

**City of Springfield  
Calhoun County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2013**



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City of Springfield

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Springfield, Michigan (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Springfield as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Changes in Accounting Principles**

As discussed in Note M, the City implemented GASB Statement No. 61, *The Financial Reporting Entity Omnibus* during the year. As a result, the criteria for reporting component units as if they were part of the primary government (that is, blending) has been modified. Our opinions are not modified with respect to this matter.

Also discussed in Note M, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year. As a result of this implementation, the format and reporting of the financial statements has been changed to reflect the new presentation as required by GASB Statements No. 63 and No. 65, as applicable. Our opinions are not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

November 27, 2013

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

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

**Using this Annual Report**

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

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

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

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

**Financial Highlights**

The following represents the most significant financial highlights for the year ended June 30, 2013:

**Property Taxes** are the General Fund's main source of revenue collecting a total of \$1,100,428 from a millage rate of 15. This included 14 mills for Operating and 1 mill for Public Safety Retirement. This amount also included administrative fees and late penalties. The amount received by the General Fund is after TIFA (Tax Increment Finance Authority) and Brownfield captures from the 2012 tax roll. The total amount collected represents a slight increase in revenue of less than .5% compared to prior year. The City's 2012 taxable value of \$84,139,979 concurrently showed a slight increase of .5%. This includes Ad Valorem and Land Bank parcels, plus three Act 425 Agreements with the City of Battle Creek.

The TIFA and Brownfield Funds captured a total of \$311,525 from non-school taxing units during the fiscal year. These funds continue to promote economic development within the City.

**State Shared Revenue** The State's distribution of Constitutional Sales Tax and EVIP dollars received by the General Fund totaled \$628,648. This was an increase of 4% compared to last year. Under the State's Economic Vitality Incentive Program, the City continues to strive for financial *Accountability and Transparency*, *Consolidation of Services* and the management of *Unfunded Accrued Liabilities*.

Street Act 51 shared revenue received by the Major and Local Street Funds totaled \$397,625 in FY 2012-13, an increase of 1.4% compared to prior year.

**Income Taxes** are an important special revenue source for the City. Tax collected from the local income tax totaled \$822,938; an increase of \$90,038 or 12.3% compared to prior year collections. This is the 2<sup>nd</sup> consecutive year income tax collections have shown a significant increase. This trend is attributable to departmental reorganization and focused compliance efforts. In FY 2012-13, the Income Tax provided funding to the General Fund in the amount of \$452,600 for four public safety officers, an increase of \$22,400, or 5.2% compared to prior year funding. Compliance expense for collection and court fees totaled \$22,013 compared to \$13,098 in the prior year, an increase of \$8,915.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

**Insurance Excess Asset Distribution** The City of Springfield is a member of the Michigan Municipal Risk Management Authority. MMRMA provides property and liability insurance for the City. In FY 2012-13, a distribution of *Excess Net Assets* was paid out to its members. Springfield received a total distribution of \$91,323; the amount allocated to the General Fund was \$72,066 and \$19,257 to the Vehicle Fund. These monies helped to stabilize and boost the cash balance in both funds.

**Capital Outlay** FY 2012-13 included the replacement of the City's phone system, a total cost of \$22,047. The new system has improved customer service to area businesses and residents. Also, the updated phone system has greatly enhanced overall staff efficiency.

Also in FY 2012-13, Public Safety vehicles were updated with the installation of five in-car computers and two radar units at a total cost of \$12,368. The purchase of this Public Safety equipment was paid for by monies collected into the Drug Law Enforcement Fund from forfeited/seized property implicated in drug related crimes.

A 2013 Ford Police Interceptor was purchased for \$24,687. This new Public Safety vehicle was partially funded by contributed capital of \$20,000 from the General Fund.

**Change in General Fund Balance** The General Fund ended FY 2012-13 in a favorable position with an increase of \$68,833 in overall fund balance. At June 30, 2013, the General Fund showed a healthy fund balance of \$839,335 representing 33.7% of actual fiscal year expenditures that included other provided financing uses.

**The City as a Whole**

This table shows in a condensed format, the City's net position at **June 30, 2013**, compared to the prior year:

	Governmental Activities		Business-type Activities		Totals	
	June 30		June 30		June 30	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>						
Current assets	\$ 2,690,678	\$ 2,545,497	\$ 1,370,153	\$ 1,237,726	\$ 4,060,831	\$ 3,783,223
Capital assets	8,167,215	8,863,860	2,095,393	2,238,952	10,262,608	11,102,812
Total assets	10,857,893	11,409,357	3,465,546	3,476,678	14,323,439	14,886,035
<b>Liabilities</b>						
Current liabilities	270,533	330,581	127,405	145,302	397,938	475,883
Long-term liabilities	803,474	776,974	161,760	172,966	965,234	949,940
Total liabilities	1,074,007	1,107,555	289,165	318,268	1,363,172	1,425,823
<b>Net Position</b>						
Net investment in capital assets	7,610,181	8,276,786	1,922,427	2,056,026	9,532,608	10,332,812
Restricted	1,483,063	1,312,750	-	-	1,483,063	1,312,750
Unrestricted	690,642	712,266	1,253,954	1,102,384	1,944,596	1,814,650
	<u>\$ 9,783,886</u>	<u>\$ 10,301,802</u>	<u>\$ 3,176,381</u>	<u>\$ 3,158,410</u>	<u>\$ 12,960,267</u>	<u>\$ 13,460,212</u>

**Net Position** of the City's Governmental and Business-type activities total slightly under \$13 million. This includes cash, investments, receivables, and capital assets versus current and long-term liabilities. Overall, the City realized a decrease in net position of \$499,945. The decrease is primarily attributable to capital asset depreciation and net disposals during the fiscal year totaling \$926,959. Current and long-term liabilities decreased \$62,651. Long-term debt principal paid off during the fiscal year totaled \$40,000. Current assets (cash and receivables) increased \$277,608. Total assets of almost \$13 million are rich in comparison to liabilities of less than \$1.4 million.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

This table summarizes the change in the City's net position at **June 30, 2013**, compared to prior year:

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>						
Program Revenues						
Charges for						
Services	\$ 202,223	\$ 233,430	\$ 1,627,045	\$ 1,531,285	\$ 1,829,268	\$ 1,764,715
Grants and						
Contributions	442,098	456,166	-	-	442,098	456,166
General Revenues						
Property Taxes	1,077,623	1,072,632	-	-	1,077,623	1,072,632
City Income Taxes	822,938	733,085	-	-	822,938	733,085
State Shared						
Revenue	628,648	604,623	-	-	628,648	604,623
Investment Earnings	18,476	23,203	7,542	9,308	26,018	32,511
Miscellaneous	193,880	179,339	38,169	17,369	232,049	196,708
Transfers	(34,000)	17,332	34,000	(17,332)	-0-	-0-
<b>Total Revenues</b>	<b>3,351,886</b>	<b>3,319,810</b>	<b>1,706,756</b>	<b>1,540,630</b>	<b>5,058,642</b>	<b>4,860,440</b>
<b>Expenses</b>						
General Government	949,228	885,868	-	-	949,228	885,868
Public Safety	1,733,405	1,675,629	-	-	1,733,405	1,675,629
Public Works	1,032,955	1,003,252	-	-	1,032,955	1,003,252
Community and						
Economic Develop.	66,659	65,470	-	-	66,659	65,470
Recreation and Cultural	60,989	74,608	-	-	60,989	74,608
Other	26,566	27,856	1,688,785	1,566,106	1,715,351	1,593,962
<b>Total Expenses</b>	<b>3,869,802</b>	<b>3,732,683</b>	<b>1,688,785</b>	<b>1,566,106</b>	<b>5,558,587</b>	<b>5,298,789</b>
<b>Change in Net Position</b>	<b>(517,916)</b>	<b>(412,873)</b>	<b>17,971</b>	<b>(25,476)</b>	<b>(499,945)</b>	<b>(438,349)</b>
Net Position, Beginning	<u>10,301,802</u>	<u>10,714,675</u>	<u>3,158,410</u>	<u>3,183,886</u>	<u>13,460,212</u>	<u>13,898,561</u>
<b>Net Position, Ending</b>	<b><u>\$ 9,783,886</u></b>	<b><u>\$ 10,301,802</u></b>	<b><u>\$ 3,176,381</u></b>	<b><u>\$ 3,158,410</u></b>	<b><u>\$ 12,960,267</u></b>	<b><u>\$ 13,460,212</u></b>

**GOVERNMENTAL ACTIVITY HIGHLIGHTS**

**Street Projects**

In FY 2012-13, the Avenue A/Dickman Road Realignment Project began to unfold with the approval of \$503,000 in Federal Highway dollars to offset a total estimated project cost of \$968,250. This street project became a priority for the City due to safety concerns at the intersection of two major streets. The realignment of this intersection will accomplish a straight-on vs an angled approach, resolve troublesome drainage issues, and open up surrounding property for future business development. This project will be completed in FY 2013-14.

Federal Highway dollars of \$354,966 were also approved in FY 2012-13 for the resurfacing of other distressed major streets: Evergreen Road, Upton/Avenue A and W. Goguac Street. Total project costs are estimated to be \$450,555. These projects will be completed in FY 2013-14.

Other funding sources for these major street projects include monies budgeted in FY 2013-14 from TIFA B and D Funds, Sewer and Water Funds, and Income Tax.



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

**Economic Development - New Business**

In May 2013, the City welcomed Morrison Industrial to Springfield. This business sells and services forklifts. Morrison moved into the only vacant building in the Helmer Farms Industrial Park. They were founded in 1953 and have a total of 11 locations in Michigan and Indiana with 350 employees spread throughout these locations.

**Economic Development - PA 425 Agreements**

In 2005, 2007, and 2008, the City of Springfield entered into three separate PA 425 Annexation Agreements with the City of Battle Creek. These Agreements were crafted to encourage investments in the *Magnificent Motor Mile Business Improvement District*, a district shared by Springfield and the City of Battle Creek. To date, the Agreements have resulted in a large-scale expansion and redevelopment of the Henkel Chrysler-Dodge, Battle Creek Honda, and Sunshine Toyota dealerships. All three dealerships committed to invest in their local properties in Springfield rather than relocate to higher-profile areas near the interstate.

These temporary annexation agreements helped the dealerships to obtain certain redevelopment tax credits and will expire respectively in 2014, 2016, and 2017. It is anticipated the overall investment in Springfield will exceed \$2 million dollars.

**Organizational Restructuring**

In June 2013, a departmental *Reorganization Plan* was implemented. A *Finance and Administrative Services Department* was created to encompass all internal administrative operations including Finance, Assessing and City Clerk, and technology functions. The Public works department was broadened into a *Public Services Department* which integrates Public Works, Building and Code Enforcement, Planning, Zoning, Parks and Recreational services. These remodeled and streamlined departments will provide improved efficiencies, encourage cross-training, foster internal coordination between departments, and improve overall customer service.

**Contractual Police Service**

In FY 2012-13, the City began the difficult task of revisiting the option of contractual *Police Service* and the potential cost savings, both immediate and long-term. City leadership became proactive in its efforts to resolve a projected General Fund budget shortfall for ensuing years that would put the City's financial health at risk if not addressed. In the final months of FY 2012-13, it was recommended to Springfield's City Council to consider a move to a contractual Police Service with either the County Sheriff Department or City of Battle Creek Police Department. The cost savings was estimated at \$600,000 to \$800,000 annually. Also, this move would eliminate a significant portion of Springfield's unfunded OPEB (Other Post-Employment Benefits) liability of \$1.3 million. As part of the plan, all active Public Safety Officers would be absorbed into the contracted police agency and there would be no job loss. Also, Springfield would continue to provide fire service under the direction of its Public Safety Director utilizing an expanded team of fully trained on-call fire fighters. The expected implementation date for a move to contractual Police Service is set for October 1, 2013.

**NEXT YEAR BUDGETARY HIGHLIGHTS**

**General Fund**

The approved FY 2013-14 Budget estimates a conservative \$2,513,400 in General Fund revenues, 1.9% less than FY 2012-13 actual revenues. Under the State's *Competitive Grant Assistance Program*, Springfield has applied for a CGAP Grant in the amount of \$150,000 to offset the cost of the City's Police Consolidation Project. This Grant is paid out on a reimbursement basis. Amendments to the adopted budget for FY 2013-14 will include the awarded grant proceeds and related expenses.

There is no change to millage rates in 2014 for City Operating or Public Safety Retirement. Property tax collections are projected to be approximately \$22,000 less than FY 2012-13 actual even though there's an expectation of a slight taxable value increase of 1.6%. This is due to the 2014 implementation of the *Personal Property Tax Repeal*. At this time, the overall impact and timing of the proposed phase out of personal property taxes is not entirely known. The City will continue to closely monitor the changes in the tax law and take steps to prepare for the loss of this revenue in future years.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

The Income Tax Fund expects to transfer \$500,400 to the General Fund in FY 2013-14, an increase of \$47,800 compared to prior year. The State's distribution of Constitutional Sales Tax and EVIP dollars is expected to grow 4.6% to \$658,000, an increase of \$29,300.

Other noteworthy revenue sources anticipated in the City's General Fund for FY 2013-14 include cable television franchise fees of \$52,000 and court fines of \$42,000.

Total General Fund Expenditures for FY 2013-14 are anticipated to equal approximately \$2,739,200. This creates a budget shortfall of \$225,800. Public Safety accounts for over \$1.8 million or 66% of General Fund expenditures. The anticipated move to a contractual police service in FY 2013-14 will ensure a balanced budget in future years.

**Other Funds**

Major and Local Street Funds are expected to receive \$393,900 in Act 51 revenue sharing in FY 2013-14, less than a 1% decrease compared to FY 2012-13. Planned street projects are addressed in *Governmental Activities Highlights*.

Special Revenue Funds include the Income Tax Fund, Economic Development Fund, and a Drug Law Enforcement Fund. In addition to a \$500,400 transfer to the General Fund, Income Tax is also providing \$135,000 in funding for street projects in FY 2013-14. The EDC Fund collects revenues primarily from a Metro PCS Lease and the sale of city property. For FY 2013-14, the EDC Fund will provide \$20,000 for the operation of the Farmers Market. The Drug Law Enforcement Fund expects to collect \$10,000 this year in forfeited/seized property. These monies enhance drug enforcement efforts within the City.

Proprietary or Business-type Funds include the Farmers Market, Sewer, Water, and Refuse Funds. Fees are billed to residents and business owners for services provided. The Farmers Market is projected to collect revenues totaling \$46,300 in FY 2013-14 primarily from the rental of vendor booths, the commercial kitchen, and Banquet Center. Budgeted transfers from the General and EDC Funds to the Farmers Market total \$30,300 to offset the expense of operation. Sewer and Water Funds will provide \$385,000 to street projects in FY 2013-14.

The Vehicle Fund owns all City vehicles and related equipment. This fund charges rental rates to other City funds for the ability to utilize its vehicles. This year, the Vehicle Fund expects to receive revenues totaling \$245,000. Expenses are expected to total \$310,000. This budget year accounts for the purchase of one new dump truck for the Public Services Department. The city has no vehicle-related debt. After adjustment for non-cash depreciation, the Vehicle Fund expects to realize an increase in cash balance of \$20,000.

The City currently accounts for activity in three Tax Increment Finance Funds: TIFA B, TIFA D, and a Brownfield Fund. These funds are considered component units of the City and are used to promote economic development. Total tax capture from the 2014 Tax Roll is estimated to be \$304,500. Expenses will include funding for street projects in the amount of \$90,000. Bond debt and DEQ loan payments will total \$147,800 in FY 2013-14.

Overall, the City of Springfield continues to maintain a healthy and strong financial position as it provides services to its residents and business owners. The City continues to reduce its debt burden; there is no General Fund, Income Tax, or Vehicle Fund debt remaining. Following the completion of FY 2013-14, total debt for Governmental and Business-type Funds will be a conservative \$690,000. Additionally, the City's cash reserves remain strong in spite of challenges related to revenue loss. The police consolidation effort in FY 2013-14 will further strengthen the financials of the City of Springfield and its ability to serve area residents and businesses.

**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 POSITION

June 30, 2013

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 2,187,082	\$ 1,107,034	\$ 3,294,116	\$ 734,876
Receivables	331,744	263,569	595,313	58,080
Due from other governmental units	171,402	-	171,402	19,210
Internal balances	450	(450)	-0-	-
Total current assets	2,690,678	1,370,153	4,060,831	812,166
Noncurrent assets				
Capital assets not being depreciated	608,057	-	608,057	49,349
Capital assets being depreciated, net	7,559,158	2,095,393	9,654,551	-
Total noncurrent assets	8,167,215	2,095,393	10,262,608	49,349
TOTAL ASSETS	10,857,893	3,465,546	14,323,439	861,515
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	54,897	83,060	137,957	4,625
Accrued liabilities	49,143	452	49,595	-
Due to other governments	17,492	31,288	48,780	-
Accrued interest payable	4,220	1,399	5,619	8,270
Current portion of compensated absences	110,986	-	110,986	-
Current portion of long-term debt	33,795	11,206	45,001	98,748
Total current liabilities	270,533	127,405	397,938	111,643
Noncurrent liabilities				
Noncurrent portion of compensated absences	63,973	-	63,973	-
Noncurrent portion of long-term debt	523,239	161,760	684,999	981,054
Net other post-employment benefit obligation	216,262	-	216,262	-
Total noncurrent liabilities	803,474	161,760	965,234	981,054
TOTAL LIABILITIES	1,074,007	289,165	1,363,172	1,092,697
<b>NET POSITION</b>				
Net investment in capital assets	7,610,181	1,922,427	9,532,608	49,349
Restricted				
Other purposes	1,483,063	-	1,483,063	-
Unrestricted	690,642	1,253,954	1,944,596	(280,531)
TOTAL NET POSITION	\$ 9,783,886	\$ 3,176,381	\$ 12,960,267	\$ (231,182)

See accompanying notes to financial statements.

City of Springfield  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit (EDC)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 949,228	\$ 109,719	\$ 2,100	\$ -	\$ (837,409)	\$ -	\$ (837,409)	\$ -
Public safety	1,733,405	69,832	9,594	-	(1,653,979)	-	(1,653,979)	-
Public works	1,032,955	5,439	427,685	2,719	(597,112)	-	(597,112)	-
Community and economic development	66,659	17,233	-	-	(49,426)	-	(49,426)	-
Recreation and cultural	60,989	-	-	-	(60,989)	-	(60,989)	-
Interest and fees on long-term debt	26,566	-	-	-	(26,566)	-	(26,566)	-
<b>Total governmental activities</b>	<b>3,869,802</b>	<b>202,223</b>	<b>439,379</b>	<b>2,719</b>	<b>(3,225,481)</b>	<b>-0-</b>	<b>(3,225,481)</b>	<b>-0-</b>
<b>Business-type activities</b>								
Sewer	826,704	729,925	-	-	-	(96,779)	(96,779)	-
Water	564,046	612,607	-	-	-	48,561	48,561	-
Refuse	196,182	220,189	-	-	-	24,007	24,007	-
Building code enforcement	22,356	33,309	-	-	-	10,953	10,953	-
Farmers market	79,497	31,015	-	-	-	(48,482)	(48,482)	-
<b>Total business-type activities</b>	<b>1,688,785</b>	<b>1,627,045</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>(61,740)</b>	<b>(61,740)</b>	<b>-0-</b>
<b>Total primary government</b>	<b>\$ 5,558,587</b>	<b>\$ 1,829,268</b>	<b>\$ 439,379</b>	<b>\$ 2,719</b>	<b>(3,225,481)</b>	<b>(61,740)</b>	<b>(3,287,221)</b>	<b>-0-</b>
<b>Component unit</b>								
Economic Development Corporation	\$ 159,555	\$ 1,996	\$ -	\$ -	-	-	-0-	(157,559)
<b>General revenues</b>								
Property taxes					1,077,623	-	1,077,623	311,525
Income taxes					822,938	-	822,938	-
State shared revenue					628,648	-	628,648	-
Investment earnings					18,476	7,542	26,018	10,031
Miscellaneous					193,880	38,169	232,049	375
Transfers					(34,000)	34,000	-0-	-
<b>Total general revenues and transfers</b>					<b>2,707,565</b>	<b>79,711</b>	<b>2,787,276</b>	<b>321,931</b>
<b>Change in net position</b>					<b>(517,916)</b>	<b>17,971</b>	<b>(499,945)</b>	<b>164,372</b>
<b>Net position, beginning of the year</b>					<b>10,301,802</b>	<b>3,158,410</b>	<b>13,460,212</b>	<b>(395,554)</b>
<b>Net position, end of the year</b>					<b>\$ 9,783,886</b>	<b>\$ 3,176,381</b>	<b>\$ 12,960,267</b>	<b>\$ (231,182)</b>

See accompanying notes to financial statements.

City of Springfield  
Governmental Funds  
BALANCE SHEET  
June 30, 2013

	General	Major Streets	Local Streets
<b>ASSETS</b>			
Cash and cash equivalents	\$ 788,888	\$ 368,316	\$ 344,747
Receivables			
Accounts	76,172	949	-
Taxes	16,066	-	-
Special assessment	-	34,201	32,998
Due from other funds	450	-	-
Due from other governmental units	105,722	48,596	17,084
<b>TOTAL ASSETS</b>	<b>\$ 987,298</b>	<b>\$ 452,062</b>	<b>\$ 394,829</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 32,693	\$ 1,458	\$ -
Accrued liabilities	47,205	-	-
Due to other governmental units	14,166	-	-
<b>TOTAL LIABILITIES</b>	94,064	1,458	-0-
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	53,899	34,201	32,998
<b>FUND BALANCES</b>			
Restricted	-	416,403	361,831
Committed	-	-	-
Assigned	225,800	-	-
Unassigned	613,535	-	-
<b>TOTAL FUND BALANCES</b>	839,335	416,403	361,831
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 987,298</b>	<b>\$ 452,062</b>	<b>\$ 394,829</b>

See accompanying notes to financial statements.

Income Tax	Nonmajor Governmental Funds	Total Governmental Funds
\$ 529,359	\$ 112,364	\$ 2,143,674
-	1,024	78,145
167,030	-	183,096
-	-	67,199
-	-	450
-	-	171,402
<u>\$ 696,389</u>	<u>\$ 113,388</u>	<u>\$ 2,643,966</u>
\$ 14,411	\$ 1,568	\$ 50,130
1,938	-	49,143
3,326	-	17,492
19,675	1,568	116,765
67,758	-	188,856
608,956	96,054	1,483,244
-	15,766	15,766
-	-	225,800
-	-	613,535
<u>608,956</u>	<u>111,820</u>	<u>2,338,345</u>
<u>\$ 696,389</u>	<u>\$ 113,388</u>	<u>\$ 2,643,966</u>

City of Springfield

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

June 30, 2013

**Total fund balances - governmental funds** \$ 2,338,345

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

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

The cost of capital assets is	\$ 27,296,689	
Accumulated depreciation is	<u>(19,618,599)</u>	
Capital assets, net		7,678,090

Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the government-wide statement of net position.

Net position of the governmental activities accounted for in the Internal Service Fund		531,070
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Long-term receivables are not available to pay for current period expenditures and therefore, are considered unavailable in the funds. 188,856

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	557,034	
Accrued interest payable	4,220	
Compensated absences	174,959	
Net other post-employment benefit obligation	<u>216,262</u>	
		<u>(952,475)</u>

**Net position of governmental activities** \$ 9,783,886



City of Springfield

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2013

	General	Major Streets	Local Streets
<b>REVENUES</b>			
Taxes	\$ 1,100,428	\$ -	\$ -
Licenses and permits	65,858	-	-
Intergovernmental	630,748	312,749	114,936
Charges for services	28,493	1,224	-
Fines and forfeits	48,923	-	-
Interest and rents	21,596	440	303
Other	182,443	22,406	16,706
<b>TOTAL REVENUES</b>	<b>2,078,489</b>	<b>336,819</b>	<b>131,945</b>
<b>EXPENDITURES</b>			
Current			
General government	566,320	-	-
Public safety	1,624,758	-	-
Public works	94,116	269,507	96,947
Community and economic development	-	-	-
Recreation and cultural	58,622	-	-
Other	119,563	-	-
Debt service	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>2,463,379</b>	<b>269,507</b>	<b>96,947</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(384,890)</b>	<b>67,312</b>	<b>34,998</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	483,723	-	75,000
Transfers out	(30,000)	(83,928)	(47,893)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>453,723</b>	<b>(83,928)</b>	<b>27,107</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>68,833</b>	<b>(16,616)</b>	<b>62,105</b>
Fund balances, beginning of year	770,502	433,019	299,726
Fund balances, end of year	<u>\$ 839,335</u>	<u>\$ 416,403</u>	<u>\$ 361,831</u>

See accompanying notes to financial statements.

Income Tax	Nonmajor Governmental Funds	Total Governmental Funds
\$ 822,938	\$ -	\$ 1,923,366
-	4,760	70,618
-	-	1,058,433
-	-	29,717
-	9,594	58,517
3,223	13,095	38,657
2,641	18,383	242,579
828,802	45,832	3,421,887
212,623	-	778,943
-	8,401	1,633,159
-	-	460,570
-	27,979	27,979
-	-	58,622
-	-	119,563
-	56,821	56,821
-	1,922	1,922
212,623	95,123	3,137,579
616,179	(49,291)	284,308
-	56,821	615,544
(458,823)	(52,400)	(673,044)
(458,823)	4,421	(57,500)
157,356	(44,870)	226,808
451,600	156,690	2,111,537
\$ 608,956	\$ 111,820	\$ 2,338,345

City of Springfield

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

Year Ended June 30, 2013

**Net change in fund balances - total governmental funds** \$ 226,808

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	\$ 30,942
Depreciation expense	<u>(679,854)</u>

Excess of depreciation expense over capital outlay (648,912)

The loss on disposal of capital assets is reported in the statement of activities. The loss is not a use of current resources and thus is not reported in the funds. (13,960)

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

Change in net position of the Internal Service Fund (19,968)

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

(Decrease) in unavailable revenue (36,001)

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

Repayment of long-term debt 30,040

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

Decrease in accrued interest payable	215
(Increase) in compensated absences	(24,408)
(Increase) in net other post-employment benefit obligation	<u>(31,730)</u>

(55,923)

**Change in net position of governmental activities** \$ (517,916)

City of Springfield

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2013

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 417,058	\$ 594,654	\$ 95,322
Accounts receivable	109,773	103,418	50,378
Total current assets	526,831	698,072	145,700
Noncurrent assets			
Capital assets being depreciated, net	945,667	1,149,726	-
<b>TOTAL ASSETS</b>	<b>1,472,498</b>	<b>1,847,798</b>	<b>145,700</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	33,972	24,916	24,172
Accrued liabilities	-	150	302
Due to other governmental units	14,393	16,895	-
Due to other funds	-	-	450
Accrued interest payable	725	674	-
Current portion of long-term debt	5,603	5,603	-
Total current liabilities	54,693	48,238	24,924
Noncurrent liabilities			
Noncurrent portion of long-term debt	84,691	77,069	-
<b>TOTAL LIABILITIES</b>	<b>139,384</b>	<b>125,307</b>	<b>24,924</b>
<b>NET POSITION</b>			
Net investment in capital assets	855,373	1,067,054	-
Unrestricted	477,741	655,437	120,776
<b>TOTAL NET POSITION</b>	<b>\$ 1,333,114</b>	<b>\$ 1,722,491</b>	<b>\$ 120,776</b>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,107,034	\$ 43,408
<u>263,569</u>	<u>3,304</u>
1,370,603	46,712
<u>2,095,393</u>	<u>489,125</u>
3,465,996	535,837
83,060	4,767
452	-
31,288	-
450	-
1,399	-
<u>11,206</u>	<u>-</u>
127,855	4,767
<u>161,760</u>	<u>-</u>
<u>289,615</u>	<u>4,767</u>
1,922,427	489,125
<u>1,253,954</u>	<u>41,945</u>
<u>\$ 3,176,381</u>	<u>\$ 531,070</u>

City of Springfield

Proprietary Funds

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

Year Ended June 30, 2013

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 729,925	\$ 612,607	\$ 251,204
Licenses and permits	-	-	33,309
Other	-	21,703	16,466
<b>TOTAL OPERATING REVENUES</b>	<b>729,925</b>	<b>634,310</b>	<b>300,979</b>
OPERATING EXPENSES			
Operating expenses	731,127	507,313	298,035
Depreciation	91,043	52,516	-
<b>TOTAL OPERATING EXPENSES</b>	<b>822,170</b>	<b>559,829</b>	<b>298,035</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(92,245)</b>	<b>74,481</b>	<b>2,944</b>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental - State	-	-	-
Interest earned	2,984	4,472	86
Interest expenses and fees	(4,534)	(4,217)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(1,550)</b>	<b>255</b>	<b>86</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(93,795)</b>	<b>74,736</b>	<b>3,030</b>
CONTRIBUTIONS AND TRANSFERS			
Contributed capital	-	-	-
Transfers in	-	-	45,000
Transfers out	(1,750)	(1,750)	(7,500)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(1,750)</b>	<b>(1,750)</b>	<b>37,500</b>
<b>CHANGE IN NET POSITION</b>	<b>(95,545)</b>	<b>72,986</b>	<b>40,530</b>
Net position, beginning of year	1,428,659	1,649,505	80,246
Net position, end of year	<u>\$ 1,333,114</u>	<u>\$ 1,722,491</u>	<u>\$ 120,776</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,593,736	\$ 182,151
33,309	-
38,169	26,194
1,665,214	208,345
1,536,475	187,868
143,559	82,632
1,680,034	270,500
(14,820)	(62,155)
-0-	3,502
7,542	17
(8,751)	-
(1,209)	3,519
(16,029)	(58,636)
-0-	15,168
45,000	23,500
(11,000)	-
34,000	38,668
17,971	(19,968)
3,158,410	551,038
\$ 3,176,381	\$ 531,070

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 730,000	\$ 637,105	\$ 291,681
Cash paid to vendors/employees	(758,220)	(501,119)	(296,207)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(28,220)</b>	<b>135,986</b>	<b>(4,526)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Receipt of interfund balances	-	-	450
Transfers in	-	-	45,000
Transfers out	(1,750)	(1,750)	(7,500)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(1,750)</b>	<b>(1,750)</b>	<b>37,950</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest expenses and fees	(4,571)	(4,252)	-
Intergovernmental - State	-	-	-
Capital purchases	-	-	-
Payments on borrowings	(5,160)	(4,800)	-
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(9,731)</b>	<b>(9,052)</b>	<b>-0-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	2,984	4,472	86
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(36,717)</b>	<b>129,656</b>	<b>33,510</b>
Cash and cash equivalents, beginning of year	453,775	464,998	61,812
Cash and cash equivalents, end of year	<u>\$ 417,058</u>	<u>\$ 594,654</u>	<u>\$ 95,322</u>

See accompanying notes to financial statements.



<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,658,786	\$ 206,744
<u>(1,555,546)</u>	<u>(188,588)</u>
103,240	18,156
450	-
45,000	23,500
<u>(11,000)</u>	<u>-</u>
34,450	23,500
(8,823)	-
-0-	3,502
-0-	(33,691)
<u>(9,960)</u>	<u>-</u>
(18,783)	(30,189)
<u>7,542</u>	<u>17</u>
126,449	11,484
<u>980,585</u>	<u>31,924</u>
<u>\$ 1,107,034</u>	<u>\$ 43,408</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2013

	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)	\$ (92,245)	\$ 74,481	\$ 2,944
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	91,043	52,516	-
(Increase) decrease in:			
Accounts receivable	75	2,795	(9,298)
Increase (decrease) in:			
Accounts payable	(34,848)	2,197	1,526
Accrued liabilities	-	-	302
Due to other governmental units	7,755	3,997	-
	<u>7,755</u>	<u>3,997</u>	<u>-</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ (28,220)</u>	 <u>\$ 135,986</u>	 <u>\$ (4,526)</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ (14,820)	\$ (62,155)
143,559	82,632
(6,428)	(1,601)
(31,125)	(720)
302	-
11,752	-
<u>\$ 103,240</u>	<u>\$ 18,156</u>

City of Springfield

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2013

	<u>Trust and Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$          176</u>
LIABILITIES	
Due to individuals and agencies	<u>\$          176</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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

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

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statements No. 39 and No. 61); and Michigan Committee on Governmental Accounting and Auditing Statement No. 4, these financial statements present the financial activities of the City of Springfield (primary government), and its component unit. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The City has no blended component units at year end. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. All component units are included in the City's audited financial statements and are not audited separately.

2. Discretely Presented Component Unit

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

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

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

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

3. Basis of Presentation - continued

GOVERNMENT WIDE FINANCIAL STATEMENTS - CONTINUED

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

FUND FINANCIAL STATEMENTS

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

4. Measurement Focus

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

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

There is no measurement focus for agency funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and unearned revenue. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

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

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

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

6. Budgets and Budgetary Accounting

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

6. Budgets and Budgetary Accounting - continued

The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. On the Council meeting nearest but no later than the second Council meeting in April, the City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A budget study session is conducted in May, with the City Manager and Department Heads presenting their budgets to the City Council and addressing any questions or concerns of the Council.
- c. A Public Hearing is conducted to obtain taxpayers' comments by the end of May.
- d. Prior to July 1, the budget is legally adopted with passage by Council vote.
- e. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- f. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.

7. Cash and Cash Equivalents

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

8. Receivables

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

9. Property Tax

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

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

The City is permitted by charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services and an unlimited amount for pension. The operating millage had a maximum allowable millage after roll-back for the 2012 levy of 14.8743 mills. For the year ended June 30, 2013, 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 2012 levy for property within the City was \$82,297,450. This levy generated \$987,223 and \$70,513 in current year property tax revenue for governmental services and pension, respectively.



City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

10. Income Tax Revenues

In accordance with GASB Statement No. 22, *Accounting for Taxpayer - Assessed Tax Revenues in Governmental Funds*, the City has recognized taxpayer-assessed taxes, net of estimated refunds, as revenue in the accounting period in which they become susceptible to accrual (i.e., measurable and available to finance expenditures of the fiscal period). The City has calculated this amount based on the income tax collections made within 60 days after year-end that relate to the prior years. Estimated refunds of these amounts are considered to be immaterial.

11. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The Internal Service Fund records charges for services to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

12. Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Roads and sidewalks	20 - 30 years
Buildings and improvements	7 - 50 years
Land improvements	10 - 20 years
Vehicles	2 - 20 years
Furniture and fixtures	5 years
Other tools and equipment	5 - 15 years
Water and sewer systems	3 - 40 years

13. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year are reported as current liabilities with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

14. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation. Employees are not paid for accumulated sick leave. All employees with accumulated unused vacation pay at June 30, 2013, were vested and the total due to them, along with related payroll taxes, is recorded entirely in the government-wide financial statements.

15. Deferred Outflows/Inflows of Resources

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

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

The City has only two types of items, which arise only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from revenues collected subsequent to 60 days after year end, and from long-term special assessment receivables. These amounts are deferred and recognized as an inflows of resources in the period that the amounts become available.

16. Comparative Data

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

**NOTE B: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

As of June 30, 2013, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 2,100,684	\$ 2,213,553
COMPONENT UNIT		
Checking	297,874	297,874
FIDUCIARY FUNDS		
Checking	<u>176</u>	<u>176</u>
TOTAL REPORTING ENTITY	<u>\$ 2,398,734</u>	<u>\$ 2,511,603</u>

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

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2013, the City accounts were insured by the FDIC for \$263,140, and the amount of \$2,248,463 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Investments

As of June 30, 2013, the carrying amount and fair value for the investment is as follows:

Investment Type	Carrying Amount	Fair Value	Weighted Average Maturity
<b>PRIMARY GOVERNMENT</b>			
Uncategorized pooled investment funds			
Fidelity Advantage Mutual Fund	\$ 888,504	\$ 888,504	N/A
Comerica Governmental Cash Investment Fund	304,128	304,128	N/A
	1,192,632	1,192,632	
<b>COMPONENT UNIT</b>			
Uncategorized pooled investment funds			
Fidelity Advantage Mutual Fund	372,493	372,493	N/A
Comerica Governmental Cash Investment Fund	64,509	64,509	N/A
	437,002	437,002	
	<u>\$ 1,629,634</u>	<u>\$ 1,629,634</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, 2013, the City's investments in uncategorized pooled investment funds were not rated.

Interest rate risk

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

Concentration of credit risk

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

Custodial credit risk

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

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

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

The following summarizes the categorization of these amounts as of June 30, 2013:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	<u>\$ 3,294,116</u>	<u>\$ 734,876</u>	<u>\$ 176</u>	<u>\$ 4,029,168</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2013, is as follows:

Due to General Fund from:	
Nonmajor proprietary funds	<u>\$ 450</u>

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

**NOTE D: INTERFUND TRANSFERS**

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

Transfers to General Fund from:	
Income Tax Fund	\$ 458,823
Nonmajor governmental funds	17,400
Nonmajor enterprise funds	<u>7,500</u>
	<u>\$ 483,723</u>
Transfers to Local Streets Fund from:	
Major Streets Fund	<u>\$ 75,000</u>
Transfers to nonmajor governmental funds from:	
Major Streets Fund	\$ 8,928
Local Streets Fund	<u>47,893</u>
	<u>\$ 56,821</u>
Transfers to nonmajor enterprise funds from:	
General Fund	\$ 10,000
Nonmajor governmental funds	<u>35,000</u>
	<u>\$ 45,000</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE D: INTERFUND TRANSFERS - CONTINUED**

Transfers to Internal Service Fund from:

General Fund	\$ 20,000
Sewer System Fund	1,750
Water System Fund	1,750
	<u>1,750</u>
	<u>\$ 23,500</u>

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

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 622,017	\$ -	\$ (13,960)	\$ 608,057
Capital assets being depreciated				
Roads and sidewalks	22,703,826	-	-	22,703,826
Buildings and improvements	3,088,155	-	-	3,088,155
Land improvements	162,649	-	-	162,649
Vehicles	1,545,647	55,813	(69,544)	1,531,916
Furniture and fixtures	105,211	30,942	(5,100)	131,053
Other tools and equipment	602,949	-	-	602,949
Subtotal	28,208,437	86,755	(74,644)	28,220,548
Less accumulated depreciation for:				
Roads and sidewalks	(17,083,863)	(551,789)	-	(17,635,652)
Buildings and improvements	(1,202,354)	(79,075)	-	(1,281,429)
Land improvements	(65,135)	(8,104)	-	(73,239)
Vehicles	(1,022,749)	(82,632)	62,590	(1,042,791)
Furniture and fixtures	(101,166)	(10,184)	5,100	(106,250)
Other tools and equipment	(491,327)	(30,702)	-	(522,029)
Subtotal	(19,966,594)	(762,486)	67,690	(20,661,390)
Net capital assets being depreciated	8,241,843	(675,731)	(6,954)	7,559,158
Capital assets, net	<u>\$ 8,863,860</u>	<u>\$ (675,731)</u>	<u>\$ (20,914)</u>	<u>\$ 8,167,215</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE E: CAPITAL ASSETS - CONTINUED**

Depreciation expense was charged to the following governmental activities:

General government	\$ 41,902
Public safety	129,259
Public works	553,781
Community and economic development	<u>37,544</u>
Total depreciation expense	<u>\$ 762,486</u>

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
<b>Business-type activities</b>				
<b>(Sewer system)</b>				
Capital assets being depreciated				
Sewer distribution system	\$ 3,884,451	\$ -	\$ -	\$ 3,884,451
Sewer tools and equipment	<u>184,952</u>	<u>-</u>	<u>-</u>	<u>184,952</u>
Subtotal	4,069,403	-0-	-0-	4,069,403
Less accumulated depreciation for:				
Sewer distribution system	(2,942,182)	(85,969)	-	(3,028,151)
Sewer tools and equipment	<u>(90,511)</u>	<u>(5,074)</u>	<u>-</u>	<u>(95,585)</u>
Subtotal	<u>(3,032,693)</u>	<u>(91,043)</u>	<u>-0-</u>	<u>(3,123,736)</u>
Capital assets being depreciated	<u>\$ 1,036,710</u>	<u>\$ (91,043)</u>	<u>\$ -0-</u>	<u>\$ 945,667</u>
<b>(Water system)</b>				
Capital assets being depreciated				
Water distribution system	\$ 2,241,088	\$ -	\$ -	\$ 2,241,088
Water tools and equipment	<u>209,136</u>	<u>-</u>	<u>-</u>	<u>209,136</u>
Subtotal	2,450,224	-0-	-0-	2,450,224
Less accumulated depreciation for:				
Water distribution system	(1,149,052)	(45,348)	-	(1,194,400)
Water tools and equipment	<u>(98,930)</u>	<u>(7,168)</u>	<u>-</u>	<u>(106,098)</u>
Subtotal	<u>(1,247,982)</u>	<u>(52,516)</u>	<u>-0-</u>	<u>(1,300,498)</u>
Capital assets being depreciated	<u>\$ 1,202,242</u>	<u>\$ (52,516)</u>	<u>\$ -0-</u>	<u>\$ 1,149,726</u>
<b>Component Unit</b>				
Capital assets not being depreciated				
Land	<u>\$ 49,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,349</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2013.

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
2006 Capital Improvement Bonds	\$ 587,074	\$ -	\$ (30,040)	\$ 557,034	\$ 33,795
Compensated Absences	150,551	114,782	(90,374)	174,959	110,986
	737,625	114,782	(120,414)	731,993	144,781
Business-Type Activities					
2006 Capital Improvement Bonds	182,926	-	(9,960)	172,966	11,206
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>920,551</b>	<b>114,782</b>	<b>(130,374)</b>	<b>904,959</b>	<b>155,987</b>
<b>COMPONENT UNIT</b>					
1999 Tax Increment Bonds	495,000	-	(60,000)	435,000	60,000
2003 Tax Increment Bonds	70,000	-	(70,000)	-0-	-
2007 Tax Increment Bonds	510,000	-	(15,000)	495,000	15,000
Brownfield Loan	173,084	-	(23,282)	149,802	23,748
<b>TOTAL COMPONENT UNIT</b>	<b>1,248,084</b>	<b>-0-</b>	<b>(168,282)</b>	<b>1,079,802</b>	<b>98,748</b>
<b>TOTAL REPORTING ENTITY</b>	<b>\$ 2,168,635</b>	<b>\$ 114,782</b>	<b>\$ (298,656)</b>	<b>\$ 1,984,761</b>	<b>\$ 254,735</b>

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

**PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES**

Capital Improvement Bonds

\$747,245 Capital Improvement Bonds dated May 1, 2006, due in annual installments ranging from \$33,795 to \$61,374 through May 1, 2026, with interest ranging from 4.30 to 4.75 percent, payable semi-annually. These bonds are repaid partially by governmental activities and partially by business-type activities.

\$ 557,034

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 \$174,959 at June 30, 2013.



City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

PRIMARY GOVERNMENT - BUSINESS-TYPE ACTIVITIES

Capital Improvement Bonds

\$247,755 Capital Improvement Bonds dated May 1, 2006, due in annual installments ranging from \$8,626 to \$17,430 through May 1, 2026, with interest ranging from 4.30 to 4.75 percent, payable semi-annually. These bonds are repaid partially by governmental activities and partially by business-type activities.

\$ 172,966

COMPONENT UNIT

Tax Increment Finance Authority Bonds

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

\$995,000 Tax Increment Finance Authority Bonds dated May 1, 1999, due in annual installments ranging from \$60,000 to \$85,000 through May 1, 2019, with interest ranging from 5.00 to 5.20 percent, payable semi-annually.

\$ 435,000

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

495,000

\$ 930,000

Brownfield Loan

\$300,000 Brownfield Loan dated March 10, 2005, due in annual installments ranging from \$23,748 to \$26,219 through March 18, 2019, with interest of 2.00 percent.

\$ 149,802

**Primary Government - Government Activities**

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2014	\$ 33,795	\$ 25,320
2015	33,795	23,867
2016	33,795	22,346
2017	37,550	20,825
2018	37,550	19,135
2019-2023	217,790	67,725
2024-2026	<u>162,759</u>	<u>14,804</u>
Total	<u>\$ 557,034</u>	<u>\$ 194,022</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

**Primary Government - Business-type Activities**

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2014	\$ 11,206	\$ 8,395
2015	11,206	7,913
2016	11,206	7,409
2017	12,450	6,905
2018	12,450	6,345
2019-2023	72,210	22,455
2024-2026	42,238	4,908
Total	<u>\$ 172,966</u>	<u>\$ 64,330</u>

**Component Unit**

Year Ending June 30,	Tax Increment Bonds		Brownfield Loan	
	Principal	Interest	Principal	Interest
2014	\$ 75,000	\$ 44,500	\$ 23,748	\$ 2,996
2015	85,000	40,855	24,222	2,521
2016	90,000	36,745	24,707	2,037
2017	100,000	32,315	25,201	1,543
2018	105,000	27,415	25,705	1,038
2019-2023	265,000	79,130	26,219	524
2024-2027	210,000	25,300	-	-
Total	<u>\$ 930,000</u>	<u>\$ 286,260</u>	<u>\$ 149,802</u>	<u>\$ 10,659</u>

**NOTE G: RETIREMENT PLAN**

Plan Description

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

Funding Policy

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE G: RETIREMENT PLAN - CONTINUED**

Annual Pension Cost

For the year ended June 30, 2013, the City's annual pension cost of \$189,251 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age normal cost method. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 13% per year depending on age, seniority and merit, and (d) assumption that benefits will increase 2.5 percent per year after retirement for certain benefit provisions along with other actuarial assumptions as detailed in the actuarial report. The unfunded actuarial liability is being amortized as a level percentage of payrolls on a closed basis. The remaining amortization period is thirty (30) years.

Three (3) Year Trend Information

	As of December 31,		
	2010	2011	2012
Actuarial value of assets	\$ 7,464,911	\$ 7,489,968	\$ 7,442,226
Actuarial accrued liability (AAL) (entry age)	8,981,040	9,311,277	9,921,344
Unfunded AAL	1,516,129	1,821,309	2,479,118
Funded ratio	83.1%	80.4%	75.0%
Covered payroll	\$ 1,510,929	\$ 1,469,924	\$ 1,424,555
UAAL as a percentage of covered payroll	100.3%	123.9%	174.0%

  

	Year Ended June 30,		
	2011	2012	2013
Annual pension cost	\$ 194,849	\$ 181,137	\$ 189,251
Percentage of APC contributed	100.0%	100.0%	100.0%
Net pension obligation	\$ -	\$ -	\$ -

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

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

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

During the year ended June 30, 2013, 23 retirees and their beneficiaries were receiving benefits. Expenditures for postemployment benefits are recognized when claims are paid. During the year, expenditures of \$119,563 were recognized for post-employment benefits.

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Funding Policy

The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). The only current contributions being made are to pay the actual current premiums of the retirees. The amount of the annual required contribution is reflected in the schedule that follows. Administrative costs of the plan are paid for by the City.

Funding Progress

For the year ended June 30, 2013, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of June 30, 2013. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

The City’s computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 148,217
Interest on net OPEB obligation	9,227
Adjustment to annual required contribution	<u>(6,151)</u>
Annual OPEB cost (expense)	151,293
Amounts contributed:	
Payments of current requirements (gross of employee reimbursement)	<u>119,563</u>
Increase in net OPEB obligation	31,730
OPEB obligation - Beginning of year	<u>184,532</u>
OPEB obligation - End of year	<u><u>\$ 216,262</u></u>

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

	Year Ended June 30,		
	2011	2012	2013
Annual OPEB cost	\$ 152,393	\$ 149,562	\$ 151,293
Percentage of annual OPEB cost contributed	106.8%	43.3%	79.0%
Net OPEB obligation	\$ 99,713	\$ 184,532	\$ 216,262

The current funding progress of the plan is as follows:

	June 30,	
	2010	2013
Actuarial value of assets	\$ -	\$ 208,387
Actuarial accrued liability (AAL)	1,669,757	1,531,885
Unfunded AAL (UAAL)	1,669,757	1,323,498
Funded ratio	0.0%	13.6%
Covered payroll	\$ 1,501,991	\$ 1,402,010
Ratio of UAAL to covered payroll	111.2%	94.4%

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Actuarial Methods and Assumptions

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

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

In the June 30, 2013, valuation, the entry age normal cost method was used. The actuarial assumptions include a 5.0 percent per year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets and an average salary increase of 3 percent. A discount rate of 5.0 percent was also used. There was also an inflationary rate assumption factored into the calculation and premium increases ranging from 5.0 percent to 8.0 percent were also factored into the calculation.

**NOTE I: RISK MANAGEMENT**

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

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

**NOTE J: RESTRICTED NET POSITION**

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various restrictions in net position as of June 30, 2013:

PRIMARY GOVERNMENT	
Other purposes	
Streets and highways	\$ 778,234
Economic development	95,873
City operations	608,956
	<hr/>
	\$ 1,483,063
	<hr/> <hr/>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS**

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

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

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

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

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

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

Fund Balance Classification Policies and Procedures

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

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

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

	General Fund	Major Streets	Local Streets	Income Tax	Nonmajor Governmental Funds	Total
Fund Balances						
Restricted						
Streets	\$ -	\$ 416,403	\$ 361,831	\$ -	\$ -	\$ 778,234
City operations	-	-	-	608,956	-	608,956
Economic development	-	-	-	-	95,873	95,873
Debt service	-	-	-	-	181	181
Committed						
Public safety	-	-	-	-	15,766	15,766
Assigned						
Subsequent year's expenditures	225,800	-	-	-	-	225,800
Unassigned	613,535	-	-	-	-	613,535
<b>TOTAL FUND BALANCES</b>	<b>\$ 839,335</b>	<b>\$ 416,403</b>	<b>\$ 361,831</b>	<b>\$ 608,956</b>	<b>\$ 111,820</b>	<b>\$ 2,338,345</b>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE L: SUBSEQUENT EVENTS**

In July 2013, the City was approved for a federal grant related to various road projects within the City. The maximum federal funding that the City could receive from this grant is \$585,890. The projects are expected to start in fiscal year 2014.

In September 2013, the City entered into an agreement with the Calhoun County to provide public safety services for the City. The agreement took effect on October 1, 2013, and will continue until September 30, 2018. The agreement will renew annually until further notice after that date.

In October 2013, the City sold two (2) parcels of land related to the Orchard Hills development that the City owns. Each parcel was sold for \$6,361 for a total of \$12,722.

**NOTE M: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 61, *The Financial Reporting Entity Omnibus* was implemented during the current year. This statement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interest in legally separate organizations. The Economic Development Corporation (EDC) continues to meet the criteria for classification as discretely presented component unit of the City of Springfield.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* were implemented during the current year. These statements incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets, and fund balance, when applicable.

**NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The Statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The Statement also requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required, (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released, and (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2013-2014 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**



City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Operating	\$ 1,012,700	\$ 1,012,700	\$ 997,357	\$ (15,343)
Pension	71,600	71,600	70,513	(1,087)
Tax collection fees	22,000	22,000	22,806	806
Penalties and interest	6,000	6,000	9,752	3,752
Total taxes	1,112,300	1,112,300	1,100,428	(11,872)
Licenses and permits				
Trailer fees	1,200	1,200	1,305	105
Business licenses	4,500	4,500	3,471	(1,029)
Liquor licenses	5,300	5,300	5,121	(179)
Cable franchise fees	50,000	55,000	55,961	961
Total licenses and permits	61,000	66,000	65,858	(142)
Intergovernmental				
State grants				
Police training grants	2,500	2,500	2,100	(400)
Statutory sales tax	246,000	243,000	243,111	111
Constitutional sales tax	389,000	380,000	385,537	5,537
Total state grants	637,500	625,500	630,748	5,248
Charges for services	14,000	24,800	28,493	3,693
Fines and forfeits	44,000	44,000	48,923	4,923
Interest and rents	19,800	19,800	21,596	1,796
Other				
Sale of city property	-	-	250	250
Refunds and reimbursements	103,000	73,000	77,271	4,271
Other	74,300	85,300	104,922	19,622
Total other	177,300	158,300	182,443	24,143
TOTAL REVENUES	2,065,900	2,050,700	2,078,489	27,789

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
City Council	\$ 41,500	\$ 49,500	\$ 48,249	\$ 1,251
City Manager	53,200	53,200	49,976	3,224
Elections	11,700	11,700	9,774	1,926
Assessor	88,600	83,600	80,991	2,609
Attorney	7,000	7,000	1,280	5,720
Treasurer	92,400	103,300	98,103	5,197
Clerk	154,200	157,400	154,718	2,682
City hall and grounds	95,600	102,600	88,383	14,217
Cemetery	38,500	38,500	34,846	3,654
Total general government	582,700	606,800	566,320	40,480
Public safety	1,694,100	1,717,300	1,624,758	92,542
Public works				
Department of public works	62,800	4,400	17,187	(12,787)
Street lighting	70,000	77,000	76,929	71
Total public works	132,800	81,400	94,116	(12,716)
Recreation and cultural	52,400	52,400	58,622	(6,222)
Other				
Post-employment benefits	120,400	120,400	119,563	837
TOTAL EXPENDITURES	2,582,400	2,578,300	2,463,379	114,921
EXCESS OF REVENUES (UNDER) EXPENDITURES	(516,500)	(527,600)	(384,890)	142,710
OTHER FINANCING SOURCES (USES)				
Transfers in	465,100	477,500	483,723	6,223
Transfers out	(30,000)	(35,700)	(30,000)	5,700
TOTAL OTHER FINANCING SOURCES (USES)	435,100	441,800	453,723	11,923
NET CHANGE IN FUND BALANCE	(81,400)	(85,800)	68,833	154,633
Fund balance, beginning of year	770,502	770,502	770,502	-0-
Fund balance, end of year	\$ 689,102	\$ 684,702	\$ 839,335	\$ 154,633

City of Springfield

Major Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 392,600	\$ 307,900	\$ 312,749	\$ 4,849
Charges for services	2,000	2,000	1,224	(776)
Interest	500	500	440	(60)
Other				
Special assessments	20,000	20,000	22,406	2,406
Other	1,000	1,000	-	(1,000)
TOTAL REVENUES	416,100	331,400	336,819	5,419
EXPENDITURES				
Current				
Public works	476,500	307,500	269,507	37,993
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(60,400)	23,900	67,312	43,412
OTHER FINANCING SOURCES (USES)				
Transfer in	100,000	-	-	-0-
Transfer out	(83,900)	(83,900)	(83,928)	(28)
TOTAL OTHER FINANCING SOURCES (USES)	16,100	(83,900)	(83,928)	(28)
NET CHANGE IN FUND BALANCE	(44,300)	(60,000)	(16,616)	43,384
Fund balance, beginning of year	433,019	433,019	433,019	-0-
Fund balance, end of year	\$ 388,719	\$ 373,019	\$ 416,403	\$ 43,384

City of Springfield

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 108,300	\$ 112,900	\$ 114,936	\$ 2,036
Interest	300	300	303	3
Other				
Special assessments	15,000	15,000	16,313	1,313
Miscellaneous	-	-	393	393
TOTAL REVENUES	123,600	128,200	131,945	3,745
EXPENDITURES				
Current				
Public works	165,000	159,000	96,947	62,053
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(41,400)	(30,800)	34,998	65,798
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	75,000	75,000	-0-
Transfers out	(47,900)	(47,900)	(47,893)	7
TOTAL OTHER FINANCING SOURCES (USES)	27,100	27,100	27,107	7
NET CHANGE IN FUND BALANCE	(14,300)	(3,700)	62,105	65,805
Fund balance, beginning of year	299,726	299,726	299,726	-0-
Fund balance, end of year	<u>\$ 285,426</u>	<u>\$ 296,026</u>	<u>\$ 361,831</u>	<u>\$ 65,805</u>

City of Springfield

Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 676,000	\$ 716,000	\$ 822,938	\$ 106,938
Interest	7,300	7,300	3,223	(4,077)
Other	2,700	2,700	2,641	(59)
TOTAL REVENUES	686,000	726,000	828,802	102,802
EXPENDITURES				
Current				
General government	195,700	220,700	212,623	8,077
EXCESS OF REVENUES OVER EXPENDITURES	490,300	505,300	616,179	110,879
OTHER FINANCING USES				
Transfers out	(552,600)	(452,600)	(458,823)	(6,223)
NET CHANGE IN FUND BALANCE	(62,300)	52,700	157,356	104,656
Fund balance, beginning of year	451,600	451,600	451,600	-0-
Fund balance, end of year	<u>\$ 389,300</u>	<u>\$ 504,300</u>	<u>\$ 608,956</u>	<u>\$ 104,656</u>

City of Springfield

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2013

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

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

During the year ended June 30, 2013, the City incurred expenditures in two (2) activities in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public works			
Department of public works	\$ 4,400	\$ 17,187	\$ 12,787
Recreation and cultural	52,400	58,622	6,222

## **OTHER SUPPLEMENTARY INFORMATION**

City of Springfield  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET  
 June 30, 2013

	Special Revenue		Debt Service	
	Drug Law Enforcement Fund	Economic Development	Debt Redemption Fund	Total
ASSETS				
Cash and cash equivalents	\$ 15,266	\$ 96,917	\$ 181	\$ 112,364
Accounts receivable	500	524	-	1,024
TOTAL ASSETS	\$ 15,766	\$ 97,441	\$ 181	\$ 113,388
LIABILITIES				
Accounts payable	\$ -	\$ 1,568	\$ -	\$ 1,568
FUND BALANCES				
Restricted	-	95,873	181	96,054
Committed	15,766	-	-	15,766
TOTAL FUND BALANCES	15,766	95,873	181	111,820
TOTAL LIABILITES AND FUND BALANCES	\$ 15,766	\$ 97,441	\$ 181	\$ 113,388



City of Springfield

Nonmajor Governmental Funds

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

Year Ended June 30, 2013

	Special Revenue		Debt Service	Total
	Drug Law Enforcement Fund	Economic Development	Debt Redemption Fund	
<b>REVENUES</b>				
Licenses and permits	\$ 4,760	\$ -	\$ -	\$ 4,760
Fines and forfeits	9,594	-	-	9,594
Interest and rents	30	13,064	1	13,095
Other				
Special assessment	-	17,233	-	17,233
Other	1,000	150	-	1,150
<b>TOTAL REVENUES</b>	<b>15,384</b>	<b>30,447</b>	<b>1</b>	<b>45,832</b>
<b>EXPENDITURES</b>				
Current				
Public safety	8,401	-	-	8,401
Community and economic development	-	27,979	-	27,979
Debt service				
Principal	-	-	30,040	30,040
Interest and fiscal agent fees	-	-	26,781	26,781
Capital outlay	1,922	-	-	1,922
<b>TOTAL EXPENDITURES</b>	<b>10,323</b>	<b>27,979</b>	<b>56,821</b>	<b>95,123</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,061</b>	<b>2,468</b>	<b>(56,820)</b>	<b>(49,291)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	56,821	56,821
Transfers out	(17,400)	(35,000)	-	(52,400)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(17,400)</b>	<b>(35,000)</b>	<b>56,821</b>	<b>4,421</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(12,339)</b>	<b>(32,532)</b>	<b>1</b>	<b>(44,870)</b>
Fund balances, beginning of year	28,105	128,405	180	156,690
Fund balances, end of year	\$ 15,766	\$ 95,873	\$ 181	\$ 111,820

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2013

	<u>Refuse</u>	<u>Building Code Enforcement</u>	<u>Farmers Market</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 41,268	\$ 38,821	\$ 15,233	\$ 95,322
Accounts receivable	48,303	-	2,075	50,378
	<u>89,571</u>	<u>38,821</u>	<u>17,308</u>	<u>145,700</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	14,842	1,754	7,576	24,172
Accrued liabilities	-	-	302	302
Due to other funds	-	-	450	450
	<u>14,842</u>	<u>1,754</u>	<u>8,328</u>	<u>24,924</u>
<b>NET POSITION</b>				
Unrestricted	<u>\$ 74,729</u>	<u>\$ 37,067</u>	<u>\$ 8,980</u>	<u>\$ 120,776</u>

City of Springfield

Nonmajor Enterprise Funds

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

Year Ended June 30, 2013

	Refuse	Building Code Enforcement	Farmers Market	Total
OPERATING REVENUES				
Charges for services	\$ 220,189	\$ -	\$ 31,015	\$ 251,204
Licenses and permits	-	33,309	-	33,309
Other	3,446	575	12,445	16,466
TOTAL OPERATING REVENUES	223,635	33,884	43,460	300,979
OPERATING EXPENSES				
Operating expenses	196,182	22,356	79,497	298,035
OPERATING INCOME (LOSS)	27,453	11,528	(36,037)	2,944
NONOPERATING REVENUES				
Interest earned	37	32	17	86
INCOME (LOSS) BEFORE TRANSFERS	27,490	11,560	(36,020)	3,030
TRANSFERS				
Transfers in	-	-	45,000	45,000
Transfers out	(7,500)	-	-	(7,500)
TOTAL TRANSFERS	(7,500)	-0-	45,000	37,500
CHANGE IN NET POSITION	19,990	11,560	8,980	40,530
Net position, beginning of year	54,739	25,507	-	80,246
Net position, end of year	\$ 74,729	\$ 37,067	\$ 8,980	\$ 120,776

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

	Refuse	Building Code Enforcement	Farmers Market	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 216,412	\$ 33,884	\$ 41,385	\$ 291,681
Cash paid to vendors/employees	(195,807)	(28,781)	(71,619)	(296,207)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>20,605</b>	<b>5,103</b>	<b>(30,234)</b>	<b>(4,526)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Receipt of interfund balances	-	-	450	450
Transfer in	-	-	45,000	45,000
Transfers out	(7,500)	-	-	(7,500)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(7,500)</b>	<b>-0-</b>	<b>45,450</b>	<b>37,950</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	37	32	17	86
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>13,142</b>	<b>5,135</b>	<b>15,233</b>	<b>33,510</b>
Cash and cash equivalents, beginning of year	28,126	33,686	-	61,812
Cash and cash equivalents, end of year	<u>\$ 41,268</u>	<u>\$ 38,821</u>	<u>\$ 15,233</u>	<u>\$ 95,322</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 27,453	\$ 11,528	\$ (36,037)	\$ 2,944
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities (Increase) in:				
Accounts receivable	(7,223)	-	(2,075)	(9,298)
Increase (decrease) in:				
Accounts payable	375	(6,425)	7,576	1,526
Accrued liabilities	-	-	302	302
<b>NET CASH PROVIDED (USED) BY BY OPERATING ACTIVITIES</b>	<u>\$ 20,605</u>	<u>\$ 5,103</u>	<u>\$ (30,234)</u>	<u>\$ (4,526)</u>

City of Springfield

Component Unit Funds

COMBINING BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION (EDC)

June 30, 2013

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 375	\$ 398,491	\$ 336,010	\$ 734,876
Receivables				
Accounts	-	-	50,375	50,375
Special assessments	-	4,030	3,675	7,705
Due from other governmental units	-	19,210	-	19,210
	<u>375</u>	<u>421,731</u>	<u>390,060</u>	<u>812,166</u>
<b>TOTAL ASSETS</b>	<b>\$ 375</b>	<b>\$ 421,731</b>	<b>\$ 390,060</b>	<b>\$ 812,166</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 425	\$ 4,200	\$ 4,625
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	-	4,030	3,675	7,705
<b>FUND BALANCES</b>				
Restricted	<u>375</u>	<u>417,276</u>	<u>382,185</u>	<u>799,836</u>
	<u>375</u>	<u>421,731</u>	<u>390,060</u>	<u>812,166</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 375</b>	<b>\$ 421,731</b>	<b>\$ 390,060</b>	<b>\$ 812,166</b>

City of Springfield

Component Unit Funds

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

June 30, 2013

**Total fund balances - governmental funds** \$ 799,836

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

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

The cost of capital assets is 49,349

Long-term assets are not available to pay for current period expenditures and are therefore considered unavailable in the funds. 7,705

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	\$ 1,079,802	
Accrued interest payable	<u>8,270</u>	
		<u>(1,088,072)</u>

**Net position of governmental funds** \$ (231,182)

City of Springfield

Component Unit Funds

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

Year Ended June 30, 2013

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
REVENUES				
Taxes	\$ 13,175	\$ 166,065	\$ 132,285	\$ 311,525
Interest	-	2,982	7,049	10,031
Other				
Special assessments	-	15,001	2,010	17,011
Miscellaneous	-	-	375	375
	<u>13,175</u>	<u>184,048</u>	<u>141,719</u>	<u>338,942</u>
TOTAL REVENUES	13,175	184,048	141,719	338,942
EXPENDITURES				
Current				
Community and economic development	163	41,488	63,671	105,322
Debt service	26,744	85,465	111,515	223,724
	<u>26,907</u>	<u>126,953</u>	<u>175,186</u>	<u>329,046</u>
TOTAL EXPENDITURES	26,907	126,953	175,186	329,046
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,732)	57,095	(33,467)	9,896
OTHER FINANCING SOURCES (USES)				
Transfer in	13,600	-	-	13,600
Transfer out	-	(13,600)	-	(13,600)
	<u>13,600</u>	<u>(13,600)</u>	<u>-0-</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	13,600	(13,600)	-0-	-0-
NET CHANGE IN FUND BALANCES	(132)	43,495	(33,467)	9,896
Fund balance, beginning of year	<u>507</u>	<u>373,781</u>	<u>415,652</u>	<u>789,940</u>
Fund balance, end of year	<u>\$ 375</u>	<u>\$ 417,276</u>	<u>\$ 382,185</u>	<u>\$ 799,836</u>

City of Springfield

Component Unit Funds

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

Year Ended June 30, 2013

**Net change in fund balances - total governmental funds** \$ 9,896

Amounts reported for component units in the statement of activities are different because:

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

(Decrease) in unavailable revenue (15,015)

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

Repayment of long-term debt 168,282

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

Decrease in accrued interest payable 1,209

**Change in net position of governmental funds** \$ 164,372