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Calhoun County, Michigan

Financial Statements

June 30, 2012

City of Springfield

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INDEPENDENT AUDITOR'S REPORT

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

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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor and component unit fund information is presented for purposes of additional analysis and is not a required part of the financial statements. The combining nonmajor and component unit fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 26, 2012

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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

The following represents the most significant financial highlights for the year ended June 30, 2012:

Property Taxes are the General Fund's main source of revenue. After TIFA (Tax Increment Finance Authority) capture, the City's General Fund collected \$1,095,500 in tax revenues from 14 Operating Mills, 1 Public Safety Retirement Mill, admin fees, and late penalties. This represents a decline in revenue of 5.7% or \$65,800 from prior year. Springfield's taxable value, including 425 Agreements, of \$83,718,788 for the 2011 tax roll reflects the distress of the real estate market, a decreased from \$87,894,105 the year before. The TIFA and Brownfield Funds captured a total of \$308,900 from all taxing units during the fiscal year; these funds continue to promote economic development within the City of Springfield.

State Shared Revenue FY 2011-12 was the first year Statutory Sales Tax was eliminated and the State's Economic Vitality Incentive Program was implemented. Springfield received a total of \$604,600 from the State compared to \$664,100 in the previous year. This was an overall loss of annual revenue totaling \$59,500 or 9% compared to prior year.

Act 51 revenue sharing received by the Major and Local Street Funds totaled \$392,200 in FY 2011-12 an increase of \$19,700 or 5.3% compared to prior year.

Income Taxes are an important special revenue source for the City. Tax collected from the local Income Tax totaled \$732,900; an increase of \$35,700 or 5.1% from prior year collections. The increase in tax collection is attributable to departmental reorganization and focused compliance efforts. Income Tax provided funding to the General Fund in the amount of \$430,200 for four public safety officers, a decrease of \$6,800 or 1.5% compared to prior year funding.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Grants/Projects/Capital Outlay In FY 2011-12 the City received a Grant in the amount of \$19,200 for a new park project. Total project cost was \$58,700 with \$39,500 funded by TIFA dollars. The new park on 27th Street was completed and opened to residents in FY 2011-12.

Springfield participated in a County wide FEMA Grant for the purchase of new fire radios. Total cost for Springfield's fire radios was \$44,500. The FEMA Grant funded \$33,100 and Springfield's General Fund provided \$11,400. Also, two new Public Safety siren controllers were purchased for \$7,300. Funding was provided by the Income Tax Fund.

In FY 2011-12, a total of \$77,200 was spent to purchase four vehicles; two new Public Safety cruisers, a used Public Works pickup, and a shared administrative vehicle. Funding for the vehicles was provided by the resources of multiple funds: Vehicle, Sewer, Water, Drug Enforcement, and the General Fund.

Change in Cash/Fund Balance Despite the decline in both property tax and state shared revenue in FY 2011-12, the General Fund ended the year in a very favorable position with use of only \$11,500 of cash reserves and a healthy fund balance of \$770,500 representing 30.8% of actual expenditures for the fiscal year.

The City as a Whole

The following table shows, in a condensed format, the net assets as of **June 30, 2012**, and compared to the prior year:

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	2012	2011	2012	2011	2012	2011
Assets						
Current assets	\$ 2,545,497	\$ 2,271,210	\$ 1,237,726	\$ 1,060,248	\$ 3,783,223	\$ 3,331,458
Capital assets	8,863,860	9,436,966	2,238,952	2,392,311	11,102,812	11,829,277
Total assets	11,409,357	11,708,176	3,476,678	3,452,559	14,886,035	15,160,735
Liabilities						
Current liabilities	330,581	284,378	145,302	85,747	475,883	370,125
Long-term liabilities	776,974	709,123	172,966	182,926	949,940	892,049
Total liabilities	1,107,555	993,501	318,268	268,673	1,425,823	1,262,174
Net Assets						
Invested in capital assets net of related debt	8,276,786	8,819,852	2,056,026	2,199,425	10,332,812	11,019,277
Restricted	1,312,750	1,086,659	-	-	1,312,750	1,086,659
Unrestricted	712,266	808,164	1,102,384	984,461	1,814,650	1,792,625
	<u>\$ 10,301,802</u>	<u>\$ 10,714,675</u>	<u>\$ 3,158,410</u>	<u>\$ 3,183,886</u>	<u>\$ 13,460,212</u>	<u>\$ 13,898,561</u>

Net Assets of the City's Governmental and Business-type activities total slightly under \$13.5 million. This includes cash, investments, receivables and capital assets versus short-term and long-term liabilities. Overall, the City realized a decrease in net assets of approximately \$438,000. The decrease is primarily attributable to capital asset depreciation/disposal during the fiscal year totaling over \$726,000. Liabilities increased approximately \$163,700 including paid leave accruals at year-end and post-employment benefit obligations. Long-term debt paid off during the fiscal year totaled \$202,800. Current assets (cash, investments & receivables) increased \$451,700. Gross assets of almost \$14.9 million are rich in comparison to liabilities of less than \$1.5 million.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Summary of Changes in Net Assets for the Fiscal Year Ending June 30, 2012 and 2011

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program Revenues						
Charges for						
Services	\$ 233,430	\$ 197,052	\$ 1,531,285	\$ 1,398,808	\$ 1,764,715	\$ 1,595,860
Grants and						
Contributions	456,166	842,570	-	-	456,166	842,570
General Revenues						
Property Taxes	1,072,632	1,137,038	-	-	1,072,632	1,137,038
City Income Taxes	733,085	697,358	-	-	733,085	697,358
State Shared						
Revenue	604,623	664,094	-	-	604,623	664,094
Investment Earnings	23,203	20,412	9,308	11,645	32,511	32,057
Miscellaneous	179,339	156,709	17,369	28,214	196,708	184,923
Transfers	17,332	7,500	(17,332)	(7,500)	-0-	-0-
Total Revenues	3,319,810	3,722,733	1,540,630	1,431,167	4,860,440	5,153,900
Expenses						
General Government	885,868	802,709	-	-	885,868	802,709
Public Safety	1,675,629	1,717,495	-	-	1,675,629	1,717,495
Public Works	1,003,252	1,039,891	-	-	1,003,252	1,039,891
Community and						
Economic Develop.	65,470	57,388	-	-	65,470	57,388
Recreation and Cultural	74,608	62,530	-	-	74,608	62,530
Other	27,856	29,137	1,566,106	1,507,966	1,593,962	1,537,103
Total Expenses	3,732,683	3,709,150	1,566,106	1,507,966	5,298,789	5,217,116
Change in Net Assets	(412,873)	13,583	(25,476)	(76,799)	(438,349)	(63,216)
Net Assets, Beginning	10,714,675	10,701,092	3,183,886	3,260,685	13,898,561	13,961,777
Net Assets, Ending	\$ 10,301,802	\$ 10,714,675	\$ 3,158,410	\$ 3,183,886	\$ 13,460,212	\$ 13,898,561

Governmental Activities

Economic Development - Orchard Hills Residential Housing Project

In FY 2006-07, the City made a substantial investment in a plot of City-owned land. The land was developed into a platted subdivision with streets, curbs, gutters, storm sewers, water service, sanitary sewer service, and buried electrical, cable and telephone infrastructure. The return on the City's \$1,000,000 investment is expected to materialize over the next 6-10 years as more individual lots are sold to buyers and/or project developers, homes are built and property owners begin paying related taxes and service fees. To date, 15 lots have been sold and developed despite the slowed new housing market. It is anticipated that between one and five lots will be sold and developed in FY 2012-13. The completed development should add approximately \$40,000 annually to the City's property tax collections and, as a minimum, \$10,000 annually to the City's Income Tax revenue.

Economic Development - New Business

PulverDryer, USA was attracted to the former Robert's Packaging building near Avenue C and 20th Street. The 100,000 plus square foot building houses their corporate world headquarters, research/development and manufacturing components of the business. PulverDryer expects to employ 75-100 employees at the Springfield site within the next three years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Economic Development - PA 425 Agreements

In 2005, 2007, and 2008, the City of Springfield entered into three separate PA 425 Annexation Agreements with the City of Battle Creek. The Agreements were each crafted to encourage investments in the *Magnificent Motor Mile* Business Improvement District. To date, the Agreements have resulted in a large-scale redevelopment and expansion of the Henkel Chrysler-Dodge and Battle Creek Honda dealerships, and have fostered a planned FY 2012-13 groundbreaking for a similar redevelopment effort at Sunshine Toyota. All three Springfield businesses have decided to invest in their local properties in Springfield rather than relocate to higher-profile areas near the interstate.

The temporary annexation agreements were necessary to help the property owners obtain certain redevelopment tax credits following their investments. The agreements will each expire eight years after their initial inception and are anticipated to result in more than \$2 million in new investment in Springfield.

Personnel Changes and Department Reorganization

In the past five years, the City has made great strides in reducing personnel expenses. By eliminating four public safety positions, one public works position, and one income tax position since 2008, the City has realized more than \$400,000 in annual savings. All of the positions were strategically eliminated in a manner that avoided layoffs, unemployment expenses, and substantial increases to long-term retirement system costs. The City will continue to focus on maintaining an appropriately-sized staff to accommodate the needs of our residents and business owners.

During FY 2011-12, the Springfield Public Safety Department lost three full time personnel due to retirement and resignation. FY 2012-13 will realize a true savings related to the reduced cost of the newly-hired personnel.

Next Year Budgetary Highlights

General Fund

The General Fund's main source of revenue is generated through property taxes on real and personal property. For FY 2012-13, the City of Springfield boasts a taxable value equal to \$84,406,319 representing an increase of 0.82% from FY 2011-12. After TIFA (Tax Increment Finance Authority) captured tax is accounted for, the City expects to collect approximately \$1,112,300 in tax revenues from 14 Operating Mills, 1 Public Safety Retirement Mill, admin fees, and late penalties. The TIFA and Brownfield Funds are expected to capture a total of \$306,500 from all taxing units in FY 2012-13.

The Income Tax Fund expects to transfer \$452,600 to the General Fund in FY 2012-13 to fund the positions of four Public Safety Officers. This is an increase of \$22,400 from FY 2011-12.

Constitutional State Shared Revenue is anticipated to grow nearly 3% from FY 2011-12. The projected distribution from the State is \$389,000 in FY 2012-13 compared to \$377,700 in FY 2011-12, an increase of \$11,300.

State of Michigan Economic Vitality Incentive Program payments for FY 2012-13 are estimated at \$246,000. Monies are received by the General Fund from the State in exchange for meeting specific benchmarks set by the State Legislature. This reflects an increase of \$20,000 from FY 2011-12. FY 2012-13 marks the second year of this program.

Other noteworthy revenue sources anticipated in the City's General Fund for FY 2012-13 include cable television franchise fees (\$50,000), court fines (\$44,000), employee/retiree medical insurance cost share (\$98,000), and leases (\$9,600). Total projected General Fund Revenue is \$2,531,000. This reflects an increase of approximately \$75,300 (3.1%) from the previous fiscal year's actual of \$2,489,200.

Total General Fund Expenditures for FY 2012-13 are anticipated to equal approximately \$2,612,400. Public Safety is expected to account for more than \$1.7 million or 65%.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Other Funds

The Major Street Fund is expected to receive \$516,100 in FY 2012-13; a 63% increase from the previous year. The increase is mostly related to a number of planned projects that require cash transfers from other funding sources to fully fund the projects. \$75,000 is expected to be transferred to the Local Street Fund. Projects planned for the year include the closing of the Avenue A/Dickman Road intersection and the construction of a new service road to connect Avenue A to Dickman Road. The project is expected to cost \$900,000; \$300,000 of which will be funded by the Battle Creek Area Transportation Study (BCATS) and \$465,000 of which will be funded in the Water and Sewer Funds. Also, the City has budgeted \$100,000 (transfer from Income Tax) to resurface Goguac Street, parts of Upton Avenue, and Avenue A; an additional \$325,000 will be invested by BCATS to fund the remainder of the \$425,000 project. The \$560,400 in planned expenses is expected to lower the Fund's cash balance by only \$44,300.

The Local Street Fund is expected to receive \$198,600 in revenue; this includes an expected \$75,000 transfer from the Major Street Fund. No major construction is planned. Approximately \$47,900 in debt payments will also be made in FY 2012-13. The net appropriation is expected to decrease the Fund's cash balance by \$14,300.

The Drug Law Enforcement Fund is expected to collect \$22,000 in revenue; with projected expenses of \$19,000. This Fund's main sources of revenue are medical marijuana licensing fees and the sale of forfeited/seized properties. The net appropriation is expected to result in an increase to the Fund's cash balance of \$3,000.

The Farmers Market Fund was added in FY 2012-13 to better separate the activities of the Farmers Market from other city expenses. The Farmers Market Fund is designed to collect revenue related to vendor fees and rental income from the kitchen and banquet center. The Fund is expected to be self-sufficient within the next two fiscal years. In FY 2012-13, the General Fund and EDC Fund are expected to transfer a total of \$25,000 to the Fund, while the Fund itself is expected to generate approximately \$41,000 in revenue. Expenses related to the Farmers Market and its events are expected to equal \$35,400, while expenses for the operation of the community kitchen and the banquet facility are expected to equal \$16,500 and \$9,700, respectively. The Fund is expected to carry \$5,000 in cash reserves at year-end.

The Sewer Fund expects to collect \$684,500 in revenue during FY 2012-13. It is expected that operating expenses will reach \$757,100, construction costs will equal \$200,000, and bond payments will equal \$9,900. After adjusting for \$98,400 in non-cash depreciation, the Fund expects to utilize \$277,200 in cash reserves.

The Water Fund expects to collect \$502,500 in revenue during FY 2012-13. It is expected that operating expenses will reach \$474,500, construction costs will equal \$265,000, and bond payments will equal \$9,300. After adjusting for \$55,700 in non-cash depreciation, the Fund's cash balance expects to decrease by \$241,300 by the end of the fiscal year.

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 expects to receive revenues totaling \$233,000. Expenses are expected to total \$316,100. This budget year accounts for the purchase of one new dump truck for the Department of Public Works. The city has no vehicle-related debt. After adjustments for non-cash depreciation, the fund expects to realize an increase in cash balance of \$900.

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 General Fund or Income Tax debt remaining. Following the completion of FY 2012-13, total debt for Governmental and Business-type Funds will be a conservative \$730,000. 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 exceed \$1.2 million following FY 2012-13; this represents the largest reserves since FY 2002-03.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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, 2012

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,022,674	\$ 980,585	\$ 3,003,259	\$ 771,882
Receivables	352,041	257,141	609,182	22,720
Due from other governmental units	170,782	-	170,782	19,210
Total current assets	2,545,497	1,237,726	3,783,223	813,812
Noncurrent assets				
Capital assets not being depreciated	622,017	-	622,017	49,349
Capital assets being depreciated, net	8,241,843	2,238,952	10,480,795	-
Total noncurrent assets	8,863,860	2,238,952	11,102,812	49,349
TOTAL ASSETS	11,409,357	3,476,678	14,886,035	863,161
LIABILITIES				
Current liabilities				
Accounts payable	122,246	114,185	236,431	1,152
Accrued liabilities	41,951	6,788	48,739	-
Due to other governments	16,766	12,898	29,664	-
Accrued interest payable	4,435	1,471	5,906	9,479
Current portion of compensated absences	115,143	-	115,143	-
Current portion of long-term debt	30,040	9,960	40,000	168,292
Total current liabilities	330,581	145,302	475,883	178,923
Noncurrent liabilities				
Noncurrent portion of compensated absences	35,408	-	35,408	-
Noncurrent portion of long-term debt	557,034	172,966	730,000	1,079,792
Net other post-employment benefit obligation	184,532	-	184,532	-
Total noncurrent liabilities	776,974	172,966	949,940	1,079,792
TOTAL LIABILITIES	1,107,555	318,268	1,425,823	1,258,715
NET ASSETS				
Invested in capital assets, net of related debt	8,276,786	2,056,026	10,332,812	49,349
Restricted for:				
Other purposes	1,312,750	-	1,312,750	-
Unrestricted	712,266	1,102,384	1,814,650	(444,903)
TOTAL NET ASSETS	\$ 10,301,802	\$ 3,158,410	\$ 13,460,212	\$ (395,554)

See accompanying notes to the financial statements.

City of Springfield
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

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		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 885,868	\$ 123,814	\$ 2,765	\$ -	\$ (759,289)	\$ -	\$ (759,289)	\$ -
Public safety	1,675,629	85,967	17,845	-	(1,571,817)	-	(1,571,817)	-
Public works	1,003,252	6,416	417,733	16,803	(562,300)	-	(562,300)	-
Community and economic development	65,470	17,233	-	-	(48,237)	-	(48,237)	-
Recreation and cultural	74,608	-	1,020	-	(73,588)	-	(73,588)	-
Interest and fees on long-term debt	27,856	-	-	-	(27,856)	-	(27,856)	-
Total governmental activities	3,732,683	233,430	439,363	16,803	(3,043,087)	-0-	(3,043,087)	-0-
Business-type activities								
Sewer	802,526	712,288	-	-	-	(90,238)	(90,238)	-
Water	536,902	578,361	-	-	-	41,459	41,459	-
Refuse	191,884	207,643	-	-	-	15,759	15,759	-
Building code enforcement	34,794	32,993	-	-	-	(1,801)	(1,801)	-
Total business-type activities	1,566,106	1,531,285	-0-	-0-	-0-	(34,821)	(34,821)	-0-
Total primary government	\$ 5,298,789	\$ 1,764,715	\$ 439,363	\$ 16,803	(3,043,087)	(34,821)	(3,077,908)	-0-
Component unit								
Economic Development Corporation	\$ 174,471	\$ -	\$ 24,257	\$ 2,884	-	-	-0-	(147,330)
General revenues								
Property taxes					1,072,632	-	1,072,632	308,959
Income taxes					733,085	-	733,085	-
State shared revenue					604,623	-	604,623	-
Investment earnings					23,203	9,308	32,511	13,159
Miscellaneous					179,339	17,369	196,708	381
Transfers					17,332	(17,332)	-0-	-
Total general revenues					2,630,214	9,345	2,639,559	322,499
Change in net assets					(412,873)	(25,476)	(438,349)	175,169
Net assets, beginning of the year					10,714,675	3,183,886	13,898,561	(570,723)
Net assets, end of the year					\$ 10,301,802	\$ 3,158,410	\$ 13,460,212	\$ (395,554)

See accompanying notes to the financial statements.

City of Springfield
Governmental Funds
BALANCE SHEET
June 30, 2012

	General	Major Streets	Local Streets
ASSETS			
Cash and cash equivalents	\$ 749,368	\$ 405,382	\$ 316,501
Receivables			
Accounts	62,899	1,895	-
Taxes	18,209	-	-
Special assessment	-	52,836	46,848
Due from other funds	5,000	-	-
Due from other governmental units	100,374	48,028	16,880
TOTAL ASSETS	\$ 935,850	\$ 508,141	\$ 380,229
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 53,651	\$ 22,286	\$ 33,655
Accrued liabilities	40,108	-	-
Due to other funds	-	-	-
Due to other governmental units	14,166	-	-
Deferred revenue	57,423	52,836	46,848
TOTAL LIABILITIES	165,348	75,122	80,503
FUND BALANCES			
Restricted	-	433,019	299,726
Committed	-	-	-
Assigned	81,400	-	-
Unassigned	689,102	-	-
TOTAL FUND BALANCES	770,502	433,019	299,726
TOTAL LIABILITIES AND FUND BALANCES	\$ 935,850	\$ 508,141	\$ 380,229

See accompanying notes to the financial statements.

Income Tax	Nonmajor Governmental Funds	Total Governmental Funds
\$ 361,877	\$ 157,622	\$ 1,990,750
-	-	64,794
167,651	-	185,860
-	-	99,684
-	-	5,000
-	5,500	170,782
<u>\$ 529,528</u>	<u>\$ 163,122</u>	<u>\$ 2,516,870</u>
\$ 5,735	\$ 1,432	\$ 116,759
1,843	-	41,951
-	5,000	5,000
2,600	-	16,766
67,750	-	224,857
<u>77,928</u>	<u>6,432</u>	<u>405,333</u>
451,600	128,585	1,312,930
-	28,105	28,105
-	-	81,400
-	-	689,102
<u>451,600</u>	<u>156,690</u>	<u>2,111,537</u>
<u>\$ 529,528</u>	<u>\$ 163,122</u>	<u>\$ 2,516,870</u>

City of Springfield

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

June 30, 2012

Total fund balances - governmental funds \$ 2,111,537

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	\$ 27,284,807	
Accumulated depreciation is	<u>(18,943,845)</u>	

Capital assets, net		8,340,962
---------------------	--	-----------

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		551,038
---	--	---------

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

Deferred revenue		224,857
------------------	--	---------

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	587,074	
Accrued interest payable	4,435	
Compensated absences	150,551	
Net other post-employment benefit obligation	<u>184,532</u>	

(926,592)

Net assets of governmental activities		<u>\$ 10,301,802</u>
--	--	-----------------------------

City of Springfield

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2012

	General	Major Streets	Local Streets
REVENUES			
Taxes	\$ 1,095,483	\$ -	\$ -
Licenses and permits	64,301	-	-
Intergovernmental	607,388	304,336	113,397
Charges for services	14,301	2,201	-
Fines and forfeits	42,802	-	-
Interest and rents	38,856	545	442
Other	163,246	25,003	24,974
TOTAL REVENUES	2,026,377	332,085	138,813
EXPENDITURES			
Current			
General government	562,647	-	-
Public safety	1,625,812	-	-
Public works	141,199	172,999	124,217
Community and economic development	-	-	-
Recreation and cultural	72,995	-	-
Other	64,743	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	2,467,396	172,999	124,217
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(441,019)	159,086	14,596
OTHER FINANCING SOURCES (USES)			
Transfers in	462,985	-	125,000
Transfers out	(33,500)	(134,130)	(48,982)
TOTAL OTHER FINANCING SOURCES (USES)	429,485	(134,130)	76,018
NET CHANGE IN FUND BALANCES	(11,534)	24,956	90,614
Fund balances, beginning of year	782,036	408,063	209,112
Fund balances, end of year	<u>\$ 770,502</u>	<u>\$ 433,019</u>	<u>\$ 299,726</u>

See accompanying notes to the financial statements.

Income Tax	Nonmajor Governmental Funds	Total Governmental Funds
\$ 733,085	\$ -	\$ 1,828,568
-	33,650	97,951
-	-	1,025,121
-	-	16,502
-	17,845	60,647
5,141	12,244	57,228
1,104	25,086	239,413
<hr/>	<hr/>	<hr/>
739,330	88,825	3,325,430
187,046	-	749,693
-	12,420	1,638,232
-	-	438,415
-	26,938	26,938
-	-	72,995
-	-	64,743
-	58,112	58,112
-	408	408
<hr/>	<hr/>	<hr/>
187,046	97,878	3,049,536
552,284	(9,053)	275,894
-	58,112	646,097
(437,485)	(28,000)	(682,097)
<hr/>	<hr/>	<hr/>
(437,485)	30,112	(36,000)
114,799	21,059	239,894
336,801	135,631	1,871,643
<hr/>	<hr/>	<hr/>
\$ 451,600	\$ 156,690	\$ 2,111,537
<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, 2012

Net change in fund balances - total governmental funds **\$ 239,894**

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	\$ 125,683	
Depreciation expense	<u>(685,328)</u>	
Excess of depreciation expense over capital outlay		(559,645)

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. (5,815)

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 (8,146)

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 (22,952)

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 30,040

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	216	
(Increase) in compensated absences	(1,646)	
(Increase) in net other post-employment benefit obligation	<u>(84,819)</u>	
		<u>(86,249)</u>

Change in net assets of governmental activities **\$ (412,873)**

City of Springfield

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2012

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 453,775	\$ 464,998	\$ 61,812
Accounts receivable	109,848	106,213	41,080
Total current assets	563,623	571,211	102,892
Noncurrent assets			
Capital assets being depreciated, net	1,036,710	1,202,242	-
TOTAL ASSETS	1,600,333	1,773,453	102,892
LIABILITIES			
Current liabilities			
Accounts payable	68,820	22,719	22,646
Accrued liabilities	6,638	150	-
Due to other governmental units	-	12,898	-
Accrued interest payable	762	709	-
Current portion of long-term debt	4,980	4,980	-
Total current liabilities	81,200	41,456	22,646
Noncurrent liabilities			
Noncurrent portion of long-term debt	90,474	82,492	-
TOTAL LIABILITIES	171,674	123,948	22,646
NET ASSETS			
Invested in capital assets, net of related debt	941,256	1,114,770	-
Unrestricted	487,403	534,735	80,246
TOTAL NET ASSETS	\$ 1,428,659	\$ 1,649,505	\$ 80,246

See accompanying notes to the financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 980,585	\$ 31,924
257,141	1,703
1,237,726	33,627
<u>2,238,952</u>	<u>522,898</u>
3,476,678	556,525
114,185	5,487
6,788	-
12,898	-
1,471	-
9,960	-
<u>145,302</u>	<u>5,487</u>
<u>172,966</u>	<u>-</u>
<u>318,268</u>	<u>5,487</u>
2,056,026	522,898
1,102,384	28,140
<u>\$ 3,158,410</u>	<u>\$ 551,038</u>

City of Springfield

Proprietary Funds

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

Year Ended June 30, 2012

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 712,288	\$ 578,361	\$ 207,643
Licenses and permits	-	-	32,993
Other	-	16,889	480
TOTAL OPERATING REVENUES	712,288	595,250	241,116
OPERATING EXPENSES			
Operating expenses	699,258	477,356	226,678
Depreciation	98,238	55,121	-
TOTAL OPERATING EXPENSES	797,496	532,477	226,678
OPERATING INCOME (LOSS)	(85,208)	62,773	14,438
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental - State	-	-	-
Interest earned	2,808	6,408	92
Interest expenses and fees	(5,030)	(4,425)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(2,222)	1,983	92
INCOME (LOSS) BEFORE TRANSFERS	(87,430)	64,756	14,530
TRANSFERS			
Transfers in	-	-	-
Transfers out	(4,916)	(4,916)	(7,500)
TOTAL TRANSFERS	(4,916)	(4,916)	(7,500)
CHANGE IN NET ASSETS	(92,346)	59,840	7,030
Net assets, beginning of year	1,521,005	1,589,665	73,216
Net assets, end of year	\$ 1,428,659	\$ 1,649,505	\$ 80,246

See accompanying notes to the financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,498,292	\$ 185,993
32,993	-
<u>17,369</u>	<u>17,275</u>
1,548,654	203,268
1,403,292	181,993
<u>153,359</u>	<u>84,830</u>
<u>1,556,651</u>	<u>266,823</u>
(7,997)	(63,555)
-0-	2,049
9,308	28
<u>(9,455)</u>	<u>-</u>
<u>(147)</u>	<u>2,077</u>
(8,144)	(61,478)
-0-	53,332
<u>(17,332)</u>	<u>-</u>
<u>(17,332)</u>	<u>53,332</u>
(25,476)	(8,146)
<u>3,183,886</u>	<u>559,184</u>
<u>\$ 3,158,410</u>	<u>\$ 551,038</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 724,254	\$ 569,098	\$ 237,484
Cash paid to vendors/employees	(653,891)	(471,380)	(218,466)
NET CASH PROVIDED BY OPERATING ACTIVITIES	70,363	97,718	19,018
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	-
Transfers out	(4,916)	(4,916)	(7,500)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(4,916)	(4,916)	(7,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expenses and fees	(5,030)	(4,425)	-
Intergovernmental - State	-	-	-
Capital purchases	-	-	-
Payments on borrowings	(5,160)	(4,800)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(10,190)	(9,225)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	2,808	6,408	92
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	58,065	89,985	11,610
Cash and cash equivalents, beginning of year	395,710	375,013	50,202
Cash and cash equivalents, end of year	<u>\$ 453,775</u>	<u>\$ 464,998</u>	<u>\$ 61,812</u>

See accompanying notes to the financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,530,836	\$ 219,930
<u>(1,343,737)</u>	<u>(201,887)</u>
187,099	18,043
-0-	53,332
<u>(17,332)</u>	<u>-</u>
(17,332)	53,332
(9,455)	-
-0-	2,049
-0-	(77,184)
<u>(9,960)</u>	<u>-</u>
(19,415)	(75,135)
<u>9,308</u>	<u>28</u>
159,660	(3,732)
<u>820,925</u>	<u>35,656</u>
<u>\$ 980,585</u>	<u>\$ 31,924</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2012

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (85,208)	\$ 62,773	\$ 14,438
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	98,238	55,121	-
(Increase) decrease in:			
Accounts receivable	(6,367)	(26,152)	(3,632)
Due from other governmental units	18,333	-	-
Increase (decrease) in:			
Accounts payable	38,766	(1,490)	8,212
Accrued liabilities	6,638	-	-
Accrued interest payable	(37)	(34)	-
Due to other governmental units	-	7,500	-
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 70,363</u>	 <u>\$ 97,718</u>	 <u>\$ 19,018</u>

See accompanying notes to the financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ (7,997)	\$ (63,555)
153,359	84,830
(36,151)	4,797
18,333	11,865
45,488	(19,894)
6,638	-
(71)	-
7,500	-
<u>\$ 187,099</u>	<u>\$ 18,043</u>

City of Springfield

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 14,536</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 14,536</u>

See accompanying notes to the financial statements.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012

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 2011 levy of 14.8743 mills. For the year ended June 30, 2012, 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 2011 levy for property within the City was \$81,900,434. This levy generated \$985,134 and \$70,361 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012, 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, 2012

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, 2012, 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	\$ 1,813,393	\$ 1,912,713
COMPONENT UNIT		
Checking	344,465	344,465
FIDUCIARY FUNDS		
Checking	<u>14,536</u>	<u>14,536</u>
TOTAL REPORTING ENTITY	<u><u>\$ 2,172,394</u></u>	<u><u>\$ 2,271,714</u></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, 2012, the City accounts were insured by the FDIC for \$250,000, and the amount of \$2,021,714 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, 2012

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Investments

As of June 30, 2012, 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	\$ 885,216	\$ 885,216	N/A
Comerica Governmental Cash Investment Fund	303,950	303,950	N/A
	1,189,166	1,189,166	
COMPONENT UNIT			
Uncategorized pooled investment funds			
Fidelity Advantage Mutual Fund	362,946	362,946	N/A
Comerica Governmental Cash Investment Fund	64,471	64,471	N/A
	427,417	427,417	
	<u>\$ 1,616,583</u>	<u>\$ 1,616,583</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, 2012, 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, 2012

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

The following summarizes the categorization of these amounts as of June 30, 2012:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	<u>\$ 3,003,259</u>	<u>\$ 771,882</u>	<u>\$ 14,536</u>	<u>\$ 3,789,677</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2012, is as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 5,000</u>

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

NOTE D: INTERFUND TRANSFERS

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

Transfers to General Fund from:	
Income Tax Fund	\$ 437,485
Nonmajor governmental funds	18,000
Nonmajor enterprise funds	<u>7,500</u>
	<u>\$ 462,985</u>
Transfers to Local Streets Fund from:	
Major Streets Fund	<u>\$ 125,000</u>
Transfers to nonmajor governmental funds from:	
Major Streets Fund	\$ 9,130
Local Streets Fund	<u>48,982</u>
	<u>\$ 58,112</u>
Transfers to Internal Service Fund from:	
General Fund	\$ 33,500
Sewer System Fund	4,916
Water System Fund	4,916
Nonmajor governmental funds	<u>10,000</u>
	<u>\$ 53,332</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE D: INTERFUND TRANSFERS - CONTINUED

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

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities				
Capital assets not being depreciated				
Land	\$ 613,547	\$ 13,960	\$ (5,490)	\$ 622,017
Capital assets being depreciated				
Roads and sidewalks	22,703,826	-	-	22,703,826
Buildings and improvements	3,087,480	1,000	(325)	3,088,155
Land improvements	103,999	58,650	-	162,649
Vehicles	1,470,707	77,184	(2,244)	1,545,647
Furniture and fixtures	104,885	326	-	105,211
Other tools and equipment	577,076	51,747	(25,874)	602,949
Subtotal	28,047,973	188,907	(28,443)	28,208,437
Less accumulated depreciation for:				
Roads and sidewalks	(16,532,074)	(551,789)	-	(17,083,863)
Buildings and improvements	(1,116,506)	(85,848)	-	(1,202,354)
Land improvements	(56,640)	(8,495)	-	(65,135)
Vehicles	(940,163)	(84,830)	2,244	(1,022,749)
Furniture and fixtures	(94,322)	(6,844)	-	(101,166)
Other tools and equipment	(484,849)	(32,352)	25,874	(491,327)
Subtotal	(19,224,554)	(770,158)	28,118	(19,966,594)
Net capital assets being depreciated	8,823,419	(581,251)	(325)	8,241,843
Capital assets, net	<u>\$ 9,436,966</u>	<u>\$ (567,291)</u>	<u>\$ (5,815)</u>	<u>\$ 8,863,860</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 39,356
Public safety	137,730
Public works	555,137
Community and economic development	37,935
Total depreciation expense	<u>\$ 770,158</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E: CAPITAL ASSETS - CONTINUED

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Business-type activities				
(Sewer system)				
Capital assets being depreciated				
Sewer distribution system	\$ 3,884,451	\$ -	\$ -	\$ 3,884,451
Sewer tools and equipment	184,952	-	-	184,952
Subtotal	4,069,403	-0-	-0-	4,069,403
Less accumulated depreciation for:				
Sewer distribution system	(2,851,692)	(90,490)	-	(2,942,182)
Sewer tools and equipment	(82,763)	(7,748)	-	(90,511)
Subtotal	(2,934,455)	(98,238)	-0-	(3,032,693)
Capital assets being depreciated	<u>\$ 1,134,948</u>	<u>\$ (98,238)</u>	<u>\$ -0-</u>	<u>\$ 1,036,710</u>
Business-type activities				
(Water system)				
Capital assets being depreciated				
Water distribution system	\$ 2,241,088	\$ -	\$ -	\$ 2,241,088
Water tools and equipment	209,136	-	-	209,136
Subtotal	2,450,224	-0-	-0-	2,450,224
Less accumulated depreciation for:				
Water distribution system	(1,101,994)	(47,058)	-	(1,149,052)
Water tools and equipment	(90,867)	(8,063)	-	(98,930)
Subtotal	(1,192,861)	(55,121)	-0-	(1,247,982)
Capital assets being depreciated	<u>\$ 1,257,363</u>	<u>\$ (55,121)</u>	<u>\$ -0-</u>	<u>\$ 1,202,242</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, 2012

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2012.

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
2006 Capital Improvement Bonds	\$ 617,114	\$ -	\$ (30,040)	\$ 587,074	\$ 30,040
Compensated Absences	148,905	95,095	(93,449)	150,551	115,143
	766,019	95,095	(123,489)	737,625	145,183
Business-Type Activities					
2006 Capital Improvement Bonds	192,886	-	(9,960)	182,926	9,960
TOTAL PRIMARY GOVERNMENT	958,905	95,095	(133,449)	920,551	155,143
COMPONENT UNIT					
1999 Tax Increment Bonds	550,000	-	(55,000)	495,000	60,000
2003 Tax Increment Bonds	140,000	-	(70,000)	70,000	70,000
2007 Tax Increment Bonds	525,000	-	(15,000)	510,000	15,000
Brownfield Loan	195,909	-	(22,825)	173,084	23,292
TOTAL COMPONENT UNIT	1,410,909	-0-	(162,825)	1,248,084	168,292
TOTAL REPORTING ENTITY	\$ 2,369,814	\$ 95,095	\$(296,274)	\$ 2,168,635	\$ 323,435

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 \$61,374 through May 1, 2026, with interest ranging from 4.30 to 4.75 percent, payable semi-annually. These bonds are repaid partially by governmental activities and partially by business-type activities.

\$ 587,074

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 \$150,551 at June 30, 2012.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - BUSINESS-TYPE ACTIVITIES

Capital Improvement Bonds

\$247,755 Capital Improvement Bonds dated May 1, 2006, due in annual installments ranging from \$9,960 to \$17,430 through May 1, 2026, with interest ranging from 4.30 to 4.75 percent, payable semi-annually. These bonds are repaid partially by governmental activities and partially by business-type activities.

\$ 182,926

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 \$60,000 to \$85,000 through May 1, 2019, with interest ranging from 4.90 to 5.20 percent, payable semi-annually.

\$ 495,000

\$600,000 Tax Increment Finance Authority Bonds dated February 1, 2003, due in a final installment of \$70,000 on May 1, 2013, with interest of 4.10 percent.

70,000

\$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.

510,000

\$ 1,075,000

Brownfield Loan

\$300,000 Brownfield Loan dated March 10, 2005, due in annual installments ranging from \$23,282 to \$26,219 through March 18, 2019, with interest of 2.00 percent.

\$ 173,084

Primary Government - Government Activities

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2013	\$ 30,040	\$ 26,612
2014	33,795	25,320
2015	33,795	23,867
2016	33,795	22,346
2017	37,550	20,825
2018-2022	210,280	77,407
2023-2026	<u>207,819</u>	<u>24,257</u>
Total	<u>\$ 587,074</u>	<u>\$ 220,634</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government - Business-type Activities

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2013	\$ 9,960	\$ 8,823
2014	11,205	8,395
2015	11,205	7,913
2016	11,205	7,409
2017	12,450	6,905
2018-2022	69,720	25,665
2023-2026	57,181	8,043
Total	<u>\$ 182,926</u>	<u>\$ 73,153</u>

Component Unit

Year Ending June 30,	Tax Increment Bonds		Brownfield Loan	
	Principal	Interest	Principal	Interest
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	100,000	32,315	25,201	1,543
2018-2022	325,000	94,815	51,924	1,563
2023-2027	255,000	37,030	-	-
Total	<u>\$ 1,075,000</u>	<u>\$ 337,215</u>	<u>\$ 173,084</u>	<u>\$ 14,122</u>

NOTE G: RETIREMENT PLAN

Plan Description

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

Funding Policy

The obligation to contribute to and maintain the current system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution of 2 percent from City employees, except for the public safety division, which requires a contribution of 7 percent from employees.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE G: RETIREMENT PLAN - CONTINUED

Annual Pension Cost

For the year ended June 30, 2012, the City's annual pension cost of \$181,137 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, 2009, using the entry age normal cost method. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 13% per year depending on age, seniority and merit, and (d) assumption that benefits will increase 2.5 percent per year after retirement for certain benefit provisions along with other actuarial assumptions as detailed in the actuarial report. The unfunded actuarial liability is being amortized as a level percentage of payrolls on a closed basis. The remaining amortization period is thirty (30) years.

Three (3) Year Trend Information

	As of December 31,		
	2009	2010	2011
Actuarial value of assets	\$ 7,476,853	\$ 7,464,911	\$ 7,489,968
Actuarial accrued liability (AAL) (entry age)	8,826,445	8,981,040	9,311,277
Unfunded AAL	1,349,592	1,516,129	1,821,309
Funded ratio	84.7%	83.1%	80.4%
Covered payroll	\$ 1,466,933	\$ 1,510,929	\$ 1,469,924
UAAL as a percentage of covered payroll	92.0%	100.3%	123.9%

	Year Ended June 30,		
	2010	2011	2012
Annual pension cost	\$ 165,230	\$ 194,849	\$ 181,137
Percentage of APC contributed	100.0%	100.0%	100.0%
Net pension obligation	\$ -	\$ -	\$ -

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

NOTE H: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City provides certain retiree medical benefits as other post-employment benefits (OPEB) to all eligible employees upon retirement in accordance with labor agreements. The following are the Governmental Accounting Standards Board 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, 2012, 8 retirees were receiving benefits. Expenditures for postemployment benefits are recognized when claims are paid. During the year, expenditures of \$64,743 were recognized for post-employment benefits.

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Policy

The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). 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, 2012, 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	6,980
Adjustment to annual required contribution	<u>(5,904)</u>
Annual OPEB cost (expense)	149,562
Amounts contributed:	
Payments of current requirements (gross of employee reimbursement)	<u>64,743</u>
Increase in net OPEB obligation	84,819
OPEB obligation - Beginning of year	<u>99,713</u>
OPEB obligation - End of year	<u><u>\$ 184,532</u></u>

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

	Year Ended June 30,		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual OPEB cost	\$ 148,486	\$ 152,393	\$ 149,562
Percentage of annual OPEB cost contributed	25.9%	106.8%	43.3%
Net OPEB obligation	\$ 110,011	\$ 99,713	\$ 184,532

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	\$ 1,501,991
Ratio of UAAL to covered payroll	111.2%

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE H: 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 I: RISK MANAGEMENT

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

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE J: 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, 2012:

PRIMARY GOVERNMENT	
Other purposes	
Streets and highways	\$ 732,745
Economic development	128,405
City operations	<u>451,600</u>
	<u>\$ 1,312,750</u>

NOTE K: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In the financial statements, the governmental fund reports the following components of fund balance:

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

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

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

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

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

Fund Balance Classification Policies and Procedures

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

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

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

	General Fund	Major Street	Local Street	Income Tax	Nonmajor Governmental Funds	Total
Fund Balances						
Restricted						
Streets	\$ -	\$ 433,019	\$ 299,726	\$ -	\$ -	\$ 732,745
City operations	-	-	-	451,600	-	451,600
Economic development	-	-	-	-	128,405	128,405
Debt service	-	-	-	-	180	180
Committed						
Public safety	-	-	-	-	28,105	28,105
Assigned						
Subsequent year's expenditures	81,400	-	-	-	-	81,400
Unassigned	689,102	-	-	-	-	689,102
TOTAL FUND BALANCES	\$ 770,502	\$ 433,019	\$ 299,726	\$ 451,600	\$ 156,690	\$ 2,111,537

NOTE L: UPCOMING ACCOUNTING PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modified certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarified the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on their financial statements when adopted during the City's 2012-2013 fiscal year.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Taxes				
Operating	\$ 997,600	\$ 997,600	\$ 995,444	\$ (2,156)
Pension	70,000	70,000	70,361	361
Tax collection fees	22,000	22,000	22,850	850
Penalties and interest	7,000	7,000	6,828	(172)
Total taxes	1,096,600	1,096,600	1,095,483	(1,117)
Licenses and permits				
Trailer fees	1,200	1,200	1,234	34
Business licenses	2,500	2,500	6,469	3,969
Liquor licenses	5,000	5,000	5,344	344
Cable franchise fees	48,000	48,000	51,254	3,254
Total licenses and permits	56,700	56,700	64,301	7,601
Intergovernmental				
State grants				
Police training grants	2,500	2,500	2,461	(39)
Statutory sales tax	198,500	226,000	226,905	905
Constitutional sales tax	345,200	379,000	377,718	(1,282)
Total state grants	546,200	607,500	607,084	(416)
Federal grants	10,000	-	304	304
Total intergovernmental	556,200	607,500	607,388	(112)
Charges for services	10,000	10,000	14,301	4,301
Fines and forfeits	44,000	44,000	42,802	(1,198)
Interest and rents	56,600	31,600	38,856	7,256
Other				
Sale of city property	300	300	45	(255)
Farmers Market	5,000	10,000	11,549	1,549
Refunds and reimbursements	69,100	76,100	76,044	(56)
Other	48,000	60,000	75,608	15,608
Total other	122,400	146,400	163,246	16,846
TOTAL REVENUES	1,942,500	1,992,800	2,026,377	33,577

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
City Council	\$ 38,900	\$ 46,900	\$ 46,275	\$ 625
City Manager	41,800	43,800	42,652	1,148
Elections	8,700	8,700	5,628	3,072
Assessor	88,700	83,700	83,891	(191)
Attorney	7,000	3,000	874	2,126
Treasurer	65,100	81,100	75,480	5,620
Clerk	146,900	148,900	148,662	238
City hall and grounds	53,300	53,300	48,539	4,761
Farmers market	50,300	84,600	80,590	4,010
Cemetery	32,600	32,600	30,056	2,544
Total general government	533,300	586,600	562,647	23,953
Public safety	1,574,100	1,619,300	1,625,812	(6,512)
Public works				
Department of public works	34,500	21,500	32,394	(10,894)
Street lighting	111,000	95,000	108,805	(13,805)
Total public works	145,500	116,500	141,199	(24,699)
Recreation and cultural	50,000	74,000	72,995	1,005
Other				
Post-employment benefits	75,300	65,300	64,743	557
TOTAL EXPENDITURES	2,378,200	2,461,700	2,467,396	(5,696)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(435,700)	(468,900)	(441,019)	27,881
OTHER FINANCING SOURCES (USES)				
Transfers in	455,700	462,900	462,985	85
Transfers out	(20,000)	(33,500)	(33,500)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	435,700	429,400	429,485	85
NET CHANGE IN FUND BALANCE	-0-	(39,500)	(11,534)	27,966
Fund balance, beginning of year	782,036	782,036	782,036	-0-
Fund balance, end of year	\$ 782,036	\$ 742,536	\$ 770,502	\$ 27,966

City of Springfield

Major Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental	\$ 318,400	\$ 291,900	\$ 304,336	\$ 12,436
Charges for services	-	-	2,201	2,201
Interest	500	500	545	45
Other				
Special assessments	25,000	25,000	23,415	(1,585)
Other	-	-	1,588	1,588
TOTAL REVENUES	343,900	317,400	332,085	14,685
EXPENDITURES				
Current				
Public works	294,400	218,400	172,999	45,401
EXCESS OF REVENUES OVER EXPENDITURES	49,500	99,000	159,086	60,086
OTHER FINANCING SOURCES (USES)				
Transfer in	26,500	-	-	-0-
Transfer out	(134,200)	(134,200)	(134,130)	70
TOTAL OTHER FINANCING SOURCES (USES)	(107,700)	(134,200)	(134,130)	70
NET CHANGE IN FUND BALANCE	(58,200)	(35,200)	24,956	60,156
Fund balance, beginning of year	408,063	408,063	408,063	-0-
Fund balance, end of year	\$ 349,863	\$ 372,863	\$ 433,019	\$ 60,156

City of Springfield

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 108,000	\$ 108,000	\$ 113,397	\$ 5,397
Interest	500	500	442	(58)
Other				
Special assessments	17,000	17,000	16,340	(660)
Miscellaneous	-	-	8,634	8,634
TOTAL REVENUES	125,500	125,500	138,813	13,313
EXPENDITURES				
Current				
Public works	177,600	177,600	124,217	53,383
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(52,100)	(52,100)	14,596	66,696
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	125,000	125,000	-0-
Transfers out	(49,000)	(49,000)	(48,982)	18
TOTAL OTHER FINANCING SOURCES (USES)	76,000	76,000	76,018	18
NET CHANGE IN FUND BALANCE	23,900	23,900	90,614	66,714
Fund balance, beginning of year	209,112	209,112	209,112	-0-
Fund balance, end of year	\$ 233,012	\$ 233,012	\$ 299,726	\$ 66,714

City of Springfield

Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 688,500	\$ 688,500	\$ 733,085	\$ 44,585
Interest	9,000	9,000	5,141	(3,859)
Other	2,500	2,500	1,104	(1,396)
TOTAL REVENUES	700,000	700,000	739,330	39,330
EXPENDITURES				
Current				
General government	185,000	188,200	187,046	1,154
EXCESS OF REVENUES OVER EXPENDITURES	515,000	511,800	552,284	40,484
OTHER FINANCING USES				
Transfers out	(456,700)	(437,500)	(437,485)	15
NET CHANGE IN FUND BALANCE	58,300	74,300	114,799	40,469
Fund balance, beginning of year	336,801	336,801	336,801	-0-
Fund balance, end of year	\$ 395,101	\$ 411,101	\$ 451,600	\$ 40,469

City of Springfield

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2012

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, 2012, the City incurred expenditures in three (3) activities in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Assessor	\$ 83,700	\$ 83,891	\$ 191
Public works			
Department of public works	21,500	32,394	10,894
Street lighting	95,000	108,805	13,805

OTHER SUPPLEMENTARY INFORMATION

City of Springfield

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2012

	Special Revenue		Debt Service	Total
	Drug Law Enforcement Fund	Economic Development	Debt Redemption Fund	
ASSETS				
Cash and cash equivalents	\$ 27,605	\$ 129,837	\$ 180	\$ 157,622
Due from other governmental units	5,500	-	-	5,500
TOTAL ASSETS	\$ 33,105	\$ 129,837	\$ 180	\$ 163,122
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 1,432	\$ -	\$ 1,432
Due to other funds	5,000	-	-	5,000
TOTAL LIABILITIES	5,000	1,432	-0-	6,432
FUND BALANCES				
Restricted	-	128,405	180	128,585
Committed	28,105	-	-	28,105
TOTAL FUND BALANCES	28,105	128,405	180	156,690
TOTAL LIABILITES AND FUND BALANCES	\$ 33,105	\$ 129,837	\$ 180	\$ 163,122

City of Springfield

Nonmajor Governmental Funds

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

Year Ended June 30, 2012

	Special Revenue		Debt Service	Total
	Drug Law Enforcement Fund	Economic Development	Debt Redemption Fund	
REVENUES				
Licenses and permits	\$ 33,650	\$ -	\$ -	\$ 33,650
Fines and forfeits	17,845	-	-	17,845
Interest and rents	25	12,217	2	12,244
Other				
Special assessment	-	17,233	-	17,233
Other	1,643	6,210	-	7,853
TOTAL REVENUES	53,163	35,660	2	88,825
EXPENDITURES				
Current				
Public safety	12,420	-	-	12,420
Community and economic development	-	26,938	-	26,938
Debt service				
Principal	-	-	30,040	30,040
Interest and fiscal agent fees	-	-	28,072	28,072
Capital outlay	408	-	-	408
TOTAL EXPENDITURES	12,828	26,938	58,112	97,878
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	40,335	8,722	(58,110)	(9,053)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	58,112	58,112
Transfers out	(15,000)	(13,000)	-	(28,000)
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)	(13,000)	58,112	30,112
NET CHANGE IN FUND BALANCES	25,335	(4,278)	2	21,059
Fund balances, beginning of year	2,770	132,683	178	135,631
Fund balances, end of year	\$ 28,105	\$ 128,405	\$ 180	\$ 156,690

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2012

	<u>Refuse</u>	<u>Building Code Enforcement</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 28,126	\$ 33,686	\$ 61,812
Accounts receivable	<u>41,080</u>	<u>-</u>	<u>41,080</u>
 TOTAL ASSETS	 69,206	 33,686	 102,892
LIABILITIES			
Current liabilities			
Accounts payable	<u>14,467</u>	<u>8,179</u>	<u>22,646</u>
NET ASSETS			
Unrestricted	<u>\$ 54,739</u>	<u>\$ 25,507</u>	<u>\$ 80,246</u>

City of Springfield

Nonmajor Enterprise Funds

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

Year Ended June 30, 2012

	Refuse	Building Code Enforcement	Total
OPERATING REVENUES			
Charges for services	\$ 207,643	\$ -	\$ 207,643
Licenses and permits	-	32,993	32,993
Other	-	480	480
	<u>207,643</u>	<u>33,473</u>	<u>241,116</u>
TOTAL OPERATING REVENUES	207,643	33,473	241,116
OPERATING EXPENSES			
Operating expenses	<u>191,884</u>	<u>34,794</u>	<u>226,678</u>
OPERATING INCOME (LOSS)	15,759	(1,321)	14,438
NONOPERATING REVENUES			
Interest earned	<u>45</u>	<u>47</u>	<u>92</u>
INCOME (LOSS) BEFORE TRANSFERS	15,804	(1,274)	14,530
TRANSFERS			
Transfers out	<u>(7,500)</u>	<u>-</u>	<u>(7,500)</u>
CHANGE IN NET ASSETS	8,304	(1,274)	7,030
Net assets, beginning of year	<u>46,435</u>	<u>26,781</u>	<u>73,216</u>
Net assets, end of year	<u>\$ 54,739</u>	<u>\$ 25,507</u>	<u>\$ 80,246</u>

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

	Refuse	Building Code Enforcement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 204,011	\$ 33,473	\$ 237,484
Cash paid to vendors/employees	(191,427)	(27,039)	(218,466)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,584	6,434	19,018
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(7,500)	-	(7,500)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	45	47	92
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,129	6,481	11,610
Cash and cash equivalents, beginning of year	22,997	27,205	50,202
Cash and cash equivalents, end of year	<u>\$ 28,126</u>	<u>\$ 33,686</u>	<u>\$ 61,812</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 15,759	\$ (1,321)	\$ 14,438
Adjustments to reconcile operating income (loss) to net cash provided by operating activities (Increase) in:			
Accounts receivable	(3,632)	-	(3,632)
Increase in:			
Accounts payable	457	7,755	8,212
NET CASH PROVIDED BY BY OPERATING ACTIVITIES	<u>\$ 12,584</u>	<u>\$ 6,434</u>	<u>\$ 19,018</u>

City of Springfield

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

June 30, 2012

	<u>Trust and Agency</u>	<u>Current Tax Collection</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 14,535</u>	<u>\$ 1</u>	<u>\$ 14,536</u>
LIABILITIES			
Due to individuals and agencies	<u>\$ 14,535</u>	<u>\$ 1</u>	<u>\$ 14,536</u>

City of Springfield

Component Unit Funds

COMBINING BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION (EDC)

June 30, 2012

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 507	\$ 355,723	\$ 415,652	\$ 771,882
Special assessments receivable	-	17,424	5,296	22,720
Due from other governmental units	-	19,210	-	19,210
	<u>507</u>	<u>392,357</u>	<u>420,948</u>	<u>813,812</u>
TOTAL ASSETS	<u>\$ 507</u>	<u>\$ 392,357</u>	<u>\$ 420,948</u>	<u>\$ 813,812</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 1,152	\$ -	\$ 1,152
Deferred revenue	-	17,424	5,296	22,720
	<u>-0-</u>	<u>18,576</u>	<u>5,296</u>	<u>23,872</u>
TOTAL LIABILITIES	-0-	18,576	5,296	23,872
FUND BALANCES				
Restricted	<u>507</u>	<u>373,781</u>	<u>415,652</u>	<u>789,940</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 507</u>	<u>\$ 392,357</u>	<u>\$ 420,948</u>	<u>\$ 813,812</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, 2012

Total fund balances - governmental funds \$ 789,940

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. 22,720

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	\$ 1,248,084
Accrued interest payable	<u>9,479</u>

(1,257,563)

Net assets of governmental funds \$ (395,554)

City of Springfield

Component Unit Funds

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

Year Ended June 30, 2012

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
REVENUES				
Taxes	\$ 12,829	\$ 163,659	\$ 132,471	\$ 308,959
Intergovernmental	-	19,210	5,047	24,257
Interest	4	2,813	10,342	13,159
Other				
Special assessments	-	15,880	2,108	17,988
Miscellaneous	-	-	381	381
TOTAL REVENUES	12,833	201,562	150,349	364,744
EXPENDITURES				
Current				
Community and economic development	187	55,441	57,957	113,585
Debt service	12,244	97,660	114,960	224,864
TOTAL EXPENDITURES	12,431	153,101	172,917	338,449
NET CHANGE IN FUND BALANCES	402	48,461	(22,568)	26,295
Fund balance, beginning of year	105	325,320	438,220	763,645
Fund balance, end of year	<u>\$ 507</u>	<u>\$ 373,781</u>	<u>\$ 415,652</u>	<u>\$ 789,940</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, 2012

Net change in fund balances - total governmental funds \$ 26,295

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 (15,104)

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 162,825

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 1,153

Change in net assets of governmental funds \$ 175,169