

**City of Springfield  
Calhoun County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2009**

City of Springfield  
 TABLE OF CONTENTS  
 June 30, 2009

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-ix
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Funds	9-10
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	11-12
Statement of Cash Flows - Proprietary Funds	13-16
Statement of Fiduciary Net Assets	17
Statement of Changes in Fiduciary Net Assets	18
Notes to Financial Statements	19-36
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - General Fund	37-38
Budgetary Comparison Schedule - Major Streets Fund	39
Budgetary Comparison Schedule - Local Streets Fund	40
Budgetary Comparison Schedule - Income Tax Fund	41
Budgetary Comparison Schedule - Economic Development Fund	42
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	44
Combining Statement of Net Assets - Nonmajor Enterprise Funds	45
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Nonmajor Enterprise Funds	46
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	47
Combining Statement of Assets and Liabilities - Agency Funds	48
<b>COMPONENT UNIT FUNDS</b>	
<b>ECONOMIC DEVELOPMENT CORPORATION (EDC)</b>	
Combining Balance Sheet	49
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	51
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	52

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Springfield, 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, 2009, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, Michigan, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009, on our consideration of the City of Springfield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 10, 2009

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

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

**Using this Annual Report**

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

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

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

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

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2009:

**Property Taxes** are the General Fund's main source of revenue generated from real and personal property. For FY 2008-09, the City of Springfield boasted a taxable value equal to 91,667,644 for Ad Valorem, Industrial Facility properties, and enacted 425 agreements; an increase of 3.5% from FY 2007-08. After Tax Increment Finance Authority (TIFA) tax captures of \$185,622 were accounted for and exemptions made for existing Industrial Facilities Tax Abatements (IFT), the City's General Fund collected \$1,198,420 in tax revenues from 14.0 General Operating Mills, 1.0 Public Safety Retirement Mill and enacted Act 425 Agreements.

**State Shared Revenue** is the City's second largest revenue source. The amount received this year totaled \$745,676, a reduction of \$20,508 or 2.67% compared to prior year. This revenue line item has fallen from over \$1 million annually in 2001, to its current level (-26.6%), costing the City of Springfield over \$1.9 million in lost revenue since 2001. Act 51 Revenue Sharing, which funds the Major and Local Street Funds, equaled \$385,185 in FY 2008-09. The City continues with a conservative and diligent spending objective to preserve a healthy financial position in spite of state revenue sharing cuts.

**Income Taxes** are the City's third largest revenue source equaling \$707,378 in FY 2008-09. Income Tax provided \$485,400 in funding for seven full-time positions, four public safety officers plus three public works employees. The Income Tax will only fund four full-time positions in FY 2009-10.

**Investments** fared adequately this year considering the uncertain market. Income from dividends and capital gains averaged 4.2%, while a decline in market value of invested funds was experienced in the 1<sup>st</sup> & 2<sup>nd</sup> quarters of FY 2008-09. Overall, invested funds yielded over \$22,000 in interest, dividends and capital gains net of value appreciation. Pooled money market and mutual funds had an average yield ranging from 1.2% to 2.4%. However, the Retiree Health Care Fund yielded an overall investment return of -14.5%.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

**Bond Rating Upgrade** In July 2009, despite the overall economic climate encompassing much of Michigan and the nation, the City of Springfield realized an upgrade in its bond rating. According to Standard and Poor's Rating Digest, Springfield's bond rating was raised to an A+ after many years of consistently being graded at an A-. According to their report, which was formally published August 7, 2009, Springfield's thorough financial management policies contributed to the upgrade:

*The city, with an estimated population of 5,154, is in south-central Michigan in Calhoun County about two miles west of downtown Battle Creek. In our view, income levels are low, with median household and per capita effective buying income at 66% and 62% of the national averages respectively. Market value has grown modestly in the past few years, reaching \$199 million in 2009, or what we consider an adequate \$38,574 per capita. The city's finances are what we consider good and are supported by thorough management policies. For the fiscal year ended June 30, 2008, the city's general fund balance (almost all unreserved) was \$667,000 or, in our opinion, a very strong 24.8% of expenditures. Management anticipates a slight deficit in fiscal 2009, but the 2010 budget is balanced following several structural adjustments to expenditures. We view overall debt as low at \$1,485 per capita but moderate at 3.8% of market value. The city's Financial Management Assessment is "good". -Standard and Poor's*

**The City as a Whole**

The following table shows, in a condensed format, the net assets as of June 30, 2009 and compared to the prior year:

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current assets	\$ 2,320,046	\$ 2,549,586	\$ 1,109,971	\$ 1,046,763	\$ 3,430,017	\$ 3,596,349
Capital assets	<u>9,609,265</u>	<u>9,989,444</u>	<u>2,649,370</u>	<u>2,802,479</u>	<u>12,258,635</u>	<u>12,791,923</u>
Total assets	11,929,311	12,539,030	3,759,341	3,849,242	15,688,652	16,388,272
<b>Liabilities</b>						
Current liabilities	366,694	439,309	131,917	131,162	498,611	570,471
Long-term liabilities	<u>823,617</u>	<u>967,349</u>	<u>207,248</u>	<u>217,358</u>	<u>1,030,865</u>	<u>1,184,707</u>
Total liabilities	1,190,311	1,406,658	339,165	348,520	1,529,476	1,755,178
<b>Net Assets</b>						
Invested in capital assets net of related debt	8,664,867	8,885,733	2,432,162	2,576,556	11,097,029	11,462,289
Restricted	725,033	1,148,348	-	-	725,033	1,148,348
Unrestricted	<u>1,349,100</u>	<u>1,098,291</u>	<u>988,014</u>	<u>924,166</u>	<u>2,337,114</u>	<u>2,022,457</u>
	<u>\$ 10,739,000</u>	<u>\$ 11,132,372</u>	<u>\$ 3,420,176</u>	<u>\$ 3,500,722</u>	<u>\$ 14,159,176</u>	<u>\$ 14,633,094</u>

**Net Assets** of the City's Governmental and Business-type activities total over \$14.2 million. This includes cash, investments, receivables, and capital assets versus short-term and long-term liabilities. Overall, the City realized a decrease in cash, investments, receivables and capital assets of \$699,620. Total liabilities decreased \$225,702, primarily due to debt retirement. Gross assets of \$15.7 million are rich in comparison to liabilities of \$1.5 million.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

**Changes in Net Assets for the Fiscal Year Ending June 30, 2009 and 2008**

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 231,046	\$ 195,424	\$ 1,256,884	\$ 1,227,833	\$ 1,487,930	\$ 1,423,257
Grants and Contributions	1,354,456	2,121,227	-	-	1,354,456	2,121,227
General Revenues						
Property Taxes	1,173,666	1,180,730	-	-	1,173,666	1,180,730
State Shared Revenue	746,676	783,739	-	-	746,676	783,739
City Income Taxes	707,378	793,888	-	-	707,378	793,888
Investment Earnings	26,148	80,701	11,270	29,976	37,418	110,677
Miscellaneous	201,347	280,271	52,520	35,238	253,867	315,509
Transfers	-	11,000	-	( 11,000 )	-0-	-0-
<b>Total Revenues</b>	<b>4,440,717</b>	<b>5,446,980</b>	<b>1,320,674</b>	<b>1,282,047</b>	<b>5,761,391</b>	<b>6,729,027</b>
<b>Expenses</b>						
General Government	893,084	985,271	-	-	893,084	985,271
Public Safety	1,896,655	1,872,718	-	-	1,896,655	1,872,718
Public Works	1,244,099	876,149	-	-	1,244,099	876,149
Community and Economic Develop.	819,188	22,561	-	-	819,188	22,561
Recreation and Cultural	1,430	-	-	-	1,430	-0-
Other	49,072	174,873	1,408,594	1,313,694	1,457,666	1,488,567
<b>Total Expenses</b>	<b>4,903,528</b>	<b>3,931,572</b>	<b>1,408,594</b>	<b>1,313,694</b>	<b>6,312,122</b>	<b>5,245,266</b>
<b>Change in Net Assets</b>	<b>( 462,811 )</b>	<b>1,515,408</b>	<b>( 87,920 )</b>	<b>( 31,647 )</b>	<b>( 550,731 )</b>	<b>1,483,761</b>
Restated Net Assets - Beginning	11,201,811	9,616,964	3,508,096	3,532,369	14,709,907	13,149,333
<b>Net Assets - Ending</b>	<b>\$ 10,739,000</b>	<b>\$ 11,132,372</b>	<b>\$ 3,420,176</b>	<b>\$ 3,500,722</b>	<b>\$ 14,159,176</b>	<b>\$ 14,633,094</b>

**Governmental Activities**

**Orchard Hills Project** – The City originally partnered with Century 21 Realty and New Frontier Homes to begin developing a new 41-unit single family home subdivision off Betterly Road (between 20<sup>th</sup> Street and Carl Avenue). The *Orchard Hills Subdivision* was initiated by the City of Springfield as we constructed streets, curbs, storm sewers, water lines, and sanitary sewers in 2006. Beginning in April 2009, the City selected a new partner for the project: Kalamazoo-based Allen Edwin Homes. Between April 1, 2009 and June 30 2009, four homes were completed and occupied. Since July 1, 2009, two additional homes are under construction. In total, during calendar year 2009, the City is expected to realize nine new single family homes.

**Street Projects** – The City completed a street reconstruction project that comprised Harmony Lane, Starlight Street, and Sundown Street at a cost of approximately \$221,000; the project also included the installation of curb and gutter. In FY 2009-10, the City will mill and overlay the entire Heights Neighborhood at a cost of approximately \$468,000. The project will be funded at 80% by the Michigan Economic Development Corporation's Infrastructure Capacity Enhancement Grant Program; the City's total contribution in FY 2009-10 will be approximately \$94,000. Additionally in 2009-10, via the Federal American Reinvestment and Recovery Act, the City received funding to reconstruct Harmonia Road and the entire portion of Jackson Ave that is located within the city limits.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

**Recreation Projects** – No major recreation projects were undertaken in FY 2008-09. Beginning in FY 2009-10, the Linear Park Path is being extended from the intersection of Dickman Road and Helmer Road south to the city limits, and into Battle Creek. The new construction will connect our path to the existing portion of the Linear Park at the intersection of Columbia Road and Helmer Road.

**Economic Development** – During FY 2008-09, the City received development commitments by Kalsee Credit Union and Battle Creek Honda. Kalsee Credit Union will relocate to a newly-constructed branch on the Magnificent Motor line in 2010, and Battle Creek Honda has begun construction on an expansion and renovation project at its current Dickman Road location. The property at 2000 West Dickman Road was also reconstructed during the fiscal year. Projects planned for FY 2009-10 include redevelopment of the vacant 84 Lumber site on Dickman Road.

In FY 2008-09, the City received \$750,000 in Federal Community Development Block Grant (CDBG) funding to blanket the City with wireless internet capabilities. At least 51% of the beneficiaries of the project are considered low to moderate income. This Wi-Fi Project enables City residents Internet access at a cost of only \$10 per month.

**General Fund Budgetary Highlights**

The General Fund primarily pays for city administration, services provided by Public Safety and the Public Works Department, and the maintenance of cemeteries and parks. The City originally budgeted expenditures at \$2,868,400 projecting little or no transfer to fund balance at year end. However, the City ended the year favorably, with actual revenues and other financing sources of \$2,805,469 and expenditures and other financing uses of \$2,743,702, resulting in an increase to fund balance totaling \$61,767.

The City's management concentrated on cost reductions throughout FY 2008-09. In previous years, the City cut more than \$200,000 in administrative and labor-related expenses by implementing policy changes that affect new hires, health insurance, overtime, assessing, and the overall size of the City's workforce. In 2008-09, the City entered into an agreement with its Public Safety Bargaining Units to reduce the number of public safety officers required to comprise a fully-staffed shift. This agreement led to the temporary elimination of three vacant positions via a hiring freeze and one occupied position via early retirement incentives. The net result of this change was a reduction in personnel related costs (salaries, overtime, taxes, benefits, etc.) that is expected to equal more than \$400,000 in annual savings and approximately \$2.3 Million in savings over the next five years.

**Capital Asset and Debt Administration**

The City's long-term debt consists of bonding for street projects and utility infrastructure, a Brownfield loan, and the installment purchase of one fire truck and Public Safety in-car computers. This year, general government and the utility funds retired \$120,000 in bonded debt, plus \$48,000 in principal owed on the fire trucks and in-car computers. The component unit tax increment debt consists of bonding for capital projects including the Helmer Farms Industrial Park, East Airport Project, Farmers Market/Begg Park Project and the Public Safety Building Expansion/Renovation. The component unit retired \$110,000 in bonded debt during FY 2008-09.

At the end of the fiscal year, the City had approximately \$12,258,635 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, land, equipment, water and sewer systems, and infrastructure.

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

**Economic Factors and Next Year's Budget**

Over the past 10 years, the General Fund has steadily become more reliant on transfers from other funds. However, beginning in FY 2008-09, the City made significant changes to reduce the General Fund's reliance on those funds and allow the General Fund to operate in a more self-sustaining manner. This required alterations to spending practices to account for the reduced transfers. Since FY 2007-08, the City has reduced transfers from the Income Tax Fund by 126,000 (23%).



City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

The General Fund's main source of revenue is generated through property taxes on real and personal property. For FY 2009-10, the City of Springfield anticipates an increase in taxable value equal to 1.3% or \$15,500 in property tax revenue. Prior year IFT's were revoked due to the sale property both real & personal property. The real property taxable value returned to the Ad Valorem Roll, no longer taxed at the 50% rate.

State of Michigan Revenue Sharing has been Springfield's second-largest General Fund Revenue source in prior years. However, in FY 2009-10, SSR is expected to fall below the City's annual Income Tax collections. The State has projected distributions of only \$664,094 in FY 2009-10, a decrease of over 11% from FY 2008-09, and more than 13% from the FY 2007-08 level. This revenue line item continues to fall from more than \$1 Million annually in 2001, an overall decrease of -34.7% over the past 9 years. This decline has cost the City of Springfield nearly \$2 Million in lost revenue since 2001. In coming budget years, the City may be required to rely even less on this revenue source to fund general operating activities.

Cash transfers from the Income Tax Fund will finance four Public Safety Officers. The \$415,600, that is anticipated to be transferred to the General Fund for these purposes in FY 2009-10 reflects a reduction of nearly \$70,000 from FY 2008-09, when four Public Safety Officers and three Public Works Laborers were financed in this manner at a total value of \$485,400. More than \$540,000 was transferred from the Income Tax Fund to fund eight public safety and public works employees in FY 2007-08.

Other noteworthy revenue sources anticipated in the City's General Fund for FY 2009-10 include cable television franchise fees (\$37,000), three public safety grants (\$25,600), court fines (\$50,000), investment income (\$7,000), employee/retiree medical insurance reimbursements (\$80,000), and leases (\$9,600). Total General Fund Revenue is estimated to be \$2,687,700. This reflects a decrease of approximately \$82,100 or (-3%) from the previous fiscal year's amended budget.

The General Fund's main expenditures are broken into three broad categories: Public Safety, Community Maintenance, and General Government. Total General Fund Expenditures for FY 2009-10 are anticipated to equal \$2,684,700. Public Safety accounts for more than \$1.7 Million (63%) of this, while Community Maintenance (22%) and General Government (15%) account for the remainder. It has been especially difficult to keep expenditures in line with revenues over the past ten years, and the outlook for the next five years indicates that the trend will continue.

Because of the overall depressed economic conditions in much of Michigan, expenditures are generally increasing at a greater rate than revenues across the State. If left unchecked, expenditures have the possibility of growing at more than double the rate of inflation. Beginning in the middle of FY 07-08, the City of Springfield began making administrative changes to help control rising expenses. Recent changes include the elimination (through attrition) of two department head positions, the creation of a financial incentive program for eligible employees to defer participation in the City's health insurance program, a retiree health insurance buyout program, substantial decreases in approved public safety overtime and holiday pay, and the elimination (through attrition) of four Public Safety Officer positions; these changes are expected to save the City of Springfield more than \$3,000,000 over a five year period.

The Major Street Fund is expected to receive \$323,000 in FY 2009-10; an 8.53% decrease from FY 2008-09. The reduction is mostly related to a decrease special assessment revenue and state reimbursement for trunkline maintenance. \$100,000 in construction projects are anticipated, \$63,000 in debt payments will be made, and \$125,000 will be transferred to the Local Street Fund. Overall, the \$471,000 in planned expenses will lower the Fund's cash balance by \$148,000. FY 2009-10 marks the final installment of more than \$53,000 in annual bonded debt payments for 1995 road improvements; with no new bonded debt planned in the near future, the reduced expenses will help the Major Street Fund produce a balanced budget in subsequent years.

The Local Street Fund is expected to receive \$316,000 in revenues (including the \$125,000 transfer from the Major Street Fund and a \$50,000 transfer from the Income Tax Fund). \$73,000 in construction is planned. Approximately \$94,400 in debt payments will also be made in FY 2009-10. Overall, the net appropriation will result in addition of \$7,500 in the Fund's cash balance. FY 2009-10 marks the final installment of more than \$43,000 in annual bonded debt payments for 1995 road improvements; with no new bonded debt planned in the near future, the reduced expenses will allow the Local Street Fund to produce a balanced budget in subsequent years without large cash transfers from the Major Street Fund.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

The Income Tax Fund will realize an increase in revenue equal to .05%, bringing the total revenue for FY 2009-10 to \$715,000. While operating expenses will decrease by 3.88% to \$212,200, appropriations to other funds were decreased by more than 4.08% to \$465,000. Overall, the net appropriation will result in addition of \$37,200 in the Fund's cash balance; this represents the third increase in the Income Tax Fund's cash balance since FY 2001-02.

The TIFA B Fund will realize \$189,000 in revenue; \$169,000 of this is captured tax dollars from the City of Springfield and the other area taxing units. The Fund will expend \$77,700 in debt retirement during FY 2009-10. Overall, the net appropriation will result in an addition of \$61,700 in the Fund's cash balance. Major improvements in TIFA B, like the Motorzone Suzuki Project, Henkel Chrysler-Jeep's renovation and expansion, and the planned expansions of Sunshine Toyota and Battle Creek Honda have greatly impacted the Fund's ability to capture tax revenue for the next 30+ years.

The TIFA D Fund will realize \$160,000 in revenue; \$153,000 of this is captured tax dollars from the City of Springfield and the other area taxing units. The Fund will expend more than \$100,000 in debt retirement during FY 2009-10. Overall, the net appropriation will result in a decrease of \$3,300 in the Fund's cash balance.

The Economic Development Fund underwent a major change in FY 2009-10. Until this year, the Fund completely supported the Springfield Farmers' Market's operational expenses, but beginning FY 2009-10, all Farmers' Market's operational expenses have been moved to the General Fund. This was done to stabilize the Economic Development Fund, and allow for more economic development-related expenditures. The Fund will collect \$18,700 in revenue, and is anticipated to expend \$13,800. Not accounted for in the Fund's revenue projections are more than \$9,000 in debt payments being made to the City by a local business; only the loan interest is accounted as "revenue," while the principle also is added to the Fund's cash balance. Overall, the net appropriation will raise the Fund's cash balance by \$4,900, and the loan repayment will add an additional \$9,000 (the net increase to the cash balance is approximately \$14,000).

The Brownfield Fund will begin making loan payments to the State of Michigan DEQ for the remediation of contamination at the former Baker Oil site. The site was redeveloped to house the Springfield Do It Center, and has space for one additional development. The taxes generated by the new developments are expected to produce enough revenue to repay the borrowed dollars to the State of Michigan. The project is currently producing approximately \$13,100 in revenue to pay the annual \$26,800 loan payment; the City's TIFA B Fund will subsidize the unfunded portion of the loan payment until the Brownfield Fund is able to fully support the expense.

The Drug Law Enforcement Fund will collect \$19,500 in revenue; expending approximately \$19,500. The net appropriation will result in an addition of \$0 to the Fund's cash balance.

The Building Code Enforcement Fund will collect \$34,400 in revenue; expending \$33,700. The net appropriation will result in an addition of \$700 to the Fund's cash balance. In FY 2008-09, the Building Code Enforcement Fund generated approximately \$57,000 in revenues and \$50,000 expenditures; FY 2009-10 represents a revenue decrease of 40% in this fund as a result of reduced permit activity and the shift of a number of revenues and expenses to the General Fund.

The Sewer Fund will collect \$701,500 in revenue during FY 2009-10. Operating expenses will reach \$700,100, and bond payments will equal \$5,300. After adjusting for \$98,900 in non-cash depreciation, the Fund will utilize \$3,900 in cash reserves. Most of the changes in the Sewer Fund from the previous fiscal year are related to contractual rate increases enacted by the City of Battle Creek and passed through to Springfield's utility accounts.

The Water Fund will collect \$471,000 in revenue during FY 2009-10. Operating expenses will reach \$538,300, and bond payments will equal \$4,900. After adjusting for \$54,600 in non-cash depreciation, the Fund will reduce its cash balance by \$72,200 by the end of the fiscal year. Most of the changes in the Water Fund from the previous fiscal year are related to contractual rate increases enacted by the City of Battle Creek.

The Refuse Fund is a pass-through fund. It will collect and expend \$170,500 during FY 2009-10. This is up .48% from FY 2008-09 due to a contractual increase enacted by Waste Management. In addition to the \$170,500 in operating expenses, the Fund will transfer \$5,000 to the General Fund to finance a part-time blight enforcement position.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

The City's Vehicle Fund owns all City vehicles and related equipment. The Fund charges "rental" rates to the other City Funds for the ability to utilize its vehicles. This year, the Vehicle Fund will receive \$231,600 in revenue; expenses will equal \$269,800. After being adjusted for non-cash depreciation, the fund will realize an increase in its cash balance of \$17,900 at the end of FY 2009-10.

**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, 2009

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,612,122	\$ 900,913	\$ 2,513,035	\$ 763,162
Receivables	492,187	188,420	680,607	70,798
Due from other governmental units	205,885	20,638	226,523	-
Prepays	9,852	-	9,852	-
Total current assets	2,320,046	1,109,971	3,430,017	833,960
Noncurrent assets				
Capital assets not being depreciated	718,737	-	718,737	49,349
Capital assets being depreciated, net	8,890,528	2,649,370	11,539,898	-
Total noncurrent assets	9,609,265	2,649,370	12,258,635	49,349
TOTAL ASSETS	11,929,311	3,759,341	15,688,652	883,309
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	85,276	98,960	184,236	4,618
Accrued liabilities	24,494	801	25,295	-
Accrued interest payable	7,946	1,683	9,629	11,143
Due to other governmental units	-	13,078	13,078	-
Unearned revenue	-	7,435	7,435	-
Current portion of compensated absences	101,610	-	101,610	-
Current portion of long-term debt	147,368	9,960	157,328	136,744
Total current liabilities	366,694	131,917	498,611	152,505
Noncurrent liabilities				
Noncurrent portion of compensated absences	26,587	-	26,587	-
Noncurrent portion of long-term debt	797,030	207,248	1,004,278	1,558,287
Total noncurrent liabilities	823,617	207,248	1,030,865	1,558,287
TOTAL LIABILITIES	1,190,311	339,165	1,529,476	1,710,792
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	8,664,867	2,432,162	11,097,029	49,349
Restricted for				
Other purposes	725,033	-	725,033	-
Unrestricted	1,349,100	988,014	2,337,114	(876,832)
TOTAL NET ASSETS (DEFICIT)	\$ 10,739,000	\$ 3,420,176	\$ 14,159,176	\$ (827,483)

See accompanying notes to financial statements.

City of Springfield

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit (EDC)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 893,084	\$ 119,662	\$ 3,193	\$ -	\$ (770,229)	\$ -	\$ (770,229)	\$ -
Public safety	1,896,655	72,768	18,860	39,425	(1,765,602)	-	(1,765,602)	-
Public works	1,244,099	-	417,077	123,901	(703,121)	-	(703,121)	-
Community and economic development	819,188	38,616	752,000	-	(28,572)	-	(28,572)	-
Recreation and cultural	1,430	-	-	-	(1,430)	-	(1,430)	-
Interest and fees on long-term debt	49,072	-	-	-	(49,072)	-	(49,072)	-
Total governmental activities	4,903,528	231,046	1,191,130	163,326	(3,318,026)	-0-	(3,318,026)	-0-
Business-type activities								
Sewer system	710,335	664,136	-	-	-	(46,199)	(46,199)	-
Water system	476,526	376,947	-	-	-	(99,579)	(99,579)	-
Refuse	172,136	169,283	-	-	-	(2,853)	(2,853)	-
Building code enforcement	49,597	46,518	-	-	-	(3,079)	(3,079)	-
Total business-type activities	1,408,594	1,256,884	-0-	-0-	-0-	(151,710)	(151,710)	-0-
Total primary government	\$ 6,312,122	\$ 1,487,930	\$ 1,191,130	\$ 163,326	(3,318,026)	(151,710)	(3,469,736)	-0-
Component unit								
Economic Development Corporation	\$ 281,843	\$ -	\$ 5,375	\$ -	-	-	-0-	(276,468)
General revenues								
Property taxes					1,173,666	-	1,173,666	316,607
Income taxes					707,378	-	707,378	-
State shared revenue					746,676	-	746,676	-
Investment earnings					26,148	11,270	37,418	15,496
Miscellaneous					201,347	52,520	253,867	12,059
Total general revenues					2,855,215	63,790	2,919,005	344,162
Change in net assets					(462,811)	(87,920)	(550,731)	67,694
Restated net assets (deficit), beginning of the year					11,201,811	3,508,096	14,709,907	(895,177)
Net assets (deficit), end of the year					\$ 10,739,000	\$ 3,420,176	\$ 14,159,176	\$ (827,483)

See accompanying notes to financial statements.

City of Springfield

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2009

	General	Major Streets	Local Streets
<b>ASSETS</b>			
Cash and cash equivalents	\$ 632,056	\$ 424,663	\$ 153,365
Receivables			
Accounts	60,874	1,673	-
Taxes	20,465	-	-
Special assessment	-	115,524	118,480
Loans	-	-	-
Due from other governmental units	144,072	46,067	15,746
Prepays	9,852	-	-
	<u>9,852</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 867,319</u>	<u>\$ 587,927</u>	<u>\$ 287,591</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 44,342	\$ 15,795	\$ 48
Accrued liabilities	24,018	-	-
Deferred revenue	69,444	115,524	118,480
	<u>69,444</u>	<u>115,524</u>	<u>118,480</u>
TOTAL LIABILITIES	137,804	131,319	118,528
<b>FUND BALANCES</b>			
Reserved for:			
Prepays	9,852	-	-
Perpetual care	2,806	-	-
Cemetery expansion	14,030	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
General fund	702,827	-	-
Special revenue funds	-	456,608	169,063
	<u>702,827</u>	<u>456,608</u>	<u>169,063</u>
TOTAL FUND BALANCES	<u>729,515</u>	<u>456,608</u>	<u>169,063</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 867,319</u>	<u>\$ 587,927</u>	<u>\$ 287,591</u>

See accompanying notes to financial statements.

<u>Income Tax</u>	<u>Economic Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 214,538	\$ 75,520	\$ 6,715	\$ 1,506,857
-	10,000	-	72,547
155,640	-	-	176,105
-	-	-	234,004
-	9,531	-	9,531
-	-	-	205,885
-	-	-	9,852
<u>\$ 370,178</u>	<u>\$ 95,051</u>	<u>\$ 6,715</u>	<u>\$ 2,214,781</u>
\$ 5,698	\$ 1,976	\$ 251	\$ 68,110
476	-	-	24,494
74,134	-	-	377,582
80,308	1,976	251	470,186
-	-	-	9,852
-	-	-	2,806
-	-	-	14,030
-	-	177	177
-	-	-	702,827
289,870	93,075	6,287	1,014,903
289,870	93,075	6,464	1,744,595
<u>\$ 370,178</u>	<u>\$ 95,051</u>	<u>\$ 6,715</u>	<u>\$ 2,214,781</u>



City of Springfield

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

June 30, 2009

**Total fund balances - governmental funds** \$ 1,744,595

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	\$ 27,552,350	
Accumulated depreciation is	<u>(17,943,085)</u>	
Capital assets, net		9,609,265

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 is included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities		
accounted for in the Internal Service Fund	168,153	
Net capital assets of the Internal Service Fund		
included in total capital assets above	(263,645)	
Long-term debt included in the Internal Service Fund	<u>181,606</u>	
		86,114

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

Deferred revenue		377,582
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds and loans payable	944,398	
Accrued interest payable	5,961	
Compensated absences	<u>128,197</u>	
		<u>(1,078,556)</u>

**Net assets of governmental activities** \$ 10,739,000

See accompanying notes to financial statements.

City of Springfield

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2009

	General	Major Streets	Local Streets
<b>REVENUES</b>			
Taxes	\$ 1,198,420	\$ -	\$ -
Licenses and permits	48,908	-	-
Intergovernmental	789,294	308,332	108,745
Charges for services	10,018	-	-
Fines and forfeits	58,668	-	-
Interest and rents	10,394	5,154	3,768
Other	199,367	39,619	55,812
<b>TOTAL REVENUES</b>	<b>2,315,069</b>	<b>353,105</b>	<b>168,325</b>
<b>EXPENDITURES</b>			
Current			
General government	676,379	-	-
Public safety	1,840,749	-	-
Public works	167,122	259,730	401,292
Community and economic development	-	-	-
Recreation and cultural	1,430	-	-
Debt service	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>2,685,680</b>	<b>259,730</b>	<b>401,292</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(370,611)</b>	<b>93,375</b>	<b>(232,967)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	490,400	-	125,000
Transfers out	(58,022)	(190,402)	(88,994)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>432,378</b>	<b>(190,402)</b>	<b>36,006</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>61,767</b>	<b>(97,027)</b>	<b>(196,961)</b>
Fund balances, beginning of year	667,748	553,635	366,024
Fund balances, end of year	<u>\$ 729,515</u>	<u>\$ 456,608</u>	<u>\$ 169,063</u>

See accompanying notes to financial statements.

<u>Income Tax</u>	<u>Economic Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 707,378	\$ -	\$ -	\$ 1,905,798
-	-	-	48,908
-	752,000	-	1,958,371
-	16,986	-	27,004
-	-	18,860	77,528
3,876	2,533	50	25,775
3,421	50,108	-	348,327
<u>714,675</u>	<u>821,627</u>	<u>18,910</u>	<u>4,391,711</u>
220,762	-	-	897,141
-	-	9,530	1,850,279
-	-	-	828,144
-	822,605	-	822,605
-	-	-	1,430
-	-	154,396	154,396
-	-	924	924
<u>220,762</u>	<u>822,605</u>	<u>164,850</u>	<u>4,554,919</u>
493,913	(978)	(145,940)	(163,208)
-	-	154,396	769,796
(485,400)	-	(5,000)	(827,818)
<u>(485,400)</u>	<u>-0-</u>	<u>149,396</u>	<u>(58,022)</u>
8,513	(978)	3,456	(221,230)
<u>281,357</u>	<u>94,053</u>	<u>3,008</u>	<u>1,965,825</u>
<u>\$ 289,870</u>	<u>\$ 93,075</u>	<u>\$ 6,464</u>	<u>\$ 1,744,595</u>

City of Springfield

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

Year Ended June 30, 2009

**Net change in fund balances - total governmental funds** \$ (221,230)

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	\$ 238,998	
Depreciation expense	<u>(706,319)</u>	
Excess of depreciation expense over capital outlay		(467,321)

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

Increase in Net Assets of Internal Service Funds	47,989	
Capital outlay of Internal Service Funds included in the total above	(30,000)	
Depreciation expense of Internal Service Funds included in the total above	<u>62,615</u>	
		80,604

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

Increase in deferred revenue		48,633
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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		111,285
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Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

(Increase) in accrued interest payable	(5,961)	
(Increase) in accrued compensated absences	<u>(8,821)</u>	
		<u>(14,782)</u>

**Change in net assets of governmental activities** \$ (462,811)

See accompanying notes to financial statements.

City of Springfield

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2009

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 480,151	\$ 370,595	\$ 50,167
Receivables			
Accounts	96,237	51,778	35,263
Special assessment	5,142	-	-
Due from other governmental units	-	20,638	-
Total current assets	581,530	443,011	85,430
Noncurrent assets			
Capital assets being depreciated, net	1,328,480	1,320,890	-
<b>TOTAL ASSETS</b>	<b>1,910,010</b>	<b>1,763,901</b>	<b>85,430</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	51,015	33,427	14,518
Accrued liabilities	-	801	-
Accrued interest payable	875	808	-
Due to other governmental units	13,078	-	-
Unearned revenue	7,435	-	-
Current portion of long-term debt	5,180	4,780	-
Total current liabilities	77,583	39,816	14,518
Noncurrent liabilities			
Noncurrent portion of long-term debt	107,692	99,556	-
<b>TOTAL LIABILITIES</b>	<b>185,275</b>	<b>139,372</b>	<b>14,518</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,215,608	1,216,554	-
Unrestricted	509,127	407,975	70,912
<b>TOTAL NET ASSETS</b>	<b>\$ 1,724,735</b>	<b>\$ 1,624,529</b>	<b>\$ 70,912</b>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 900,913	\$ 105,265
183,278	-
5,142	-
<u>20,638</u>	<u>-</u>
1,109,971	105,265
<u>2,649,370</u>	<u>263,645</u>
3,759,341	368,910
98,960	17,166
801	-
1,683	1,985
13,078	-
7,435	-
<u>9,960</u>	<u>27,328</u>
131,917	46,479
<u>207,248</u>	<u>154,278</u>
<u>339,165</u>	<u>200,757</u>
2,432,162	82,039
<u>988,014</u>	<u>86,114</u>
<u>\$ 3,420,176</u>	<u>\$ 168,153</u>

City of Springfield

Proprietary Funds

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

Year Ended June 30, 2009

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 664,136	\$ 376,947	\$ 169,283
Licenses and permits	-	-	31,085
Fines and forfeitures	-	-	15,433
Other	24,774	16,909	10,837
TOTAL OPERATING REVENUES	688,910	393,856	226,638
OPERATING EXPENSES			
Operating expenses	600,624	412,132	221,733
Depreciation	98,831	54,279	-
TOTAL OPERATING EXPENSES	699,455	466,411	221,733
OPERATING INCOME (LOSS)	(10,545)	(72,555)	4,905
NONOPERATING REVENUES (EXPENSES)			
Interest expenses and fees	(10,880)	(10,115)	-
Interest earned	4,814	5,939	517
TOTAL NONOPERATING REVENUES (EXPENSES)	(6,066)	(4,176)	517
INCOME (LOSS) BEFORE TRANSFERS	(16,611)	(76,731)	5,422
TRANSFERS			
Transfers in	-	-	-
CHANGE IN NET ASSETS	(16,611)	(76,731)	5,422
Restated net assets, beginning of year	1,741,346	1,701,260	65,490
Net assets, end of year	\$ 1,724,735	\$ 1,624,529	\$ 70,912

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,210,366	\$ 236,902
31,085	-
15,433	-
<u>52,520</u>	<u>11,323</u>
1,309,404	248,225
1,234,489	184,046
<u>153,110</u>	<u>62,615</u>
<u>1,387,599</u>	<u>246,661</u>
(78,195)	1,564
(20,995)	(11,970)
<u>11,270</u>	<u>373</u>
<u>(9,725)</u>	<u>(11,597)</u>
(87,920)	(10,033)
<u>-0-</u>	<u>58,022</u>
(87,920)	47,989
<u>3,508,096</u>	<u>120,164</u>
<u>\$ 3,420,176</u>	<u>\$ 168,153</u>



City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 696,452	\$ 376,166	\$ 241,350
Cash paid to vendors/employees	(602,360)	(402,666)	(236,872)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	94,092	(26,500)	4,478
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Payment of interfund balances	-	-	(445)
Transfers in	-	-	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	-0-	-0-	(445)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest expenses and fees	(10,005)	(9,307)	-
Capital purchases	-	-	-
Payments on borrowings	(4,515)	(4,200)	-
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(14,520)	(13,507)	-0-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	4,814	5,939	517
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	84,386	(34,068)	4,550
Cash and cash equivalents, beginning of year	395,765	404,663	45,617
Cash and cash equivalents, end of year	\$ 480,151	\$ 370,595	\$ 50,167

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,313,968	\$ 248,225
<u>(1,241,898)</u>	<u>(177,436)</u>
72,070	70,789
(445)	-
<u>-0-</u>	<u>58,022</u>
(445)	58,022
(19,312)	(9,985)
-0-	(30,000)
<u>(8,715)</u>	<u>(48,027)</u>
(28,027)	(88,012)
<u>11,270</u>	<u>373</u>
54,868	41,172
<u>846,045</u>	<u>64,093</u>
<u>\$ 900,913</u>	<u>\$ 105,265</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2009

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (10,545)	\$ (72,555)	\$ 4,905
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	98,831	54,279	-
Decrease in accounts receivable	8,479	13,873	14,712
(Increase) in due from other governmental units	-	(20,638)	-
Increase in accounts payable	10,957	8,666	1,398
Increase in accrued liabilities	-	801	-
(Decrease) in due to other governmental units	(937)	(10,926)	-
(Decrease) in unearned revenue	(12,693)	-	(16,537)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ 94,092</u></b>	<b><u>\$ (26,500)</u></b>	<b><u>\$ 4,478</u></b>

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ (78,195)	\$ 1,564
153,110	62,615
37,064	-
(20,638)	-
21,021	6,610
801	-
(11,863)	-
(29,230)	-
<u>\$ 72,070</u>	<u>\$ 70,789</u>

City of Springfield

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2009

	<u>Retiree Health Care Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 107,825	<u>\$ 23,557</u>
LIABILITIES		
Due to individuals and agencies	<u>-</u>	<u>\$ 23,557</u>
NET ASSETS		
Held in trust for employee benefits	<u>\$ 107,825</u>	

See accompanying notes to financial statements.

City of Springfield

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2009

	<u>Retiree Health Care Fund</u>
ADDITIONS	
Investment income (loss)	
Interest	\$ 3,407
Net decrease in fair value of investments	<u>(31,741)</u>
Net investment income (loss)	(28,334)
Contributions	
Employer	<u>10,000</u>
TOTAL ADDITIONS	(18,334)
DEDUCTIONS	<u>-</u>
CHANGE IN NET ASSETS	(18,334)
Net assets, beginning of year	<u>126,159</u>
Net assets, end of year	<u><u>\$ 107,825</u></u>

See accompanying notes to financial statements.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**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 5,189. 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. 5*, 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, 2009

**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 major funds of the City are:

- 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.
- e. The Economic Development Fund is a Special Revenue Fund used to account for financial resources to be used to further develop the economic growth of the City.
- f. 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.
- g. 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 trustee (Retiree Health Care Fund) or as the agent (Agency Funds) for others. Fiduciary Funds are not included in the government-wide financial statements. Agency Funds are, by nature, custodial; therefore, operation results are not measured.



NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

5. 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.

6. 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 and similar trust 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. 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 similar trust funds 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.

7. 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:

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

7. Budgets and Budgetary Accounting - continued

- 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.

8. 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 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

9. 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.

10. Property Tax

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

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

The City is permitted by charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services and an unlimited amount for pension. The operating millage had a maximum allowable millage after roll-back for the 2008 levy of 14.8743 mills. For the year ended June 30, 2009, 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 2008 levy for property within the City was \$90,541,500.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

11. 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.

12. Prepays

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

13. 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.

14. Deferred/Unearned Revenue

Deferred revenue recorded in the General Fund consists of amounts related to special assessments receivable and amounts owed from 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. These amounts are reported as unearned revenue in the government-wide financial statements. Proprietary financial statements report unearned revenues if assets are recognized in connection with a transaction before the earnings process is complete.

15. Capital Assets

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

15. 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

16. 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.

17. 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, 2009, were vested and the total due to them, along with related payroll taxes, is recorded entirely in the government-wide financial statements.

18. Comparative Data

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

19. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The City has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data is issued under separate cover as supplementary information to the financial statements.

**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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

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

The United States Congress has temporarily increased Federal Deposit Insurance Corporation (FDIC) deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for deposits in an insured bank for interest-bearing savings deposits and \$250,000 for interest-bearing demand deposits. FDIC insurance coverage through its Transaction Account Insurance Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent) NOW accounts, this program is scheduled to end on December 31, 2009. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.

Deposits

As of June 30, 2009, 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	\$ 1,576,743	\$ 1,594,751
COMPONENT UNIT		
Checking	329,278	329,278
FIDUCIARY FUNDS		
Checking	<u>23,557</u>	<u>23,557</u>
TOTAL REPORTING ENTITY	<u>\$ 1,929,578</u>	<u>\$ 1,947,586</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, 2009, the City accounts were insured by the FDIC for \$250,000, and the amount of \$1,697,586 was uninsured and uncollateralized.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Deposits - continued

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.

Investments

As of June 30, 2009, the carrying amount and fair value for the investment is as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
<b>PRIMARY GOVERNMENT</b>			
Uncategorized pooled investment funds			
Fidelity Advantage Mutual Fund	\$ 268,793	\$ 268,793	N/A
Comerica Governmental Cash Investment Fund	<u>666,799</u>	<u>666,799</u>	N/A
	935,592	935,592	
<b>COMPONENT UNIT</b>			
Uncategorized pooled investment funds			
Fidelity Advantage Mutual Fund	433,884	433,884	N/A
<b>FIDUCIARY FUNDS</b>			
Uncategorized pooled investment funds			
Fidelity Advantage Mutual Fund	27,827	27,827	N/A
Primerica Bond/Income Mutual Fund	27,508	27,508	N/A
American Funds Mutual Funds	16,568	16,568	N/A
Franklin Adjustable U.S. Government Securities Mutual Fund	<u>35,922</u>	<u>35,922</u>	N/A
	<u>107,825</u>	<u>107,825</u>	
	<u>\$ 1,477,301</u>	<u>\$ 1,477,301</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, 2009, 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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Custodial credit risk

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

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

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

The following summarizes the categorization of these amounts as of June 30, 2009:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ <u>2,513,035</u>	\$ <u>763,162</u>	\$ <u>131,382</u>	\$ <u>3,407,579</u>

**NOTE C: INTERFUND TRANSFERS**

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

Transfers to General Fund from:		
Income Tax Fund		\$ 485,400
Nonmajor governmental funds		<u>5,000</u>
		<u>\$ 490,400</u>
Transfers to Local Streets Fund from:		
Major Streets Fund		<u>\$ 125,000</u>
Transfers to nonmajor governmental funds from:		
Major Streets Fund		\$ 65,402
Local Streets Fund		<u>88,994</u>
		<u>\$ 154,396</u>
Transfers to Internal Service Fund from:		
General Fund		<u>\$ 58,022</u>

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009, was as follows:

	Restated Balance <u>July 1, 2008</u>	Additions/ <u>Reclassifications</u>	Additions/ <u>Reclassifications</u>	Balance <u>June 30, 2009</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 725,370	\$ -	\$( 6,633 )	\$ 718,737
Construction in progress	<u>176,188</u>	<u>-</u>	<u>( 176,188 )</u>	<u>-0-</u>
Subtotal	901,558	-0-	( 182,821 )	718,737
Capital assets being depreciated				
Roads and sidewalks	21,774,858	312,550	-	22,087,408
Buildings and improvements	2,755,361	66,402	-	2,821,763
Land improvements	103,999	-	-	103,999
Vehicles	1,167,055	30,000	( 23,608 )	1,173,447
Furniture and fixtures	102,601	6,234	( 2,750 )	106,085
Other tools and equipment	<u>550,562</u>	<u>-</u>	<u>( 9,651 )</u>	<u>540,911</u>
Subtotal	26,454,436	415,186	( 36,009 )	26,833,613
Less accumulated depreciation for:				
Roads and sidewalks	( 14,921,463 )	( 535,657 )	-	( 15,457,120 )
Buildings and improvements	( 898,396 )	( 72,814 )	-	( 971,210 )
Land improvements	( 41,229 )	( 5,137 )	-	( 46,366 )
Vehicles	( 870,795 )	( 62,615 )	23,608	( 909,802 )
Furniture and fixtures	( 76,905 )	( 7,354 )	2,750	( 81,509 )
Other tools and equipment	<u>( 470,620 )</u>	<u>( 16,109 )</u>	<u>9,651</u>	<u>( 477,078 )</u>
Subtotal	<u>( 17,279,408 )</u>	<u>( 699,686 )</u>	<u>36,009</u>	<u>( 17,943,085 )</u>
Net capital assets being depreciated	<u>9,175,028</u>	<u>( 284,500 )</u>	<u>-0-</u>	<u>8,890,528</u>
Capital assets, net	<u>\$ 10,076,586</u>	<u>\$( 284,500 )</u>	<u>\$( 182,821 )</u>	<u>\$ 9,609,265</u>

The current year depreciation expense of \$699,686 has been adjusted by \$6,633 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense was charged to the following governmental activities:

General government	\$ 44,461
Public safety	87,892
Public works	552,317
Community and economic development	<u>21,469</u>
Total depreciation expense	<u>\$ 706,319</u>



City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE D: CAPITAL ASSETS - CONTINUED**

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
<b>Business-type activities</b>				
<b>(Sewer system)</b>				
Capital assets being depreciated				
Sewer collection system	\$ 3,884,451	\$ -	\$ -	\$ 3,884,415
Tools and equipment	<u>181,797</u>	<u>-</u>	<u>-</u>	<u>181,797</u>
Subtotal	4,066,248	-0-	-0-	4,066,248
Less accumulated depreciation for:				
Sewer collection system	( 2,578,599 )	( 91,032 )	-	( 2,669,631 )
Tools and equipment	<u>( 60,338 )</u>	<u>( 7,799 )</u>	<u>-</u>	<u>( 68,137 )</u>
Subtotal	<u>( 2,638,937 )</u>	<u>( 98,831 )</u>	<u>-0-</u>	<u>( 2,737,768 )</u>
Capital assets being depreciated	<u>\$ 1,427,311</u>	<u>\$ ( 98,831 )</u>	<u>\$ -0-</u>	<u>\$ 1,328,480</u>
<b>Business-type activities</b>				
<b>(Water system)</b>				
Capital assets being depreciated				
Water distribution system	\$ 2,201,634	\$ -	\$ -	\$ 2,201,634
Tools and equipment	<u>201,831</u>	<u>-</u>	<u>-</u>	<u>201,831</u>
Subtotal	2,403,465	-0-	-0-	2,403,465
Less accumulated depreciation for:				
Water distribution system	( 962,081 )	( 46,295 )	-	( 1,008,376 )
Tools and equipment	<u>( 66,216 )</u>	<u>( 7,983 )</u>	<u>-</u>	<u>( 74,199 )</u>
Subtotal	<u>( 1,028,297 )</u>	<u>( 54,278 )</u>	<u>-0-</u>	<u>( 1,082,575 )</u>
Capital assets being depreciated	<u>\$ 1,375,168</u>	<u>\$ ( 54,278 )</u>	<u>\$ -0-</u>	<u>\$ 1,320,890</u>
<b>Component Unit</b>				
Capital assets not being depreciated				
Land	<u>\$ 49,349</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 49,349</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE E: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2009.

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Amounts Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
1995 Public Improvement City Share Bonds	\$ 45,000	\$ -	\$ 20,000	\$ 25,000	\$ 25,000
1995 Michigan Transportation Bonds	100,000	-	50,000	50,000	50,000
1995 Public Improvement Special Assessment Bonds	30,000	-	15,000	15,000	15,000
2006 Capital Improvement Bonds	699,077	-	26,285	672,792	30,040
1993 Installment Purchase Agreement	21,523	-	21,523	-0-	-0-
2006 Installment Purchase Agreement	179,042	-	19,238	159,804	20,061
2007 Installment Purchase Agreement	29,069	-	7,267	21,802	7,267
Compensated Absences	<u>119,376</u>	<u>122,631</u>	<u>113,810</u>	<u>128,197</u>	<u>101,610</u>
	1,223,087	122,631	273,123	1,072,595	248,978
Business-Type Activities					
2006 Capital Improvement Bonds	<u>225,923</u>	<u>-</u>	<u>8,715</u>	<u>217,208</u>	<u>9,960</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>1,449,010</b>	<b>122,631</b>	<b>281,838</b>	<b>1,289,803</b>	<b>258,938</b>
<b>COMPONENT UNIT</b>					
1999 Tax Increment Bonds	690,000	-	45,000	645,000	45,000
2003 Tax Increment Bonds	325,000	-	60,000	265,000	60,000
2007 Tax Increment Bonds	545,000	-	5,000	540,000	5,000
Brownfield Loan	<u>300,000</u>	<u>-</u>	<u>54,969</u>	<u>245,031</u>	<u>26,744</u>
<b>TOTAL COMPONENT UNIT</b>	<b><u>1,860,000</u></b>	<b><u>-0-</u></b>	<b><u>164,969</u></b>	<b><u>1,695,301</u></b>	<b><u>136,744</u></b>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$ 3,309,010</u></b>	<b><u>\$ 122,631</u></b>	<b><u>\$ 446,807</u></b>	<b><u>\$ 2,984,834</u></b>	<b><u>\$ 395,682</u></b>

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

**PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES**

General Obligation Bonds

\$240,000 Public Improvement General Obligation Bonds, Series 1995 dated May 24, 1995, due in an annual installment of \$25,000 through May 1, 2010, with interest of 5.90 percent, payable semi-annually. \$ 25,000

\$555,000 Michigan Transportation Fund General Obligation Bonds, Series 1995 dated May 24, 1995, due in an annual installment of \$50,000 through May 1, 2010, with interest at 5.90 percent, payable semi-annually. 50,000

\$ 75,000

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE E: LONG-TERM DEBT - CONTINUED**

PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES - CONTINUED

Special Assessment Bonds

\$245,000 Public Improvement Special Assessment Bonds, Series 1995 dated May 24, 1995, due in an annual installment of \$15,000 through May 1, 2010, with interest of 5.90 percent, payable semi-annually.

\$ 15,000

Capital Improvement Bonds

\$747,245 Capital Improvement Bonds dated May 1, 2006, due in annual installments ranging from \$30,040 to \$52,570 through May 1, 2026, with interest ranging from 4.25 to 4.75 percent, payable semi-annually. These bonds are repaid partially by governmental activities and partially by business-type activities.

\$ 672,792

Installment Purchase Agreements

\$215,181 Installment Purchase Agreement dated April 20, 2006, due in annual installments ranging from \$20,061 to \$25,796 through April 20, 2016, with interest of 4.28 percent.

\$ 159,804

\$29,069 Installment Purchase Agreement dated November 20, 2007, due in annual installments of \$7,267 through November 20, 2011, with interest of 4.94 percent.

21,802

\$ 181,606

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 \$128,197 at June 30, 2009.

PRIMARY GOVERNMENT - BUSINESS-TYPE ACTIVITIES

Capital Improvement Bonds

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

\$ 217,208

COMPONENT UNIT

Tax Increment Finance Authority Bonds

\$995,000 Tax Increment Finance Authority Bonds dated May 1, 1999, due in annual installments ranging from \$45,000 to \$85,000 through May 1, 2019, with interest ranging from 4.70 to 5.20 percent, payable semi-annually.

\$ 645,000

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE E: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - CONTINUED

Tax Increment Finance Authority Bonds - continued

\$600,000 Tax Increment Finance Authority Bonds dated February 1, 2003, due in annual installments ranging from \$60,000 to \$70,000 through May 1, 2013, with interest ranging from 3.55 to 4.10 percent, payable semi-annually. \$ 265,000

\$550,000 Tax Increment Finance Authority Bonds dated October 10, 2007, due in annual installments ranging from \$5,000 to \$60,000 through May 1, 2027, with interest ranging from 4.30 to 4.60 percent, payable semi-annually. 540,000

\$ 1,450,000

Brownfield Loan

\$300,000 Brownfield Loan dated March 10, 2005, due in annual installments ranging from \$22,378 to \$26,219 through March 18, 2019, with interest of 2.00 percent. \$ 245,031

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

**Primary Government - Government Activities**

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Capital Improvement Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 75,000	\$ 4,425	\$ 30,040	\$ 30,457
2011	-	-	30,040	29,180
2012	-	-	30,040	27,903
2013	-	-	30,040	26,612
2014	-	-	33,795	25,320
2015-2019	-	-	183,995	103,619
2020-2024	-	-	225,300	57,593
2025-2026	-	-	<u>109,542</u>	<u>7,491</u>
	<u>\$ 75,000</u>	<u>\$ 4,425</u>	<u>\$ 672,792</u>	<u>\$ 308,175</u>

Year Ending June 30,	<u>Special Assessment Bonds</u>		<u>Installment Purchase Agreements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 15,000	\$ 885	\$ 27,328	\$ 7,917
2011	-	-	28,187	6,699
2012	-	-	29,083	5,445
2013	-	-	22,749	4,152
2014	-	-	23,723	3,178
2015-2016	-	-	<u>50,536</u>	<u>3,268</u>
	<u>\$ 15,000</u>	<u>\$ 885</u>	<u>\$ 181,606</u>	<u>\$ 30,658</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE E: LONG-TERM DEBT - CONTINUED**

**Primary Government - Business-type Activities**

Year Ending June 30,	<u>Capital Improvement Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 9,960	\$ 10,098
2011	9,960	9,675
2012	9,960	9,252
2013	9,960	8,823
2014	11,205	8,395
2015-2019	61,005	34,356
2020-2024	74,700	19,095
2025-2026	<u>30,458</u>	<u>2,484</u>
	<u>\$ 217,208</u>	<u>\$ 102,178</u>

**Component Unit**

Year Ending June 30,	<u>Tax Increment Bonds</u>		<u>Brownfield Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 110,000	\$ 66,855	\$ 26,744	\$ -
2011	125,000	62,395	22,378	4,366
2012	140,000	57,095	22,825	3,918
2013	145,000	50,955	23,282	3,462
2014	75,000	44,500	23,747	2,996
2015-2019	495,000	159,510	126,055	7,663
2020-2024	195,000	66,610	-	-
2025-2027	<u>165,000</u>	<u>15,640</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,450,000</u>	<u>\$ 523,560</u>	<u>\$ 245,031</u>	<u>\$ 22,405</u>

**NOTE F: RETIREMENT PLAN**

Plan Description

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

Funding Policy

The obligation to contribute to and maintain the current system for these employees was established by negotiation with the City's competitive bargaining units and requires no contribution from employees, except for the public safety division, which requires a contribution from employees of 7 percent.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE F: RETIREMENT PLAN - CONTINUED**

Annual Pension Cost

For the year ended June 30, 2009, the City's annual pension cost of \$152,475 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, 2006, using the entry age normal cost method. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption that benefits will increase 2.5 percent per year after retirement for certain benefit provisions. The unfunded actuarial liability is being amortized as a level percentage of payrolls on a closed basis. The remaining amortization period is thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Actuarial value of assets	\$ 7,390,738	\$ 7,703,898	\$ 7,586,965
Actuarial accrued liability (AAL) (entry age)	8,346,103	8,771,605	8,793,691
Unfunded AAL	955,365	1,067,707	1,206,726
Funded ratio	89 %	88 %	86 %
Covered payroll	1,748,483	1,602,483	1,523,736
UAAL as a percentage of covered payroll	55 %	67 %	79 %

  

	Year Ended June 30,		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Annual pension cost	\$ 170,974	\$ 153,860	\$ 152,475
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

**NOTE G: POST-EMPLOYMENT HEALTH CARE BENEFITS**

The City provides health and life insurance benefits to all full-time employees upon retirement in accordance with labor agreements. Currently 12 employees are eligible. Expenditures for postemployment benefits are recognized as insurance premiums become due. During the year those expenditures amounted to \$43,337.

**UPCOMING REPORTING CHANGE**

The Governmental Accounting Standards Board released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement provides guidance for units of government in relation to recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The rules will require the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid (i.e. pay-as-you-go method). The pronouncement is effective for the year ending June 30, 2010.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE H: RISK MANAGEMENT**

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

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

**NOTE I: FUND BALANCE RESERVES**

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of June 30, 2009:

PRIMARY GOVERNMENT	
General Fund	
Reserved for prepaids	\$ 9,852
Reserved for perpetual care	2,806
Reserved for cemetery expansion	<u>14,030</u>
	26,688
Nonmajor governmental funds	
Reserved for debt service	<u>177</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 26,865</u>

**NOTE J: RESTATEMENT OF NET ASSETS**

Beginning net assets have been restated for the governmental activities and business-type activities to reflect corrections of inadvertent omissions. The governmental activities capital assets had been understated by \$87,142. Also, net assets of the governmental activities had been overstated by \$17,703 for various other reasons. The net adjustment of \$69,439 for the governmental activities resulted in restated net assets as of July 1, 2008 to \$11,201,811. The business-type activities net assets had been understated by \$7,374 for an activity being incorrectly recorded in governmental activities instead of business-type activities in the past. The net adjustment of \$7,374 for the business-type activities results in restated net assets as of July 1, 2008 to \$3,508,096. These restatements were not material to the financial statements taken as a whole or individually to the governmental or business-type activities.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE K: 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, 2009:

PRIMARY GOVERNMENT	
Other purposes	
Streets and highways	\$ 625,671
Economic development	93,075
Drug law enforcement	<u>6,287</u>
	<u>\$ 725,033</u>

**NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, 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 the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2009, the City incurred expenditures 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			
City Council	\$ 41,100	\$ 41,272	\$ 172
Transfers out	35,400	58,022	22,622



**REQUIRED SUPPLEMENTARY INFORMATION**

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Operating	\$ 1,101,700	\$ 1,101,700	\$ 1,089,547	\$ (12,153)
Pension	75,500	75,500	76,912	1,412
Tax collection fees	24,000	24,000	24,753	753
Penalties and interest	6,500	6,500	7,208	708
Total taxes	1,207,700	1,207,700	1,198,420	(9,280)
Licenses and permits				
Trailer fees	1,300	1,300	1,313	13
Business licenses	2,500	2,500	2,575	75
Liquor licenses	5,000	5,000	5,355	355
Cable franchise fees	36,000	36,000	39,665	3,665
Total licenses and permits	44,800	44,800	48,908	4,108
Intergovernmental				
State grants				
Police training grants	3,500	3,500	3,193	(307)
Statutory sales tax	434,000	406,000	406,651	651
Constitutional sales tax	349,000	343,000	340,025	(2,975)
Total state grants	786,500	752,500	749,869	(2,631)
Federal grants	39,400	39,400	39,425	25
Total intergovernmental	825,900	791,900	789,294	(2,606)
Charges for services	7,000	7,000	10,018	3,018
Fines and forfeits	50,000	50,000	58,668	8,668
Interest	28,000	13,400	10,394	(3,006)
Other				
Sale of city property	75,000	9,000	9,840	840
Refunds and reimbursements	100,000	100,000	112,090	12,090
Other	39,600	55,600	77,437	21,837
Total other	214,600	164,600	199,367	34,767
<b>TOTAL REVENUES</b>	<b>2,378,000</b>	<b>2,279,400</b>	<b>2,315,069</b>	<b>35,669</b>

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
City Council	\$ 39,800	\$ 41,100	\$ 41,272	\$ (172)
City Manager	43,300	43,300	37,441	5,859
Elections	11,100	11,100	10,920	180
Assessor	76,800	72,600	65,868	6,732
Attorney	22,000	8,000	4,934	3,066
Treasurer	229,000	242,000	224,947	17,053
Clerk	133,800	133,800	127,620	6,180
City hall and grounds	70,000	83,000	80,557	2,443
Cemetery	83,500	83,500	82,820	680
Total general government	709,300	718,400	676,379	42,021
Public safety	1,980,400	1,902,400	1,840,749	61,651
Public works				
Department of public works	52,500	77,500	69,234	8,266
Street lighting	88,800	98,800	97,888	912
Total public works	141,300	176,300	167,122	9,178
Recreation and cultural	2,000	2,000	1,430	570
TOTAL EXPENDITURES	2,833,000	2,799,100	2,685,680	113,420
EXCESS OF REVENUES (UNDER) EXPENDITURES	(455,000)	(519,700)	(370,611)	149,089
OTHER FINANCING SOURCES (USES)				
Transfers in	490,400	490,400	490,400	-0-
Transfers out	(35,400)	(35,400)	(58,022)	(22,622)
TOTAL OTHER FINANCING SOURCES (USES)	455,000	455,000	432,378	(22,622)
NET CHANGE IN FUND BALANCE	-0-	(64,700)	61,767	126,467
Fund balance, beginning of year	667,748	667,748	667,748	-0-
Fund balance, end of year	\$ 667,748	\$ 603,048	\$ 729,515	\$ 126,467

City of Springfield

Major Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 298,000	\$ 307,000	\$ 308,332	\$ 1,332
Interest	18,000	5,000	5,154	154
Other				
Special assessments	33,000	33,000	37,946	4,946
Other	-	-	1,673	1,673
TOTAL REVENUES	349,000	345,000	353,105	8,105
EXPENDITURES				
Current				
Public works	249,000	272,300	259,730	12,570
EXCESS OF REVENUES OVER EXPENDITURES	100,000	72,700	93,375	20,675
OTHER FINANCING USES				
Transfer out	(190,500)	(190,500)	(190,402)	98
NET CHANGE IN FUND BALANCE	(90,500)	(117,800)	(97,027)	20,773
Fund balance, beginning of year	553,635	553,635	553,635	-0-
Fund balance, end of year	\$ 463,135	\$ 435,835	\$ 456,608	\$ 20,773

City of Springfield

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 113,000	\$ 108,000	\$ 108,745	\$ 745
Interest	8,000	8,000	3,768	(4,232)
Other				
Special assessments	32,000	37,000	55,812	18,812
TOTAL REVENUES	153,000	153,000	168,325	15,325
EXPENDITURES				
Current				
Public works	445,200	452,700	401,292	51,408
EXCESS OF REVENUES (UNDER) EXPENDITURES	(292,200)	(299,700)	(232,967)	66,733
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	125,000	125,000	-0-
Transfers out	(89,300)	(89,300)	(88,994)	306
TOTAL OTHER FINANCING SOURCES (USES)	35,700	35,700	36,006	306
NET CHANGE IN FUND BALANCE	(256,500)	(264,000)	(196,961)	67,039
Fund balance, beginning of year	366,024	366,024	366,024	-0-
Fund balance, end of year	\$ 109,524	\$ 102,024	\$ 169,063	\$ 67,039

City of Springfield

Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 683,100	\$ 683,100	\$ 707,378	\$ 24,278
Interest	12,000	12,000	3,876	(8,124)
Other	-	-	3,421	3,421
TOTAL REVENUES	695,100	695,100	714,675	19,575
EXPENDITURES				
Current				
General government	201,000	227,000	220,762	6,238
EXCESS OF REVENUES OVER EXPENDITURES	494,100	468,100	493,913	25,813
OTHER FINANCING USES				
Transfers out	(485,400)	(485,400)	(485,400)	-0-
NET CHANGE IN FUND BALANCE	8,700	(17,300)	8,513	25,813
Fund balance, beginning of year	281,357	281,357	281,357	-0-
Fund balance, end of year	\$ 290,057	\$ 264,057	\$ 289,870	\$ 25,813

City of Springfield

Economic Development Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ 750,000	\$ 752,000	\$ 2,000
Charges for services	15,000	15,000	16,986	1,986
Interest	4,000	4,000	2,533	(1,467)
Other				
Special assessments	8,600	8,600	8,616	16
Other	-	-	41,492	41,492
TOTAL REVENUES	27,600	777,600	821,627	44,027
EXPENDITURES				
Current				
Community and economic development	54,200	823,400	822,605	795
NET CHANGE IN FUND BALANCE	(26,600)	(45,800)	(978)	44,822
Fund balance, beginning of year	94,053	94,053	94,053	-0-
Fund balance, end of year	\$ 67,453	\$ 48,253	\$ 93,075	\$ 44,822

## **OTHER SUPPLEMENTARY INFORMATION**



City of Springfield

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2009

	Special Revenue <u>Drug Law Enforcement Fund</u>	Debt Service <u>Debt Redemption Fund</u>	Nonmajor Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,538	\$ 177	\$ 6,715
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 251	\$ -	\$ 251
<b>FUND BALANCES</b>			
Reserved for Debt service	-	177	177
Unreserved Undesignated, reported in Special revenue funds	<u>6,287</u>	<u>-</u>	<u>6,287</u>
<b>TOTAL FUND BALANCES</b>	<u>6,287</u>	<u>177</u>	<u>6,464</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,538</u>	<u>\$ 177</u>	<u>\$ 6,715</u>

City of Springfield

Nonmajor Governmental Funds

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

Year Ended June 30, 2009

	Special Revenue <u>Drug Law Enforcement Fund</u>	Debt Service <u>Debt Redemption Fund</u>	Nonmajor Governmental Funds
REVENUES			
Fines and forfeits	\$ 18,860	\$ -	\$ 18,860
Interest	50	-	50
<b>TOTAL REVENUES</b>	<b>18,910</b>	<b>-0-</b>	<b>18,910</b>
EXPENDITURES			
Current			
Public safety	9,530	-	9,530
Debt service			
Principal	-	111,285	111,285
Interest and fiscal agent fees	-	43,111	43,111
Capital outlay	924	-	924
<b>TOTAL EXPENDITURES</b>	<b>10,454</b>	<b>154,396</b>	<b>164,850</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>8,456</b>	<b>(154,396)</b>	<b>(145,940)</b>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	154,396	154,396
Transfers out	(5,000)	-	(5,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,000)</b>	<b>154,396</b>	<b>149,396</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,456</b>	<b>-0-</b>	<b>3,456</b>
Fund balances, beginning of year	2,831	177	3,008
Fund balances, end of year	<u>\$ 6,287</u>	<u>\$ 177</u>	<u>\$ 6,464</u>

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2009

	<u>Refuse</u>	<u>Building Code Enforcement</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 36,408	\$ 13,759	\$ 50,167
Accounts receivable	<u>32,487</u>	<u>2,776</u>	<u>35,263</u>
<b>TOTAL ASSETS</b>	<b>68,895</b>	<b>16,535</b>	<b>85,430</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	<u>13,231</u>	<u>1,287</u>	<u>14,518</u>
<b>NET ASSETS</b>			
Unrestricted	<u>\$ 55,664</u>	<u>\$ 15,248</u>	<u>\$ 70,912</u>

City of Springfield

Nonmajor Enterprise Funds

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

Year Ended June 30, 2009

	Refuse	Building Code Enforcement	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 169,283	\$ -	\$ 169,283
Licenses and permits	-	31,085	31,085
Fines and forfeitures	-	15,433	15,433
Other	-	10,837	10,837
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	169,283	57,355	226,638
OPERATING EXPENSES			
Operating expenses	172,136	49,597	221,733
	<hr/>	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(2,853)	7,758	4,905
NONOPERATING REVENUES			
Interest earned	401	116	517
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(2,452)	7,874	5,422
Net assets, beginning of year	58,116	7,374	65,490
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 55,664	\$ 15,248	\$ 70,912
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

	Refuse	Building Code Enforcement	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 169,663	\$ 71,687	\$ 241,350
Cash paid to vendors/employees	(171,614)	(65,258)	(236,872)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(1,951)	6,429	4,478
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Payment of interfund balances	-	(445)	(445)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earned	401	116	517
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,550)	6,100	4,550
Cash and cash equivalents, beginning of year	37,958	7,659	45,617
Cash and cash equivalents, end of year	<u>\$ 36,408</u>	<u>\$ 13,759</u>	<u>\$ 50,167</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (2,853)	7,758	\$ 4,905
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Decrease in accounts receivable	380	14,332	14,712
Increase in accounts payable	522	876	1,398
(Decrease) in unearned revenue	-	(16,537)	(16,537)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (1,951)</u>	<u>\$ 6,429</u>	<u>\$ 4,478</u>

City of Springfield

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

June 30, 2009

	<u>Trust and Agency</u>	<u>Current Tax Collection</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 20,443</u>	<u>\$ 3,114</u>	<u>\$ 23,557</u>
LIABILITIES			
Due to individuals and agencies	<u>\$ 20,443</u>	<u>\$ 3,114</u>	<u>\$ 23,557</u>

City of Springfield

Component Unit Funds

COMBINING BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION (EDC)

June 30, 2009

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,318	\$ 210,192	\$ 538,652	\$ 763,162
Special assessments receivable	-	60,421	10,377	70,798
<b>TOTAL ASSETS</b>	<u>\$ 14,318</u>	<u>\$ 270,613</u>	<u>\$ 549,029</u>	<u>\$ 833,960</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 4,618	\$ 4,618
Deferred revenue	-	60,421	10,377	70,798
<b>TOTAL LIABILITIES</b>	-0-	60,421	14,995	75,416
<b>FUND BALANCES</b>				
Unreserved				
Undesignated	<u>14,318</u>	<u>210,192</u>	<u>534,034</u>	<u>758,544</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 14,318</u>	<u>\$ 270,613</u>	<u>\$ 549,029</u>	<u>\$ 833,960</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, 2009

**Total fund balances - governmental funds** \$ 758,544

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. 70,798

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 \$ 1,695,031  
Accrued interest payable 11,143

(1,706,174)

**Net assets of governmental funds** \$ (827,483)



City of Springfield

Component Unit Funds

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

Year Ended June 30, 2009

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
REVENUES				
Taxes	\$ 6,232	\$ 156,423	\$ 153,952	\$ 316,607
Interest	114	2,731	12,651	15,496
Special assessments	-	21,111	4,014	25,125
Other	-	7,059	5,000	12,059
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	6,346	187,324	175,617	369,287
EXPENDITURES				
Current				
Community and economic development	329	137,832	115,243	253,404
Debt service	-	79,745	102,520	182,265
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	329	217,577	217,763	435,669
NET CHANGE IN FUND BALANCES	6,017	(30,253)	(42,146)	(66,382)
Fund balance, beginning of year	<hr/>	<hr/>	<hr/>	<hr/>
	8,301	240,445	576,180	824,926
Fund balance, end of year	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 14,318	\$ 210,192	\$ 534,034	\$ 758,544

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, 2009

**Net change in fund balances - total governmental funds** \$ (66,382)

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 (19,750)

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:

Net effect of reductions to long-term obligations 164,969

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:

(Increase) in accrued interest payable (11,143)

**Change in net assets of governmental funds** \$ 67,694