

**City of Springfield
Calhoun County, Michigan**

FINANCIAL STATEMENTS

June 30, 2014



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City of Springfield

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Springfield (the City) as of and for the year ended June 30, 2014, 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, 2014, 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.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 17, 2014

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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

Using this Annual Report

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

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

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

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

Financial Highlights

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

Property Taxes are the General Fund's main source of revenue. In FY 2013-14 a total of \$1,107,323 was collected from a millage rate of 15. 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 2013 tax roll. The total amount collected represents a slight increase in revenue of less than .6% compared to prior year. The City's 2013 taxable value of \$83,475,654 concurrently showed a slight decrease of .8%. This includes Ad Valorem and Land Bank parcels, plus three Act 425 Agreements with the City of Battle Creek.

The TIFA and Brownfield Funds captured a total of \$610,124 from the 2013 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 \$832,890; an increase of \$9,952 or 1.2% compared to prior year collections. In FY 2013-14, the Income Tax provided funding to the General Fund in the amount of \$500,400 for Public Safety services, an increase of \$47,800, or 10.6% compared to prior year funding.

State Shared Revenue distributions of Constitutional Sales Tax and EVIP dollars received by the General Fund totaled \$649,405. This was an increase of 3.2% compared to last year. In addition, grant proceeds totaling \$26,033 were received from the State's *Competitive Grant Assistance Program (CGAP)* for consolidated Police Services. Total CGAP dollars awarded was \$135,000 to be paid out over multiple years. 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 \$409,782 in FY 2013-14, an increase of 3.1% compared to prior year.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Insurance Excess Asset Distribution Springfield is a member of the Michigan Municipal Risk Management Authority. MMRMA provides property and liability insurance for the City. In FY 2013-14, a distribution of *Excess Net Assets* was paid out to its members. Springfield received a total distribution of \$30,407. The amount allocated to the General Fund was \$24,657 and \$5,750 to the Vehicle Fund. These monies helped to boost the cash balance in both funds.

Streets This year included the completion of the Avenue A/Dickman and Upton Avenue/Goguac road projects at a total cost of \$183,822 and \$111,945, respectively.

Vehicles The City purchased 2 new pickup trucks for public safety and public works at a total cost of \$46,850.

Change in General Fund Balance At fiscal year-end, the General Fund showed an increase of \$63,748 in overall fund balance ending the year with a healthy balance of \$903,083 representing 35.8% 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, 2014**, compared to the prior year:

	Governmental Activities		Business-type Activities		Totals	
	June 30		June 30		June 30	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets						
Current assets	\$ 2,747,755	\$ 2,690,678	\$ 1,205,107	\$ 1,370,153	\$ 3,952,862	\$ 4,060,831
Capital assets	<u>7,656,006</u>	<u>8,167,215</u>	<u>2,308,736</u>	<u>2,095,393</u>	<u>9,964,742</u>	<u>10,262,608</u>
Total assets	10,403,761	10,857,893	3,513,843	3,465,546	13,917,604	14,323,439
Liabilities						
Current liabilities	227,516	270,533	163,606	127,405	391,122	397,938
Long-term liabilities	<u>759,936</u>	<u>803,474</u>	<u>150,505</u>	<u>161,760</u>	<u>910,441</u>	<u>965,234</u>
Total liabilities	<u>987,452</u>	<u>1,074,007</u>	<u>314,111</u>	<u>289,165</u>	<u>1,301,563</u>	<u>1,363,172</u>
Net Position						
Net investment in capital assets	7,132,717	7,610,181	2,147,025	1,922,427	9,279,742	9,532,608
Restricted	1,469,011	1,483,063	-	-	1,469,011	1,483,063
Unrestricted	<u>814,581</u>	<u>690,642</u>	<u>1,052,707</u>	<u>1,253,954</u>	<u>1,867,288</u>	<u>1,944,596</u>
	<u>\$ 9,416,309</u>	<u>\$ 9,783,886</u>	<u>\$ 3,199,732</u>	<u>\$ 3,176,381</u>	<u>\$ 12,616,041</u>	<u>\$ 12,960,267</u>

Net Position of the City's Governmental and Business-type activities at year-end total about \$12.6 million. This includes cash, investments, receivables, and capital assets versus current and long-term liabilities. Overall, the City realized a decrease in net position of \$344,226. The decrease is primarily attributable to capital asset depreciation and net disposals during the fiscal year totaling \$397,866. Current and long-term liabilities decreased \$61,609. Long-term debt principal paid off during the fiscal year totaled \$45,000. Current assets (cash and receivables) decreased \$107,969. Total assets of almost \$14 million are rich in comparison to liabilities of about \$1.3 million. (*Long term liabilities for accrued pension and OPEB are not included here.*)

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

This table summarizes the change in the City's net position at **June 30, 2014**, compared to prior year:

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program Revenues						
Charges for						
Services	\$ 286,872	\$ 202,223	\$ 1,688,052	\$ 1,627,045	\$ 1,974,924	\$ 1,829,268
Grants and						
Contributions	518,455	442,098	-	-	518,455	442,098
General Revenues						
Property Taxes	1,084,628	1,077,623	-	-	1,084,628	1,077,623
City Income Taxes	832,890	822,938	-	-	832,890	822,938
State Shared						
Revenue	649,405	628,648	-	-	649,405	628,648
Investment Earnings	42,620	18,476	18,416	7,542	61,036	26,018
Miscellaneous	136,428	193,880	57,200	38,169	193,628	232,049
Transfers	(32,800)	(34,000)	32,800	34,000	-0-	-0-
Total Revenues	3,518,498	3,351,886	1,796,468	1,706,756	5,314,966	5,058,642
Expenses						
General Government	282,464	949,228	-	-	282,464	949,228
Public Safety	1,769,076	1,733,405	-	-	1,769,076	1,733,405
Public Works	1,677,233	1,032,955	-	-	1,677,233	1,032,955
Community and						
Economic Develop.	64,349	66,659	-	-	64,349	66,659
Recreation and Cultural	67,744	60,989	-	-	67,744	60,989
Other	25,209	26,566	1,773,117	1,688,785	1,798,326	1,715,351
Total Expenses	3,886,075	3,869,802	1,773,117	1,688,785	5,659,192	5,558,587
Change in Net Position	(367,577)	(517,916)	23,351	17,971	(344,226)	(499,945)
Net Position, Beginning	<u>9,783,886</u>	<u>10,301,802</u>	<u>3,176,381</u>	<u>3,158,410</u>	<u>12,960,267</u>	<u>13,460,212</u>
Net Position, Ending	\$ 9,416,309	\$ 9,783,886	\$ 3,199,732	\$ 3,176,381	\$ 12,616,041	\$ 12,960,267

GOVERNMENTAL ACTIVITY HIGHLIGHTS

Economic Development

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

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

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, 19 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 14-15. 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, 2014

Three new businesses opened in Springfield during FY 2013-14. Dobo's Lawn Mower Sales & Service opened their new headquarters and service center on West Dickman Rd, Professional Muffler & Brake opened on 20th Street and Territorial Brewing Company on N. Helmer Rd.

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 and will expire respectively in 2014, 2016, and 2017. It is anticipated the overall investment in Springfield will exceed \$2 million dollars.

Financial Management and Performance

The original adopted FY 2013-14 General Fund Budget showed a shortfall of \$225,800. In October 2013, the City of Springfield implemented a new Law Enforcement Agreement with the Calhoun County Sheriff's Department to provide Police Service. This resulted in the elimination of budgeted wages & benefits of 12 full-time Public Safety Officers. Also, costly Public Safety union contracts were terminated. In addition, this move will have a significant impact on retirement benefit cost & liability for the long term. The City of Springfield now expects to end FY 2013-14 with a balanced budget. The move will also reduce the General Fund's reliance on Income Tax collections and allow the Income Tax fund balance to replenish. The estimated savings is \$400,000 to \$500,000 annually.

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 17 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 17 regular full time employees, the City has 8 part-time contractual positions that provide Assessing, Attorney, Finance, Income Tax, Inspector, Computer Network and Website/Graphic Design Services. On call part-time Fire Fighters total 18 and the City routinely utilizes 3 to 5 part-time seasonal employees. The 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 2013-14, the City shows cash reserves in the General Fund and Income Tax Fund exceeding \$1.5 Million.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

NEXT YEAR BUDGETARY HIGHLIGHTS

General Fund

The City of Springfield proposes a **balanced** General Fund Budget in FY 2014-15. The General Fund's main source of revenue is generated through taxes on real and personal property. The City's 2014 taxable value (before any adjustments) is \$80,510,432. This represents a decrease of 3.6% compared to the 2013 final taxable value of \$83,475,654. After tax capture by Springfield's Tax Increment Finance (TIFA) and Brownfield Redevelopment (BRA) Authorities, the City expects to collect approximately \$984,900 from its 14 Operating Mills and 1 Public Safety Retirement Mill. The TIFA and Brownfield Funds will capture a total of \$308,000 from taxing units in FY 2014-15. Administrative fees received by the General Fund for the collection of property taxes will total \$21,000.

State of Michigan Revenue Sharing is Springfield's second largest General Fund revenue source. For FY 2014-15, estimated revenue is \$670,900. This represents an increase of 2% over FY 2013-14. General Fund State Shared Revenue has fallen from more than \$1 million dollars annually in 2001 to its current level, costing the City of Springfield more than \$3.5 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.

Budgeted transfers from the Income Tax Fund in the amount of \$398,500 are the General Fund's third largest revenue source. These transfers help to finance Public Safety expenses. The FY 2014-15 budgeted transfers reflect a decrease of \$101,900 or 20.4% from FY 2013-14 transfers of \$500,400.

Other noteworthy revenue sources anticipated in the City's General Fund for FY 2014-15 includes grant proceeds of \$77,000 for the Police Service transition, employee/retiree medical insurance cost share of \$76,000, cable television franchise fees of \$52,000, court fines totaling \$42,000 and an excess asset distribution from the City's property and liability provider in the amount of \$24,000. Total General Fund revenue will equal \$2,434,100. This reflects a decrease of approximately \$98,600 or 3.9% from the previous fiscal year's amended budget. This decrease is due primarily to the first phase of Personal Property Tax elimination as well as a decrease in the transfer from the Income Tax Fund.

Total General Fund Expenditures for FY 2014-15 are anticipated to equal \$2,434,100. Public Safety accounts for more than \$1.37 million or 56.6%. FY 2014-15 will be the first 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 \$330,200 in FY 2014-15 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 \$233,600 in soft construction costs, routine, traffic service and winter maintenance. Expenditures also include \$28,800 for administrative cost and a \$9,300 debt service payment for 2006 Bond Debt. The Major Street Fund will transfer \$50,000 to the Local Street Fund this budget year. The net appropriation will result in an increase of \$8,500 in the Fund's cash balance.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The **Local Street Fund** is expected to receive \$175,100 in FY 2014-15 primarily from State Shared Act 51 dollars, a Metro Act distribution and special assessments. The Local Street Fund will also receive a \$50,000 transfer from the Major Street Fund. State law permits the use of up to 50% of Major Street Act 51 dollars for local streets. The Local Street budget funds \$153,800 in soft construction costs, routine, traffic service and winter maintenance. Replacement of a large storm drain under 27th Street near Upton Park at a cost of \$100,000 is included this year's budget. Expenditures also include \$10,300 for administrative cost and a \$48,900 debt service payment for 2006 Bond Debt. The net appropriation will result in a decrease of \$137,900 in the Fund's cash balance.

The **Income Tax Fund** anticipated revenue for FY 2014-15 is \$788,200. Income Tax administration expense is budgeted at \$233,700, an increase of 3.7% compared to prior year. In FY 2014-15, Income Tax will transfer \$398,500 to the General Fund to be used to offset the cost of the new law enforcement contract. Last year, Income Tax funded Public Safety in the amount of \$500,400. An annual savings of \$101,900 or 20.4% has been realized with the new police service contract. The net appropriation will result in an increase of \$156,000 in the Fund's cash balance.

The **TIFA B Fund** will receive \$171,300 primarily from captured property taxes and investment income. The Fund will spend \$40,000 in budgeted projects that include: 20th Street Beautification, Economic Development and the Magnificent Motor Mile. In addition, the TIFA B budget funds \$26,500 in operating costs, a \$10,000 transfer to the Brownfield and a \$85,000 debt service payment for 1999 Bond Debt. The net appropriation will result in an increase of \$9,800 in the Fund's cash balance.

The **TIFA D Fund** will receive \$249,800 from captured property taxes, investment income and loan proceeds of \$110,000. The Fund will spend \$205,000 in budgeted projects that include: the Farmers Market Kitchen, 20th Street Beautification, Avenue A Beautification, Economic Development and an Energy Efficiency Project. The Energy Efficiency Project will update City Hall's HVAC system and replace its aging backup generator to improve efficiency at an estimated cost of \$110,000. In addition, the TIFA D budget funds \$38,000 in operating costs and \$60,800 in debt service payments for 2007 Bond Debt and the initial payment on the installment loan. The net appropriation will result in a decrease of \$54,000 in the Fund's cash balance.

The **Economic Development Fund** will receive \$46,300 primarily from the sale of city property, a Communications Site Lease and a pass-thru of special assessments for the Magnificent Motor Mile. The Economic Development budget funds \$32,600 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 \$13,700 in the Fund's cash balance.

The **Farmers Market Fund** is expected to receive \$106,100. Vendor fees, Banquet Center rental, Kitchen rental fees, special events and miscellaneous income will generate approximately \$50,000. A transfer of \$56,100 from the General Fund will provide additional funding. Expenses related to the Farmers Market and its events are expected to equal \$73,800, while expenses for the operation of the community kitchen and the banquet facility are expected to total \$19,200 and \$13,100, 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 \$284,400 in FY 2014-15. Budgeted expenses total \$348,900. This includes funding for the purchase of one new dump truck for the Public Services Department. Total cost for the truck is estimated to be \$132,000. Grant funding in the amount of \$102,000 will help fund this purchase. The city has no vehicle-related debt. After adjustment for \$64,500 of non-cash depreciation, the fund will break even for the year.

CONTACTING THE CITY'S MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

City of Springfield

STATEMENT OF NET POSITION

June 30, 2014

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,177,054	\$ 878,003	\$ 3,055,057	\$ 842,510
Receivables	361,765	295,080	656,845	2,307
Due from other governmental units	186,662	32,024	218,686	-
Prepays	22,274	-	22,274	-
Total current assets	2,747,755	1,205,107	3,952,862	844,817
Noncurrent assets				
Capital assets not being depreciated	597,341	-	597,341	49,349
Capital assets being depreciated, net	7,058,665	2,308,736	9,367,401	-
Total noncurrent assets	7,656,006	2,308,736	9,964,742	49,349
TOTAL ASSETS	10,403,761	3,513,843	13,917,604	894,166
LIABILITIES				
Current liabilities				
Accounts payable	110,628	150,058	260,686	4,800
Accrued liabilities	30,434	1,017	31,451	-
Due to other governments	5,574	-	5,574	-
Accrued interest payable	3,978	1,325	5,303	6,809
Current portion of compensated absences	43,107	-	43,107	-
Current portion of long-term debt	33,795	11,206	45,001	105,553
Total current liabilities	227,516	163,606	391,122	117,162
Noncurrent liabilities				
Noncurrent portion of compensated absences	56,377	-	56,377	-
Noncurrent portion of long-term debt	489,494	150,505	639,999	879,099
Net other post-employment benefit obligation	214,065	-	214,065	-
Total noncurrent liabilities	759,936	150,505	910,441	879,099
TOTAL LIABILITIES	987,452	314,111	1,301,563	996,261
NET POSITION				
Net investment in capital assets	7,132,717	2,147,025	9,279,742	49,349
Restricted				
Other purposes	1,469,011	-	1,469,011	-
Unrestricted	814,581	1,052,707	1,867,288	(151,444)
TOTAL NET POSITION	\$ 9,416,309	\$ 3,199,732	\$ 12,616,041	\$ (102,095)

See accompanying notes to financial statements.

City of Springfield
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

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	\$ 282,464	\$ 102,586	\$ 27,855	\$ -	\$ (152,023)	\$ -	\$ (152,023)	\$ -
Public safety	1,769,076	45,784	14,888	-	(1,708,404)	-	(1,708,404)	-
Public works	1,677,233	94,787	472,702	3,010	(1,106,734)	-	(1,106,734)	-
Community and economic development	64,349	43,715	-	-	(20,634)	-	(20,634)	-
Recreation and cultural	67,744	-	-	-	(67,744)	-	(67,744)	-
Interest and fees on long-term debt	25,209	-	-	-	(25,209)	-	(25,209)	-
Total governmental activities	3,886,075	286,872	515,445	3,010	(3,080,748)	-0-	(3,080,748)	-0-
Business-type activities								
Sewer	848,157	855,889	-	-	-	7,732	7,732	-
Water	584,676	530,228	-	-	-	(54,448)	(54,448)	-
Refuse	202,075	225,812	-	-	-	23,737	23,737	-
Building code enforcement	35,203	32,075	-	-	-	(3,128)	(3,128)	-
Farmers market	103,006	44,048	-	-	-	(58,958)	(58,958)	-
Total business-type activities	1,773,117	1,688,052	-0-	-0-	-0-	(85,065)	(85,065)	-0-
Total primary government	<u>\$ 5,659,192</u>	<u>\$ 1,974,924</u>	<u>\$ 515,445</u>	<u>\$ 3,010</u>	(3,080,748)	(85,065)	(3,165,813)	-0-
Component unit								
Economic Development Corporation	<u>\$ 208,101</u>	<u>\$ 510</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-0-	(207,591)
General revenues								
Property taxes					1,084,628	-	1,084,628	311,736
Income taxes					832,890	-	832,890	-
State shared revenue					649,405	-	649,405	-
Investment earnings					42,620	18,416	61,036	24,942
Miscellaneous					136,428	57,200	193,628	-
Transfers					(32,800)	32,800	-0-	-
Total general revenues and transfers					<u>2,713,171</u>	<u>108,416</u>	<u>2,821,587</u>	<u>336,678</u>
Change in net position					(367,577)	23,351	(344,226)	129,087
Net position, beginning of the year					<u>9,783,886</u>	<u>3,176,381</u>	<u>12,960,267</u>	<u>(231,182)</u>
Net position, end of the year					<u>\$ 9,416,309</u>	<u>\$ 3,199,732</u>	<u>\$ 12,616,041</u>	<u>\$ (102,095)</u>

See accompanying notes to financial statements.

City of Springfield
Governmental Funds
BALANCE SHEET
June 30, 2014

	General	Major Streets	Local Streets
ASSETS			
Cash and cash equivalents	\$ 798,656	\$ 289,928	\$ 378,129
Receivables			
Accounts	93,335	-	-
Taxes	46,475	-	-
Special assessment	-	21,703	23,950
Due from other governmental units	119,387	49,751	17,524
Prepays	22,274	-	-
	\$ 1,080,127	\$ 361,382	\$ 419,603
LIABILITIES			
Accounts payable	\$ 88,724	\$ 12,152	\$ 170
Accrued liabilities	30,434	-	-
Due to other funds	-	625	-
Due to other governmental units	-	-	-
	119,158	12,777	170
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	57,886	21,703	23,950
FUND BALANCES			
Nonspendable	22,274	-	-
Restricted	-	326,902	395,483
Committed	-	-	-
Unassigned	880,809	-	-
	903,083	326,902	395,483
	\$ 1,080,127	\$ 361,382	\$ 419,603

See accompanying notes to financial statements.

Income Tax	Nonmajor Governmental Funds	Total
\$ 541,341	\$ 129,037	\$ 2,137,091
-	-	93,335
169,860	-	216,335
-	-	45,653
-	-	186,662
-	-	22,274
<u>\$ 711,201</u>	<u>\$ 129,037</u>	<u>\$ 2,701,350</u>
\$ 5,961	\$ 1,048	\$ 108,055
-	-	30,434
-	-	625
<u>5,574</u>	<u>-</u>	<u>5,574</u>
11,535	1,048	144,688
62,607	-	166,146
-	-	22,274
637,059	109,748	1,469,192
-	18,241	18,241
-	-	880,809
<u>637,059</u>	<u>127,989</u>	<u>2,390,516</u>
<u>\$ 711,201</u>	<u>\$ 129,037</u>	<u>\$ 2,701,350</u>

City of Springfield

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

June 30, 2014

Total fund balances - governmental funds \$ 2,390,516

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	\$ 27,295,780	
Accumulated depreciation is	<u>(20,032,535)</u>	
Capital assets, net		7,263,245

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		437,218
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Long-term receivables are not available to pay for current period expenditures and therefore, are considered unavailable in the funds.		166,146
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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 and loans payable	523,289	
Accrued interest payable	3,978	
Compensated absences	99,484	
Net other post-employment benefit obligation	<u>214,065</u>	
		<u>(840,816)</u>

Net position of governmental activities \$ 9,416,309

City of Springfield

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2014

	General	Major Streets	Local Streets
REVENUES			
Taxes	\$ 1,107,323	\$ -	\$ -
Licenses and permits	63,382	-	-
Intergovernmental	677,260	429,782	132,920
Charges for services	24,797	572	-
Fines and forfeits	36,352	-	-
Interest and rents	37,953	100	111
Other	132,402	15,032	10,688
TOTAL REVENUES	2,079,469	445,486	143,719
EXPENDITURES			
Current			
General government	580,754	-	-
Public safety	1,633,907	-	-
Public works	113,578	540,548	135,310
Community and economic development	-	-	-
Recreation and cultural	65,677	-	-
Other	104,405	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	2,498,321	540,548	135,310
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(418,852)	(95,062)	8,409
OTHER FINANCING SOURCES (USES)			
Transfers in	507,900	90,000	75,000
Transfers out	(25,300)	(84,439)	(49,757)
TOTAL OTHER FINANCING SOURCES (USES)	482,600	5,561	25,243
NET CHANGE IN FUND BALANCES	63,748	(89,501)	33,652
Fund balances, beginning of year	839,335	416,403	361,831
Fund balances, end of year	<u>\$ 903,083</u>	<u>\$ 326,902</u>	<u>\$ 395,483</u>

See accompanying notes to financial statements.

Income Tax	Nonmajor Governmental Funds	Total
\$ 832,890	\$ -	\$ 1,940,213
-	-	63,382
-	-	1,239,962
-	-	25,369
-	3,680	40,032
9,075	15,874	63,113
-	43,815	201,937
<u>841,965</u>	<u>63,369</u>	<u>3,574,008</u>
223,462	-	804,216
-	1,209	1,635,116
-	-	789,436
-	25,991	25,991
-	-	65,677
-	-	104,405
-	59,196	59,196
<u>223,462</u>	<u>86,396</u>	<u>3,484,037</u>
618,503	(23,027)	89,971
-	59,196	732,096
<u>(590,400)</u>	<u>(20,000)</u>	<u>(769,896)</u>
<u>(590,400)</u>	<u>39,196</u>	<u>(37,800)</u>
28,103	16,169	52,171
<u>608,956</u>	<u>111,820</u>	<u>2,338,345</u>
<u>\$ 637,059</u>	<u>\$ 127,989</u>	<u>\$ 2,390,516</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, 2014

Net change in fund balances - total governmental funds \$ 52,171

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	\$ 333,127
Depreciation expense	<u>(691,212)</u>

Excess of depreciation expense over capital outlay (358,085)

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. (56,760)

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 (93,852)

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 (22,710)

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

Repayment of long-term debt 33,745

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

Decrease in accrued interest payable	242
Decrease in compensated absences	75,475
Decrease in net other post-employment benefit obligation	<u>2,197</u>

77,914

Change in net position of governmental activities \$ (367,577)

City of Springfield

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2014

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 297,231	\$ 477,054	\$ 103,718
Accounts receivable	148,555	90,192	56,333
Due from other governmental units	1,710	30,314	-
Due from other funds	-	28,103	-
Total current assets	447,496	625,663	160,051
Noncurrent assets			
Capital assets being depreciated, net	1,097,695	1,211,041	-
TOTAL ASSETS	1,545,191	1,836,704	160,051
LIABILITIES			
Current liabilities			
Accounts payable	74,608	52,973	22,477
Accrued liabilities	-	520	497
Due to other funds	28,103	-	-
Accrued interest payable	688	637	-
Current portion of long-term debt	5,603	5,603	-
Total current liabilities	109,002	59,733	22,974
Noncurrent liabilities			
Noncurrent portion of long-term debt	78,844	71,661	-
TOTAL LIABILITIES	187,846	131,394	22,974
NET POSITION			
Net investment in capital assets	1,013,248	1,133,777	-
Unrestricted	344,097	571,533	137,077
TOTAL NET POSITION	\$ 1,357,345	\$ 1,705,310	\$ 137,077

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 878,003	\$ 39,963
295,080	6,442
32,024	-
<u>28,103</u>	<u>625</u>
1,233,210	47,030
<u>2,308,736</u>	<u>392,761</u>
3,541,946	439,791
150,058	2,573
1,017	-
28,103	-
1,325	-
<u>11,206</u>	<u>-</u>
191,709	2,573
<u>150,505</u>	<u>-</u>
<u>342,214</u>	<u>2,573</u>
2,147,025	392,761
<u>1,052,707</u>	<u>44,457</u>
<u>\$ 3,199,732</u>	<u>\$ 437,218</u>

City of Springfield

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2014

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 855,889	\$ 530,228	\$ 269,860
Licenses and permits	-	-	32,075
Other	10,000	25,382	21,818
TOTAL OPERATING REVENUES	865,889	555,610	323,753
OPERATING EXPENSES			
Operating expenses	746,566	525,306	340,284
Depreciation	97,248	55,355	-
TOTAL OPERATING EXPENSES	843,814	580,661	340,284
OPERATING INCOME (LOSS)	22,075	(25,051)	(16,531)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	-
Interest earned	6,499	11,885	32
Interest expenses and fees	(4,343)	(4,015)	-
Loss on disposal of capital assets	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	2,156	7,870	32
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	24,231	(17,181)	(16,499)
CONTRIBUTIONS AND TRANSFERS			
Transfers in	-	-	40,300
Transfers out	-	-	(7,500)
TOTAL CONTRIBUTIONS AND TRANSFERS	-0-	-0-	32,800
CHANGE IN NET POSITION	24,231	(17,181)	16,301
Net position, beginning of year	1,333,114	1,722,491	120,776
Net position, end of year	\$ 1,357,345	\$ 1,705,310	\$ 137,077

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,655,977	\$ 177,571
32,075	-
<u>57,200</u>	<u>10,936</u>
1,745,252	188,507
1,612,156	168,827
<u>152,603</u>	<u>73,751</u>
<u>1,764,759</u>	<u>242,578</u>
(19,507)	(54,071)
-0-	24,669
18,416	13
(8,358)	-
<u>-0-</u>	<u>(69,463)</u>
<u>10,058</u>	<u>(44,781)</u>
(9,449)	(98,852)
40,300	5,000
<u>(7,500)</u>	<u>-</u>
<u>32,800</u>	<u>5,000</u>
23,351	(93,852)
<u>3,176,381</u>	<u>531,070</u>
<u>\$ 3,199,732</u>	<u>\$ 437,218</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 825,397	\$ 538,522	\$ 317,798
Cash paid to vendors/employees	(720,323)	(513,774)	(341,784)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	105,074	24,748	(23,986)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt/payment of interfund balances	28,103	(28,103)	(450)
Transfers in	-	-	40,300
Transfers out	-	-	(7,500)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	28,103	(28,103)	32,350
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expenses and fees	(4,380)	(4,052)	-
Intergovernmental - State	-	-	-
Capital purchases	(249,276)	(116,670)	-
Payments on borrowings	(5,847)	(5,408)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(259,503)	(126,130)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6,499	11,885	32
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(119,827)	(117,600)	8,396
Cash and cash equivalents, beginning of year	417,058	594,654	95,322
Cash and cash equivalents, end of year	<u>\$ 297,231</u>	<u>\$ 477,054</u>	<u>\$ 103,718</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,681,717	\$ 185,369
<u>(1,575,881)</u>	<u>(171,021)</u>
105,836	14,348
(450)	(625)
40,300	5,000
<u>(7,500)</u>	<u>-</u>
32,350	4,375
(8,432)	-
-0-	24,669
(365,946)	(46,850)
<u>(11,255)</u>	<u>-</u>
(385,633)	(22,181)
<u>18,416</u>	<u>13</u>
(229,031)	(3,445)
<u>1,107,034</u>	<u>43,408</u>
<u>\$ 878,003</u>	<u>\$ 39,963</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2014

	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)	\$ 22,075	\$ (25,051)	\$ (16,531)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	97,248	55,355	-
(Increase) decrease in:			
Accounts receivable	(38,782)	13,226	(5,955)
Due from other governmental units	(1,710)	(30,314)	-
Increase (decrease) in:			
Accounts payable	40,636	28,057	(1,695)
Accrued liabilities	-	370	195
Due to other governmental units	(14,393)	(16,895)	-
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 105,074</u>	 <u>\$ 24,748</u>	 <u>\$ (23,986)</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ (19,507)	\$ (54,071)
152,603	73,751
(31,511)	(3,138)
(32,024)	-
66,998	(2,194)
565	-
<u>(31,288)</u>	<u>-</u>
	.
<u>\$ 105,836</u>	<u>\$ 14,348</u>

City of Springfield

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2014

	<u>Trust and Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 17,849</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 17,849</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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

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

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

1. Reporting Entity

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

2. Discretely Presented Component Unit

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

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

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

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component unit as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

3. Basis of Presentation - continued

GOVERNMENT WIDE FINANCIAL STATEMENTS - CONTINUED

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

FUND FINANCIAL STATEMENTS

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

4. Measurement Focus

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

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

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 60 days of the end of the current period. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

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

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

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

6. Budgets and Budgetary Accounting

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

Cash and cash equivalents consist of checking accounts and uncategorized pooled investment mutual funds. All mutual funds are recorded at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

8. Receivables

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

9. Property Tax

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

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

The City is permitted by charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services and an unlimited amount for pension. The operating millage had a maximum allowable millage after roll-back for the 2013 levy of 14.8743 mills. For the year ended June 30, 2014, 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 2013 levy for property within the City was \$81,635,504. This levy generated \$994,344 and \$71,019 in current year property tax revenue for governmental services and pension, respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 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 long-term.

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, 2014

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, 2014, were vested and the total due to them, along with related payroll taxes, is recorded entirely in the government-wide financial statements.

15. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has only two types of items, which arise only under a modified accrual basis of accounting, which qualifies 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 inflows of resources in the period that the amounts become available.

16. 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.

17. 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.

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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

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, 2014, 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	\$ 1,805,411	\$ 1,810,898
COMPONENT UNIT		
Checking	345,224	345,224
FIDUCIARY FUNDS		
Checking	<u>17,849</u>	<u>16,426</u>
TOTAL REPORTING ENTITY	<u><u>\$ 2,168,484</u></u>	<u><u>\$ 2,172,548</u></u>

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

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2014, the City accounts were insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000, and the amount of \$1,922,548 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, 2014

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Investments

As of June 30, 2014, the carrying amount and fair value for the investment is as follows:

Investment Type	Carrying Amount	Fair Value	Weighted Average Maturity
PRIMARY GOVERNMENT			
Uncategorized pooled investment funds			
Fidelity Advantage Mutual Fund	\$ 1,248,846	\$ 1,248,846	N/A
COMPONENT UNIT			
Uncategorized pooled investment funds			
Fidelity Advantage Mutual Fund	497,286	497,286	N/A
	<u>\$ 1,746,132</u>	<u>\$ 1,746,132</u>	

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, 2014, the City's investments in uncategorized pooled investment funds were not rated.

Interest rate risk

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

Concentration of credit risk

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

Custodial credit risk

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

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

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

The following summarizes the categorization of these amounts as of June 30, 2014:

	Primary Government	Component Unit	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	<u>\$ 3,055,057</u>	<u>\$ 842,510</u>	<u>\$ 17,849</u>	<u>\$ 3,915,416</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2014, is as follows:

Due to Water Fund from:	
Sewer Fund	<u>\$ 28,103</u>
Due to Internal Service Fund from:	
Major Street Fund	<u>\$ 625</u>

Amounts appearing as interfund payables and receivables arise from two 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.

NOTE D: 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	\$ 500,400
Nonmajor enterprise funds	<u>7,500</u>
	<u>\$ 507,900</u>
Transfers to Major Streets Fund from:	
Income Tax Fund	<u>\$ 90,000</u>
Transfers to Local Streets Fund from:	
Major Streets Fund	<u>\$ 75,000</u>
Transfers to nonmajor governmental funds from:	
Major Streets Fund	\$ 9,439
Local Streets Fund	<u>49,757</u>
	<u>\$ 59,196</u>
Transfers to nonmajor enterprise funds from:	
General Fund	\$ 20,300
Nonmajor governmental funds	<u>20,000</u>
	<u>\$ 40,300</u>
Transfers to Internal Service Fund from:	
General Fund	<u>\$ 5,000</u>

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities				
Capital assets not being depreciated				
Land	\$ 608,057	\$ -	\$ (10,716)	\$ 597,341
Capital assets being depreciated				
Roads and sidewalks	22,703,826	295,767	-	22,999,593
Buildings and improvements	3,088,155	-	(29,338)	3,058,817
Land improvements	162,649	-	(17,653)	144,996
Vehicles	1,531,916	46,850	(96,164)	1,482,602
Furniture and fixtures	131,053	-	(27,709)	103,344
Other tools and equipment	602,949	37,360	(248,620)	391,689
Subtotal	28,220,548	379,977	(419,484)	28,181,041
Less accumulated depreciation for:				
Roads and sidewalks	(17,635,652)	(566,577)	-	(18,202,229)
Buildings and improvements	(1,281,429)	(74,618)	29,338	(1,326,709)
Land improvements	(73,239)	(8,104)	17,653	(63,690)
Vehicles	(1,042,791)	(73,751)	26,701	(1,089,841)
Furniture and fixtures	(106,250)	(7,375)	27,709	(85,916)
Other tools and equipment	(522,029)	(34,538)	202,576	(353,991)
Subtotal	(20,661,390)	(764,963)	303,977	(21,122,376)
Net capital assets being depreciated	7,559,158	(384,986)	(115,507)	7,058,665
Capital assets, net	<u>\$ 8,167,215</u>	<u>\$ (384,986)</u>	<u>\$ (126,223)</u>	<u>\$ 7,656,006</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 41,275
Public safety	118,942
Public works	567,202
Community and economic development	37,544
Total depreciation expense	<u>\$ 764,963</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E: CAPITAL ASSETS - CONTINUED

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Business-type activities				
(Sewer system)				
Capital assets being depreciated				
Sewer distribution system	\$ 3,884,451	\$ 249,276	\$ -	\$ 4,133,727
Sewer tools and equipment	184,952	-	-	184,952
Subtotal	4,069,403	249,276	-0-	4,318,679
Less accumulated depreciation for:				
Sewer distribution system	(3,028,151)	(91,360)	-	(3,119,511)
Sewer tools and equipment	(95,585)	(5,888)	-	(101,473)
Subtotal	(3,123,736)	(97,248)	-0-	(3,220,984)
Capital assets being depreciated	<u>\$ 945,667</u>	<u>\$ 152,028</u>	<u>\$ -0-</u>	<u>\$ 1,097,695</u>
(Water system)				
Capital assets being depreciated				
Water distribution system	\$ 2,241,088	\$ 116,670	\$ -	\$ 2,357,758
Water tools and equipment	209,136	-	-	209,136
Subtotal	2,450,224	116,670	-0-	2,566,894
Less accumulated depreciation for:				
Water distribution system	(1,194,400)	(48,263)	-	(1,242,663)
Water tools and equipment	(106,098)	(7,092)	-	(113,190)
Subtotal	(1,300,498)	(55,355)	-0-	(1,355,853)
Capital assets being depreciated	<u>\$ 1,149,726</u>	<u>\$ 61,315</u>	<u>\$ -0-</u>	<u>\$ 1,211,041</u>
Component Unit				
Capital assets not being depreciated				
Land	<u>\$ 49,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,349</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014.

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
2006 Capital Improvement Bonds	\$ 557,034	\$ -	\$ (33,745)	\$ 523,289	\$ 33,795
Compensated Absences	174,959	36,562	(112,037)	99,484	43,107
	731,993	36,562	(145,782)	622,773	76,902
Business-Type Activities					
2006 Capital Improvement Bonds	172,966	-	(11,255)	161,711	11,206
TOTAL PRIMARY GOVERNMENT	904,959	36,562	(157,037)	784,484	88,108
COMPONENT UNIT					
1999 Tax Increment Bonds	435,000	-	(60,000)	375,000	65,000
2007 Tax Increment Bonds	495,000	-	(15,000)	480,000	20,000
Brownfield Loan	149,802	-	(20,150)	129,652	20,553
TOTAL COMPONENT UNIT	1,079,802	-0-	(95,150)	984,652	105,553
TOTAL REPORTING ENTITY	\$ 1,984,761	\$ 36,562	\$ (252,187)	\$ 1,769,136	\$ 193,661

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

PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES

Capital Improvement Bonds

\$747,245 Capital Improvement Bonds dated May 1, 2006, due in annual installments ranging from \$33,795 to \$61,424 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.

\$ 523,289

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 \$99,484 at June 30, 2014.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE F: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - BUSINESS-TYPE ACTIVITIES

Capital Improvement Bonds

\$247,755 Capital Improvement Bonds dated May 1, 2006, due in annual installments ranging from \$8,576 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.

\$ 161,711

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 \$65,000 to \$85,000 through May 1, 2019, with interest ranging from 5.00 to 5.20 percent, payable semi-annually.

\$ 375,000

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

480,000

\$ 855,000

Brownfield Loan

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

\$ 129,652

Primary Government - Government Activities

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2015	\$ 33,795	\$ 23,867
2016	33,795	22,346
2017	37,550	20,825
2018	37,550	19,135
2019	41,305	17,446
2020-2024	225,300	57,592
2025-2026	<u>113,994</u>	<u>7,491</u>
Total	<u>\$ 523,289</u>	<u>\$ 168,702</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government - Business-type Activities

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2015	\$ 11,206	\$ 7,913
2016	11,205	7,409
2017	12,450	6,905
2018	12,450	6,345
2019	13,695	5,784
2020-2024	74,700	19,095
2025-2026	26,005	2,484
Total	<u>\$ 161,711</u>	<u>\$ 55,935</u>

Component Unit

Year Ending June 30,	Tax Increment Bonds		Brownfield Loan	
	Principal	Interest	Principal	Interest
2015	\$ 85,000	\$ 40,855	\$ 20,553	\$ 2,593
2016	90,000	36,745	20,964	2,182
2017	100,000	32,315	21,384	1,762
2018	105,000	27,415	21,811	1,335
2019	115,000	22,180	22,247	899
2020-2024	195,000	66,610	22,693	453
2025-2027	165,000	15,640	-	-
Total	<u>\$ 855,000</u>	<u>\$ 241,760</u>	<u>\$ 129,652</u>	<u>\$ 9,224</u>

NOTE G: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees' Retirement System, which is an agent multiple-employer defined benefit pension plan that covers all full-time employees of the City. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Michigan Municipal Employees' Retirement System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the current system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution of 2 percent from City employees, except for the public safety division, which requires a contribution of 7 percent from employees. The public safety division was closed to new hires during the fiscal year ended June 30, 2014.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G: RETIREMENT PLAN - CONTINUED

Annual Pension Cost

For the year ended June 30, 2014, the City's annual pension cost of \$195,944 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age normal cost method. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 13% per year depending on age, seniority and merit, and (d) assumption that benefits will increase 2.5 percent per year after retirement for certain benefit provisions along with other actuarial assumptions as detailed in the actuarial report. The unfunded actuarial liability is being amortized as a level percentage of payrolls on a closed basis. The remaining amortization period is thirty (30) years.

Three (3) Year Trend Information

	<u>December 31, 2013</u>		
Actuarial value of assets		\$	7,450,638
Actuarial accrued liability (AAL) (entry age)			9,396,726
Unfunded AAL			1,946,088
Funded ratio			79.3%
Covered payroll		\$	675,841
UAAL as a percentage of covered payroll			288.0%
	Year Ended June 30,		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Annual pension cost (APC)	\$ 181,137	\$ 189,251	\$ 195,944
Percentage of APC contributed	100.0%	100.0%	100.0%
Net pension obligation	\$ -	\$ -	\$ -

This trend information was obtained from the most recently issued actuarial reports.

NOTE H: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

During the year ended June 30, 2014, 23 retirees and their beneficiaries were receiving benefits. Expenditures for postemployment benefits are recognized when claims are paid. During the year, expenditures of \$104,405 were recognized for post-employment benefits.

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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, 2014, 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, 2014, 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)	\$ 98,604
Interest on net OPEB obligation	10,813
Adjustment to annual required contribution	<u>(7,209)</u>
Annual OPEB cost (expense)	102,208
Amounts contributed:	
Payments of current requirements (gross of employee reimbursement)	<u>104,405</u>
Decrease in net OPEB obligation	(2,197)
OPEB obligation - Beginning of year	<u>216,262</u>
OPEB obligation - End of year	<u><u>\$ 214,065</u></u>

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

	Year Ended June 30,		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Annual OPEB cost	\$ 149,562	\$ 151,293	\$ 102,208
Percentage of annual OPEB cost contributed	43.3%	79.0%	102.1%
Net OPEB obligation	\$ 184,532	\$ 216,262	\$ 214,065

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

Fair value of assets	\$ 269,235
Actuarial accrued liability (AAL)	1,318,308
Unfunded AAL (UAAL)	1,049,073
Funded ratio	20.4%
Covered payroll	\$ 653,869
Ratio of UAAL to covered payroll	160.4%

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Methods and Assumptions

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

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

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

NOTE I: 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 J: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various restrictions in net position as of June 30, 2014:

PRIMARY GOVERNMENT	
Other purposes	
Streets and highways	\$ 722,385
Economic development	109,567
City operations	637,059
	<hr/>
	\$ 1,469,011
	<hr/> <hr/>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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

Fund Balance Classification Policies and Procedures

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

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

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

	General Fund	Major Streets	Local Streets	Income Tax	Nonmajor Governmental Funds	Total
Fund Balances						
Nonspendable						
Prepays	\$ 22,274	\$ -	\$ -	\$ -	\$ -	\$ 22,274
Restricted						
Streets	-	326,902	395,483	-	-	722,385
City operations	-	-	-	637,059	-	637,059
Economic development	-	-	-	-	109,567	109,567
Debt service	-	-	-	-	181	181
Committed						
Public safety	-	-	-	-	18,241	18,241
Unassigned	880,809	-	-	-	-	880,809
TOTAL FUND BALANCES	\$ 903,083	\$ 326,902	\$ 395,483	\$ 637,059	\$ 127,989	\$ 2,390,516

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE L: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the City's 2014-2015 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Operating	\$ 981,000	\$ 973,000	\$ 1,004,590	\$ 31,590
Pension	69,200	69,200	71,019	1,819
Tax collection fees	22,000	22,000	22,694	694
Penalties and interest	6,000	6,000	9,020	3,020
Total taxes	1,078,200	1,070,200	1,107,323	37,123
Licenses and permits				
Trailer fees	1,200	1,200	1,309	109
Business licenses	5,000	2,600	2,808	208
Liquor licenses	5,000	5,000	4,190	(810)
Cable franchise fees	52,000	52,000	55,075	3,075
Total licenses and permits	63,200	60,800	63,382	2,582
Intergovernmental				
State grants				
Police training grants	2,400	2,400	1,822	(578)
Statutory sales tax	254,000	277,400	280,859	3,459
Constitutional sales tax	404,000	395,200	394,579	(621)
Total state grants	660,400	675,000	677,260	2,260
Charges for services	26,000	26,000	24,797	(1,203)
Fines and forfeits	42,000	37,000	36,352	(648)
Interest and rents	15,800	25,800	37,953	12,153
Other				
Refunds and reimbursements	74,700	62,600	66,946	4,346
Other	40,000	67,400	65,456	(1,944)
Total other	114,700	130,000	132,402	2,402
TOTAL REVENUES	2,000,300	2,024,800	2,079,469	54,669

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
City council	\$ 50,100	\$ 50,100	\$ 48,863	\$ 1,237
City manager	56,500	47,200	37,841	9,359
Finance and administrative services	365,000	422,300	398,474	23,826
Public safety	1,789,000	1,661,400	1,633,907	27,493
Public service	326,700	277,800	274,831	2,969
Post-employment benefits	121,600	103,800	104,405	(605)
TOTAL EXPENDITURES	<u>2,708,900</u>	<u>2,562,600</u>	<u>2,498,321</u>	<u>64,279</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(708,600)	(537,800)	(418,852)	118,948
OTHER FINANCING SOURCES (USES)				
Transfers in	513,100	507,900	507,900	-0-
Transfers out	<u>(30,300)</u>	<u>(25,300)</u>	<u>(25,300)</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>482,800</u>	<u>482,600</u>	<u>482,600</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(225,800)	(55,200)	63,748	118,948
Fund balance, beginning of year	<u>839,335</u>	<u>839,335</u>	<u>839,335</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 613,535</u>	<u>\$ 784,135</u>	<u>\$ 903,083</u>	<u>\$ 118,948</u>

City of Springfield

Major Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 398,900	\$ 398,900	\$ 429,782	\$ 30,882
Charges for services	2,000	2,000	572	(1,428)
Interest	500	500	100	(400)
Other				
Special assessments	18,000	18,000	15,032	(2,968)
TOTAL REVENUES	419,400	419,400	445,486	26,086
EXPENDITURES				
Current				
Public works	555,200	600,500	540,548	59,952
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(135,800)	(181,100)	(95,062)	86,038
OTHER FINANCING SOURCES (USES)				
Transfer in	90,000	90,000	90,000	-0-
Transfer out	(84,400)	(84,400)	(84,439)	(39)
TOTAL OTHER FINANCING SOURCES (USES)	5,600	5,600	5,561	(39)
NET CHANGE IN FUND BALANCE	(130,200)	(175,500)	(89,501)	85,999
Fund balance, beginning of year	416,403	416,403	416,403	-0-
Fund balance, end of year	<u>\$ 286,203</u>	<u>\$ 240,903</u>	<u>\$ 326,902</u>	<u>\$ 85,999</u>

City of Springfield

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 113,000	\$ 113,000	\$ 132,920	\$ 19,920
Interest	300	300	111	(189)
Other				
Special assessments	13,000	13,000	10,688	(2,312)
TOTAL REVENUES	126,300	126,300	143,719	17,419
EXPENDITURES				
Current				
Public works	194,900	210,900	135,310	75,590
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(68,600)	(84,600)	8,409	93,009
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	75,000	75,000	-0-
Transfers out	(50,000)	(50,000)	(49,757)	243
TOTAL OTHER FINANCING SOURCES (USES)	25,000	25,000	25,243	243
NET CHANGE IN FUND BALANCE	(43,600)	(59,600)	33,652	93,252
Fund balance, beginning of year	361,831	361,831	361,831	-0-
Fund balance, end of year	\$ 318,231	\$ 302,231	\$ 395,483	\$ 93,252

City of Springfield

Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 752,700	\$ 752,700	\$ 832,890	\$ 80,190
Interest	7,300	7,300	9,075	1,775
TOTAL REVENUES	760,000	760,000	841,965	81,965
EXPENDITURES				
Current				
General government	225,400	225,400	223,462	1,938
EXCESS OF REVENUES OVER EXPENDITURES	534,600	534,600	618,503	83,903
OTHER FINANCING USES				
Transfers out	(635,400)	(590,400)	(590,400)	-0-
NET CHANGE IN FUND BALANCE	(100,800)	(55,800)	28,103	83,903
Fund balance, beginning of year	608,956	608,956	608,956	-0-
Fund balance, end of year	\$ 508,156	\$ 553,156	\$ 637,059	\$ 83,903

City of Springfield

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2014

DEFINED BENEFIT PENSION PLAN

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as of % of Covered Payroll
12/31/2013	\$ 7,450,638	\$ 9,396,726	\$ 1,946,088	79.3%	\$ 675,841	288.0%
12/31/2012	7,442,226	9,921,344	2,479,118	75.0%	1,424,555	174.0%
12/31/2011	7,489,968	9,311,277	1,821,309	80.4%	1,469,924	123.9%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 195,944	100.0%	\$ -
2013	189,251	100.0%	-
2012	181,137	100.0%	-

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	\$ 1,318,308	\$ 1,049,073	20.4%	\$ 653,869	160.4%
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
2014	\$ 102,208	102.1%	\$ 214,065
2013	151,293	79.0%	216,262
2012	149,562	43.3%	184,532

City of Springfield

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

During the year ended June 30, 2014, the City incurred expenditures in one (1) activity in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Post-employment benefits	\$ 103,800	\$ 104,405	\$ 605

OTHER SUPPLEMENTARY INFORMATION

City of Springfield
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2014

	<u>Special Revenue</u>		<u>Debt Service</u>	
	<u>Drug Law Enforcement Fund</u>	<u>Economic Development</u>	<u>Debt Redemption Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	<u>\$ 18,305</u>	<u>\$ 110,551</u>	<u>\$ 181</u>	<u>\$ 129,037</u>
LIABILITIES				
Accounts payable	\$ 64	\$ 984	\$ -	\$ 1,048
FUND BALANCES				
Restricted	-	109,567	181	109,748
Committed	<u>18,241</u>	<u>-</u>	<u>-</u>	<u>18,241</u>
TOTAL FUND BALANCES	<u>18,241</u>	<u>109,567</u>	<u>181</u>	<u>127,989</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,305</u>	<u>\$ 110,551</u>	<u>\$ 181</u>	<u>\$ 129,037</u>

City of Springfield

Nonmajor Governmental Funds

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

Year Ended June 30, 2014

	Special Revenue		Debt Service	Total
	Drug Law Enforcement Fund	Economic Development	Debt Redemption Fund	
REVENUES				
Fines and forfeits	\$ 3,680	\$ -	\$ -	\$ 3,680
Interest and rents	4	15,870	-	15,874
Other				
Special assessment	-	17,233	-	17,233
Other	-	26,582	-	26,582
TOTAL REVENUES	3,684	59,685	-0-	63,369
EXPENDITURES				
Current				
Public safety	1,209	-	-	1,209
Community and economic development	-	25,991	-	25,991
Debt service				
Principal	-	-	33,745	33,745
Interest and fiscal agent fees	-	-	25,451	25,451
TOTAL EXPENDITURES	1,209	25,991	59,196	86,396
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,475	33,694	(59,196)	(23,027)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	59,196	59,196
Transfers out	-	(20,000)	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(20,000)	59,196	39,196
NET CHANGE IN FUND BALANCES	2,475	13,694	-0-	16,169
Fund balances, beginning of year	15,766	95,873	181	111,820
Fund balances, end of year	\$ 18,241	\$ 109,567	\$ 181	\$ 127,989

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2014

	<u>Refuse</u>	<u>Building Code Enforcement</u>	<u>Farmers Market</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 56,654	\$ 36,817	\$ 10,247	\$ 103,718
Accounts receivable	49,756	-	6,577	56,333
	<u>106,410</u>	<u>36,817</u>	<u>16,824</u>	<u>160,051</u>
LIABILITIES				
Current liabilities				
Accounts payable	15,314	552	6,611	22,477
Accrued liabilities	-	-	497	497
	<u>15,314</u>	<u>552</u>	<u>7,108</u>	<u>22,974</u>
NET POSITION				
Unrestricted	<u>\$ 91,096</u>	<u>\$ 36,265</u>	<u>\$ 9,716</u>	<u>\$ 137,077</u>

City of Springfield

Nonmajor Enterprise Funds

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

Year Ended June 30, 2014

	Refuse	Building Code Enforcement	Farmers Market	Total
OPERATING REVENUES				
Charges for services	\$ 225,812	\$ -	\$ 44,048	\$ 269,860
Licenses and permits	-	32,075	-	32,075
Other	114	2,314	19,390	21,818
TOTAL OPERATING REVENUES	225,926	34,389	63,438	323,753
OPERATING EXPENSES				
Operating expenses	202,075	35,203	103,006	340,284
OPERATING INCOME (LOSS)	23,851	(814)	(39,568)	(16,531)
NONOPERATING REVENUES				
Interest earned	16	12	4	32
INCOME (LOSS) BEFORE TRANSFERS	23,867	(802)	(39,564)	(16,499)
TRANSFERS				
Transfers in	-	-	40,300	40,300
Transfers out	(7,500)	-	-	(7,500)
TOTAL TRANSFERS	(7,500)	-0-	40,300	32,800
CHANGE IN NET POSITION	16,367	(802)	736	16,301
Net position, beginning of year	74,729	37,067	8,980	120,776
Net position, end of year	\$ 91,096	\$ 36,265	\$ 9,716	\$ 137,077

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

	Refuse	Building Code Enforcement	Farmers Market	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 224,473	\$ 34,389	\$ 58,936	\$ 317,798
Cash paid to vendors/employees	<u>(201,603)</u>	<u>(36,405)</u>	<u>(103,776)</u>	<u>(341,784)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	22,870	(2,016)	(44,840)	(23,986)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payment of interfund balances	-	-	(450)	(450)
Transfer in	-	-	40,300	40,300
Transfers out	<u>(7,500)</u>	<u>-</u>	<u>-</u>	<u>(7,500)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(7,500)	-0-	39,850	32,350
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>16</u>	<u>12</u>	<u>4</u>	<u>32</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,386	(2,004)	(4,986)	8,396
Cash and cash equivalents, beginning of year	<u>41,268</u>	<u>38,821</u>	<u>15,233</u>	<u>95,322</u>
Cash and cash equivalents, end of year	<u><u>\$ 56,654</u></u>	<u><u>\$ 36,817</u></u>	<u><u>\$ 10,247</u></u>	<u><u>\$ 103,718</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 23,851	\$ (814)	\$ (39,568)	\$ (16,531)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities (Increase) in:				
Accounts receivable	(1,453)	-	(4,502)	(5,955)
Increase (decrease) in:				
Accounts payable	472	(1,202)	(965)	(1,695)
Accrued liabilities	<u>-</u>	<u>-</u>	<u>195</u>	<u>195</u>
NET CASH PROVIDED (USED) BY BY OPERATING ACTIVITIES	<u><u>\$ 22,870</u></u>	<u><u>\$ (2,016)</u></u>	<u><u>\$ (44,840)</u></u>	<u><u>\$ (23,986)</u></u>

City of Springfield

Component Unit Fund

COMBINING BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION (EDC)

June 30, 2014

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 422	\$ 431,663	\$ 410,425	\$ 842,510
Special assessments receivable	<u>-</u>	<u>417</u>	<u>1,890</u>	<u>2,307</u>
TOTAL ASSETS	<u>\$ 422</u>	<u>\$ 432,080</u>	<u>\$ 412,315</u>	<u>\$ 844,817</u>
LIABILITIES				
Accounts payable	\$ -	\$ 2,400	\$ 2,400	\$ 4,800
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	417	1,890	2,307
FUND BALANCES				
Restricted	<u>422</u>	<u>429,263</u>	<u>408,025</u>	<u>837,710</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 422</u>	<u>\$ 432,080</u>	<u>\$ 412,315</u>	<u>\$ 844,817</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, 2014

Total fund balances - governmental funds \$ 837,710

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

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

The cost of capital assets is 49,349

Long-term assets are not available to pay for current period expenditures and are therefore considered unavailable in the funds. 2,307

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	\$ 984,652	
Accrued interest payable	<u>6,809</u>	
		<u>(991,461)</u>

Net position of governmental funds \$ (102,095)

City of Springfield

Component Unit Fund

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

Year Ended June 30, 2014

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
REVENUES				
Taxes	\$ 13,348	\$ 167,833	\$ 130,555	\$ 311,736
Interest	-	8,478	16,464	24,942
Other				
Special assessments	-	3,830	2,078	5,908
	<u>13,348</u>	<u>180,141</u>	<u>149,097</u>	<u>342,586</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Community and economic development	155	75,179	85,482	160,816
Debt service	23,146	82,975	37,775	143,896
	<u>23,301</u>	<u>158,154</u>	<u>123,257</u>	<u>304,712</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,953)	21,987	25,840	37,874
OTHER FINANCING SOURCES (USES)				
Transfer in	10,000		-	10,000
Transfer out	-	(10,000)	-	(10,000)
	<u>10,000</u>	<u>(10,000)</u>	<u>-0-</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	47	11,987	25,840	37,874
Fund balance, beginning of year	<u>375</u>	<u>417,276</u>	<u>382,185</u>	<u>799,836</u>
Fund balance, end of year	<u>\$ 422</u>	<u>\$ 429,263</u>	<u>\$ 408,025</u>	<u>\$ 837,710</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, 2014

Net change in fund balances - total governmental funds \$ 37,874

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 (5,398)

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 95,150

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 1,461

Change in net position of governmental funds \$ 129,087