

# **City of Springfield, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2007**

# City of Springfield, Michigan

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## Independent Auditor's Report

To the Members of the City Council  
City of Springfield, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Springfield, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Springfield, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Springfield, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Members of the City Council  
City of Springfield, Michigan

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

*Plante & Moran, PLLC*

December 3, 2007

# City of Springfield, Michigan

## Management's Discussion and Analysis

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's expenses and investments. Please read this document in conjunction with the City's financial statements.

### Using this Annual Report

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

The statement of net assets (deficit) 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 to determine whether the taxpayers have funded the full cost of providing government services within that year.

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

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

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

**Property Taxes** - Property taxes are the City's largest revenue source. Overall, the City's taxable value grew over \$2.5 million this year. Real property values showed an increase of 4.27 percent, while personal property values decreased 5.69 percent. This decrease was primarily due to asset depreciation and a Michigan Tax Tribunal judgment revising Semco Energy's personal property tax assessment. Semco Energy claimed the use of STC multiplier Table I overvalued its gas distribution property vs. the use of STC Table H. A settlement was reached and accepted by the Tribunal. Of the City's \$1.29 million in tax collections, the Tax Increment Finance Authority (TIFA) captured \$218,000 or 19 percent. The total amount captured by the TIFA from all taxing units was \$419,800. TIFA dollars continue to promote economic development and fund public improvements within the City of Springfield.

# City of Springfield, Michigan

## Management's Discussion and Analysis (Continued)

**State-shared Revenue** - State-shared revenue is the City's second largest revenue source. For the sixth consecutive year, State cuts reduced constitutional and statutory sales tax distributions. This year, an additional \$23,500 or 3.05 percent was cut. For the fiscal year ended June 30, 2007, the City has sustained an annual General Fund revenue loss of \$250,400 or 25.1 percent (i.e., for the fiscal year ended 2001, the state distribution equaled \$998,000 vs. \$747,600 in 2007.) Also, funding from Act 51 monies for the major and local streets decreased this year by \$4,600 or 1.17 percent. The City continues with a conservative and diligent spending objective to preserve a healthy financial position in spite of state revenue-sharing cuts.

**Income Tax** - Income tax is the City's third largest revenue source. Net income tax collections exceeded \$720,900, an increase of \$28,100 or 4.07 percent over prior year collections. This favorable revenue trend is primarily attributed to enhanced compliance and tax collection efforts. Income tax provided \$533,700 for the funding of eight full-time positions, four public safety officers, and four public works employees. Income tax also provided funds for capital project debt payments totaling \$81,600.

**Investment Revenue** - Investment revenue exceeded budget projections. Overall, City investments were favorable for the fiscal year ended June 30, 2007. The Retiree Health Care Fund performed very well and yielded an investment return of over 12 percent. For all invested funds, no losses were realized and invested capital was preserved. Total investment return exceeded \$210,000, representing interest earned, dividends, and capital gains reinvested net of market appreciation.

### The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2007 and compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Capital assets	\$ 8,668,487	\$ 8,697,894	\$ 2,949,646	\$ 3,101,199	\$ 11,618,133	\$ 11,799,093
Other assets	2,501,890	2,608,466	922,337	808,760	3,424,227	3,417,226
Total assets	11,170,377	11,306,360	3,871,983	3,909,959	15,042,360	15,216,319
<b>Liabilities</b>						
Current liabilities	473,701	404,032	113,538	69,611	587,239	473,643
Long-term liabilities	1,079,712	1,256,508	226,076	234,862	1,305,788	1,491,370
Total liabilities	1,553,413	1,660,540	339,614	304,473	1,893,027	1,965,013
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	7,448,496	7,334,218	2,715,005	2,857,772	10,163,501	10,191,990
Restricted	1,372,929	1,277,446	-	-	1,372,929	1,277,446
Unrestricted	795,539	1,034,156	817,364	747,714	1,612,903	1,781,870
Total net assets	<u>\$ 9,616,964</u>	<u>\$ 9,645,820</u>	<u>\$ 3,532,369</u>	<u>\$ 3,605,486</u>	<u>\$ 13,149,333</u>	<u>\$ 13,251,306</u>

# City of Springfield, Michigan

## Management's Discussion and Analysis (Continued)

**Net Assets** - Net assets of the City's governmental and business-type activities total over \$13.1 million. This includes cash, investments, receivables, and capital assets vs. short-term and long-term liabilities. The value of Springfield's capital assets decreased by \$180,900. This change reflects new purchases, net of disposals and annual depreciation. Capital assets include land, buildings, equipment, computer systems, office furniture, vehicles, streets, and utility infrastructure. Overall, the City realized a decrease in cash, investments, receivables, and capital assets of \$174,000. Total liabilities decreased \$72,000 primarily due to debt retirement. Gross assets of \$15 million are rich in comparison to long-term liabilities of \$1.3 million.

The following table shows the changes of the net assets during the current year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 210,168	\$ 215,831	\$ 1,094,385	\$ 1,096,535	\$ 1,304,553	\$ 1,312,366
Operating grants and contributions	418,092	451,602	-	-	418,092	451,602
Capital grants and contributions	449,742	64,250	-	-	449,742	64,250
General revenue:						
Property taxes	1,101,318	1,076,981	-	-	1,101,318	1,076,981
Income taxes	736,289	694,588	-	-	736,289	694,588
State-shared revenue	747,578	771,126	-	-	747,578	771,126
Unrestricted investment earnings	103,002	64,154	33,588	14,549	136,590	78,703
Miscellaneous	181,000	160,893	10,439	93,172	191,439	254,065
Total revenue	3,947,189	3,499,425	1,138,412	1,204,256	5,085,601	4,703,681
<b>Program Expenses</b>						
General government	833,471	661,372	-	-	833,471	661,372
Public safety	1,913,171	1,886,066	-	-	1,913,171	1,886,066
Public works	784,708	855,810	-	-	784,708	855,810
Cemetery and parks	89,779	148,404	-	-	89,779	148,404
Buildings and grounds	148,396	134,943	-	-	148,396	134,943
Economic development and culture	25,237	25,970	-	-	25,237	25,970
Other	118,128	253,312	-	-	118,128	253,312
Debt service payments	82,127	35,943	-	-	82,127	35,943
Water and sewer	-	-	1,031,930	1,013,836	1,031,930	1,013,836
Refuse	-	-	160,627	156,464	160,627	156,464
Total program expenses	3,995,017	4,001,820	1,192,557	1,170,300	5,187,574	5,172,120
<b>Excess of Revenue Over (Under)</b>						
Expenses - Before transfers	(47,828)	(502,395)	(54,145)	33,956	(101,973)	(468,439)
Transfers	18,972	-	(18,972)	-	-	-
Change in Net Assets	(28,856)	(502,395)	(73,117)	33,956	(101,973)	(468,439)
Net Assets - Beginning of year	9,645,820	10,148,215	3,605,486	3,571,530	13,251,306	13,719,745
Net Assets - End of year	\$ 9,616,964	\$ 9,645,820	\$ 3,532,369	\$ 3,605,486	\$ 13,149,333	\$ 13,251,306



# City of Springfield, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

**Public Safety Expansion** - The Public Safety Building is undergoing an expansion that is estimated to cost \$800,000. The project is being funded through a combination of TIFA fund balance and TIFA bonds. This expansion will help our public safety officers operate more efficiently and provide our community with one of the best police, fire, and medical first response services in Calhoun County.

**Orchard Hills Project** - The City has partnered with Century 21 Realty and New Frontier Homes to develop a new 41-unit single-family home subdivision off Betterly Road (near 20th Street). The Orchard Hills Subdivision was initiated by the City of Springfield, as we constructed streets, curbs, storm sewers, water lines, and sanitary sewers in 2006. Because of the City's \$700,000+ investment, the homes are being offered at very reasonable prices. These high-quality homes range from \$130,000 to \$200,000. The City expects to realize benefit from the sale of the individual lots (priced from \$10,000 to \$18,000) and also from the increased property tax and income tax revenue that the development will bring.

**GTL Holdings Proposed Condominium Project** - GTL has proposed to build approximately 150 condominiums on 12+ acres of land adjacent to Valleyview Elementary School. The City has committed to selling an additional four acres of land to the developers to facilitate their investment.

**Street Projects** - The City completed a total reconstruction of Lafayette Street in September 2007. The project included street work, construction of biking lanes the entire length of the street, and miscellaneous drainage improvements. Total project cost was \$671,000. Funding for this project consisted of a Federal Transportation Improvement Grant for \$390,000, funding from the State's "Jobs Today Program" in the amount of \$103,000, plus the City provided \$178,000 in local match dollars.

The City also has plans to repave two heavily traveled streets: 20th Street and Avenue A. The project is funded mostly by federal and state programs. The total cost of the project is approximately \$680,000, and the City's portion will be approximately \$20,000.

**Recreation Projects** - The City has plans to complete an extension to the Battle Creek Linear Park Path that will connect Springfield to the path at the Kalamazoo River as well as south of Helmer Road. The project is funded mostly by federal and state programs. The total cost of the project is approximately \$375,000 the City's portion of the cost is approximately \$25,000.

# City of Springfield, Michigan

## Management's Discussion and Analysis (Continued)

**Economic Development** - LHG, LLC is currently developing one of the greenest new/pre-owned car dealerships in the state. The Motorzone Suzuki dealership is being developed with the latest geothermal technology, which will heat and cool its new 9,000 square feet showroom mostly with groundwater and will utilize recycled oil in areas where geothermal technology is not feasible. The \$2 million+ investment has been facilitated by a \$200,000 grant from the City's Economic Development Corporation/Tax Increment Financing Authority/Brownfield Redevelopment Authority (EDC/TIFA/BRA) Board. The City will benefit from the new income and property taxes generated from this development, and the area residents will benefit from approximately 50 new jobs expected to be created in connection with this investment.

LHG, LLC is also in the planning stages of a redevelopment project for the Bedford RV and Auto Express sites. This project will completely re-facade the Bedford RV building, demolish the Auto Express building, clean the site's contaminated soil, and redevelop the property at the corner of 20th Street and Dickman Road. The developer's goal is to give our community the appearance of another brand new high-quality dealership without discarding the current infrastructure. This is another example of making additional investments in a project in order to recycle infrastructure, reduce impacts on landfills, and attempt to do what's best for the local environment. The Springfield EDC/TIFA/BRA Board has committed to invest \$100,000 in this project.

The Henkel Auto Group has invested greatly in their Dickman Road dealership. This investment includes an expansion, façade redevelopment, and many site improvements. This investment was made possible through a joint effort between the Henkel Auto Group, the City of Springfield, the City of Battle Creek, Battle Creek Unlimited, and the State of Michigan.

Springfield will soon have a 12,000 square feet Do It Center. This hardware store will be locally owned and operated. The project is a result of substantial private investment and a \$1 million investment by the City of Springfield to green the formerly contaminated site. The Do It Center will open its doors in November 2007 on the Magnificent Motor Mile.

In an effort to facilitate these investments, encourage additional investments, and ensure business sustainability, the City has begun a formal business retention program. Through this program, City staff will visit all local businesses to help determine their economic health, staffing levels, needs, and future company expectations.

### **Business-type Activities**

**Sewer and Water Funds** - Revenue and expense activity of the Sewer and Water Funds were consistent from 2006 to 2007. In 2006, the Sewer and Water Funds received funds from TIFA B totaling \$68,100 for new infrastructure for multiple street projects and the Orchard Hills project. In 2007, there were no transfers from other funds or component units.

# **City of Springfield, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

The General Fund primarily pays for city administration, services provided by Public Safety and the Public Works Departments, maintenance of cemeteries and parks, and a recreation program. The City originally budgeted expenditures and transfers at \$2,864,200 projecting a use of fund balance in the amount of \$88,700. However, the City ended the year favorably, with actual expenditures and transfers of \$2,711,672. Amendments to state-shared revenue and the sale of City property resulted in actual revenues and transfers coming in at \$2,637,511. Actual use of fund balance was \$74,161. These numbers consider funding provided to the Building Fund in the amount of \$10,000 and the Vehicle Fund for \$5,000 plus \$49,200 to retire fire truck debt. The City's ability to maintain its commitment to cost containment and a conservative spending trend is the primary reason the budget fared so well this year.

### **Debt Retirement**

The City's long-term debt consists of bonding for street projects and utility infrastructure, a Brownfield loan, and the installment purchase of two fire trucks. This year, general government and the Sewer and Water Funds retired \$115,000 in bonded debt, plus \$37,400 in principal owed on the fire trucks. TIFA debt consists of bonding for capital projects including the Helmer Farms Industrial Park, East Airport Project, and Farmers Market/Begg Park Project. In 2007, a public safety building expansion/renovation project began. The TIFAs retired \$140,000 in bonded debt. There were no new debt obligations incurred by the City or TIFAs in FY 2006/2007.

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

**General Fund** - Communities throughout Michigan are facing a number of great fiscal challenges. Reduced and otherwise unpredictable state revenue-sharing levels, a stagnant economic growth and development climate, shrinking property values across the State, and the unresolved status of the Michigan tax structure have had a great impact on local government revenue expectations. This is compounded by rising costs associated with employee health insurance, retiree benefits, and expenses associated with general operating. These factors have caused a number of communities to experience budget shortfalls during recent fiscal years. Accordingly, the City of Springfield must work diligently to overcome these factors while maintaining our current service levels, investing in our future, and avoiding increases in taxes and fees to the fullest extent possible.

Overall, our fiscal year 2007-08 General Fund budget is stronger than it has been in a number of years. Revenues are up approximately \$90,000 from fiscal year 2006-2007, expenditures are down approximately \$5,000, and the General Fund's dependence on administrative allocations from other funds is down \$35,000. The fiscal year 2007-2008 General Fund budget is \$2,859,200 (up 2.4 percent over the prior year) and proposes to contribute approximately \$6,700 to fund balance.

# City of Springfield, Michigan

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## Management's Discussion and Analysis (Continued)

**Income Tax Fund** - The Income Tax Fund will provide funding for eight full-time positions, totaling \$541,500.

**State-shared Revenue** - No decrease in state-shared revenue is projected, as the state legislature recently approved its fiscal year 2007-2008 budget with no changes to revenue-sharing allocations.

**Staffing Reductions** - The City has made some major revisions to its staffing levels during fiscal year 2007-2008 in an effort to reduce operating expenses. The City has moved from a full-time assessor to a contracted assessor; this is expected to save \$25,000 to \$35,000 annually in salaries and benefits. The City has also chosen not to fill a vacant DPW position following the retirement of the DPW assistant director in August 2007; this is expected to save \$50,000 to \$60,000 annually in salaries and benefits.

### **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.

# City of Springfield, Michigan

## Statement of Net Assets (Deficit) June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 2)	\$ 1,560,450	\$ 560,612	\$ 2,121,062	\$ 772,027
Investments (Note 2)	198,656	116,301	314,957	348,903
Receivables:				
Customers	-	193,354	193,354	-
Special assessment	302,214	22,691	324,905	108,189
Delinquent taxes	24,813	-	24,813	-
Other	116,305	-	116,305	3,229
Intergovernmental	207,268	29,379	236,647	-
Notes receivable	80,853	-	80,853	-
Capital assets - Net:				
Assets not being depreciated (Note 3)	1,171,760	-	1,171,760	35,349
Depreciated assets (Note 3)	7,496,727	2,949,646	10,446,373	-
Prepaid costs and other assets	11,331	-	11,331	-
<b>Total assets</b>	<b>11,170,377</b>	<b>3,871,983</b>	<b>15,042,360</b>	<b>1,267,697</b>
<b>Liabilities</b>				
Accounts payable	159,183	70,541	229,724	8
Accrued and other liabilities	38,681	-	38,681	54,969
Deferred revenue	-	34,432	34,432	-
Noncurrent liabilities (Note 5):				
Due within one year	167,025	8,565	175,590	150,000
Due in more than one year	1,052,966	226,076	1,279,042	1,315,000
Employee absences:				
Due within one year	108,812	-	108,812	-
Due in more than one year	26,746	-	26,746	-
<b>Total liabilities</b>	<b>1,553,413</b>	<b>339,614</b>	<b>1,893,027</b>	<b>1,519,977</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	7,448,496	2,715,005	10,163,501	35,349
Restricted - Highways and streets	1,372,929	-	1,372,929	-
Unrestricted	795,539	817,364	1,612,903	(287,629)
<b>Total net assets (deficit)</b>	<b>\$ 9,616,964</b>	<b>\$ 3,532,369</b>	<b>\$ 13,149,333</b>	<b>\$ (252,280)</b>

# City of Springfield, Michigan

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 833,471	\$ 96,952	\$ -	\$ 36,037
Public safety	1,913,171	-	4,844	62,104
Public works	784,708	-	413,248	351,601
Cemetery and parks	89,779	10,105	-	-
Buildings and grounds	148,396	-	-	-
Economic development and culture	25,237	2,450	-	-
Other	118,128	100,661	-	-
Debt service payments	82,127	-	-	-
Total governmental activities	3,995,017	210,168	418,092	449,742
Business-type activities:				
Sewer Fund	594,239	557,819	-	-
Water Fund	437,691	377,101	-	-
Refuse Fund	160,627	159,465	-	-
Total business-type activities	1,192,557	1,094,385	-	-
Total primary government	<b>\$ 5,187,574</b>	<b>\$ 1,304,553</b>	<b>\$ 418,092</b>	<b>\$ 449,742</b>
<b>Component units:</b>				
Tax Increment Finance Authority	\$ 414,767	\$ -	\$ -	\$ -
Brownfield Authority	64,662	-	3,229	-
Total component units	<b>\$ 479,429</b>	<b>\$ -</b>	<b>\$ 3,229</b>	<b>\$ -</b>

General revenues:  
 Property taxes  
 Income taxes  
 State-shared revenues  
 Unrestricted investment earnings  
 Miscellaneous  
 Transfers

Total general revenues

## Change in Net Assets

**Net Assets (Deficit) - Beginning of year**

**Net Assets (Deficit) - End of year**

**Statement of Activities**  
**June 30, 2007**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (700,482)	\$ -	\$ (700,482)	\$ -
(1,846,223)	-	(1,846,223)	-
(19,859)	-	(19,859)	-
(79,674)	-	(79,674)	-
(148,396)	-	(148,396)	-
(22,787)	-	(22,787)	-
(17,467)	-	(17,467)	-
(82,127)	-	(82,127)	-
(2,917,015)	-	(2,917,015)	-
-	(36,420)	(36,420)	-
-	(60,590)	(60,590)	-
-	(1,162)	(1,162)	-
-	(98,172)	(98,172)	-
(2,917,015)	(98,172)	(3,015,187)	-
-	-	-	(414,767)
-	-	-	(61,433)
-	-	-	(476,200)
1,101,318	-	1,101,318	421,625
736,289	-	736,289	-
747,578	-	747,578	-
103,002	33,588	136,590	76,286
181,000	10,439	191,439	86
18,972	(18,972)	-	-
2,888,159	25,055	2,913,214	497,997
(28,856)	(73,117)	(101,973)	21,797
9,645,820	3,605,486	13,251,306	(274,077)
<b>\$ 9,616,964</b>	<b>\$ 3,532,369</b>	<b>\$ 13,149,333</b>	<b>\$ (252,280)</b>

# City of Springfield, Michigan

## Governmental Funds Balance Sheet June 30, 2007

	General Fund	Major Streets Fund	Local Streets Fund	Income Tax Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 265,500	\$ 728,709	\$ 344,016	\$ 126,189	\$ 81,069	\$ 1,545,483
Investments	116,301	-	-	82,355	-	198,656
Special assessment receivable	-	173,325	112,355	-	16,534	302,214
Delinquent taxes receivable	24,813	-	-	-	-	24,813
Accounts receivable	18,671	-	-	73,709	23,925	116,305
Notes receivable	-	-	-	-	80,853	80,853
Due from other governmental units	142,555	47,813	16,900	-	-	207,268
Due from other funds	777	-	-	-	-	777
Prepaid costs and other assets	11,331	-	-	-	-	11,331
<b>Total assets</b>	<b>\$ 579,948</b>	<b>\$ 949,847</b>	<b>\$ 473,271</b>	<b>\$ 282,253</b>	<b>\$ 202,381</b>	<b>\$ 2,487,700</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 42,856	\$ 101,247	\$ 314	\$ 6,206	\$ 2,709	\$ 153,332
Due to other funds	-	-	-	384	393	777
Due to other governmental units	150	-	-	-	-	150
Accrued and other liabilities	36,870	-	-	1,661	-	38,531
Deferred revenue	16,245	173,325	112,355	59,808	47,791	409,524
<b>Total liabilities</b>	<b>96,121</b>	<b>274,572</b>	<b>112,669</b>	<b>68,059</b>	<b>50,893</b>	<b>602,314</b>
<b>Fund Balances</b>						
Reserved for:						
Noncurrent receivable	-	-	-	-	80,853	80,853
Cemetery	11,886	-	-	-	-	11,886
Unreserved - Designated	-	-	-	-	33,916	33,916
Unreserved and undesignated, reported in:						
General Fund	471,941	-	-	-	-	471,941
Special Revenue Funds	-	675,275	360,602	214,194	36,546	1,286,617
Debt Service Funds	-	-	-	-	173	173
<b>Total fund balances</b>	<b>483,827</b>	<b>675,275</b>	<b>360,602</b>	<b>214,194</b>	<b>151,488</b>	<b>1,885,386</b>
<b>Total liabilities and and fund balances</b>	<b>\$ 579,948</b>	<b>\$ 949,847</b>	<b>\$ 473,271</b>	<b>\$ 282,253</b>	<b>\$ 202,381</b>	

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	8,365,545
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	409,524
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,115,917)
Internal Service Funds are included as part of governmental activities	72,426
<b>Net assets of governmental activities</b>	<b>\$ 9,616,964</b>



# City of Springfield, Michigan

## Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	General Fund	Major Streets Fund	Local Streets Fund	Income Tax Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>						
Taxes	\$ 1,096,412	\$ -	\$ -	\$ 721,208	\$ -	\$ 1,817,620
Special assessments	-	38,507	32,368	-	16,534	87,409
Licenses and permits	45,230	-	-	-	51,525	96,755
Federal sources	1,380	-	-	-	-	1,380
State sources	751,042	299,304	113,944	-	-	1,164,290
Charges for services	12,555	-	-	-	14,097	26,652
Fines and forfeitures	51,722	-	-	-	25,883	77,605
Interest and rentals	31,034	29,373	17,598	12,953	11,430	102,388
Other	109,436	50,000	-	1,413	-	160,849
<b>Total revenue</b>	<b>2,098,811</b>	<b>417,184</b>	<b>163,910</b>	<b>735,574</b>	<b>119,469</b>	<b>3,534,948</b>
<b>Expenditures - Current</b>						
General government	491,617	-	-	-	-	491,617
Public safety	1,907,750	-	-	-	16,972	1,924,722
Public works	41,332	-	-	-	-	41,332
Highways and streets	84,325	224,733	160,288	-	-	469,346
Cemetery	85,819	-	-	-	-	85,819
Buildings and grounds	74,387	-	-	-	74,369	148,756
Debt service	-	-	-	-	168,190	168,190
Administration and other	-	27,934	9,567	209,429	62,917	309,847
Economic development and culture	6,442	-	-	-	-	6,442
<b>Total expenditures</b>	<b>2,691,672</b>	<b>252,667</b>	<b>169,855</b>	<b>209,429</b>	<b>322,448</b>	<b>3,646,071</b>
<b>Excess of Revenue Over (Under)</b>						
<b>Expenditures</b>	(592,861)	164,517	(5,945)	526,145	(202,979)	(111,123)
<b>Other Financing Sources (Uses)</b>						
Transfers in	538,700	-	90,860	-	180,589	810,149
Transfers out	(20,000)	(84,634)	(69,315)	(615,340)	(21,860)	(811,149)
<b>Total other financing sources (uses)</b>	<b>518,700</b>	<b>(84,634)</b>	<b>21,545</b>	<b>(615,340)</b>	<b>158,729</b>	<b>(1,000)</b>
<b>Net Change in Fund Balances</b>	<b>(74,161)</b>	<b>79,883</b>	<b>15,600</b>	<b>(89,195)</b>	<b>(44,250)</b>	<b>(112,123)</b>
<b>Fund Balances - Beginning of year</b>	<b>557,988</b>	<b>595,392</b>	<b>345,002</b>	<b>303,389</b>	<b>195,738</b>	<b>1,997,509</b>
<b>Fund Balances - End of year</b>	<b>\$ 483,827</b>	<b>\$ 675,275</b>	<b>\$ 360,602</b>	<b>\$ 214,194</b>	<b>\$ 151,488</b>	<b>\$ 1,885,386</b>

# City of Springfield, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

**Net Change in Fund Balances - Total Governmental Funds** \$ (112,123)

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Asset purchases	543,248
Depreciation	(557,141)
Asset disposals	(3,960)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (51,372)

Revenues in the statement of activities that do not provide current finance resources are not reported as revenues in the funds, net effect of change in deferred revenue 29,725

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 106,214

Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities (9,363)

Internal Service Fund activity is reported in the governmental activities 25,916

**Change in Net Assets of Governmental Activities** **\$ (28,856)**

# City of Springfield, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2007

	Enterprise Funds			Total	Internal Service Fund
	Water	Sewer	Refuse		
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 366,195	\$ 277,686	\$ 33,032	\$ 676,913	\$ 14,967
Receivables:					
Customer	59,551	98,800	35,003	193,354	-
Special assessment	-	22,691	-	22,691	-
Intergovernmental	<u>19,722</u>	<u>9,657</u>	<u>-</u>	<u>29,379</u>	<u>-</u>
Total current assets	445,468	408,834	68,035	922,337	14,967
Noncurrent assets - Capital assets	<u>1,426,583</u>	<u>1,523,063</u>	<u>-</u>	<u>2,949,646</u>	<u>302,942</u>
Total assets	1,872,051	1,931,897	68,035	3,871,983	317,909
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	23,229	34,617	12,695	70,541	5,851
Deferred revenue	-	34,432	-	34,432	-
Current portion of long-term debt	<u>4,116</u>	<u>4,449</u>	<u>-</u>	<u>8,565</u>	<u>60,590</u>
Total current liabilities	27,345	73,498	12,695	113,538	66,441
Long-term debt	<u>108,623</u>	<u>117,453</u>	<u>-</u>	<u>226,076</u>	<u>179,042</u>
Total liabilities	<u>135,968</u>	<u>190,951</u>	<u>12,695</u>	<u>339,614</u>	<u>245,483</u>
<b>Net Assets</b>					
Investment in capital assets - Net of related debt	1,313,844	1,401,161	-	2,715,005	123,900
Unrestricted	<u>422,239</u>	<u>339,785</u>	<u>55,340</u>	<u>817,364</u>	<u>(51,474)</u>
Total net assets	<u>\$ 1,736,083</u>	<u>\$ 1,740,946</u>	<u>\$ 55,340</u>	<u>\$ 3,532,369</u>	<u>\$ 72,426</u>

# City of Springfield, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Enterprise Funds			Total	Internal Service Fund
	Water	Sewer	Refuse		
<b>Operating Revenue</b>					
Charges for services	\$ 377,101	557,819	159,465	\$ 1,094,385	170,340
Miscellaneous	<u>5,752</u>	<u>4,687</u>	<u>-</u>	<u>10,439</u>	<u>6,622</u>
Total operating revenue	382,853	562,506	159,465	1,104,824	176,962
<b>Operating Expenses</b>					
Operating expenses	377,892	489,640	160,627	1,028,159	107,582
Depreciation	<u>54,352</u>	<u>98,681</u>	<u>-</u>	<u>153,033</u>	<u>52,023</u>
Total operating expenses	<u>432,244</u>	<u>588,321</u>	<u>160,627</u>	<u>1,181,192</u>	<u>159,605</u>
<b>Operating Income (Loss)</b>	(49,391)	(25,815)	(1,162)	(76,368)	17,357
<b>Nonoperating Revenue (Expense)</b>					
Interest income	19,153	12,926	1,509	33,588	392
Interest expense	<u>(5,447)</u>	<u>(5,918)</u>	<u>-</u>	<u>(11,365)</u>	<u>(11,805)</u>
Total nonoperating revenue (expense)	13,706	7,008	1,509	22,223	(11,413)
<b>Transfers from (to) Other Funds</b>	<u>(9,486)</u>	<u>(9,486)</u>	<u>-</u>	<u>(18,972)</u>	<u>19,972</u>
<b>Change in Net Assets</b>	(45,171)	(28,293)	347	(73,117)	25,916
<b>Net Assets - Beginning of year</b>	<u>1,781,254</u>	<u>1,769,239</u>	<u>54,993</u>	<u>3,605,486</u>	<u>46,510</u>
<b>Net Assets - End of year</b>	<u><b>\$ 1,736,083</b></u>	<u><b>\$ 1,740,946</b></u>	<u><b>\$ 55,340</b></u>	<u><b>\$ 3,532,369</b></u>	<u><b>\$ 72,426</b></u>

# City of Springfield, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Refuse	Total	
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 411,385	\$ 546,062	\$ 158,443	\$ 1,115,890	\$ 170,340
Payments to suppliers	(258,386)	(390,896)	(149,362)	(798,644)	(97,854)
Payments to employees	(97,339)	(77,449)	(10,800)	(185,588)	(11,873)
Other receipts	5,752	4,687	-	10,439	6,622
	<u>61,412</u>	<u>82,404</u>	<u>(1,719)</u>	<u>142,097</u>	<u>67,235</u>
Net cash provided by (used in) operating activities					
<b>Cash Flows from Capital and Related Financing Activities</b>					
Collection of customer assessments (principal and interest)	-	9,679	-	9,679	-
Principal and interest payments	(9,683)	(10,468)	-	(20,151)	(49,276)
Purchase of capital assets	(10,017)	(10,435)	-	(20,452)	(28,187)
	<u>(19,700)</u>	<u>(11,224)</u>	<u>-</u>	<u>(30,924)</u>	<u>(77,463)</u>
Net cash used in capital and related financing activities					
<b>Cash Flows from Investing Activities -</b>					
Interest received on investments	19,153	12,926	1,509	33,588	392
	<u>60,865</u>	<u>84,106</u>	<u>(210)</u>	<u>144,761</u>	<u>(9,836)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>					
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>305,330</u>	<u>193,580</u>	<u>33,242</u>	<u>532,152</u>	<u>24,803</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 366,195</b></u>	<u><b>\$ 277,686</b></u>	<u><b>\$ 33,032</b></u>	<u><b>\$ 676,913</b></u>	<u><b>\$ 14,967</b></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ (49,391)	\$ (25,815)	\$ (1,162)	\$ (76,368)	\$ 17,357
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	54,352	98,681	-	153,033	52,023
Loss on disposal of capital assets	-	-	-	-	7,690
Changes in assets and liabilities:					
Receivables	34,284	(11,757)	(1,022)	21,505	-
Accounts payable	22,167	32,495	465	55,127	(2,136)
Accrued and other liabilities	-	(11,200)	-	(11,200)	(7,699)
	<u>-</u>	<u>(11,200)</u>	<u>-</u>	<u>(11,200)</u>	<u>(7,699)</u>
Net cash provided by (used in) operating activities	<u><b>\$ 61,412</b></u>	<u><b>\$ 82,404</b></u>	<u><b>\$ (1,719)</b></u>	<u><b>\$ 142,097</b></u>	<u><b>\$ 67,235</b></u>

# City of Springfield, Michigan

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## Fiduciary Funds Statement of Net Assets June 30, 2007

	<u>Retiree Health Care Fund</u>
<b>Assets</b> - Mutual fund investments	<u>\$ 123,613</u>
<b>Net Assets</b> - Postemployment benefits	<u>\$ 123,613</u>

# City of Springfield, Michigan

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## Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2007

	Retiree Health Care Fund
<b>Net Increase in Net Assets</b> - Interest and dividends	\$ 19,130
<b>Net Assets</b> - Postemployment benefits - Beginning of year	<u>104,483</u>
<b>Net Assets</b> - Postemployment benefits - End of year	<u><u>\$ 123,613</u></u>

# City of Springfield, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2007

	Tax Increment Finance Authority	Brownfield Authority	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 713,810	\$ 58,217	\$ 772,027
Investments	348,903	-	348,903
Special assessment receivable	108,189	-	108,189
Intergovernmental receivable	-	3,229	3,229
Capital assets - Assets not being depreciated - Land	<u>35,349</u>	<u>-</u>	<u>35,349</u>
Total assets	1,206,251	61,446	1,267,697
<b>Liabilities</b>			
Accounts payable	8	-	8
Due to other governments	-	54,969	54,969
Notes payable - Due within one year	150,000	-	150,000
Notes payable - Due in more than one year	<u>1,015,000</u>	<u>300,000</u>	<u>1,315,000</u>
Total liabilities	<u>1,165,008</u>	<u>354,969</u>	<u>1,519,977</u>
<b>Net Assets - Unrestricted</b>	<b><u>\$ 41,243</u></b>	<b><u>\$ (293,523)</u></b>	<b><u>\$ (252,280)</u></b>



# City of Springfield, Michigan

## Component Units Statement of Activities Year Ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants/Contributions	Tax Increment Finance Authority	Brownfield Authority	Total
Tax Increment Finance Authority	\$ 414,767	\$ -	\$ (414,767)	\$ -	\$ (414,767)
Brownfield Authority	<u>64,662</u>	<u>3,229</u>	<u>-</u>	<u>(61,433)</u>	<u>(61,433)</u>
Total governmental activities	<u>\$ 479,429</u>	<u>\$ 3,229</u>	(414,767)	(61,433)	(476,200)
<b>General Revenues</b>					
Property taxes			421,625	-	421,625
Interest income			73,162	3,124	76,286
Miscellaneous revenues			<u>86</u>	<u>-</u>	<u>86</u>
Total general revenues			<u>494,873</u>	<u>3,124</u>	<u>497,997</u>
<b>Change in Net Assets</b>			80,106	(58,309)	21,797
<b>Net Assets (Deficit) -</b>					
Beginning of year			<u>(38,863)</u>	<u>(235,214)</u>	<u>(274,077)</u>
<b>Net Assets (Deficit) -</b>					
End of year			<u>\$ 41,243</u>	<u>\$ (293,523)</u>	<u>\$ (252,280)</u>

## **Note I - Summary of Significant Accounting Policies**

The accounting policies of the City of Springfield (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Springfield:

### **Reporting Entity**

The City of Springfield is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

**Discretely Presented Component Units** - The Economic Development Corporation (EDC) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in locating and expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The EDC's governing body, which consists of nine individuals, is selected by the mayor of the City of Springfield with advice and consent of the City Council. The EDC board governs the Tax Increment Finance Authority Development Areas A, B, C, and D and the Brownfield Authority. The TIFA funds and the Brownfield Authority are reported within the component units column of the financial statements in order to emphasize that they are legally separate from the City. The EDC holds no assets and records no activity.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

## **Note I - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

## **Note I - Summary of Significant Accounting Policies (Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is first to apply restricted resources.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Major Streets Fund** - The Major Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

**Local Streets Fund** - The Local Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

**Income Tax Fund** - The Income Tax Fund accounts for income tax revenues received by the City during the year.

The City reports the following major proprietary funds:

**Water Fund** - The Water Fund is a municipal utility formed by City Charter to pump and distribute the City water supply.

**Sewer Fund** - The Sewer Fund is a municipal utility formed by City Charter to operate and maintain the wastewater collections and treatment.

**Refuse Fund** - The Refuse Fund is formed by City Charter to operate and maintain the refuse collection for the City.

Additionally, the City reports the following fiduciary activities:

**Retiree Health Care Fund** - This fund accounts for monies set aside by the City to use for future retirement healthcare benefits.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **Property Tax Revenue**

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on December 1 of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the City totaled \$86.3 million (a portion of which is captured by the TIFA), on which taxes levied consisted of 14.0000 mills for operating purposes and 1.0000 mills for pension. This resulted in approximately \$996,000 for general operating and \$71,000 for pension and are recognized in the General Fund as tax revenue.

### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair market value.

### Note I - Summary of Significant Accounting Policies (Continued)

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	20 to 40 years
Buildings and building improvements	7 to 50 years
Water and sewer distribution systems	20 to 40 years
Land improvements	20 to 40 years
Vehicles	5 to 20 years
Furniture and fixtures	5 to 7 years
Other tools and equipment	3 to 7 years

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## **Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

### Note 2 - Deposits and Investments (Continued)

The City has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs. The City's investment relating to the insurance agreement is not in accordance with statutory authority (see Note 6).

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - 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. At year end, the City had approximately \$2,254,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. 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.

**Credit Rate Risk** - The City does not specifically identify credit risk in the investment policy adopted by the City. The City holds mutual funds that are not rated by Standards & Poors, although are rated with at least A by Morningstar.

**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. At year end, the average maturities of investments are as follows:

Investment	1-5 Years	6-10 Years	More than 10 Years
Mutual funds	\$ 39,157	\$ 166,677	\$ 225,402



# City of Springfield, Michigan

## Notes to Financial Statements June 30, 2007

### Note 3 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities	Balance	Additions	Disposals and	Balance
	June 30, 2006		Reclassifications	June 30, 2007
Capital assets not being depreciated:				
Land	\$ 646,161	\$ -	\$ 3,960	\$ 642,201
Construction in progress	-	529,559	-	529,559
Subtotal	646,161	529,559	3,960	1,171,760
Capital assets being depreciated:				
Roads and sidewalks	20,354,810	-	-	20,354,810
Buildings and improvements	1,955,410	-	-	1,955,410
Land improvements	87,565	-	-	87,565
Vehicles	1,241,984	48,159	160,206	1,129,937
Furniture and fixtures	83,915	-	-	83,915
Other tools and equipment	521,318	13,689	8,181	526,826
Subtotal	24,245,002	61,848	168,387	24,138,463
Accumulated depreciation:				
Roads and sidewalks	13,974,093	439,871	-	14,413,964
Buildings and improvements	762,583	73,618	-	836,201
Land improvements	31,489	4,603	-	36,092
Vehicles	927,488	52,023	152,516	826,995
Furniture and fixtures	81,366	1,020	-	82,386
Other tools and equipment	416,250	38,029	8,181	446,098
Subtotal	16,193,269	609,164	160,697	16,641,736
Net capital assets being depreciated	8,051,733	(547,316)	7,690	7,496,727
Net capital assets	\$ 8,697,894	\$ (17,757)	\$ 11,650	\$ 8,668,487

# City of Springfield, Michigan

## Notes to Financial Statements June 30, 2007

### Note 3 - Capital Assets (Continued)

	Balance June 30, 2006	Additions	Disposals and Reclassifications	Balance June 30, 2007
<b>Business-type Activities</b>				
Capital assets being depreciated:				
Water and sewer distribution systems	\$ 6,086,085	\$ -	\$ -	\$ 6,086,085
Other tools and equipment	<u>383,912</u>	<u>1,480</u>	<u>-</u>	<u>385,392</u>
Subtotal	6,469,997	1,480	-	6,471,477
Accumulated depreciation:				
Water and sewer distribution systems	3,266,020	137,330	-	3,403,350
Other tools and equipment	<u>102,778</u>	<u>15,703</u>	<u>-</u>	<u>118,481</u>
Subtotal	<u>3,368,798</u>	<u>153,033</u>	<u>-</u>	<u>3,521,831</u>
Net capital assets being depreciated	<u>3,101,199</u>	<u>(151,553)</u>	<u>-</u>	<u>2,949,646</u>
Net capital assets	<u>\$ 3,101,199</u>	<u>\$ (151,553)</u>	<u>\$ -</u>	<u>\$ 2,949,646</u>
<b>Component Units</b>				
Capital assets not being depreciated - Land	<u>\$ 35,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,349</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 53,737
Public safety	32,840
Public works	451,769
Economic development	18,795
Internal Service Fund	<u>52,023</u>
Total governmental activities	<u>\$ 609,164</u>
<b>Business-type activities:</b>	
Water	\$ 54,352
Sewer	<u>98,681</u>
Total business-type activities	<u>\$ 153,033</u>

# City of Springfield, Michigan

## Notes to Financial Statements June 30, 2007

### Note 3 - Capital Assets (Continued)

During the year ended June 30, 2007, the City entered into a construction contract for a street project for \$737,152. The remaining outstanding City commitment on the project at June 30, 2007 is \$123,486.

During the year ended June 30, 2007, the City entered into a construction contract for the renovations of the public safety building for \$800,000. The remaining outstanding commitment on the project at June 30, 2007 is \$737,896.

### Note 4 - Interfund Due To/From and Transfers

Interfund due to and due from reported in the fund financial statements are comprised of the following:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Income Tax Fund	\$ 384
General Fund	Building Fund	389
General Fund	Economic Development Fund	4
Total		<u>\$ 777</u>

Monies due to the General Fund are for workers' compensation insurance.

# City of Springfield, Michigan

## Notes to Financial Statements June 30, 2007

### Note 4 - Interfund Due To/From and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
Income Tax Fund	General Fund	\$ 533,700
Income Tax Fund	Bond Redemption Fund	81,640
General Fund	Building Fund	20,000
Local Streets Fund	Bond Redemption Fund	69,315
Major Streets Fund	Local Streets Fund	75,000
Major Streets Fund	Bond Redemption Fund	9,634
Capital Improvement Bond Fund	Local Streets Fund	15,860
Drug Law Enforcement Fund	General	5,000
Drug Law Enforcement Fund	Vehicle Fund	1,000
Sewer Fund	Vehicle Fund	9,486
Water Fund	Vehicle Fund	9,486
Total		<u>\$ 830,121</u>

The transfers from the Income Tax Fund to the General Fund represent funding for eight full-time positions. Transfers from the Income Tax Fund and Major and Local Streets Funds to the Bond Redemption Fund provide funding for debt service payments. Transfers from the General Fund to the Building Fund offset demolition and aged permit clean-up expense. The transfer from the Major Street Fund to the Local Street Fund is the revenue sharing between street funds of the state gas and weight tax as permitted by Act 51. The transfer from the Capital Improvement Bond Fund to the Local Street Fund was for final disbursement of bond proceeds for project funding.

# City of Springfield, Michigan

## Notes to Financial Statements June 30, 2007

### Note 5 - Long-term Debt

#### Changes in Long-term Debt

The following are summaries of long-term debt transactions of the City for the year ended June 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
1995 Public Improvement City					
Share Bonds	\$ 85,000	\$ -	\$ 20,000	\$ 65,000	\$ 20,000
1995 Michigan Transportation Bonds	190,000	-	45,000	145,000	45,000
1995 Public Improvement Special					
Assessment Bonds	60,000	-	15,000	45,000	15,000
2006 Capital Improvements Bond	751,573	-	26,214	725,359	26,435
1993 Installment loan	61,922	-	19,780	42,142	42,142
2006 Installment loan	215,181	-	17,691	197,490	18,448
Compensated absences	126,195	9,363	-	135,558	108,812
<b>Total governmental activities</b>	<b>\$ 1,489,871</b>	<b>\$ 9,363</b>	<b>\$ 143,685</b>	<b>\$ 1,355,549</b>	<b>\$ 275,837</b>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
2006 Capital Improvements Bond	\$ 243,427	\$ -	\$ 8,786	\$ 234,641	\$ 8,565
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Component Units</b>					
1993 Tax Increment Bonds	\$ 100,000	\$ -	\$ 50,000	\$ 50,000	\$ 50,000
1999 Tax Increment Bonds	765,000	-	35,000	730,000	40,000
2003 Tax Increment Bonds	440,000	-	55,000	385,000	60,000
Brownfield Loan	300,000	-	-	300,000	-
<b>Total component units</b>	<b>\$ 1,605,000</b>	<b>\$ -</b>	<b>\$ 140,000</b>	<b>\$ 1,465,000</b>	<b>\$ 150,000</b>

The accrued vacation and longevity payable represents the estimated liability to be paid governmental fund-type employees under the City's vacation and longevity policy. Under the City's policy, employees earn vacation time and longevity based on time of service with the City.

# City of Springfield, Michigan

## Notes to Financial Statements June 30, 2007

### Note 5 - Long-term Debt (Continued)

#### Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2007 (excluding employee benefits), including principal and interest, are as follows:

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 167,026	\$ 58,453	\$ 225,479
2009	130,673	49,659	180,332
2010	140,273	42,781	183,054
2011	51,132	35,328	86,460
2012	52,027	33,149	85,176
2013-2017	266,949	130,248	397,197
2018-2022	211,484	77,850	289,334
2023-2026	200,427	24,396	224,823
Total	<u>\$ 1,219,991</u>	<u>\$ 451,864</u>	<u>\$ 1,671,855</u>

	Business-type Activities		
	Principal	Interest	Total
2008	\$ 8,565	\$ 10,652	\$ 19,217
2009	8,565	10,288	18,853
2010	9,788	9,924	19,712
2011	9,788	9,508	19,296
2012	9,788	9,092	18,880
2013-2017	55,058	38,764	93,822
2018-2022	68,516	25,222	93,738
2023-2026	64,573	7,904	72,477
Total	<u>\$ 234,641</u>	<u>\$ 121,354</u>	<u>\$ 355,995</u>

# City of Springfield, Michigan

## Notes to Financial Statements June 30, 2007

### Note 5 - Long-term Debt (Continued)

	Component Units		
	Principal	Interest	Total
2008	\$ 150,000	\$ 53,215	\$ 203,215
2009	105,000	46,815	151,815
2010	137,743	42,645	180,388
2011	142,398	43,745	186,143
2012	152,946	38,327	191,273
2013-2017	548,340	113,239	661,579
2018-2021	228,573	14,915	243,488
Total	<u>\$ 1,465,000</u>	<u>\$ 352,901</u>	<u>\$ 1,817,901</u>

### Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2007:

#### Governmental Activities

1995 Public Improvement City Share Bonds, payable in annual installments of \$20,000 to \$25,000, plus interest at rates from 5.7 percent to 5.9 percent through 2010	\$ 65,000
1995 Michigan Transportation Fund Bonds, payable in annual installments of \$45,000 to \$50,000, plus interest at rates from 5.7 percent to 5.9 percent through 2010	145,000
1995 Public Improvement Special Assessment Bonds, payable in annual installments of \$15,000, plus interest at rates from 5.7 percent to 5.9 percent through 2010	45,000
2006 Capital Improvements Bond, payable in annual installments from \$26,435 to \$52,871, plus interest at rates from 4.25 percent to 4.75 percent through 2026	725,359
Installment note, payable in 15 equal annual installments of \$23,319, including interest at the five-year U.S. Treasury Bill Index as of July 15, 2003 plus 150 basis points	42,142
Installment note, payable in 10 equal annual installments of \$26,901, including interest at 4.28 percent through April 20, 2016	197,490
Compensated absences	135,558
Total governmental activities	<u>\$ 1,355,549</u>

### Note 5 - Long-term Debt (Continued)

#### Business-type Activities

2006 Capital Improvements Bond, payable in annual installments from \$8,565 to \$17,129, plus interest at rates from 4.25 percent to 4.75 percent through 2026

	\$ 234,641
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#### Component Units

1993 Tax Increment Bonds (General Obligation Limited Tax), payable in annual installments of \$50,000, plus interest at 5.3 percent through 2008

	\$ 50,000
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1999 Tax Increment Bonds (General Obligation Limited Tax), payable in annual installments of \$40,000 to \$85,000, plus interest at rates from 4.50 percent to 5.2 percent through 2019

	730,000
--	---------

2003 Tax Increment Bonds (General Obligation Limited Tax), payable in annual installments of \$60,000 to \$70,000, plus interest at rates from 3.25 percent to 4.1 percent through 2013

	385,000
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2005 Michigan Department of Environmental Quality Brownfield Redevelopment Loan, payable in annual installments of \$32,743, including interest at 2.0 percent beginning March 2010 through 2019

	300,000
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Total component units	\$ 1,465,000
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**Interest Incurred** - Interest expense for the year ended June 30, 2007 was approximately \$53,000 in the Debt Service Funds, \$11,800 in the Internal Service Fund, and \$59,000 in the component units.

**Development Agreement** - During the year ended June 30, 2007, the City entered into an agreement with a developer to pay certain expenses incurred to develop land. Once the project is complete, the City is obligated to pay the developer annual payments of \$14,235 (including principal and interest) beginning July 1, 2008 through July 1, 2017. The obligation is not included in the financial statements as the project was not completed at June 30, 2007.



## **Note 6 - Stewardship, Compliance, and Accountability**

The annual budget is prepared by the city management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a departmental basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget, as adopted by the City Council, is included in the additional information. A comparison of the actual results of operations to the Special Revenue and Debt Service Fund budgets, as adopted by the City Council, is available at the treasurer's office for inspection.

There were no significant budget overruns during the year ended June 30, 2007.

**Deficit Net Assets** - As of June 30, 2007, the Tax Increment Finance Authority and the Brownfield Authority component units show deficit net assets. Although the component units show net asset deficits on the full accrual method of accounting, on a fund-based modified accrual basis, the funds of the component units do not result in a deficit. The deficit in the Tax Increment Finance Authority is the result of debt issued by the component unit to construct an asset which is owned by the primary government. The deficit in the Brownfield Authority is the result of debt issued by the component unit to provide funding to local businesses. The debt will be paid by future tax captures. As a result, management does not feel that there is a deficit and therefore a deficit elimination plan is not required.

**Noncompliance** - During the year ended June 30, 2007, the City entered into a life insurance agreement with the former city manager in which the City is the 90 percent beneficiary. This investment is not in compliance with Public Act 20 of 1943. The City is in the process of dissolving the agreement subsequent to year end.

## **Note 7 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee health and life and retiree health and life claims (see Note 9). The City participates in the Michigan Municipal Risk Management Authority for claims relating to auto, liability, and property damage and the Michigan Municipal Workers' Compensation Fund for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Municipal Workers' Compensation Fund operates as a common risk-sharing program for Michigan municipalities. Member premiums are used to purchase excess insurance coverage and to pay member claims and expenses.

## **Note 8 - Defined Benefit Pension Plans**

### **Plan Description**

**Michigan Municipal Employees' Retirement System** - The City participates in the Michigan Municipal Employees' Retirement System (MMERS), 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 MMERS. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48917.

### Note 8 - Defined Benefit Pension Plans (Continued)

#### Annual Pension Cost

**Michigan Municipal Employees' Retirement System** - For the year ended June 30, 2007, the City's annual pension cost of \$170,974 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, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0 percent to 4.5 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year after retirement for certain benefit provisions. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

#### Contributions

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

#### Trend Information

Michigan Municipal Employees' Retirement System:

	2005	2006	2007
Annual pension costs (APC)	\$ 164,487	\$ 150,943	\$ 170,974
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	2004	2005	2006
Actuarial value of assets	\$ 6,845,357	\$ 7,080,268	\$ 7,390,738
Actuarial Accrued Liability (AAL)			
(entry age)	\$ 7,584,567	\$ 7,947,925	\$ 8,346,103
(Overfunded) Unfunded AAL	\$ 739,210	\$ 867,657	\$ 955,365
Funded ratio	90.3%	89.1%	88.6%
Covered payroll	\$ 1,601,486	\$ 1,622,839	\$ 1,748,438

## **Note 9 - Postemployment Benefits**

The City of Springfield provides health and life insurance benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 13 retirees are eligible. Expenditures for postemployment benefits are recognized as insurance premiums become due. During the year, these expenditures amounted to \$36,632.

## **Note 10 - Subsequent Events**

**Bond Issue** - On October 10, 2007, the City issued \$550,000 Tax Increment Bonds (General Obligation Limited Tax) Series 2007 to be issued in anticipation of tax increment revenue for the purpose of defraying all or part of the costs of certain public improvements in Development Area D of the City.

**Grant Award** - In August 2007, the City was awarded a Community Development Block Grant from the Michigan Strategic Fund passed through from the federal government in the amount of \$750,000 for a wireless deployment project designed to blanket the City with wireless internet capabilities.

**Development Agreement** - In August 2007, the City entered into a development agreement with a developer who will be cleaning and redeveloping land within the City. Upon satisfactory completion of the project by the developer, the City will be obligated to pay the developer \$75,000 in five annual installments of \$15,000 beginning July 15, 2009.

**Construction Commitments** - In October 2007, the City entered into two construction contracts with the Michigan Department of Transportation. One contract is for milling and resurface work for a total estimated cost of \$785,700 and the other is for a non-motorized pathway for a total estimated cost of \$424,100.

## **Note 11 - Upcoming Reporting Change**

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

## **Required Supplemental Information**

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# City of Springfield, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes:				
Operating	\$ 1,015,000	\$ 1,015,000	\$ 995,778	\$ (19,222)
Pension	72,000	72,000	71,123	(877)
Tax collection fees	22,600	22,600	22,511	(89)
Penalties and interest	6,500	6,500	7,000	500
Total taxes	1,116,100	1,116,100	1,096,412	(19,688)
Licenses and permits:				
Trailer fees	1,300	1,300	1,340	40
Business licenses	2,300	2,300	2,880	580
Liquor licenses	4,600	4,600	4,860	260
Cable franchise fees	38,000	38,000	36,150	(1,850)
Total licenses and permits	46,200	46,200	45,230	(970)
State sources:				
Police training grant	3,500	3,500	3,464	(36)
Statutory sales tax	403,900	399,200	398,695	(505)
Constitutional sales tax	370,900	350,300	348,883	(1,417)
Total state sources	778,300	753,000	751,042	(1,958)
Federal grant	-	-	1,380	1,380
Fines and forfeitures	45,000	45,000	51,722	6,722
Interest earned	22,000	22,000	31,034	9,034
Other:				
Parks and recreational fees	3,200	3,200	2,450	(750)
Cemetery lot sales and openings	6,000	6,000	10,105	4,105
Sale of City property	120,000	11,500	1,775	(9,725)
Other refunds	7,000	7,000	8,443	1,443
Transfers	536,200	536,200	538,700	2,500
Miscellaneous	95,500	95,500	99,218	3,718
Total other	767,900	659,400	660,691	1,291
Total revenue	<u>\$ 2,775,500</u>	<u>\$ 2,641,700</u>	<u>\$ 2,637,511</u>	<u>\$ (4,189)</u>

# City of Springfield, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures</b>				
General government:				
City Council	\$ 40,000	\$ 40,000	\$ 36,092	\$ 3,908
City manager	64,700	60,200	56,697	3,503
Elections	8,300	8,300	7,045	1,255
City assessor	83,700	83,700	79,485	4,215
City attorney	24,000	33,000	30,235	2,765
Treasurer	222,200	204,800	167,340	37,460
Clerk	125,600	125,600	114,723	10,877
Total general government	568,500	555,600	491,617	63,983
Public safety - Public safety office	1,930,500	1,893,900	1,907,750	(13,850)
Public works	140,300	69,000	41,332	27,668
Street lights	78,000	85,000	84,325	675
Cemetery	67,100	81,400	85,819	(4,419)
Building and grounds	60,500	77,500	74,387	3,113
Recreation	9,300	9,300	6,442	2,858
Transfers	10,000	20,000	20,000	-
Total expenditures	<u>\$ 2,864,200</u>	<u>\$ 2,791,700</u>	<u>\$ 2,711,672</u>	<u>\$ 80,028</u>

# City of Springfield, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2007

	Major Streets Fund				Local Streets Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>								
State sources	\$ 320,900	\$ 296,900	\$ 299,304	\$ 2,404	\$ 121,200	\$ 112,800	\$ 113,944	\$ 1,144
Special assessments	37,000	37,000	38,507	1,507	32,000	32,000	32,368	368
Other	64,000	64,000	79,373	15,373	8,500	8,500	17,598	9,098
Total revenue	<u>\$ 421,900</u>	<u>\$ 397,900</u>	<u>\$ 417,184</u>	<u>\$ 19,284</u>	<u>\$ 161,700</u>	<u>\$ 153,300</u>	<u>\$ 163,910</u>	<u>\$ 10,610</u>
<b>Expenditures</b>								
Highways and streets	\$ 357,400	\$ 280,300	\$ 224,733	\$ 55,567	\$ 179,100	\$ 195,900	\$ 160,288	\$ 35,612
Other	36,900	36,900	27,934	8,966	10,600	10,600	9,567	1,033
Total expenditures	<u>\$ 394,300</u>	<u>\$ 317,200</u>	<u>\$ 252,667</u>	<u>\$ 64,533</u>	<u>\$ 189,700</u>	<u>\$ 206,500</u>	<u>\$ 169,855</u>	<u>\$ 36,645</u>



# City of Springfield, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended June 30, 2007

	Income Tax Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes - Income taxes	\$ 613,100	\$ 613,100	\$ 721,208	\$ 108,108
Interest	26,000	26,000	12,953	(13,047)
Other	1,000	1,000	1,413	413
Total revenue	<b>\$ 640,100</b>	<b>\$ 640,100</b>	<b>\$ 735,574</b>	<b>\$ 95,474</b>
<b>Expenditures - Other</b>	<b>\$ 171,800</b>	<b>\$ 171,800</b>	<b>\$ 209,429</b>	<b>\$ (37,629)</b>

Note: Budget to actual required for General and Major Special Revenue Funds

## **Other Supplemental Information**

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# City of Springfield, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Drug Law Enforcement Fund	Economic Development Fund	Building Fund	Capital Improvement Bond Fund	Bond Redemption Fund	
<b>Assets</b>						
Cash and cash equivalents	\$ 4,609	\$ 73,629	\$ 2,658	\$ -	\$ 173	\$ 81,069
Special assessment receivable	-	16,534	-	-	-	16,534
Accounts receivable	-	3,000	20,925	-	-	23,925
Notes receivable	-	80,853	-	-	-	80,853
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u><b>\$ 4,609</b></u>	<u><b>\$ 174,016</b></u>	<u><b>\$ 23,583</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 173</b></u>	<u><b>\$ 202,381</b></u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 59	\$ 2,227	\$ 423	\$ -	\$ -	\$ 2,709
Due to other funds	-	4	389	-	-	393
Deferred revenue	-	26,866	20,925	-	-	47,791
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	59	29,097	21,737	-	-	50,893
<b>Fund Balances</b>						
Reserved - Noncurrent receivable	-	80,853	-	-	-	80,853
Unreserved - Designated	-	33,916	-	-	-	33,916
Unreserved	4,550	30,150	1,846	-	173	36,719
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	4,550	144,919	1,846	-	173	151,488
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u><b>\$ 4,609</b></u>	<u><b>\$ 174,016</b></u>	<u><b>\$ 23,583</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 173</b></u>	<u><b>\$ 202,381</b></u>

# City of Springfield, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2007

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Drug Law Enforcement Fund	Economic Development Fund	Building Fund	Capital Improvement Bond Fund	Bond Redemption Fund	
<b>Revenue</b>						
Special assessments	\$ -	\$ 16,534	\$ -	\$ -	\$ -	\$ 16,534
Licenses and permits	-	-	51,525	-	-	51,525
Charges for services	-	14,097	-	-	-	14,097
Fines and forfeitures	25,883	-	-	-	-	25,883
Interest	420	9,754	356	875	25	11,430
Total revenue	26,303	40,385	51,881	875	25	119,469
<b>Expenditures</b>						
Public safety	16,972	-	-	-	-	16,972
Building and grounds	-	-	74,369	-	-	74,369
Debt service	-	-	-	7,600	160,590	168,190
Administration and other	-	62,917	-	-	-	62,917
Total expenditures	16,972	62,917	74,369	7,600	160,590	322,448
<b>Excess of Revenue Over (Under) Expenditures</b>	9,331	(22,532)	(22,488)	(6,725)	(160,565)	(202,979)
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	20,000	-	160,589	180,589
Transfers out	(6,000)	-	-	(15,860)	-	(21,860)
<b>Net Change in Fund Balances</b>	3,331	(22,532)	(2,488)	(22,585)	24	(44,250)
<b>Fund Balances - Beginning of year</b>	1,219	167,451	4,334	22,585	149	195,738
<b>Fund Balances - End of year</b>	<u>\$ 4,550</u>	<u>\$ 144,919</u>	<u>\$ 1,846</u>	<u>\$ -</u>	<u>\$ 173</u>	<u>\$ 151,488</u>

December 3, 2007

To City Council Members  
City of Springfield, Michigan  
Springfield, Michigan

Dear City Council Members:

In planning and performing our audit of the financial statements of the City of Springfield as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

- A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
- A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.
- A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We consider the following to be a significant deficiency in internal control:

### **Audit Adjustments**

As part of the audit process, three adjustments were recommended to management to adjust the general ledger balances as of June 30, 2007. The first entry was to reduce income tax receivable for receivable deemed uncollectible. The other two journal entries were both related to a street project.

The expenditures were overstated by \$76,000 for transactions that occurred subsequent to year-end and, in addition, capital assets were not recorded in the amount of \$274,000 for items paid with federal and state monies.

### **Investment Compliance**

During the year ended June 30, 2007, the City entered into a life insurance agreement in which the City was the majority beneficiary. This investment is not in compliance with Public Act 20 of 1943. Subsequent to year-end, the City contacted outside counsel and was advised to cancel the agreement. It is our understanding that the life insurance agreement was cancelled in December 2007. We would recommend the City consult with legal counsel before entering into unusual investments to avoid noncompliance with state requirements.

This communication is intended solely for the information and use of management, the City Council, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,  
**PLANTE & MORAN, PLLC**

A handwritten signature in cursive script that reads "Mary F. Schafer".

Mary Schafer, CPA  
Partner