. In addition, grant proceeds totaling \$64,043 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 \$109,484. 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 \$440,604 in FY 2015-16, an increase of 5.3% compared to prior year.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Vehicles The City purchased a new truck, 2 new lawn mowers, and a backhoe for public works at a total cost of \$160,808.

Change in General Fund Balance At fiscal year-end, the General Fund showed an increase of \$103,624 in overall fund balance ending the year with a healthy balance of \$957,307 representing approximately 40.6% 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, 2016**, compared to the prior year:

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets						
Current assets	\$ 3,843,827	\$ 3,286,591	\$ 1,479,643	\$ 1,351,449	\$ 5,323,470	\$ 4,638,040
Capital assets	<u>6,630,857</u>	<u>7,067,588</u>	<u>2,018,962</u>	<u>2,114,155</u>	<u>8,649,819</u>	<u>9,181,743</u>
Total assets	10,474,684	10,354,179	3,498,605	3,465,604	13,973,289	13,819,783
Deferred Outflows of Resources						
	1,021,527	230,972	-	-	1,021,527	230,972
Liabilities						
Current liabilities	374,914	347,741	189,484	161,978	564,398	509,719
Long-term liabilities	<u>4,268,377</u>	<u>2,980,321</u>	<u>126,756</u>	<u>139,201</u>	<u>4,395,133</u>	<u>3,119,522</u>
Total liabilities	<u>4,643,291</u>	<u>3,328,062</u>	<u>316,240</u>	<u>301,179</u>	<u>4,959,531</u>	<u>3,629,241</u>
Net Position						
Net investment in capital assets	6,048,663	6,578,044	1,879,756	1,963,699	7,928,419	8,541,743
Restricted	2,430,233	1,841,385	-	-	2,430,233	1,841,385
Unrestricted	<u>(1,625,976)</u>	<u>(1,162,340)</u>	<u>1,302,609</u>	<u>1,200,726</u>	<u>(323,367)</u>	<u>38,386</u>
	<u>\$ 6,852,920</u>	<u>\$ 7,257,089</u>	<u>\$ 3,182,365</u>	<u>\$ 3,164,425</u>	<u>\$ 10,035,285</u>	<u>\$ 10,421,514</u>

Net Position of the City's Governmental and Business-type activities at year-end totaled approximately \$10.0 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 \$483,286. The decrease is primarily attributable to capital asset depreciation and net disposals during the fiscal year totaling \$531,924. Current and long-term liabilities increased largely in relation to GASB Statement No. 68 and the requirement to adjust the net pension liability from \$2,330,560 last year to \$3,702,881 in the Statement of Net Position as of June 30, 2016. Long-term debt principal paid off during the fiscal year totaled \$76,600. Current assets (cash and receivables) increased \$685,430. Total assets of approximately \$14.0 million are rich in comparison to liabilities of about \$5.2 million.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

This table summarizes the change in the City's net position at **June 30, 2016**, compared to the prior year.

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for						
Services	\$ 202,123	\$ 177,920	\$ 1,751,867	\$ 1,672,346	\$ 1,953,990	\$ 1,850,266
Grants and						
Contributions	966,119	762,784	-	-	966,119	762,784
General Revenues						
Property Taxes	1,020,146	1,016,466	-	-	1,020,146	1,016,466
City Income Taxes	1,020,475	934,368	-	-	1,020,475	934,368
State Shared						
Revenue	726,789	663,383	-	-	726,789	663,383
Investment Earnings	10,061	83	5,386	(42)	15,447	41
Miscellaneous	172,092	110,662	101,806	43,688	273,898	154,350
Transfers	(59,500)	(47,000)	59,500	47,000	-0-	-0-
Total Revenues	4,058,305	3,618,666	1,918,559	1,762,992	5,976,864	5,381,658
Expenses						
General Government	874,681	794,517	-	-	874,681	794,517
Public Safety	1,615,989	1,488,092	-	-	1,615,989	1,488,092
Public Works	1,243,178	1,281,096	-	-	1,243,178	1,281,096
Community and						
Economic Develop.	779,326	75,998	-	-	779,326	75,998
Recreation and Cultural	24,125	22,197	-	-	24,125	22,197
Other	22,232	23,746	1,900,619	1,798,299	1,922,851	1,822,045
Total Expenses	4,559,531	3,685,646	1,900,619	1,798,299	6,460,150	5,483,945
Change in Net Position	(501,226)	(66,980)	17,940	(35,307)	(483,286)	(102,287)
Restated Beginning Net Position	7,354,146	7,324,069	3,164,425	3,199,732	10,518,571	10,523,801
Ending Net Position	\$ 6,852,920	\$ 7,257,089	\$ 3,182,365	\$ 3,164,425	\$ 10,035,285	\$ 10,421,514

GOVERNMENTAL ACTIVITY HIGHLIGHTS

Economic Development

In 2016, the City of Springfield completed the physical demolition of the Legion Villa Property and surrounding buildings at 107 Evergreen Road at a cost of \$725,000. The project opened up 60 acres for residential development. The City had no interest in developing this property itself due to the current Orchard Hills neighborhood development still ongoing. However, after the cleanup, the City did receive a bid to purchase the property from the assisted living facility nearby. It is the City's wish that this facility will expand to accommodate a retirement complex in the future.

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.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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 agreement remains active and two agreements have expired and the properties have returned to the City's ad valorem tax roll. The remaining active agreement will expire in 2017. The new investment in Springfield is expected to add \$1.5 Million in taxable value.

Financial Management and Performance

The adopted FY 2015-16 General Fund Budget proposed the use of \$122,800 in reserves. This draw on reserves was strategically intended because of the City's financial policies for General Fund cash balance. Future OPEB liability was affected by an agreement between AFSCME and City Management to eliminate retiree health insurance for all DPW employees hired after July 1, 2015. This agreement means that no new hires in the City will be eligible for retiree healthcare, slowly reducing the City's OPEB liability until it is eventually zero.

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 7 part-time contractual positions that provide Assessing, Attorney, Finance, Income Tax, Inspector, and Computer Network services. On call part-time Fire Fighters total 21 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.

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 2015-16, the City shows cash reserves in the General Fund and Income Tax Fund of \$1.6 Million.

NEXT YEAR BUDGETARY HIGHLIGHTS

The City of Springfield proposes a balanced General Fund Budget in FY 2016-2017. The General Fund's main source of revenue is generated through taxes on real and personal property. The City's 2016 taxable value (before any adjustments) is \$79,611,429. This represents a decrease of 0.6% compared to the 2015 final taxable value of \$80,104,789. After tax capture by Springfield's Tax Increment Finance (TIFA) and Brownfield Redevelopment (BRA) Authorities, the City expects to collect approximately \$989,600 from its 14 Operating Mills and 1 Public Safety Retirement Mill. The TIFA and Brownfield Funds will capture a total of \$289,200 from taxing units in FY 2016-17. Administrative fees received by the General Fund for the collection of property taxes will total \$21,700.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

State of Michigan Revenue Sharing is Springfield's second largest General Fund revenue source. For FY 2016-17, estimated revenue is \$679,800. This represents a decrease of 0.6% compared to FY 2015-16. General Fund State Shared Revenue has fallen from almost \$1 million dollars annually in 2003 to its current level, costing the City of Springfield more than \$3.2 million in lost revenue over the past 13 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 \$399,800 are the General Fund's third largest revenue source. These transfers help to finance Public Safety expenses and capital projects and maintenance. The FY 2016-17 budgeted transfers reflect an increase of \$97,400 or 32% from FY 2015-16 transfers of \$302,400.

Other noteworthy revenue sources anticipated in the City's General Fund for FY 2016-17 includes employee/retiree medical insurance cost share of \$70,800, cable television franchise fees of \$63,500, court fines totaling \$33,600 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 \$2,377,300. This reflects an increase of approximately \$72,300 or 3% from the previous fiscal year's amended budget. This increase is due primarily to the increase in funds transferred from the Income Tax Fund.

Total General Fund Expenditures for FY 2016-17 are anticipated to equal \$2,377,300. Law Enforcement and Fire Department activity accounts for \$1.23 million or 52%, which represents a cost savings of \$479,500 from FY 2012-13. FY 2016-17 will be the third 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 \$388,500 in FY 2016-17 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 \$400,800 in construction costs, routine, traffic service and winter maintenance. Expenditures also include \$27,100 for administrative costs and a \$9,400 debt service payment for 2006 Bond Debt. The Major Street Fund will transfer \$85,000 to the Local Street Fund this budget year. The net appropriation will result in a decrease of \$33,800 in the Fund's cash balance.

The **Local Street Fund** is expected to receive \$166,500 in FY 2016-17 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 and a \$275,000 transfer from the income Tax Fund. State law permits the use of up to 50% of Major Street Act 51 dollars for local streets. The Local Street budget funds \$428,100 in construction costs, routine traffic service, winter maintenance, and a large resurfacing project in the Upton/Nettles and West End Addition neighborhoods. Expenditures also include \$10,000 for administrative costs and a \$49,100 debt service payment for 2006 Bond Debt. The net appropriation will result in an increase of \$39,300 in the Fund's cash balance.

The **Income Tax Fund** anticipated revenue for FY 2016-17 is \$937,800. Income Tax administration expense is budgeted at \$262,000, an increase of 9% compared to prior year. In FY 2016-17, Income Tax will transfer \$399,800 to the General Fund to be used to offset the cost of the new law enforcement contract, an increase of 32% from the prior year. The net appropriation will result in a decrease of \$99,000 in the Fund's cash balance.

The **TIFA B Fund** will receive \$160,200 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 \$28,400 in operating costs, a \$12,300 transfer to the Brownfield and a \$88,200 debt service payment for 1999 Bond Debt. The net appropriation will result in an increase of \$12,300 in the Fund's cash balance.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

The **TIFA D Fund** will receive \$123,000 from captured property taxes and investment income. The Fund will spend \$29,500 in budgeted projects that include: the Farmers Market HVAC improvements, 20th Street Beautification, Avenue A Beautification, and Economic Development. In addition, the TIFA D budget funds \$31,400 in operating costs and \$45,400 in debt service payments for 2007 Bond Debt. The net appropriation will result in an increase of \$16,700 in the Fund's cash balance.

The **Economic Development Fund** will receive \$48,700 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 \$40,000 in operating cost, a pass-thru of MMM special assessments and small grants to local residents under the Fix & Repair Program. The net appropriation results in an increase of \$8,700 in the Fund's cash balance.

The **Farmers Market Fund** is expected to receive \$113,600. Vendor fees, Banquet Center rental, Kitchen rental fees, special events, and miscellaneous income will generate \$57,600. A transfer of \$56,900 from the General Fund will provide additional funding. Expenses related to the Farmers Market and its events are expected to equal \$85,900, while expenses for the operation of the community kitchen and the banquet facility are expected to total \$14,400 and \$13,300, 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 \$204,300 in FY 2016-17. Budgeted expenses total \$247,300 which includes fuel, supplies, maintenance, insurance, depreciation, and labor. A \$34,065 payment towards the 2015-16 vehicle loan will also be made. After adjustment for \$74,600 of non-cash depreciation and \$31,600 of loan principal payment, 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, 2016

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,081,174	\$ 1,163,475	\$ 4,244,649	\$ 693,331
Receivables	386,277	328,714	714,991	-
Due from other governmental units	358,989	-	358,989	-
Internal balances	12,546	(12,546)	-0-	-
Prepays	4,841	-	4,841	-
Total current assets	3,843,827	1,479,643	5,323,470	693,331
Noncurrent assets				
Capital assets not being depreciated	582,262	-	582,262	49,349
Capital assets being depreciated, net	6,048,595	2,018,962	8,067,557	-
Total noncurrent assets	6,630,857	2,018,962	8,649,819	49,349
TOTAL ASSETS	10,474,684	3,498,605	13,973,289	742,680
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows of resources related to pensions	1,021,527	-	1,021,527	-
LIABILITIES				
Current liabilities				
Accounts payable	163,689	71,260	234,949	-
Accrued liabilities	69,153	76,599	145,752	-
Due to other governmental units	-	8,943	8,943	-
Accrued interest payable	3,882	1,156	5,038	5,900
Unearned revenue	9,593	19,076	28,669	-
Current portion of compensated absences	59,447	-	59,447	-
Current portion of long-term debt	69,150	12,450	81,600	121,384
Total current liabilities	374,914	189,484	564,398	127,284
Noncurrent liabilities				
Noncurrent portion of compensated absences	13,169	-	13,169	-
Noncurrent portion of long-term debt	513,044	126,756	639,800	646,751
Net other post-employment benefit obligation	39,283	-	39,283	-
Net pension liability	3,702,881	-	3,702,881	-
Total noncurrent liabilities	4,268,377	126,756	4,395,133	646,751
TOTAL LIABILITIES	4,643,291	316,240	4,959,531	774,035
NET POSITION				
Net investment in capital assets	6,048,663	1,879,756	7,928,419	49,349
Restricted				
Other purposes	2,430,233	-	2,430,233	-
Unrestricted	(1,625,976)	1,302,609	(323,367)	(80,704)
TOTAL NET POSITION	\$ 6,852,920	\$ 3,182,365	\$ 10,035,285	\$ (31,355)

See accompanying notes to financial statements.

City of Springfield
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

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	\$ 874,681	\$ 119,383	\$ 250	\$ -	\$ (755,048)	\$ -	\$ (755,048)	\$ -
Public safety	1,615,989	36,114	-	75,608	(1,504,267)	-	(1,504,267)	-
Public works	1,243,178	4,710	551,947	2,714	(683,807)	-	(683,807)	-
Community and economic development	779,326	41,916	200,600	135,000	(401,810)	-	(401,810)	-
Recreation and cultural	24,125	-	-	-	(24,125)	-	(24,125)	-
Interest and fees on long-term debt	22,232	-	-	-	(22,232)	-	(22,232)	-
Total governmental activities	4,559,531	202,123	752,797	213,322	(3,391,289)	-0-	(3,391,289)	-0-
Business-type activities								
Sewer	978,072	911,084	-	-	-	(66,988)	(66,988)	-
Water	564,460	546,848	-	-	-	(17,612)	(17,612)	-
Refuse	205,998	234,079	-	-	-	28,081	28,081	-
Building code enforcement	34,697	26,472	-	-	-	(8,225)	(8,225)	-
Farmers market	117,392	33,384	-	-	-	(84,008)	(84,008)	-
Total business-type activities	1,900,619	1,751,867	-0-	-0-	-0-	(148,752)	(148,752)	-0-
Total primary government	\$ 6,460,150	\$ 1,953,990	\$ 752,797	\$ 213,322	(3,391,289)	(148,752)	(3,540,041)	-0-
Component unit								
Economic Development Corporation	\$ 326,509	\$ 24	\$ -	\$ -	-	-	-0-	(326,485)
General revenues								
Property taxes					1,020,146	-	1,020,146	295,497
Income taxes					1,020,475	-	1,020,475	-
State shared revenue					726,789	-	726,789	-
Investment earnings, net of fees					10,061	5,386	15,447	5,396
Miscellaneous					172,092	101,806	273,898	-
Transfers					(59,500)	59,500	-0-	-
Total general revenues and transfers					2,890,063	166,692	3,056,755	300,893
Change in net position					(501,226)	17,940	(483,286)	(25,592)
Restated net position, beginning of the year					7,354,146	3,164,425	10,518,571	(5,763)
Net position, end of the year					\$ 6,852,920	\$ 3,182,365	\$ 10,035,285	\$ (31,355)

See accompanying notes to financial statements.

City of Springfield
Governmental Funds
BALANCE SHEET
June 30, 2016

	General	Major Streets	Local Streets
ASSETS			
Cash and cash equivalents	\$ 1,006,329	\$ 495,363	\$ 419,519
Receivables			
Accounts	57,000	-	-
Taxes	23,644	-	-
Special assessment	-	2,238	10,337
Due from other funds	19,131	-	-
Due from other governmental units	113,306	68,428	42,255
Prepays	4,841	-	-
TOTAL ASSETS	\$ 1,224,251	\$ 566,029	\$ 472,111
LIABILITIES			
Accounts payable	\$ 132,924	\$ 1,698	\$ 109
Accrued liabilities	69,153	-	-
Due to other funds	3,112	10,941	2,992
Unearned revenue	8,638	-	-
TOTAL LIABILITIES	213,827	12,639	3,101
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	53,117	2,238	10,337
FUND BALANCES (DEFICITS)			
Nonspendable	4,841	-	-
Restricted	-	551,152	458,673
Committed	-	-	-
Unassigned	952,466	-	-
TOTAL FUND BALANCES (DEFICITS)	957,307	551,152	458,673
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 1,224,251	\$ 566,029	\$ 472,111

See accompanying notes to financial statements.

Income Tax	Economic Development Fund	Nonmajor Governmental Funds	Total
\$ 989,203	\$ 86,252	\$ 15,933	\$ 3,012,599
-	-	-	57,000
293,058	-	-	316,702
-	-	-	12,575
310,000	-	-	329,131
-	135,000	-	358,989
-	-	-	4,841
<u>\$ 1,592,261</u>	<u>\$ 221,252</u>	<u>\$ 15,933</u>	<u>\$ 4,091,837</u>
\$ 7,283	\$ 11,526	\$ -	\$ 153,540
-	-	-	69,153
-	310,000	-	327,045
-	955	-	9,593
7,283	322,481	-0-	559,331
164,570	-	-	230,262
-	-	-	4,841
1,420,408	-	182	2,430,415
-	-	15,751	15,751
-	(101,229)	-	851,237
<u>1,420,408</u>	<u>(101,229)</u>	<u>15,933</u>	<u>3,302,244</u>
<u>\$ 1,592,261</u>	<u>\$ 221,252</u>	<u>\$ 15,933</u>	<u>\$ 4,091,837</u>

City of Springfield

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

June 30, 2016

Total fund balances - governmental funds \$ 3,302,244

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	\$ 27,488,677	
Accumulated depreciation is	<u>(21,389,357)</u>	
Capital assets, net		6,099,320

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		473,612
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Long-term receivables are not available to pay for current period expenditures and therefore, are considered unavailable in the funds.		230,262
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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		1,021,527
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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	455,794	
Accrued interest payable	3,471	
Compensated absences	72,616	
Net other post-employment benefit obligation	39,283	
Net pension liability	<u>3,702,881</u>	
		<u>(4,274,045)</u>

Net position of governmental activities \$ 6,852,920

City of Springfield

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2016

	General	Major Streets	Local Streets
REVENUES			
Taxes	\$ 1,041,965	\$ -	\$ -
Licenses and permits	76,090	-	-
Intergovernmental	802,647	392,070	173,691
Charges for services	34,441	510	-
Fines and forfeits	29,824	-	-
Interest and rents	15,965	342	333
Other	148,440	8,731	6,390
TOTAL REVENUES	2,149,372	401,653	180,414
EXPENDITURES			
Current			
General government	450,112	-	-
Public safety	1,338,606	-	-
Public works	235,597	192,839	116,606
Community and economic development	-	-	-
Recreation and cultural	19,454	-	-
Other	185,179	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	2,228,948	192,839	116,606
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(79,576)	208,814	63,808
OTHER FINANCING SOURCES (USES)			
Transfers in	311,500	-	75,000
Transfers out	(128,300)	(83,998)	(47,237)
TOTAL OTHER FINANCING SOURCES (USES)	183,200	(83,998)	27,763
NET CHANGE IN FUND BALANCES	103,624	124,816	91,571
Fund balances, beginning of year	853,683	426,336	367,102
Fund balances (deficits), end of year	<u>\$ 957,307</u>	<u>\$ 551,152</u>	<u>\$ 458,673</u>

See accompanying notes to financial statements.

Income Tax	Economic Development Fund	Nonmajor Governmental Funds	Total
\$ 1,020,475	\$ -	\$ -	\$ 2,062,440
-	-	-	76,090
-	335,600	-	1,704,008
-	-	-	34,951
-	-	-	29,824
3,820	10,724	6	31,190
-	41,916	45	205,522
<u>1,024,295</u>	<u>388,240</u>	<u>51</u>	<u>4,144,025</u>
240,800	-	-	690,912
-	-	500	1,339,106
-	-	-	545,042
-	598,103	-	598,103
-	-	-	19,454
-	-	-	185,179
-	-	56,235	56,235
<u>240,800</u>	<u>598,103</u>	<u>56,735</u>	<u>3,434,031</u>
783,495	(209,863)	(56,684)	709,994
-	-	56,235	442,735
(302,400)	-	-	(561,935)
<u>(302,400)</u>	<u>-0-</u>	<u>56,235</u>	<u>(119,200)</u>
481,095	(209,863)	(449)	590,794
<u>939,313</u>	<u>108,634</u>	<u>16,382</u>	<u>2,711,450</u>
<u>\$ 1,420,408</u>	<u>\$ (101,229)</u>	<u>\$ 15,933</u>	<u>\$ 3,302,244</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, 2016

Net change in fund balances - total governmental funds \$ 590,794

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	\$ 79,619	
Depreciation expense	<u>(680,374)</u>	
Excess of depreciation expense over capital outlay		(600,755)

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. (13,302)

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 (28,458)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.
(Decrease) in unavailable revenue (26,220)

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 33,750

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	790,555	
Decrease in accrued interest payable	253	
Decrease in compensated absences	9,702	
Decrease in net other post-employment benefit obligation	114,776	
(Increase) in net pension liability	<u>(1,372,321)</u>	
		<u>(457,035)</u>

Change in net position of governmental activities \$ (501,226)

City of Springfield

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2016

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 441,450	\$ 579,948	\$ 142,077
Accounts receivable	154,635	102,513	71,566
Due from other funds	-	-	-
Total current assets	596,085	682,461	213,643
Noncurrent assets			
Capital assets being depreciated, net	947,161	1,071,801	-
TOTAL ASSETS	1,543,246	1,754,262	213,643
LIABILITIES			
Current liabilities			
Accounts payable	49,011	3,885	18,364
Accrued liabilities	75,263	520	816
Due to other governmental units	-	8,943	-
Due to other funds	5,625	5,687	1,234
Unearned revenue	2,300	6,000	10,776
Accrued interest payable	601	555	-
Current portion of long-term debt	6,225	6,225	-
Total current liabilities	139,025	31,815	31,190
Noncurrent liabilities			
Noncurrent portion of long-term debt	66,526	60,230	-
TOTAL LIABILITIES	205,551	92,045	31,190
NET POSITION			
Net investment in capital assets	874,410	1,005,346	-
Unrestricted	463,285	656,871	182,453
TOTAL NET POSITION	\$ 1,337,695	\$ 1,662,217	\$ 182,453

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,163,475	\$ 68,575
328,714	-
-0-	10,460
1,492,189	79,035
2,018,962	531,537
3,511,151	610,572
71,260	10,149
76,599	-
8,943	-
12,546	-
19,076	-
1,156	411
12,450	31,600
202,030	42,160
126,756	94,800
328,786	136,960
1,879,756	405,137
1,302,609	68,475
\$ 3,182,365	\$ 473,612

City of Springfield

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2016

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 911,084	\$ 546,848	\$ 267,463
Licenses and permits	-	-	26,472
Other	40,843	33,294	27,669
TOTAL OPERATING REVENUES	951,927	580,142	321,604
OPERATING EXPENSES			
Operating expenses	876,062	508,520	358,087
Depreciation	98,186	52,409	-
TOTAL OPERATING EXPENSES	974,248	560,929	358,087
OPERATING INCOME (LOSS)	(22,321)	19,213	(36,483)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	-
Interest earned, net of fees	1,840	3,442	104
Interest expenses and fees	(3,824)	(3,531)	-
Gain on disposal of capital assets	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,984)	(89)	104
INCOME (LOSS) BEFORE TRANSFERS	(24,305)	19,124	(36,379)
TRANSFERS			
Transfers in	-	-	71,000
Transfers out	-	-	(11,500)
TOTAL TRANSFERS	-0-	-0-	59,500
CHANGE IN NET POSITION	(24,305)	19,124	23,121
Restated net position, beginning of year	1,362,000	1,643,093	159,332
Net position, end of year	\$ 1,337,695	\$ 1,662,217	\$ 182,453

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,725,395	\$ 143,130
26,472	-
<u>101,806</u>	<u>21,669</u>
1,853,673	164,799
1,742,669	184,793
<u>150,595</u>	<u>80,539</u>
<u>1,893,264</u>	<u>265,332</u>
(39,591)	(100,533)
-0-	5,102
5,386	82
(7,355)	(2,859)
<u>-0-</u>	<u>10,050</u>
<u>(1,969)</u>	<u>12,375</u>
(41,560)	(88,158)
71,000	59,700
<u>(11,500)</u>	<u>-</u>
<u>59,500</u>	<u>59,700</u>
17,940	(28,458)
<u>3,164,425</u>	<u>502,070</u>
<u>\$ 3,182,365</u>	<u>\$ 473,612</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 981,824	\$ 603,071	\$ 320,167
Cash paid for operating expenses	<u>(826,681)</u>	<u>(529,822)</u>	<u>(362,889)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	155,143	73,249	(42,722)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt/(payment) of interfund balances	5,625	5,687	1,234
Transfers in	-	-	71,000
Transfers out	<u>-</u>	<u>-</u>	<u>(11,500)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	5,625	5,687	60,734
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expenses and fees paid	(3,868)	(3,571)	-
Gain on disposal of capital assets	-	-	-
Intergovernmental	-	-	-
Capital purchases	(55,402)	-	-
Proceeds from loan	-	-	-
Payments on borrowings	<u>(5,850)</u>	<u>(5,400)</u>	<u>-</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(65,120)	(8,971)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received, net of fees	<u>1,840</u>	<u>3,442</u>	<u>104</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,488	73,407	18,116
Cash and cash equivalents, beginning of year	<u>343,962</u>	<u>506,541</u>	<u>123,961</u>
Cash and cash equivalents, end of year	<u><u>\$ 441,450</u></u>	<u><u>\$ 579,948</u></u>	<u><u>\$ 142,077</u></u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,905,062	\$ 165,807
<u>(1,719,392)</u>	<u>(177,036)</u>
185,670	(11,229)
12,546	(10,460)
71,000	59,700
<u>(11,500)</u>	<u>-</u>
72,046	49,240
(7,439)	(2,448)
-0-	10,050
-0-	5,102
(55,402)	(160,808)
-0-	158,000
<u>(11,250)</u>	<u>(31,600)</u>
(74,091)	(21,704)
<u>5,386</u>	<u>82</u>
189,011	16,389
<u>974,464</u>	<u>52,186</u>
<u>\$ 1,163,475</u>	<u>\$ 68,575</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2016

	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)	\$ (22,321)	\$ 19,213	\$ (36,483)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	98,186	52,409	-
(Increase) decrease in:			
Accounts receivable	6,214	(6,440)	(555)
Due from other governmental units	23,683	25,369	-
Increase (decrease) in:			
Accounts payable	(28,182)	(30,245)	(5,138)
Accrued liabilities	75,263	-	336
Due to other governmental units	-	8,943	-
Unearned revenue	2,300	4,000	(882)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 \$ 155,143	 \$ 73,249	 \$ (42,722)

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ (39,591)	\$ (100,533)
150,595	80,539
(781)	1,008
49,052	-
(63,565)	7,757
75,599	-
8,943	-
5,418	-
<u>\$ 185,670</u>	<u>\$ (11,229)</u>

City of Springfield

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2016

	<u>Trust and Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 8,025</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 8,025</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 financial 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, 2016

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.
- e. The Economic Development Fund is a Special Revenue Fund used to account for restricted financial resources to be used to further the economic growth of the city.

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, 2016

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, when applicable, 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 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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. 72, *Fair Value Measurement and Application*.

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 2015 levy of 14.8743 mills. For the year ended June 30, 2016, 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 2015 levy for property within the City was \$77,960,495.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016

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, 2016, 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 financial 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 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.

The City reports deferred inflows of resources for two (2) types of items, which arise only under a modified accrual basis of accounting and qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is 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 inflow of resources in the period that the amounts become available.

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, 2016

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, 2016, 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	\$ 2,842,916	\$ 2,924,718
COMPONENT UNIT		
Checking	391,382	391,382
FIDUCIARY FUNDS		
Checking	<u>8,025</u>	<u>8,025</u>
TOTAL REPORTING ENTITY	<u>\$ 3,242,323</u>	<u>\$ 3,324,125</u>

The primary government cash and cash equivalents caption on the basic financial statements included \$700 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, 2016, the City accounts were insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000, and the amount of \$3,074,125 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 than at year-end.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Fair Value Measurements

Fair value is defined as 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. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three (3) levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The City had the following fair value measurements as of June 30, 2016:

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Weighted Average Maturity
PRIMARY GOVERNMENT					
Fidelity Advantage Mutual Fund					
Strategic income class A	\$ 163,039	\$ -	\$ -	\$ 163,039	6.9 years
Short fixed income class A	643,525	-	-	643,525	0.0 years
Floating rate high income class A	158,659	-	-	158,659	4.1 years
Intermediate municipal income class A	326,038	-	-	326,038	5.0 years
Government income class A	109,772	-	-	109,772	6.9 years
Total primary government	1,401,033	-0-	-0-	1,401,033	
COMPONENT UNIT					
Fidelity Advantage Mutual Fund					
Strategic income class A	35,138	-	-	35,138	6.9 years
Short fixed income class A	138,692	-	-	138,692	0.0 years
Floating rate high income class A	34,194	-	-	34,194	4.1 years
Intermediate municipal income class A	70,267	-	-	70,267	5.0 years
Government income class A	23,658	-	-	23,658	6.9 years
Total component unit	301,949	-0-	-0-	301,949	
TOTAL REPORTING ENTITY	\$ 1,702,982	\$ -0-	\$ -0-	\$ 1,702,982	

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

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, 2016, the rating information on the City's investments is presented below.

	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	21.25%	0.00%	0.00%	0.00%	98.36%
AAA	2.85%	53.32%	0.00%	8.30%	2.09%
AA	1.34%	4.07%	0.00%	43.17%	0.00%
A	4.01%	28.10%	0.00%	25.10%	0.00%
BBB	10.59%	13.59%	2.84%	9.91%	0.00%
BB	22.71%	0.48%	39.15%	0.54%	0.00%
B	23.52%	0.10%	41.77%	0.43%	0.00%
CCC and Below	8.45%	0.15%	5.76%	0.00%	0.00%
Short-Term Rated	0.00%	0.00%	0.00%	1.52%	0.00%
Not Rated/Not Available	4.31%	0.19%	3.77%	3.67%	1.30%
Cash and Net Other Assets	0.97%	0.00%	6.71%	7.36%	-1.75%
Total	100%	100%	100%	100%	100%

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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

The following summarizes the categorization of these amounts as of June 30, 2016:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	<u>\$ 4,244,649</u>	<u>\$ 693,331</u>	<u>\$ 8,025</u>	<u>\$ 4,946,005</u>

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		\$ 302,400
Nonmajor enterprise funds		<u>9,100</u>
		<u>\$ 311,500</u>
Transfers to Local Streets Fund from:		
Major Streets Fund		<u>\$ 75,000</u>
Transfers to nonmajor governmental funds from:		
Major Streets Fund		\$ 8,998
Local Streets Fund		<u>47,237</u>
		<u>\$ 56,235</u>
Transfers to nonmajor enterprise funds from:		
General Fund		\$ 68,600
Nonmajor enterprise funds		<u>2,400</u>
		<u>\$ 71,000</u>
Transfers to Internal Service Fund from:		
General Fund		<u>\$ 59,700</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.

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

Amounts appearing as interfund payables and receivables arise from two (2) types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

The amount of interfund receivables and payables at June 30, 2016 are as follows:

Due to General Fund from:	
Major Street Fund	\$ 6,806
Local Street Fund	1,955
Sewer Fund	4,562
Water Fund	4,632
Nonmajor enterprise funds	<u>1,176</u>
	<u>\$ 19,131</u>
Due to Income Tax Fund from:	
Economic Development Corporation Fund	<u>\$ 310,000</u>
Due to Internal Service Fund from:	
General Fund	\$ 3,112
Major Street Fund	4,135
Local Street Fund	1,037
Sewer Fund	1,063
Water Fund	1,055
Nonmajor enterprise funds	<u>58</u>
	<u>\$ 10,460</u>

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Restated Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental activities				
Capital assets not being depreciated				
Land	\$ 595,564	\$ -	\$ (13,302)	\$ 582,262
Capital assets being depreciated				
Roads and sidewalks	22,999,593	-	-	22,999,593
Buildings and improvements	3,181,584	-	-	3,181,584
Land improvements	144,996	-	-	144,996
Vehicles	1,616,453	160,808	(143,259)	1,634,002
Furniture and fixtures	103,344	-	-	103,344
Other tools and equipment	<u>397,279</u>	<u>79,619</u>	<u>-</u>	<u>476,898</u>
Subtotal	28,443,249	240,427	(143,259)	28,540,417

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: CAPITAL ASSETS - CONTINUED

	Restated Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental activities - continued				
Less accumulated depreciation for:				
Roads and sidewalks	\$ (18,768,806)	\$ (566,578)	\$ -	\$ (19,335,384)
Buildings and improvements	(1,403,398)	(79,757)	-	(1,483,155)
Land improvements	(71,794)	(8,104)	-	(79,898)
Vehicles	(1,165,185)	(80,539)	143,259	(1,102,465)
Furniture and fixtures	(93,290)	(5,646)	-	(98,936)
Other tools and equipment	(371,695)	(20,289)	-	(391,984)
Subtotal	(21,874,168)	(760,913)	143,259	(22,491,822)
Net capital assets being depreciated	6,569,081	(520,486)	-0-	6,048,595
Capital assets, net	<u>\$ 7,164,645</u>	<u>\$ (520,486)</u>	<u>\$ (13,302)</u>	<u>\$ 6,630,857</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 44,264
Public safety	65,927
Public works	613,178
Community and economic development	37,544
Total depreciation expense	<u>\$ 760,913</u>

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Business-type activities (Sewer system)				
Capital assets being depreciated				
Sewer distribution system	\$ 4,131,247	\$ 55,402	\$ -	\$ 4,186,649
Sewer tools and equipment	160,735	-	-	160,735
Subtotal	4,291,982	55,402	-0-	4,347,384
Less accumulated depreciation for:				
Sewer distribution system	(3,210,278)	(93,302)	-	(3,303,580)
Sewer tools and equipment	(91,759)	(4,884)	-	(96,643)
Subtotal	(3,302,037)	(98,186)	-0-	(3,400,223)
Capital assets being depreciated	<u>\$ 989,945</u>	<u>\$ (42,784)</u>	<u>\$ -0-</u>	<u>\$ 947,161</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Business-type activities - continued				
(Water system)				
Capital assets being depreciated				
Water distribution system	\$ 2,340,064	\$ -	\$ -	\$ 2,340,064
Water tools and equipment	153,734	-	-	153,734
Subtotal	2,493,798	-0-	-0-	2,493,798
Less accumulated depreciation for:				
Water distribution system	(1,281,186)	(47,824)	-	(1,329,010)
Water tools and equipment	(88,402)	(4,585)	-	(92,987)
Subtotal	(1,369,588)	(52,409)	-0-	(1,421,997)
Capital assets being depreciated	<u>\$ 1,124,210</u>	<u>\$ (52,409)</u>	<u>\$ -0-</u>	<u>\$ 1,071,801</u>
Component Unit				
Capital assets not being depreciated				
Land	<u>\$ 49,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,349</u>

NOTE F: 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, 2016.

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
2006 Capital Improvement Bonds	\$ 489,544	\$ -	\$ (33,750)	\$ 455,794	\$ 37,550
2015 DPW Equipment Loan	-	158,000	(31,600)	126,400	31,600
Compensated absences	82,318	57,687	(67,389)	72,616	59,447
	571,862	215,687	(132,739)	654,810	128,597
Business-type Activities					
2006 Capital Improvement Bonds	150,456	-	(11,250)	139,206	12,450
TOTAL PRIMARY GOVERNMENT	722,318	215,687	(143,989)	794,016	141,047
COMPONENT UNIT					
1999 Tax Increment Bonds	310,000	-	(70,000)	240,000	75,000
2007 Tax Increment Bonds	460,000	-	(20,000)	440,000	25,000
Brownfield Loan	109,099	-	(20,964)	88,135	21,384
TOTAL COMPONENT UNIT	879,099	-0-	(110,964)	768,135	121,384
TOTAL REPORTING ENTITY	<u>\$ 1,601,417</u>	<u>\$ 215,687</u>	<u>\$ (254,953)</u>	<u>\$ 1,562,151</u>	<u>\$ 262,431</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

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 \$37,550 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.

\$ 455,794

Installment Purchase Agreement

\$158,000 DPW Equipment Loan dated July 15, 2015, due in annual installments of \$31,600 through May 1, 2020, with interest of 1.95 percent, payable annually.

\$ 126,400

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 \$72,616 at June 30, 2016.

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.

\$ 139,206

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 \$75,000 to \$85,000 through May 1, 2019, with interest ranging from 5.10 to 5.20 percent, payable semi-annually.

\$ 240,000

\$550,000 Tax Increment Finance Authority Bonds dated October 10, 2007, due in annual installments ranging from \$25,000 to \$60,000 through May 1, 2027, with interest ranging from 4.30 to 4.60 percent, payable semi-annually.

440,000

\$ 680,000

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

Brownfield Loan

\$300,000 Brownfield Loan dated March 10, 2005, due in annual installments ranging from \$21,384 to \$22,693 through March 18, 2020, including interest of 2.00 percent, payable annually.

\$ 88,135

Primary Government - Government Activities

Year Ending June 30,	Capital Improvement Bonds		Installment Purchase Agreement	
	Principal	Interest	Principal	Interest
2017	\$ 37,550	\$ 20,825	\$ 31,600	\$ 2,465
2018	37,550	19,135	31,600	1,849
2019	41,305	17,446	31,600	1,232
2020	41,305	15,566	31,600	616
2021	45,060	13,666	-	-
2022-2026	253,024	35,851	-	-
Total	<u>\$ 455,794</u>	<u>\$ 122,489</u>	<u>\$ 126,400</u>	<u>\$ 6,162</u>

Primary Government - Business-type Activities

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2017	\$ 12,450	\$ 6,905
2018	12,450	6,345
2019	13,695	5,784
2020	13,695	5,161
2021	14,940	4,531
2022-2026	71,976	11,887
Total	<u>\$ 139,206</u>	<u>\$ 40,613</u>

Component Unit

Year Ending June 30,	Tax Increment Bonds		Brownfield Loan	
	Principal	Interest	Principal	Interest
2017	\$ 100,000	\$ 32,315	\$ 21,384	\$ 1,763
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	35,000	15,180	-	-
2022-2026	235,000	47,840	-	-
2027	60,000	2,760	-	-
Total	<u>\$ 680,000</u>	<u>\$ 164,160</u>	<u>\$ 88,135</u>	<u>\$ 4,451</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: 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.

NOTE H: 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 reduced 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 2.00% to 7.00%.

At the December 31, 2015, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>15</u>
Total employees covered by MERS	<u><u>74</u></u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: RETIREMENT PLAN - CONTINUED

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 16.44% to 19.55% based on annual payroll for open divisions. Two (2) divisions that are closed to new employees had an annual employer contribution of \$53,136.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2015, 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, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.75%, net of investment expenses, including inflation.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the valuation were based on the results of the 2009-2013 Five-Year Experience Study.

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%	8.52%
Global Fixed Income	20.00%	5.68%
Real Assets	12.50%	7.73%
Diversifying Strategies	10.00%	10.06%

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: RETIREMENT PLAN - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2014	\$ 9,334,545	\$ 7,003,985	\$ 2,330,560
Changes for the Year			
Service Cost	53,919	-	53,919
Interest on Total Pension Liability	718,412	-	718,412
Changes in benefits	-	-	-0-
Difference between expected and actual experience	249,428	-	249,428
Changes in assumptions	451,839	-	451,839
Employer contributions	-	221,143	(221,143)
Employee contributions	-	17,831	(17,831)
Net investment income	-	(100,348)	100,348
Benefit payments, including employee refunds	(762,741)	(762,741)	-0-
Administrative expense	-	(14,899)	14,899
Other changes	22,450	-	22,450
Net changes	733,307	(639,014)	1,372,321
Balances at December 31, 2015	<u>\$ 10,067,852</u>	<u>\$ 6,364,971</u>	<u>\$ 3,702,881</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 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 4,764,428	\$ 3,702,881	\$ 2,820,275

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: RETIREMENT PLAN - CONTINUED

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

For the year ended June 30, 2016, the City recognized pension expenses of \$731,534. 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	\$ 124,714	\$ -
Changes in assumptions	225,920	-
Net difference between projected and actual earnings on pension plan investments	586,521	-
Contributions subsequent to the measurement date*	<u>84,372</u>	<u>-</u>
Total	<u>\$ 1,021,527</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, 2017.

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 (\$84,372), which will impact the net pension liability in fiscal year 2017, 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 Ending June 30,</u>	<u>Pension Expense</u>
2017	\$ 503,532
2018	152,898
2019	152,900
2020	127,825

NOTE I: 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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Plan Description - continued

During the year ended June 30, 2016, 23 retirees and their beneficiaries were receiving benefits. Expenditures for postemployment benefits are recognized when claims are paid. During the year, expenditures of \$185,179 were recognized for post-employment benefits. As of June 30, 2016, the City had \$370,113 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, 2016, 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, 2016, 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	7,703
Adjustment to annual required contribution	<u>(5,502)</u>
Annual OPEB cost (expense)	70,403
Amounts contributed:	
Payments of current requirements (gross of employee reimbursement)	<u>185,179</u>
Decrease in net OPEB obligation	(114,776)
OPEB obligation - Beginning of year	<u>154,059</u>
OPEB obligation - End of year	<u><u>\$ 39,283</u></u>

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

	Year Ended June 30,		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual OPEB cost	\$ 102,208	\$ 71,523	\$ 70,403
Percentage of annual OPEB cost contributed	102.1%	183.9%	263.0%
Net OPEB obligation	\$ 214,065	\$ 154,059	\$ 39,283

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Progress - continued

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%

Actuarial 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 J: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities due to a correction of understated net book value of capital assets.

Governmental Activities

Beginning net position	\$	7,257,089
Understated net book value of capital assets		<u>97,057</u>
Restated beginning net position	\$	<u><u>7,354,146</u></u>

Internal Service Fund

Beginning net position	\$	405,013
Understated net book value of capital assets		<u>97,057</u>
Restated beginning net position	\$	<u><u>502,070</u></u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE K: 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, 2016:

PRIMARY GOVERNMENT	
Other purposes	
Streets and highways	\$ 1,009,825
City operations	<u>1,420,408</u>
	<u>\$ 2,430,233</u>

NOTE L: 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.

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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

	General Fund	Major Streets	Local Streets	Income Tax	Economic Development Fund	Nonmajor Governmental Funds	Total
Fund Balances							
Nondisposable							
Prepays	\$ 4,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,841
Restricted							
Streets	-	551,152	458,673	-	-	-	1,009,825
City operations	-	-	-	1,420,408	-	-	1,420,408
Debt service	-	-	-	-	-	182	182
Committed							
Public safety	-	-	-	-	-	15,751	15,751
Unassigned	952,466	-	-	-	(101,229)	-	851,237
TOTAL FUND BALANCES	\$ 957,307	\$ 551,152	\$ 458,673	\$ 1,420,408	\$ (101,229)	\$ 15,933	\$ 3,302,244

NOTE M: DEFICIT FUND BALANCE

As of June 30, 2016, the Economic Development Fund has a deficit fund balance of \$101,229.

NOTE N: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 72, *Fair Value Measurement and Application*, was implemented during the year. 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.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was implemented during the year. 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.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, was implemented during the year. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement.

NOTE O: SUBSEQUENT EVENTS

In September 2016, the City issued two refunding bonds, the 2016 Capital Improvement Refunding Bonds for \$620,000, and the 2016 Tax Increment Refunding Bonds for \$685,000. Future revenues and current fund balance are expected to be sufficient to finance these bond payments

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE P: UPCOMING ACCOUNTING PRONOUNCEMENTS

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 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.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments and requires the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Operating	\$ 934,700	\$ 934,700	\$ 947,461	\$ 12,761
Pension	66,000	66,000	67,078	1,078
Tax collection fees	22,000	22,000	21,819	(181)
Penalties and interest	8,500	8,500	5,607	(2,893)
Total taxes	1,031,200	1,031,200	1,041,965	10,765
Licenses and permits				
Trailer fees	1,300	1,300	1,357	57
Business licenses	4,000	4,000	6,381	2,381
Liquor licenses	4,200	4,200	4,555	355
Cable franchise fees	55,000	63,000	63,797	797
Total licenses and permits	64,500	72,500	76,090	3,590
Intergovernmental				
Federal grants	-	75,000	75,608	608
State grants				
Local community stabilization	-	52,900	63,793	10,893
Police training grants	-	-	250	250
Statutory sales tax	262,600	262,600	262,606	6
Constitutional sales tax	421,000	421,000	400,390	(20,610)
Total state grants	683,600	736,500	727,039	(8,853)
Charges for services	24,500	24,500	34,441	9,941
Fines and forfeits	36,000	36,000	29,824	(6,176)
Interest and rents	27,900	27,900	15,965	(11,935)
Other				
Refunds and reimbursements	94,300	94,300	74,111	(20,189)
Other	31,500	31,500	74,329	42,829
Total other	125,800	125,800	148,440	22,640
TOTAL REVENUES	1,993,500	2,129,400	2,149,372	19,972

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
City council	\$ 51,800	\$ 55,800	\$ 55,503	\$ 297
City manager	37,800	37,800	30,887	6,913
Finance and administrative services	361,600	377,600	363,722	13,878
Public safety	1,260,000	1,339,000	1,338,606	394
Public service	330,900	303,400	255,051	48,349
Post-employment benefits	212,400	212,400	185,179	27,221
TOTAL EXPENDITURES	<u>2,254,500</u>	<u>2,326,000</u>	<u>2,228,948</u>	<u>97,052</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(261,000)	(196,600)	(79,576)	117,024
OTHER FINANCING SOURCES (USES)				
Transfers in	311,500	311,500	311,500	-0-
Transfers out	<u>(173,300)</u>	<u>(128,300)</u>	<u>(128,300)</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>138,200</u>	<u>183,200</u>	<u>183,200</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(122,800)	(13,400)	103,624	117,024
Fund balance, beginning of year	<u>853,683</u>	<u>853,683</u>	<u>853,683</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 730,883</u>	<u>\$ 840,283</u>	<u>\$ 957,307</u>	<u>\$ 117,024</u>

City of Springfield

Major Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 323,300	\$ 368,200	\$ 392,070	\$ 23,870
Charges for services	1,200	1,200	510	(690)
Interest	100	100	342	242
Other				
Special assessments	<u>10,400</u>	<u>10,400</u>	<u>8,731</u>	<u>(1,669)</u>
TOTAL REVENUES	335,000	379,900	401,653	21,753
EXPENDITURES				
Current				
Public works	<u>263,400</u>	<u>290,900</u>	<u>192,839</u>	<u>98,061</u>
EXCESS OF REVENUES OVER EXPENDITURES	71,600	89,000	208,814	119,814
OTHER FINANCING (USES)				
Transfer out	<u>(84,000)</u>	<u>(84,000)</u>	<u>(83,998)</u>	<u>2</u>
NET CHANGE IN FUND BALANCE	(12,400)	5,000	124,816	119,816
Fund balance, beginning of year	<u>426,336</u>	<u>426,336</u>	<u>426,336</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 413,936</u>	<u>\$ 431,336</u>	<u>\$ 551,152</u>	<u>\$ 119,816</u>

City of Springfield

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 122,800	\$ 163,000	\$ 173,691	\$ 10,691
Interest	100	100	333	233
Other				
Special assessments	<u>6,200</u>	<u>6,200</u>	<u>6,390</u>	<u>190</u>
TOTAL REVENUES	129,100	169,300	180,414	11,114
EXPENDITURES				
Current				
Public works	<u>254,500</u>	<u>254,500</u>	<u>116,606</u>	<u>137,894</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(125,400)	(85,200)	63,808	149,008
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	75,000	75,000	-0-
Transfers out	<u>(47,100)</u>	<u>(47,100)</u>	<u>(47,237)</u>	<u>(137)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>27,900</u>	<u>27,900</u>	<u>27,763</u>	<u>(137)</u>
NET CHANGE IN FUND BALANCE	(97,500)	(57,300)	91,571	148,871
Fund balance, beginning of year	<u>367,102</u>	<u>367,102</u>	<u>367,102</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 269,602</u>	<u>\$ 309,802</u>	<u>\$ 458,673</u>	<u>\$ 148,871</u>

City of Springfield

Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 796,300	\$ 929,300	\$ 1,020,475	\$ 91,175
Interest	6,100	6,100	3,820	(2,280)
TOTAL REVENUES	802,400	935,400	1,024,295	88,895
EXPENDITURES				
Current				
General government	240,800	240,800	240,800	-0-
EXCESS OF REVENUES OVER EXPENDITURES	561,600	694,600	783,495	88,895
OTHER FINANCING (USES)				
Transfers out	(302,400)	(302,400)	(302,400)	-0-
NET CHANGE IN FUND BALANCE	259,200	392,200	481,095	88,895
Fund balance, beginning of year	939,313	939,313	939,313	-0-
Fund balance, end of year	<u>\$ 1,198,513</u>	<u>\$ 1,331,513</u>	<u>\$ 1,420,408</u>	<u>\$ 88,895</u>

City of Springfield
Economic Development Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 335,600	\$ 335,600	\$ -0-
Interest and rents	14,100	14,100	10,724	(3,376)
Other				
Special assessment	17,200	17,200	17,233	33
Other	60,000	334,000	24,683	(309,317)
TOTAL REVENUES	91,300	700,900	388,240	(312,660)
EXPENDITURES				
Current				
Community and economic development	117,800	751,300	598,103	153,197
EXCESS OF REVENUES (UNDER) EXPENDITURES	(26,500)	(50,400)	(209,863)	(159,463)
Fund balance, beginning of year	108,634	108,634	108,634	-0-
Fund balance (deficit), end of year	<u>\$ 82,134</u>	<u>\$ 58,234</u>	<u>\$ (101,229)</u>	<u>\$ (159,463)</u>

City of Springfield

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

Last Two Measurement Dates (ultimately ten years will be displayed)
 (Amounts were determined as of 12/31 of each year)

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 73,304	\$ 53,919
Interest	734,738	718,412
Changes of benefit terms	-	-
Difference between expected and actual experience	-	249,428
Changes of assumptions	-	451,839
Benefit payments, including employee refunds	(685,524)	(762,741)
Other	1	22,450
	<u>122,519</u>	<u>733,307</u>
Net Change in Total Pension Liability		
	122,519	733,307
Total Pension Liability, beginning	<u>9,212,026</u>	<u>9,334,545</u>
Total Pension Liability, ending	<u>\$ 9,334,545</u>	<u>\$ 10,067,852</u>
Plan Fiduciary Net Position		
Contributions-employer	\$ 235,339	\$ 221,143
Contributions-employee	18,296	17,831
Net investment income	435,038	(100,348)
Benefit payments including employee refunds	(685,524)	(762,741)
Administrative expense	(15,889)	(14,899)
	<u>(12,740)</u>	<u>(639,014)</u>
Net Change in Plan Fiduciary Net Position		
	(12,740)	(639,014)
Plan Fiduciary Net Position, beginning	<u>7,016,725</u>	<u>7,003,985</u>
Plan Fiduciary Net Position, ending	<u>\$ 7,003,985</u>	<u>\$ 6,364,971</u>
City's Net Pension Liability	<u>\$ 2,330,560</u>	<u>\$ 3,702,881</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75%	63%
Covered employee payroll	\$ 776,341	\$ 641,708
City's Net Pension Liability as a percentage of covered employee payroll	300%	577%

City of Springfield

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

	<u>2015</u>	<u>2016</u>
Actuarial determined contributions	\$ 262,952	\$ 173,163
Contributions in relation to the actuarially determined contribution	<u>262,952</u>	<u>173,163</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 782,016	\$ 659,014
Contributions as a percentage of covered employee payroll	34%	26%

City of Springfield

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2016

OTHER POST-EMPLOYMENT BENEFITS PLAN

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Fair Value of Assets	Actuarial Accrued 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
2016	\$ 70,403	263.0%	\$ 39,283
2015	71,523	183.9%	154,059
2014	102,208	102.1%	214,065

City of Springfield

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2016

NOTE A: EMPLOYEE RETIREMENT PLAN

Changes of benefits terms: There were no changes of benefit terms during fiscal year 2016.

Changes in assumptions: Assumption changes as a result of the 2009-2013 Five-Year Experience Study were adopted by MERS for use in the December 31, 2015 annual pension valuation.

For amounts reported prior to the December 31, 2015 actuarial valuation, the expectation of retired life mortality was based on the 1994 Group Annuity Mortality table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table was used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members. For the December 31, 2015 actuarial valuation, the mortality table was adjusted to reflect longer lifetimes. The mortality table used to project the mortality experience of nondisabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The assumed annual rate of investment return, net of all expenses, was lowered from 8% to 7.75%.

OTHER SUPPLEMENTARY INFORMATION

City of Springfield
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2016

	Special Revenue Drug Law Enforcement Fund	Debt Service Debt Redemption Fund	Total
ASSETS			
Cash and cash equivalents	\$ 15,751	\$ 182	\$ 15,933
FUND BALANCES			
Restricted	\$ -	\$ 182	\$ 182
Committed	15,751	-	15,751
TOTAL FUND BALANCES	15,751	182	15,933
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,751	\$ 182	\$ 15,933

City of Springfield

Nonmajor Governmental Funds

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

Year Ended June 30, 2016

	<u>Special Revenue</u> Drug Law Enforcement Fund	<u>Debt Service</u> Debt Redemption Fund	<u>Total</u>
REVENUES			
Interest	\$ 5	\$ 1	\$ 6
Other	45	-	45
TOTAL REVENUES	50	1	51
EXPENDITURES			
Current			
Public safety	500	-	500
Debt service			
Principal	-	33,750	33,750
Interest and fiscal agent fees	-	22,485	22,485
TOTAL EXPENDITURES	500	56,235	56,735
EXCESS OF REVENUES (UNDER) EXPENDITURES	(450)	(56,234)	(56,684)
OTHER FINANCING SOURCES			
Transfers in	-	56,235	56,235
NET CHANGE IN FUND BALANCES	(450)	1	(449)
Fund balances, beginning of year	16,201	181	16,382
Fund balances, end of year	<u>\$ 15,751</u>	<u>\$ 182</u>	<u>\$ 15,933</u>

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2016

	<u>Refuse</u>	<u>Building Code Enforcement</u>	<u>Farmers Market</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 88,487	\$ 45,660	\$ 7,930	\$ 142,077
Accounts receivable	49,287	5,000	17,279	71,566
	<u>137,774</u>	<u>50,660</u>	<u>25,209</u>	<u>213,643</u>
TOTAL ASSETS				
LIABILITIES				
Current liabilities				
Accounts payable	15,453	-	2,911	18,364
Accrued liabilities	-	-	816	816
Due to other funds	286	-	948	1,234
Unearned revenue	-	-	10,776	10,776
	<u>15,739</u>	<u>-0-</u>	<u>15,451</u>	<u>31,190</u>
TOTAL LIABILITIES				
NET POSITION				
Unrestricted	<u>\$ 122,035</u>	<u>\$ 50,660</u>	<u>\$ 9,758</u>	<u>\$ 182,453</u>

City of Springfield

Nonmajor Enterprise Funds

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

Year Ended June 30, 2016

	Refuse	Building Code Enforcement	Farmers Market	Total
OPERATING REVENUES				
Charges for services	\$ 234,079	\$ -	\$ 33,384	\$ 267,463
Licenses and permits	-	26,472	-	26,472
Other	-	13,596	14,073	27,669
TOTAL OPERATING REVENUES	234,079	40,068	47,457	321,604
OPERATING EXPENSES				
Operating expenses	205,998	34,697	117,392	358,087
OPERATING INCOME (LOSS)	28,081	5,371	(69,935)	(36,483)
NONOPERATING REVENUES				
Interest earned	64	37	3	104
INCOME (LOSS) BEFORE TRANSFERS	28,145	5,408	(69,932)	(36,379)
TRANSFERS				
Transfers in	-	-	71,000	71,000
Transfers out	(11,500)	-	-	(11,500)
TOTAL TRANSFERS	(11,500)	-0-	71,000	59,500
CHANGE IN NET POSITION	16,645	5,408	1,068	23,121
Net position, beginning of year	105,390	45,252	8,690	159,332
Net position, end of year	<u>\$ 122,035</u>	<u>\$ 50,660</u>	<u>\$ 9,758</u>	<u>\$ 182,453</u>

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

	Refuse	Building Code Enforcement	Farmers Market	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 236,559	\$ 40,068	\$ 43,540	\$ 320,167
Cash paid for operating expenses	<u>(206,049)</u>	<u>(38,136)</u>	<u>(118,704)</u>	<u>(362,889)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	30,510	1,932	(75,164)	(42,722)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Receipt of interfund balances	286	-	948	1,234
Transfers in	-	-	71,000	71,000
Transfers out	<u>(11,500)</u>	<u>-</u>	<u>-</u>	<u>(11,500)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(11,214)	-0-	71,948	60,734
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>64</u>	<u>37</u>	<u>3</u>	<u>104</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,360	1,969	(3,213)	18,116
Cash and cash equivalents, beginning of year	<u>69,127</u>	<u>43,691</u>	<u>11,143</u>	<u>123,961</u>
Cash and cash equivalents, end of year	<u><u>\$ 88,487</u></u>	<u><u>\$ 45,660</u></u>	<u><u>\$ 7,930</u></u>	<u><u>\$ 142,077</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 28,081	\$ 5,371	\$ (69,935)	\$ (36,483)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities (Increase) decrease in:				
Accounts receivable	2,480	-	(3,035)	(555)
Increase (decrease) in:				
Accounts payable	(51)	(3,439)	(1,648)	(5,138)
Accrued liabilities	-	-	336	336
Unearned revenue	<u>-</u>	<u>-</u>	<u>(882)</u>	<u>(882)</u>
NET CASH PROVIDED (USED) BY BY OPERATING ACTIVITIES	<u><u>\$ 30,510</u></u>	<u><u>\$ 1,932</u></u>	<u><u>\$ (75,164)</u></u>	<u><u>\$ (42,722)</u></u>

City of Springfield

Component Unit Fund

COMBINING BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION (EDC)

June 30, 2016

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	<u>\$ 425</u>	<u>\$ 491,202</u>	<u>\$ 201,704</u>	<u>\$ 693,331</u>
FUND BALANCES				
Restricted	<u>\$ 425</u>	<u>\$ 491,202</u>	<u>\$ 201,704</u>	<u>\$ 693,331</u>

City of Springfield

Component Unit Fund

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

June 30, 2016

Total fund balances - governmental funds \$ 693,331

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 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	\$ 768,135
Accrued interest payable	<u>5,900</u>

(774,035)

Net position of governmental funds

\$ (31,355)

City of Springfield

Component Unit Fund

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

Year Ended June 30, 2016

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
REVENUES				
Taxes	\$ 10,806	\$ 161,881	\$ 122,810	\$ 295,497
Interest	1	2,405	2,990	5,396
Other				
Special assessments	-	-	422	422
	<u>10,807</u>	<u>164,286</u>	<u>126,222</u>	<u>301,315</u>
TOTAL REVENUES	10,807	164,286	126,222	301,315
EXPENDITURES				
Current				
Community and economic development	147	40,406	246,640	287,193
Debt service	23,146	86,725	41,270	151,141
	<u>23,293</u>	<u>127,131</u>	<u>287,910</u>	<u>438,334</u>
TOTAL EXPENDITURES	23,293	127,131	287,910	438,334
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,486)	37,155	(161,688)	(137,019)
OTHER FINANCING SOURCES (USES)				
Transfer in	12,600	-	-	12,600
Transfer out	-	(12,600)	-	(12,600)
	<u>12,600</u>	<u>(12,600)</u>	<u>-0-</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	12,600	(12,600)	-0-	-0-
NET CHANGE IN FUND BALANCES	114	24,555	(161,688)	(137,019)
Fund balance, beginning of year	<u>311</u>	<u>466,647</u>	<u>363,392</u>	<u>830,350</u>
Fund balance, end of year	<u>\$ 425</u>	<u>\$ 491,202</u>	<u>\$ 201,704</u>	<u>\$ 693,331</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, 2016

Net change in fund balances - total governmental funds \$ (137,019)

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 (398)

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 110,964

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 861

Change in net position of governmental funds \$ (25,592)