

**City of Springfield
Calhoun County, Michigan**

FINANCIAL STATEMENTS

June 30, 2011

City of Springfield

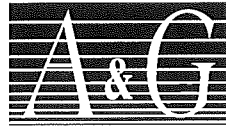
TABLE OF CONTENTS

June 30, 2011

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-viii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Funds	9-10
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	11-12
Statement of Cash Flows - Proprietary Funds	13-16
Statement of Assets and Liabilities - Fiduciary Funds	17
Notes to Financial Statements	18-36
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	37-38
Budgetary Comparison Schedule - Major Streets Fund	39
Budgetary Comparison Schedule - Local Streets Fund	40
Budgetary Comparison Schedule - Income Tax Fund	41
Note to Required Supplementary Information	42
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	44
Combining Statement of Net Assets - Nonmajor Enterprise Funds	45
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Nonmajor Enterprise Funds	46
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	47
Combining Statement of Assets and Liabilities - Agency Funds	48
COMPONENT UNIT FUND	
ECONOMIC DEVELOPMENT CORPORATION (EDC)	
Combining Balance Sheet	49
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	51
Reconciliation of the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	52

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

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

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, Michigan, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Springfield as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Springfield's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note J, during the year the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. As a result of this implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the new classifications under GASB Statement No. 54, as applicable.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 12, 2011

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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 assets* 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

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2011:

Property Taxes represent the General Fund's main source of revenue. For FY 2010-11, the City of Springfield boasted a taxable value equal to \$87,894,105 (including 425 Agreements); was a decrease of 5.4% from FY 2009-10. After the Tax Increment Finance Authority's (TIFA) capture of \$318,765, the City's General Fund collected \$1,161,221 in tax revenues from 14 General Operating Mills, 1 Public Safety Retirement Mill, plus admin fee and late penalty. Tax revenue captured by the City's Brownfield totaled \$11,085.

State Shared Revenue is our second largest General Fund revenue source. The amount received in FY 2010-11 totaled \$664,094, the same amount received in the previous year. This revenue source has fallen from over \$1 million annually in 2001, to its current level (-34.7%), costing the City of Springfield more than \$2.3 million in lost revenue over the last ten years. Act 51 Revenue Sharing received by the Major and Local Street Funds totaled \$372,569 in FY 2010-11 an increase of \$5,286 or 1.4% compared to the prior year.

Income Taxes are one of the City's core special revenue sources. Revenues from tax collections totaled \$697,358 an increase of .6% from prior year collections. Income Tax provided \$437,000 in funding for four public safety officers. The Income Tax will continue to fund four full-time positions in FY 2010-11.

Investments Overall, city investments performed favorable for the fiscal year ending 6/30/2011. Income from dividends & capital gains averaged almost 6% totaling over \$47,000, while market value appreciation of invested funds yielded portfolio growth of over \$33,000. There was no loss of principal this fiscal year. Pooled money market and mutual funds had an average yield of 7.6%. The Retiree Health Care Fund yielded an overall investment return of 16.7%.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2011, and compared to the prior year:

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Current assets	\$ 2,271,210	\$ 2,412,593	\$ 1,060,248	\$ 984,096	\$ 3,331,458	\$ 3,396,689
Capital assets	<u>9,436,966</u>	<u>9,600,951</u>	<u>2,392,311</u>	<u>2,539,070</u>	<u>11,829,277</u>	<u>12,140,021</u>
Total assets	11,708,176	12,013,544	3,452,559	3,523,166	15,160,735	15,536,710
Liabilities						
Current liabilities	284,378	449,494	85,747	65,193	370,125	514,687
Long-term liabilities	<u>709,123</u>	<u>862,958</u>	<u>182,926</u>	<u>197,288</u>	<u>892,049</u>	<u>1,060,246</u>
Total liabilities	<u>993,501</u>	<u>1,312,452</u>	<u>268,673</u>	<u>262,481</u>	<u>1,262,174</u>	<u>1,574,933</u>
Net Assets						
Invested in capital assets net of related debt	8,819,852	8,818,457	2,199,425	2,331,822	11,019,277	11,150,279
Restricted	1,086,659	694,127	-	-	1,086,659	694,127
Unrestricted	<u>808,164</u>	<u>1,188,508</u>	<u>984,461</u>	<u>928,863</u>	<u>1,792,625</u>	<u>2,117,371</u>
	<u>\$ 10,714,675</u>	<u>\$ 10,701,092</u>	<u>\$ 3,183,886</u>	<u>\$ 3,260,685</u>	<u>\$ 13,898,561</u>	<u>\$ 13,961,777</u>

Net Assets of the City's Governmental and Business-type activities total slightly under \$14.0 million, including cash, investments, receivables, and capital assets versus short-term and long-term liabilities. Overall, the City realized a decrease in cash, investments, receivables and capital assets of \$375,975. Comparatively, liabilities decreased \$312,759. Gross assets of over \$15.1 million are rich in comparison to liabilities of less than \$1.3 million.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Changes in Net Assets for the Fiscal Year Ending June 30, 2011 and 2010

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program Revenues						
Charges for						
Services	\$ 197,052	\$ 215,310	\$ 1,398,808	\$ 1,244,269	\$ 1,595,860	\$ 1,459,579
Grants and						
Contributions	842,570	1,058,626	-	-	842,570	1,058,626
General Revenues						
Property Taxes	1,137,038	1,183,169	-	-	1,137,038	1,183,169
City Income Taxes	697,358	694,275	-	-	697,358	694,275
State Shared						
Revenue	664,094	664,094	-	-	664,094	664,094
Investment Earnings	20,412	34,291	11,645	19,072	32,057	53,363
Miscellaneous	156,709	140,703	28,214	73,840	184,923	214,543
Transfers	7,500	78,483	(7,500)	(78,483)	-0-	-0-
Total Revenues	3,722,733	4,068,951	1,431,167	1,258,698	5,153,900	5,327,649
Expenses						
General Government	802,709	1,064,772	-	-	802,709	1,064,772
Public Safety	1,717,495	1,704,025	-	-	1,717,495	1,704,025
Public Works	1,039,891	1,260,785	-	-	1,039,891	1,260,785
Community and						
Economic Develop.	57,388	40,465	-	-	57,388	40,465
Recreation and Cultural	62,530	775	-	-	62,530	775
Other	29,137	36,039	1,507,966	1,418,189	1,537,103	1,454,228
Total Expenses	3,709,150	4,106,861	1,507,966	1,418,189	5,217,116	5,525,050
Change in Net Assets	13,583	(37,910)	(76,799)	(159,491)	(63,216)	(197,401)
Net Assets, Beginning	10,701,092	10,739,000	3,260,685	3,420,176	13,961,777	14,159,176
Net Assets, Ending	\$ 10,714,675	\$ 10,701,090	\$ 3,183,886	\$ 3,260,685	\$ 13,898,561	\$ 13,961,775

Governmental Activities

Orchard Hills Project - The City has continued its real estate development partnership with Allen Edwin Homes. The *Orchard Hills Subdivision* was initially pioneered by the City of Springfield as we constructed streets, curbs, storm sewers, water lines, and sanitary sewers in 2006. During FY 2010-11, three new single-family homes were built. Since September 2007, a total of 17 homes have been built and sold.

Street Projects - The City completed a street reconstruction project that comprised the New Moon Terrace neighborhood at a cost of \$248,255; the City received \$176,508 in grant funding to assist with the project.

Recreation Projects - Two major recreation projects were undertaken in FY 2010-11. The City invested 18,400 in a renovation of the pavilion at Begg Park, and additionally invested \$235,000 in improvements at the Springfield Farmers Market. The Farmers Market improvements included a new commercial kitchen and interior renovations that allow for year-round use. The Farmers Market improvements were aided by \$150,000 in CDBG funding and \$85,000 from TIFA D.

Economic Development - During FY 2010-11, the City experienced investments by PulverDryer USA, Hull Lift Truck, and Perform Coat of Michigan. Each of these companies moved into the city limits from other parts of the State. Total employment of these three companies is expected to reach 150 over the next five years.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

General Fund Budgetary Highlights

The General Fund primarily pays for city administration, services provided by Public Safety and the Public Works Department, and the maintenance of cemeteries and parks. The City originally budgeted expenditures and other financing uses at \$2,529,200 projecting little or no transfer to fund balance at year-end. However, the City ended the year favorably with actual revenues and other financing sources of \$2,598,987 and expenditures and other financing uses of \$2,561,834, resulting in an increase to fund balance of \$37,153.

The City's management concentrated on cost reductions throughout FY 2010-11. In previous years, the City cut more than \$200,000 in administrative and labor-related expenses by implementing policy changes that affect new hires, health insurance, overtime, assessing, and the overall size of the City's workforce. In 2009-10, the City entered into an agreement with its Public Safety Bargaining Units to reduce the number of public safety officers required to comprise a fully staffed shift. This agreement led to the temporary elimination of three vacant positions via a hiring freeze and one occupied position via early retirement incentives. The net result of this change was a reduction in personnel related costs (salaries, overtime, taxes, benefits, etc.) that is expected to equal more than \$400,000 in annual savings and approximately \$2.3 Million in savings over the next five years.

Capital Asset and Debt Administration

The City's long-term debt at FY 2010-11 year end consists of bonding for street projects utility infrastructure, and a Brownfield loan. This year, general government and the utility funds retired over \$179,000 in debt that included the early payoff of debt incurred for the purchase of a fire truck. The component unit Tax Increment debt consists of bonding for capital projects including the East Airport Project, Farmers Market/Begg Park Project, and the Public Safety Building Expansion/Renovation Project. Tax Increment debt retired in FY 2010-11 totaled \$147,378.

At the end of the fiscal year, the City had almost \$12 million invested in a broad range of capital assets (net of accumulated depreciation), including land, buildings, equipment, vehicles, water and sewer systems, and infrastructure.

Significant additional information related to capital assets and debt is described further in the notes to financial statements.

Economic Factors and Next Year's Budget

The General Fund's main source of revenue is from property taxes on real and personal property. For FY 2011-12, the City of Springfield anticipates a decrease in taxable value equal to 4.7% or -\$60,800 in General Fund revenue from property tax collections as compared to FY 2010-11.

State of Michigan Revenue Sharing is one of Springfield's largest General Fund Revenue sources. The State has projected constitutional distributions slightly larger than those received FY 2010-11. The State has also implemented an elimination of statutory distributions in favor a new program titled Economic Vitality Incentive Program; this amount is expected to equal approximately 66% of the city's 2010-11 statutory distribution. The net effect is a planned reduction in overall state revenue equal to \$80,000. The City continues to reinforce its conservative spending stance anticipating the possibility of additional cuts in FY 2012-13.

Cash transfers from the Income Tax Fund will finance four fulltime Public Safety Officers. The transfer of \$430,200 to the General Fund for this purpose in FY 2011-12 reflects a decrease of \$6,800 or -1.56% under FY 2011-12.

Other noteworthy revenue sources anticipated in the City's General Fund for FY 2011-12 include cable television franchise fees (\$48,000), court fines (\$44,000), investment income (\$7,000), employee/retiree medical insurance cost share (\$68,000), and leases (\$9,600). Total General Fund Revenue is projected to be \$2,398,200. This reflects a 7.73% decrease from the previous year actual.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

The General Fund's main expenditures are broken into three broad categories: Public Safety, Community Maintenance, and General Government. Total General Fund Expenditures for FY 2011-12 are anticipated to equal \$2,398,200. Public Safety accounts for almost \$1.6 Million (66%) of this, while Community Maintenance (22%) and General Government (11%) account for the remainder. It has been especially difficult to keep expenditures in line with revenues over the past ten years, and the outlook for the next five years indicates that the trend will continue.

The Major Street Fund is expected to receive revenues of \$370,000 in FY 2011-12; a 8.78% increase from FY 2010-11. The increase is primarily related to transfers from the Income Tax and TIFA D funds equaling \$53,000 for planned street improvements. Construction related expenses are estimated to be \$117,000, \$9,200 in debt payments will be made, and \$125,000 will be transferred to the Local Street Fund. Overall, the \$428,600 in planned expenses will lower the Fund's cash balance by \$58,200.

The Local Street Fund is expected to receive \$250,500 in revenues (including the \$125,000 transfer from the Major Street Fund). Only \$35,000 in construction is planned. Approximately \$49,000 in debt payments will be made in FY 2011-12. Overall, the net appropriation will result in an increase of \$23,900 in the Fund's cash balance.

Income Tax Fund revenue is projected to decrease 1.1%, setting the projected revenue for FY 2011-12 to \$700,000. Operating expenses should shrink by 9.13% from the prior year to \$185,000. Appropriations to other funds will decrease by more than 6% to \$456,000. Overall, the net appropriation will result in an increase of \$58,300 in the Fund's cash balance.

The TIFA B Fund will realize \$181,000 in revenue; \$142,000 of this is captured tax dollars from the City of Springfield and the other area-taxing units. The Fund will expend \$83,200 in debt retirement during FY 2011-12. Overall, the net appropriation will result in a reduction of \$23,600 in the Fund's cash balance. Major improvements in TIFA B, like the Springfield Do-It-Center, Henkel Chrysler-Jeep's renovation and expansion, Battle Creek Honda's expansion, the addition on the Kalsee Credit Union, and the planned expansion of Sunshine Toyota have greatly impacted the Fund's ability to capture tax revenue for the next 30+ years.

The TIFA D Fund will realize \$143,000 in revenue; \$143,000 of this is captured tax dollars from the City of Springfield and the other area-taxing units. The Fund will expend more than \$114,000 in debt retirement during FY 2011-12. Overall, the net appropriation will result in a decrease of \$35,300 in the Fund's cash balance.

The Economic Development Fund will collect \$43,600 in revenue and is projected to expend \$31,800. Overall, the net appropriation will raise the Fund's cash balance by \$11,800.

The Brownfield Fund is currently capturing \$11,000 in revenue to pay an annual \$26,800 DEQ loan payment. The City's TIFA B Fund will subsidize the unfunded portion of the loan payment until the Brownfield Fund is able to fully support the expense.

The Drug Law Enforcement Fund will collect \$22,000 in revenue; expending approximately \$22,000. The net change in the Fund's cash balance should net to zero.

The Building Code Enforcement Fund will collect \$29,700 in revenue; expending \$29,700. The net change in the Fund's cash balance should net to zero.

The Sewer Fund will collect \$682,300 in revenue during FY 2011-12. Operating expenses will reach \$685,500, and bond payments will equal \$4,800. After adjusting for \$98,300 in non-cash depreciation, the Fund will utilize \$106,300 in cash reserves. Most of the changes in the Sewer Fund from the previous fiscal year are related to contractual rate increases enacted by the City of Battle Creek and passed through to Springfield's utility accounts.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

The Water Fund will collect \$475,000 in revenue during FY 2011-12. Operating expenses will reach \$421,000, and bond payments will equal \$4,500. After adjusting for \$54,700 in non-cash depreciation, the Fund will shrink its cash balance by \$5,500 by the end of the fiscal year. Most of the changes in the Water Fund from the previous fiscal year are related to contractual rate increases enacted by the City of Battle Creek.

The Refuse Fund is a pass-through fund. It will collect \$204,600 and expend \$200,000 during FY 2011-12. In addition to the \$192,500 in operating expenses, the Fund will transfer \$7,500 to the General Fund to finance a part-time blight enforcement position. Increase to the cash balance should equal \$4,600 at year-end.

The City's Vehicle Fund owns all City vehicles and related equipment. The Fund charges "rental" rates to the other City Funds for the ability to utilize its vehicles. This year, the Vehicle Fund will receive \$222,400 in revenue; budgeted expenses equal \$275,900. After an adjustment for non-cash depreciation and planned capital outlay, the fund will realize a decrease its cash balance of approx. \$6,000 at the end of FY 2011-12.

Overall, the City of Springfield is in a positive position to continue to provide services to its residents and business owners. The City continues to reduce its debt burden; there is no real General Fund or Income Tax debt remaining. Following the completion of the 2012-13 FY, TIFA D's annual debt payment will be reduced by more than 60%, with the maturation of Farmers Market bonds. Additionally, the City's cash reserves remain strong in spite of challenges related to revenues. Combined General Fund and Income Tax Fund reserves are expected to reach \$1.17 million following FY 2011-12; this represents the largest reserves since FY 02-03.

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 the City's 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 ASSETS

June 30, 2011

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,643,884	\$ 820,925	\$ 2,464,809	\$ 711,603
Receivables	394,084	220,990	615,074	38,099
Due from other governmental units	233,242	18,333	251,575	150,000
Total current assets	2,271,210	1,060,248	3,331,458	899,702
Noncurrent assets				
Capital assets not being depreciated	613,547	-	613,547	49,349
Capital assets being depreciated, net	8,823,419	2,392,311	11,215,730	-
Total noncurrent assets	9,436,966	2,392,311	11,829,277	49,349
TOTAL ASSETS	11,708,176	3,452,559	15,160,735	949,051
LIABILITIES				
Current liabilities				
Accounts payable	90,182	68,697	158,879	97,849
Accrued liabilities	32,936	150	33,086	-
Due to other governments	-	5,398	5,398	384
Accrued interest payable	4,651	1,542	6,193	10,632
Current portion of compensated absences	126,569	-	126,569	-
Current portion of long-term debt	30,040	9,960	40,000	162,825
Total current liabilities	284,378	85,747	370,125	271,690
Noncurrent liabilities				
Noncurrent portion of compensated absences	22,336	-	22,336	-
Noncurrent portion of long-term debt	587,074	182,926	770,000	1,248,084
Net other post-employment benefit obligation	99,713	-	99,713	-
Total noncurrent liabilities	709,123	182,926	892,049	1,248,084
TOTAL LIABILITIES	993,501	268,673	1,262,174	1,519,774
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	8,819,852	2,199,425	11,019,277	49,349
Restricted for:				
Other purposes	1,086,659	-	1,086,659	-
Unrestricted	808,164	984,461	1,792,625	(620,072)
TOTAL NET ASSETS (DEFICIT)	\$ 10,714,675	\$ 3,183,886	\$ 13,898,561	\$ (570,723)

See accompanying notes to the financial statements.

City of Springfield

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			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	\$ 802,709	\$ 98,472	\$ 2,734	\$ -	\$ (701,503)	\$ -	\$ (701,503)	\$ -
Public safety	1,717,495	60,641	20,016	-	(1,636,838)	-	(1,636,838)	-
Public works	1,039,891	4,000	413,786	177,226	(444,879)	-	(444,879)	-
Community and economic development	57,388	33,939	-	227,808	204,359	-	204,359	-
Recreation and cultural	62,530	-	-	1,000	(61,530)	-	(61,530)	-
Interest and fees on long-term debt	29,137	-	-	-	(29,137)	-	(29,137)	-
Total governmental activities	3,709,150	197,052	436,536	406,034	(2,669,528)	-0-	(2,669,528)	-0-
Business-type activities								
Sewer system	770,060	656,196	-	-	-	(113,864)	(113,864)	-
Water system	525,481	523,733	-	-	-	(1,748)	(1,748)	-
Refuse	185,301	188,833	-	-	-	3,532	3,532	-
Building code enforcement	27,124	30,046	-	-	-	2,922	2,922	-
Total business-type activities	1,507,966	1,398,808	-0-	-0-	-0-	(109,158)	(109,158)	-0-
Total primary government	\$ 5,217,116	\$ 1,595,860	\$ 436,536	\$ 406,034	(2,669,528)	(109,158)	(2,778,686)	-0-
Component unit								
Economic Development Corporation	\$ 437,970	\$ -	\$ 150,000	\$ -	-	-	-0-	(287,970)
General revenues								
Property taxes					1,137,038	-	1,137,038	305,451
Income taxes					697,358	-	697,358	-
State shared revenue					664,094	-	664,094	-
Investment earnings					20,412	11,645	32,057	32,620
Miscellaneous					156,709	28,214	184,923	27,793
Transfers					7,500	(7,500)	-0-	-
Total general revenues					2,683,111	32,359	2,715,470	365,864
Change in net assets					13,583	(76,799)	(63,216)	77,894
Net assets (deficit), beginning of the year					10,701,092	3,260,685	13,961,777	(648,617)
Net assets (deficit), end of the year					\$ 10,714,675	\$ 3,183,886	\$ 13,898,561	\$ (570,723)

See accompanying notes to the financial statements.

City of Springfield
 Governmental Funds
 BALANCE SHEET
 June 30, 2011

	General	Major Streets	Local Streets
ASSETS			
Cash and cash equivalents	\$ 681,482	\$ 350,428	\$ 192,864
Receivables			
Accounts	74,406	475	762
Taxes	16,805	-	-
Special assessment	-	71,184	59,914
Due from other governmental units	146,644	58,323	15,687
TOTAL ASSETS	\$ 919,337	\$ 480,410	\$ 269,227
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 55,417	\$ 1,163	\$ 201
Accrued liabilities	31,352	-	-
Deferred revenue	50,532	71,184	59,914
TOTAL LIABILITIES	137,301	72,347	60,115
FUND BALANCES			
Restricted	-	408,063	209,112
Committed	-	-	-
Unassigned	782,036	-	-
TOTAL FUND BALANCES	782,036	408,063	209,112
TOTAL LIABILITIES AND FUND BALANCES	\$ 919,337	\$ 480,410	\$ 269,227

See accompanying notes to the financial statements.

Income Tax	Nonmajor Governmental Funds	Total Governmental Funds
\$ 248,546	\$ 134,908	\$ 1,608,228
-	-	75,643
164,038	-	180,843
-	-	131,098
-	723	221,377
<u>\$ 412,584</u>	<u>\$ 135,631</u>	<u>\$ 2,217,189</u>
\$ 8,020	\$ -	\$ 64,801
1,584	-	32,936
66,179	-	247,809
75,783	-0-	345,546
336,801	132,861	1,086,837
-	2,770	2,770
-	-	782,036
<u>336,801</u>	<u>135,631</u>	<u>1,871,643</u>
<u>\$ 412,584</u>	<u>\$ 135,631</u>	<u>\$ 2,217,189</u>

City of Springfield

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

June 30, 2011

Total fund balances - governmental funds \$ 1,871,643

Amounts reported for the governmental activities in the statement of net assets 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	\$ 27,190,813	
Accumulated depreciation is	<u>(18,284,391)</u>	
Capital assets, net		8,906,422

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 assets.

Net assets of the governmental activities accounted for in the Internal Service Fund		559,184
-----------------------------------------------------------------------------------------	--	---------

Long-term receivables are not available to pay for current period expenditures and therefore, are deferred in the funds. These consist of:

Deferred revenue		247,809
------------------	--	---------

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	617,114	
Accrued interest payable	4,651	
Compensated absences	148,905	
Net other post-employment benefit obligation	<u>99,713</u>	
		<u>(870,383)</u>

Net assets of governmental activities \$ 10,714,675

City of Springfield

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2011

	General	Major Streets	Local Streets
REVENUES			
Taxes	\$ 1,161,221	\$ -	\$ -
Licenses and permits	62,058	-	-
Intergovernmental	688,653	307,932	284,320
Charges for services	17,042	-	-
Fines and forfeits	44,166	-	-
Interest and rents	21,294	421	305
Other	142,053	32,152	20,308
TOTAL REVENUES	2,136,487	340,505	304,933
EXPENDITURES			
Current			
General government	515,585	-	-
Public safety	1,668,473	-	-
Public works	119,635	176,781	396,303
Community and economic development	-	-	-
Recreation and cultural	61,246	-	-
Other	66,895	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	2,431,834	176,781	396,303
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(295,347)	163,724	(91,370)
OTHER FINANCING SOURCES (USES)			
Transfers in	462,500	-	175,000
Transfers out	(130,000)	(131,791)	(48,196)
TOTAL OTHER FINANCING SOURCES (USES)	332,500	(131,791)	126,804
NET CHANGE IN FUND BALANCES	37,153	31,933	35,434
Fund balances, beginning of year	744,883	376,130	173,678
Fund balances, end of year	<u>\$ 782,036</u>	<u>\$ 408,063</u>	<u>\$ 209,112</u>

See accompanying notes to the financial statements.

Income Tax	Nonmajor Governmental Funds	Total Governmental Funds
\$ 697,358	\$ -	\$ 1,858,579
-	3,050	65,108
-	-	1,280,905
-	-	17,042
-	9,435	53,601
7,766	9,997	39,783
2,830	34,964	232,307
<hr/>	<hr/>	<hr/>
707,954	57,446	3,547,325
203,576	-	719,161
-	12,688	1,681,161
-	-	692,719
-	35,219	35,219
-	-	61,246
-	-	66,895
-	54,987	54,987
-	405	405
<hr/>	<hr/>	<hr/>
203,576	103,299	3,311,793
504,378	(45,853)	235,532
-	54,987	692,487
(487,000)	(18,000)	(814,987)
<hr/>	<hr/>	<hr/>
(487,000)	36,987	(122,500)
17,378	(8,866)	113,032
319,423	144,497	1,758,611
<hr/>	<hr/>	<hr/>
\$ 336,801	\$ 135,631	\$ 1,871,643
<hr/>	<hr/>	<hr/>

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, 2011

Net change in fund balances - total governmental funds **\$ 113,032**

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	\$	340,377	
Depreciation expense		<u>(643,563)</u>	
Excess of depreciation expense over capital outlay			(303,186)

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. (137,375)

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

Capital assets contributed to the City 227,808

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

Change in net assets of the Internal Service Fund 142,761

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

(Decrease) in deferred revenue (59,900)

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

Repayment of long-term debt 25,638

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		212	
(Increase) in compensated absences		(5,705)	
Decrease in net other post-employment benefit obligation		<u>10,298</u>	
			<u>4,805</u>

Change in net assets of governmental activities **\$ 13,583**

See accompanying notes to the financial statements.

City of Springfield

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2011

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 395,710	\$ 375,013	\$ 50,202
Accounts receivable	103,481	80,061	37,448
Due from other governmental units	18,333	-	-
Total current assets	517,524	455,074	87,650
Noncurrent assets			
Capital assets being depreciated, net	1,134,948	1,257,363	-
TOTAL ASSETS	1,652,472	1,712,437	87,650
LIABILITIES			
Current liabilities			
Accounts payable	30,054	24,209	14,434
Accrued liabilities	-	150	-
Accrued interest payable	799	743	-
Due to other governmental units	-	5,398	-
Current portion of long-term debt	5,195	4,765	-
Total current liabilities	36,048	35,265	14,434
Noncurrent liabilities			
Noncurrent portion of long-term debt	95,419	87,507	-
TOTAL LIABILITIES	131,467	122,772	14,434
NET ASSETS			
Invested in capital assets, net of related debt	1,034,334	1,165,091	-
Unrestricted	486,671	424,574	73,216
TOTAL NET ASSETS	\$ 1,521,005	\$ 1,589,665	\$ 73,216

See accompanying notes to the financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 820,925	\$ 35,656
220,990	6,500
<u>18,333</u>	<u>11,865</u>
1,060,248	54,021
<u>2,392,311</u>	<u>530,544</u>
3,452,559	584,565
68,697	25,381
150	-
1,542	-
5,398	-
<u>9,960</u>	<u>-</u>
85,747	25,381
<u>182,926</u>	<u>-</u>
<u>268,673</u>	<u>25,381</u>
2,199,425	530,544
<u>984,461</u>	<u>28,640</u>
<u>\$ 3,183,886</u>	<u>\$ 559,184</u>

City of Springfield

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2011

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 656,196	\$ 523,733	\$ 188,833
Licenses and permits	-	-	30,046
Other	7,476	19,588	1,150
TOTAL OPERATING REVENUES	663,672	543,321	220,029
OPERATING EXPENSES			
Operating expenses	666,702	465,212	212,425
Depreciation	98,382	55,640	-
TOTAL OPERATING EXPENSES	765,084	520,852	212,425
OPERATING INCOME (LOSS)	(101,412)	22,469	7,604
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental - Federal	-	-	-
Intergovernmental - Local	-	-	-
Interest earned	662	10,899	84
Interest expenses and fees	(4,976)	(4,629)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(4,314)	6,270	84
INCOME (LOSS) BEFORE TRANSFERS	(105,726)	28,739	7,688
TRANSFERS			
Transfers in	-	-	-
Transfers out	-	-	(7,500)
TOTAL TRANSFERS	-0-	-0-	(7,500)
CHANGE IN NET ASSETS	(105,726)	28,739	188
Net assets, beginning of year	1,626,731	1,560,926	73,028
Net assets, end of year	<u>\$ 1,521,005</u>	<u>\$ 1,589,665</u>	<u>\$ 73,216</u>

See accompanying notes to the financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,368,762	\$ 198,459
30,046	-
28,214	25,928
<u>1,427,022</u>	<u>224,387</u>
1,344,339	207,147
154,022	83,859
<u>1,498,361</u>	<u>291,006</u>
(71,339)	(66,619)
-0-	75,406
-0-	9,708
11,645	70
<u>(9,605)</u>	<u>(5,804)</u>
<u>2,040</u>	<u>79,380</u>
(69,299)	12,761
-0-	130,000
<u>(7,500)</u>	<u>-</u>
<u>(7,500)</u>	<u>130,000</u>
(76,799)	142,761
<u>3,260,685</u>	<u>416,423</u>
<u>\$ 3,183,886</u>	<u>\$ 559,184</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 681,246	\$ 578,985	\$ 218,972
Cash paid to vendors/employees	(670,604)	(439,157)	(214,024)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,642	139,828	4,948
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt (payment) of interfund balances	(6,000)	(6,000)	1,163
Transfers in	-	-	-
Transfers out	-	-	(7,500)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(6,000)	(6,000)	(6,337)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expenses and fees	(4,976)	(4,629)	-
Intergovernmental - Federal	-	-	-
Intergovernmental - Local	-	-	-
Capital purchases	(3,155)	(4,108)	-
Payments on borrowings	(7,098)	(7,264)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(15,229)	(16,001)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	662	10,899	84
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,925)	128,726	(1,305)
Cash and cash equivalents, beginning of year	405,635	246,287	51,507
Cash and cash equivalents, end of year	\$ 395,710	\$ 375,013	\$ 50,202

See accompanying notes to the financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,479,203	\$ 224,420
<u>(1,323,785)</u>	<u>(196,143)</u>
155,418	28,277
(10,837)	-
-0-	130,000
<u>(7,500)</u>	<u>-</u>
(18,337)	130,000
(9,605)	(5,804)
-0-	75,406
-0-	9,708
(7,263)	(132,627)
<u>(14,362)</u>	<u>(139,742)</u>
(31,230)	(193,059)
<u>11,645</u>	<u>70</u>
117,496	(34,712)
<u>703,429</u>	<u>70,368</u>
<u>\$ 820,925</u>	<u>\$ 35,656</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2011

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (101,412)	\$ 22,469	\$ 7,604
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	98,382	55,640	-
Change in:			
Accounts receivable	(8,856)	(26,987)	(1,057)
Special assessment receivable	974	-	-
Due from other governmental units	25,456	62,651	-
Accounts payable	(402)	23,481	(1,599)
Accrued liabilities	(2,490)	(2,790)	-
Accrued interest payable	(36)	(34)	-
Due to other governmental units	-	5,398	-
Unearned revenue	(974)	-	-
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 10,642</u>	 <u>\$ 139,828</u>	 <u>\$ 4,948</u>

See accompanying notes to the financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ (71,339)	\$ (66,619)
154,022	83,859
(36,900)	(6,102)
974	-
88,107	6,135
21,480	12,167
(5,280)	-
(70)	(1,163)
5,398	-
(974)	-
<u>\$ 155,418</u>	<u>\$ 28,277</u>

City of Springfield

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 486</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 486</u>

See accompanying notes to the financial statements.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, 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 assets and the statement of activities (the government-wide 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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 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 financial resources 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 financial resources 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 revenue from income tax collection. The City's income tax was approved by voters for the purpose of funding 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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 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 and current liabilities 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 deferred 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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. 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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

9. Property Tax - continued

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 2010 levy of 14.8743 mills. For the year ended June 30, 2011, 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 2010 levy for property within the City was \$86,012,899. This levy generated \$1,056,187 and \$74,706 in property tax revenue for governmental services and pension, respectively.

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. Deferred Revenue

Deferred revenue recorded in the General Fund consists of amounts related to various receivables owed from individuals and other governmental units which will be received in future periods. Deferred revenue recorded in the Major Streets Fund, Local Streets Fund, and Income Tax Fund consists of special assessment and income tax receivables for future periods. Deferred revenue recorded in the Economic Development Corporation (component unit) Fund consists of amounts related to special assessment receivables for future periods.

13. 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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

13. Capital Assets - continued

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

14. 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 liability 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.

15. 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, 2011, were vested and the total due to them, along with related payroll taxes, is recorded entirely in the government-wide financial statements.

16. 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, 2011

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, 2011, 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	\$ 1,554,173	\$ 1,718,066
COMPONENT UNIT		
Checking	396,319	346,319
FIDUCIARY FUNDS		
Checking	<u>486</u>	<u>137</u>
TOTAL REPORTING ENTITY	<u>\$ 1,950,978</u>	<u>\$ 2,064,522</u>

The primary government cash and cash equivalents caption on the basic financial statements included \$700 of imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2011, the City accounts were insured by the FDIC for \$250,000, and the amount of \$1,814,522 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, 2011

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Investments

As of June 30, 2011, 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	\$ 606,216	\$ 606,216	N/A
Comerica Governmental Cash Investment Fund	303,720	303,720	N/A
	909,936	909,936	
COMPONENT UNIT			
Uncategorized pooled investment funds			
Fidelity Advantage Mutual Fund	250,862	250,862	N/A
Comerica Governmental Cash Investment Fund	64,422	64,422	N/A
	315,284	315,284	
	<u>\$ 1,225,220</u>	<u>\$ 1,225,220</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, 2011, 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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

The following summarizes the categorization of these amounts as of June 30, 2011:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	<u>\$ 2,464,809</u>	<u>\$ 711,603</u>	<u>\$ 486</u>	<u>\$ 3,176,898</u>

NOTE C: INTERFUND TRANSFERS

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

Transfers to General Fund from:		
Income Tax Fund		\$ 437,000
Nonmajor governmental funds		18,000
Nonmajor enterprise funds		<u>7,500</u>
		<u>\$ 462,500</u>
Transfers to Local Streets Fund from:		
Major Streets Fund		\$ 125,000
Income Tax Fund		<u>50,000</u>
		<u>\$ 175,000</u>
Transfers to nonmajor governmental funds from:		
Major Streets Fund		\$ 6,791
Local Streets Fund		<u>48,196</u>
		<u>\$ 54,987</u>
Transfers to Internal Service Fund from:		
General Fund		<u>\$ 130,000</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, 2011

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 714,915	\$ 22,658	\$ (124,026)	\$ 613,547
Capital assets being depreciated				
Roads and sidewalks	22,455,571	248,255	-	22,703,826
Buildings and improvements	2,821,763	266,717	(1,000)	3,087,480
Land improvements	103,999	-	-	103,999
Vehicles	1,386,780	132,627	(48,700)	1,470,707
Furniture and fixtures	105,535	-	(650)	104,885
Other tools and equipment	578,484	30,555	(31,963)	577,076
Subtotal	<u>27,452,132</u>	<u>678,154</u>	<u>(82,313)</u>	<u>28,047,973</u>
Less accumulated depreciation for:				
Roads and sidewalks	(15,983,760)	(548,314)	-	(16,532,074)
Buildings and improvements	(1,044,025)	(72,481)	-	(1,116,506)
Land improvements	(51,503)	(5,137)	-	(56,640)
Vehicles	(905,004)	(83,859)	48,700	(940,163)
Furniture and fixtures	(87,803)	(6,519)	-	(94,322)
Other tools and equipment	(494,001)	(11,112)	20,264	(484,849)
Subtotal	<u>(18,566,096)</u>	<u>(727,422)</u>	<u>68,964</u>	<u>(19,224,554)</u>
Net capital assets being depreciated	<u>8,886,036</u>	<u>(49,268)</u>	<u>(13,349)</u>	<u>8,823,419</u>
Capital assets, net	<u>\$ 9,600,951</u>	<u>\$ (26,610)</u>	<u>\$ (137,375)</u>	<u>\$ 9,436,966</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 32,465
Public safety	92,627
Public works	580,897
Community and economic development	<u>21,433</u>
Total depreciation expense	<u>\$ 727,422</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE D: CAPITAL ASSETS - CONTINUED

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Business-type activities				
(Sewer system)				
Capital assets being depreciated				
Sewer distribution system	\$ 3,884,451	\$ -	\$ -	\$ 3,884,451
Sewer tools and equipment	181,797	3,155	-	184,952
Subtotal	4,066,248	3,155	-0-	4,069,403
Less accumulated depreciation for:				
Sewer distribution system	(2,760,664)	(91,028)	-	(2,851,692)
Sewer tools and equipment	(75,409)	(7,354)	-	(82,763)
Subtotal	(2,836,073)	(98,382)	-0-	(2,934,455)
Capital assets being depreciated	<u>\$ 1,230,175</u>	<u>\$ (95,227)</u>	<u>\$ -0-</u>	<u>\$ 1,134,948</u>
Business-type activities				
(Water system)				
Capital assets being depreciated				
Water distribution system	\$ 2,241,088	\$ -	\$ -	\$ 2,241,088
Water tools and equipment	205,028	4,108	-	209,136
Subtotal	2,446,116	4,108	-0-	2,450,224
Less accumulated depreciation for:				
Water distribution system	(1,054,714)	(47,280)	-	(1,101,994)
Water tools and equipment	(82,507)	(8,360)	-	(90,867)
Subtotal	(1,137,221)	(55,640)	-0-	(1,192,861)
Capital assets being depreciated	<u>\$ 1,308,895</u>	<u>\$ (51,532)</u>	<u>\$ -0-</u>	<u>\$ 1,257,363</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, 2011

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2011.

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
2006 Capital Improvement Bonds	\$ 642,752	\$ -	\$ (25,638)	\$ 617,114	\$ 30,040
2006 Installment Purchase Agreement	139,742	-	(139,742)	-0-	-
Compensated Absences	143,200	108,957	(103,252)	148,905	126,569
	925,694	108,957	(268,632)	766,019	156,609
Business-Type Activities					
2006 Capital Improvement Bonds	207,248	-	(14,362)	192,886	9,960
TOTAL PRIMARY GOVERNMENT	1,132,942	108,957	(282,994)	958,905	166,569
COMPONENT UNIT					
1999 Tax Increment Bonds	600,000	-	(50,000)	550,000	55,000
2003 Tax Increment Bonds	205,000	-	(65,000)	140,000	70,000
2007 Tax Increment Bonds	535,000	-	(10,000)	525,000	15,000
Brownfield Loan	218,287	-	(22,378)	195,909	22,825
TOTAL COMPONENT UNIT	1,558,287	-0-	(147,378)	1,410,909	162,825
TOTAL REPORTING ENTITY	\$ 2,691,229	\$ 108,957	\$(430,372)	\$ 2,369,814	\$ 329,394

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 \$30,040 to \$56,972 through May 1, 2026, with interest ranging from 4.25 to 4.75 percent, payable semi-annually. These bonds are repaid partially by governmental activities and partially by business-type activities.

\$ 617,114

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 approximately \$148,905 at June 30, 2011.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - BUSINESS-TYPE ACTIVITIES

Capital Improvement Bonds

\$247,755 Capital Improvement Bonds dated May 1, 2006, due in annual installments ranging from \$9,960 to \$17,430 through May 1, 2026, with interest ranging from 4.25 to 4.75 percent, payable semi-annually. These bonds are repaid partially by governmental activities and partially by business-type activities

\$ 192,886

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 \$55,000 to \$85,000 through May 1, 2019, with interest ranging from 4.80 to 5.20 percent, payable semi-annually.

\$ 550,000

\$600,000 Tax Increment Finance Authority Bonds dated February 1, 2003, due in annual installments of \$70,000 through May 1, 2013, with interest ranging from 3.80 to 4.10 percent, payable semi-annually.

140,000

\$550,000 Tax Increment Finance Authority Bonds dated October 10, 2007, due in annual installments ranging from \$15,000 to \$60,000 through May 1, 2027, with interest ranging from 4.30 to 4.60 percent, payable semi-annually.

525,000

\$ 1,215,000

Brownfield Loan

\$300,000 Brownfield Loan dated March 10, 2005, due in annual installments ranging from \$22,825 to \$26,219 through March 18, 2019, with interest of 2.00 percent.

\$ 195,909

Primary Government - Government Activities

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2012	\$ 30,040	\$ 27,903
2013	30,040	26,612
2014	33,795	25,320
2015	33,795	23,867
2016	33,795	22,346
2017-2021	202,770	86,639
2022-2026	<u>252,879</u>	<u>35,851</u>
Total	<u>\$ 617,114</u>	<u>\$ 248,538</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E: LONG-TERM DEBT - CONTINUED

Primary Government - Business-type Activities

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2012	\$ 9,960	\$ 9,252
2013	9,960	8,823
2014	11,205	8,395
2015	11,205	7,913
2016	11,205	7,409
2017-2021	67,230	28,726
2022-2026	72,121	11,887
Total	<u>\$ 192,886</u>	<u>\$ 82,405</u>

Component Unit

Year Ending June 30,	Tax Increment Bonds		Brownfield Loan	
	Principal	Interest	Principal	Interest
2012	\$ 140,000	\$ 57,095	\$ 22,825	\$ 3,918
2013	145,000	50,955	23,282	3,462
2014	75,000	44,500	23,748	2,996
2015	85,000	40,855	24,222	2,521
2016	90,000	36,745	24,707	2,037
2017-2021	385,000	113,560	77,125	3,105
2022-2026	235,000	47,840	-	-
2027-2030	60,000	2,760	-	-
Total	<u>\$ 1,215,000</u>	<u>\$ 394,310</u>	<u>\$ 195,909</u>	<u>\$ 18,039</u>

NOTE F: 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 no contribution from employees, except for the public safety division, which requires a contribution from employees of 7 percent.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F: RETIREMENT PLAN - CONTINUED

Annual Pension Cost

For the year ended June 30, 2011, the City's annual pension cost of \$194,849 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, 2008, 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 8.4% 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. 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

	As of December 31,		
	2008	2009	2010
Actuarial value of assets	\$ 7,586,965	\$ 7,476,853	\$ 7,464,911
Actuarial accrued liability (AAL) (entry age)	8,793,691	8,826,445	8,981,040
Unfunded AAL	1,206,726	1,349,592	1,516,129
Funded ratio	86%	85%	83%
Covered payroll	\$ 1,523,736	\$ 1,466,933	\$ 1,510,929
UAAL as a percentage of covered payroll	79%	92%	100%

	Year Ended June 30,		
	2009	2010	2011
Annual pension cost	\$ 152,475	\$ 165,230	\$ 194,849
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

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

NOTE G: 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 Statement No. 45 (GASB Statement 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, 2011, 13 retirees were receiving benefits. Expenditures for postemployment benefits are recognized when claims are paid. During the year, expenditures of \$54,419 were recognized for post-employment benefits and an additional \$108,272 was set aside in trust to begin to fund the liability.

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: 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). The only current contributions being made are to pay the actual current premiums of the 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, 2011, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of June 30, 2010. 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)	\$ 148,486
Interest on net OPEB obligation	7,700
Adjustment to annual required contribution	<u>(3,793)</u>
Annual OPEB cost (expense)	152,393
Less: amounts contributed	
Payments	<u>162,691</u>
Net OPEB obligation	(10,298)
OPEB obligation - Beginning of year	<u>110,011</u>
OPEB obligation - End of year	<u><u>\$ 99,713</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the years ended June 30, 2011 and 2010, was as follows:

	Year Ended June 30,	
	<u>2010</u>	<u>2011</u>
Annual OPEB cost	\$ 148,486	\$ 152,393
Percentage contributed	25.90%	106.8%
Net OPEB obligation	\$ 110,011	\$ 99,713

The current funding progress of the plan as of June 30, 2010, the most recent valuation date, is as follows:

Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	1,669,757
Unfunded AAL (UAAL)	1,669,757
Funded ratio	0.0%
Covered payroll	1,521,999
Ratio of UAAL to covered payroll	109.7%

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

The year ended June 30, 2010, was the first year that the alternative measurement method of calculation was completed, so no information is available for years prior to that.

Actuarial Methods and Assumptions

Actuarial 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010, valuation, the entry age normal cost method was used. The actuarial assumptions include a 7.0 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 4.0 percent was also used. There was also an inflationary rate assumption factored into the calculation and premium increases ranging from 4.6 percent to 7.0 percent were also factored into the calculation.

NOTE H: 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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE I: RESTRICTED NET ASSETS

Restrictions of net assets 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 net asset restrictions as of June 30, 2011:

PRIMARY GOVERNMENT	
Other purposes	
Streets and highways	\$ 617,175
Economic development	132,683
City operations	336,801
	<hr/>
	\$ 1,086,659
	<hr/>

NOTE J: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes 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. Under this standard, the fund balance classifications of reserved, designated and unreserved have been replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

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

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

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

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

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

Fund Balance Classification Policies and Procedures

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

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE J: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONTINUED

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

	General Fund	Major Street	Local Street	Income Tax	Nonmajor Governmental Funds	Total
Fund Balances						
Restricted for:						
Streets	\$ -	\$ 408,063	\$ 209,112	\$ -	\$ -	\$ 617,175
City operations	-	-	-	336,801	-	336,801
Economic development	-	-	-	-	132,683	132,683
Debt service	-	-	-	-	178	178
Committed for:						
Public safety	-	-	-	-	2,770	2,770
Unassigned:	782,036	-	-	-	-	782,036
TOTAL FUND BALANCES	<u>\$ 782,036</u>	<u>\$ 408,063</u>	<u>\$ 209,112</u>	<u>\$ 336,801</u>	<u>\$ 135,631</u>	<u>\$ 1,871,643</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Operating	\$ 1,044,500	\$ 1,044,500	\$ 1,056,187	\$ 11,687
Pension	72,500	72,500	74,706	2,206
Tax collection fees	23,000	23,000	24,184	1,184
Penalties and interest	7,000	7,000	6,144	(856)
Total taxes	1,147,000	1,147,000	1,161,221	14,221
Licenses and permits				
Trailer fees	1,200	1,200	1,286	86
Business licenses	2,500	2,500	4,592	2,092
Liquor licenses	5,000	5,000	5,264	264
Cable franchise fees	40,000	40,000	50,916	10,916
Total licenses and permits	48,700	48,700	62,058	13,358
Intergovernmental				
Local revenue				
Mutual aid	-	-	11,244	11,244
State grants				
Police training grants	3,000	3,000	2,734	(266)
Statutory sales tax	333,000	333,000	309,228	(23,772)
Constitutional sales tax	317,000	317,000	354,866	37,866
Total state grants	653,000	653,000	666,828	13,828
Federal grants	-	-	10,581	10,581
Total intergovernmental	653,000	653,000	688,653	35,653
Charges for services	16,000	16,000	17,042	1,042
Fines and forfeits	50,000	50,000	44,166	(5,834)
Interest and rents	16,600	16,600	21,294	4,694
Other				
Sale of city property	-	-	284	284
Farmers Market	-	-	5,838	5,838
Refunds and reimbursements	71,800	71,800	64,491	(7,309)
Other	44,800	44,800	71,440	26,640
Total other	116,600	116,600	142,053	25,453
TOTAL REVENUES	2,047,900	2,047,900	2,136,487	88,587

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
City Council	\$ 40,100	\$ 40,100	\$ 44,931	\$ (4,831)
City Manager	20,500	20,500	17,677	2,823
Elections	10,400	10,400	7,904	2,496
Assessor	91,900	91,900	83,201	8,699
Attorney	7,000	7,000	1,388	5,612
Treasurer	124,500	119,400	111,892	7,508
Clerk	151,300	145,800	140,816	4,984
City hall and grounds	62,900	43,900	39,092	4,808
Farmers market	25,900	42,400	41,485	915
Cemetery	30,700	30,700	27,199	3,501
Total general government	565,200	552,100	515,585	36,515
Public safety	1,670,200	1,670,200	1,668,473	1,727
Public works				
Department of public works	43,800	33,000	1,857	31,143
Street lighting	105,000	118,000	117,778	222
Total public works	148,800	151,000	119,635	31,365
Recreation and culture	48,400	63,600	61,246	2,354
Other				
Post-employment benefits	69,700	70,400	66,895	3,505
TOTAL EXPENDITURES	2,502,300	2,507,300	2,431,834	75,466
EXCESS OF REVENUES (UNDER) EXPENDITURES	(454,400)	(459,400)	(295,347)	164,053
OTHER FINANCING SOURCES (USES)				
Transfers in	462,500	462,500	462,500	-0-
Transfers out	(26,900)	(130,000)	(130,000)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	435,600	332,500	332,500	-0-
NET CHANGE IN FUND BALANCE	(18,800)	(126,900)	37,153	164,053
Fund balance, beginning of year	744,883	744,883	744,883	-0-
Fund balance, end of year	\$ 726,083	\$ 617,983	\$ 782,036	\$ 164,053

City of Springfield

Major Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 283,000	\$ 283,000	\$ 307,932	\$ 24,932
Interest	1,000	1,000	421	(579)
Other				
Special assessments	28,000	28,000	27,108	(892)
Other	-	4,400	5,044	644
TOTAL REVENUES	312,000	316,400	340,505	24,105
EXPENDITURES				
Current				
Public works	231,800	191,000	176,781	14,219
EXCESS OF REVENUES OVER EXPENDITURES	80,200	125,400	163,724	38,324
OTHER FINANCING USES				
Transfer out	(134,400)	(134,400)	(131,791)	2,609
NET CHANGE IN FUND BALANCE	(54,200)	(9,000)	31,933	40,933
Fund balance, beginning of year	376,130	376,130	376,130	-0-
Fund balance, end of year	\$ 321,930	\$ 367,130	\$ 408,063	\$ 40,933

City of Springfield

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 349,800	\$ 281,300	\$ 284,320	\$ 3,020
Interest	1,000	1,000	305	(695)
Other				
Special assessments	<u>22,000</u>	<u>22,000</u>	<u>20,308</u>	<u>(1,692)</u>
TOTAL REVENUES	372,800	304,300	304,933	633
EXPENDITURES				
Current				
Public works	<u>542,000</u>	<u>414,300</u>	<u>396,303</u>	<u>17,997</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(169,200)	(110,000)	(91,370)	18,630
OTHER FINANCING SOURCES (USES)				
Transfers in	175,000	175,000	175,000	-0-
Transfers out	<u>(50,100)</u>	<u>(50,100)</u>	<u>(48,196)</u>	<u>1,904</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>124,900</u>	<u>124,900</u>	<u>126,804</u>	<u>1,904</u>
NET CHANGE IN FUND BALANCE	(44,300)	14,900	35,434	20,534
Fund balance, beginning of year	<u>173,678</u>	<u>173,678</u>	<u>173,678</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 129,378</u>	<u>\$ 188,578</u>	<u>\$ 209,112</u>	<u>\$ 20,534</u>

City of Springfield

Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 644,500	\$ 671,800	\$ 697,358	\$ 25,558
Interest	4,000	4,000	7,766	3,766
Other	4,200	4,200	2,830	(1,370)
TOTAL REVENUES	652,700	680,000	707,954	27,954
EXPENDITURES				
Current				
General government	230,700	214,700	203,576	11,124
EXCESS OF REVENUES OVER EXPENDITURES	422,000	465,300	504,378	39,078
OTHER FINANCING USES				
Transfers out	(487,000)	(487,000)	(487,000)	-0-
NET CHANGE IN FUND BALANCE	(65,000)	(21,700)	17,378	39,078
Fund balance, beginning of year	319,423	319,423	319,423	-0-
Fund balance, end of year	<u>\$ 254,423</u>	<u>\$ 297,723</u>	<u>\$ 336,801</u>	<u>\$ 39,078</u>

City of Springfield

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2011

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, 2011, 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 City Council	\$ 40,100	\$ 44,931	\$ 4,831

OTHER SUPPLEMENTARY INFORMATION

City of Springfield

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2011

	Special Revenue		Debt Service	Total
	Drug Law Enforcement Fund	Economic Development	Debt Redemption Fund	
ASSETS				
Cash and cash equivalents	\$ 2,047	\$ 132,683	\$ 178	\$ 134,908
Due from other governmental units	723	-	-	723
TOTAL ASSETS	<u>\$ 2,770</u>	<u>\$ 132,683</u>	<u>\$ 178</u>	<u>\$ 135,631</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES	\$ -	\$ -	\$ -	\$ -0-
FUND BALANCES				
Restricted	-	132,683	178	132,861
Committed	2,770	-	-	2,770
TOTAL FUND BALANCES	<u>2,770</u>	<u>132,683</u>	<u>178</u>	<u>135,631</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,770</u>	<u>\$ 132,683</u>	<u>\$ 178</u>	<u>\$ 135,631</u>

City of Springfield

Nonmajor Governmental Funds

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

Year Ended June 30, 2011

	Special Revenue		Debt Service	Total
	Drug Law Enforcement Fund	Economic Development	Debt Redemption Fund	
REVENUES				
Licenses and permits	\$ 3,050	\$ -	\$ -	\$ 3,050
Fines and forfeits	9,435	-	-	9,435
Interest and rents	9	9,988	-	9,997
Other				
Special assessment	-	8,616	-	8,616
Other	635	25,713	-	26,348
TOTAL REVENUES	13,129	44,317	-0-	57,446
EXPENDITURES				
Current				
Public safety	12,688	-	-	12,688
Community and economic development	-	35,219	-	35,219
Debt service				
Principal	-	-	25,638	25,638
Interest and fiscal agent fees	-	-	29,349	29,349
Capital outlay	405	-	-	405
TOTAL EXPENDITURES	13,093	35,219	54,987	103,299
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	36	9,098	(54,987)	(45,853)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	54,987	54,987
Transfers out	(5,000)	(13,000)	-	(18,000)
TOTAL OTHER FINANCING SOURCES (USES)	(5,000)	(13,000)	54,987	36,987
NET CHANGE IN FUND BALANCES	(4,964)	(3,902)	-0-	(8,866)
Fund balances, beginning of year	7,734	136,585	178	144,497
Fund balances, end of year	\$ 2,770	\$ 132,683	\$ 178	\$ 135,631

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2011

	<u>Refuse</u>	<u>Building Code Enforcement</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 22,997	\$ 27,205	\$ 50,202
Accounts receivable	<u>37,448</u>	<u>-</u>	<u>37,448</u>
 TOTAL ASSETS	 60,445	 27,205	 87,650
LIABILITIES			
Current liabilities			
Accounts payable	<u>14,010</u>	<u>424</u>	<u>14,434</u>
NET ASSETS			
Unrestricted	<u>\$ 46,435</u>	<u>\$ 26,781</u>	<u>\$ 73,216</u>

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2011

	Refuse	Building Code Enforcement	Total
OPERATING REVENUES			
Charges for services	\$ 188,833	\$ -	\$ 188,833
Licenses and permits	-	30,046	30,046
Other	-	1,150	1,150
	<u>188,833</u>	<u>31,196</u>	<u>220,029</u>
TOTAL OPERATING REVENUES	188,833	31,196	220,029
OPERATING EXPENSES			
Operating expenses	<u>185,301</u>	<u>27,124</u>	<u>212,425</u>
OPERATING INCOME	3,532	4,072	7,604
NONOPERATING REVENUES			
Interest earned	<u>46</u>	<u>38</u>	<u>84</u>
INCOME BEFORE TRANSFERS	3,578	4,110	7,688
TRANSFERS			
Transfers out	<u>(7,500)</u>	<u>-</u>	<u>(7,500)</u>
CHANGE IN NET ASSETS	(3,922)	4,110	188
Net assets, beginning of year	<u>50,357</u>	<u>22,671</u>	<u>73,028</u>
Net assets, end of year	<u>\$ 46,435</u>	<u>\$ 26,781</u>	<u>\$ 73,216</u>

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

	Refuse	Building Code Enforcement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 187,776	\$ 31,196	\$ 218,972
Cash paid to vendors/employees	(184,799)	(29,225)	(214,024)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,977	1,971	4,948
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payment of interfund balances	-	1,163	1,163
Transfers out	(7,500)	-	(7,500)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(7,500)	1,163	(6,337)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	46	38	84
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,477)	3,172	(1,305)
Cash and cash equivalents, beginning of year	27,474	24,033	51,507
Cash and cash equivalents, end of year	<u>\$ 22,997</u>	<u>\$ 27,205</u>	<u>\$ 50,202</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 3,532	4,072	\$ 7,604
Adjustments to reconcile operating income to net cash provided by operating activities			
Change in:			
Accounts receivable	(1,057)	-	(1,057)
Accounts payable	502	(2,101)	(1,599)
NET CASH PROVIDED BY BY OPERATING ACTIVITIES	<u><u>\$ 2,977</u></u>	<u><u>\$ 1,971</u></u>	<u><u>\$ 4,948</u></u>

City of Springfield

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

June 30, 2011

	<u>Trust and Agency</u>	<u>Current Tax Collection</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 181</u>	<u>\$ 305</u>	<u>\$ 486</u>
LIABILITIES			
Due to individuals and agencies	<u>\$ 181</u>	<u>\$ 305</u>	<u>\$ 486</u>

City of Springfield

Component Unit Funds

COMBINING BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION (EDC)

June 30, 2011

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 105	\$ 325,320	\$ 386,178	\$ 711,603
Receivables				
Accounts	-	-	275	275
Special assessments	-	30,906	6,918	37,824
Due from other governmental units	-	-	150,000	150,000
TOTAL ASSETS	<u>\$ 105</u>	<u>\$ 356,226</u>	<u>\$ 543,371</u>	<u>\$ 899,702</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 97,849	\$ 97,849
Due to other governmental units	-	-	384	384
Deferred revenue	-	30,906	6,918	37,824
TOTAL LIABILITIES	-0-	30,906	105,151	136,057
FUND BALANCES				
Unassigned	105	325,320	438,220	763,645
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 105</u>	<u>\$ 356,226</u>	<u>\$ 543,371</u>	<u>\$ 899,702</u>

City of Springfield

Component Unit Funds

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

June 30, 2011

Total fund balances - governmental funds **\$ 763,645**

Amounts reported for the component unit activities in the statement of net assets 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 deferred in the funds. 37,824

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 \$ 1,410,909
Accrued interest payable 10,632

(1,421,541)

Net assets of governmental funds **\$ (570,723)**

City of Springfield

Component Unit Funds

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

Year Ended June 30, 2011

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
REVENUES				
Taxes	\$ 11,085	\$ 147,411	\$ 146,955	\$ 305,451
Intergovernmental	-	-	150,000	150,000
Interest	4	552	32,064	32,620
Special assessments	-	17,410	2,248	19,658
Other	-	30,124	6,372	36,496
	<u>11,089</u>	<u>195,497</u>	<u>337,639</u>	<u>544,225</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Community and economic development	195	65,594	307,632	373,421
Debt service	11,085	96,218	105,635	212,938
	<u>11,280</u>	<u>161,812</u>	<u>413,267</u>	<u>586,359</u>
TOTAL EXPENDITURES				
NET CHANGE IN FUND BALANCES	(191)	33,685	(75,628)	(42,134)
Fund balance, beginning of year	<u>296</u>	<u>291,635</u>	<u>513,848</u>	<u>805,779</u>
Fund balance, end of year	<u>\$ 105</u>	<u>\$ 325,320</u>	<u>\$ 438,220</u>	<u>\$ 763,645</u>

City of Springfield

Component Unit Funds

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

Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (42,134)

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 deferred revenue (28,361)

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

Repayment of long-term debt 147,378

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 1,011

Change in net assets of governmental funds \$ 77,894