

**City of Springfield
Calhoun County, Michigan**

FINANCIAL STATEMENTS

June 30, 2017



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 (the City) as of and for the year ended June 30, 2017, 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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in employer's net pension liability and related ratios, schedule of employer contributions, and schedules of funding progress and employer contributions, 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 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 basic financial statements.

The other supplementary information 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

November 22, 2017

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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, 2017:

Property Taxes are the General Fund's main source of revenue. In FY 2016-17 a total of \$1,067,709 was collected from a millage rate of \$15 per \$1,000 of taxable value. 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 2016 tax roll. The total amount collected represents a slight increase in revenue of approximately 2.5% compared to the prior year. The City's 2016 taxable value of \$78,672,188 concurrently showed a slight increase of 0.9%. This includes Ad Valorem and Land Bank parcels and one Act 425 Agreements with the City of Battle Creek.

The TIFA and Brownfield Funds captured a total of \$311,600 from the 2016 tax roll. These funds continue to promote economic development within the City.

Income Taxes are also an important revenue source for the City. Tax collected from the local income tax totaled \$1,012,598; a decrease of \$7,877 or 0.77% compared to prior year collections. In FY 2016-17, the Income Tax provided funding to the General Fund in the amount of \$399,800 for Public Safety services, an increase of \$97,400, or 32.2% compared to prior year funding.

State Shared Revenue distributions of Constitutional Sales Tax and EVIP dollars received by the General Fund totaled \$686,073. This was an increase of less than 3.5% compared to last year. In addition, grant proceeds totaling \$26,485 were received from the State's *Competitive Grant Assistance Program (CGAP)* for consolidated Police Services. Total CGAP dollars received over the last two fiscal years was \$90,528. Springfield continues to be successful in meeting the State's requirements under its '*Revenue Sharing Programs*', for financial *Accountability and Transparency, Consolidation of Services* and the *Management of Unfunded Liabilities*.

Street Act 51 shared revenue received by the Major and Local Street Funds totaled \$513,703 in FY 2016-17, an increase of 16.6% compared to prior year.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Vehicles The City purchased a new truck for public works at a total cost of \$17,456.

Change in General Fund Balance At fiscal year-end, the General Fund showed an increase of \$138,871 in overall fund balance ending the year with a healthy balance of \$2,516,586 representing approximately 83.1% of actual fiscal year expenditures including other financing uses.

The City as a Whole

This table shows in a condensed format, the City's net position at **June 30, 2017**, compared to the prior year:

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets						
Current and other assets	\$ 4,165,832	\$ 3,843,827	\$ 1,680,878	\$ 1,479,643	\$ 5,846,710	\$ 5,323,470
Capital assets	<u>6,077,465</u>	<u>6,630,857</u>	<u>1,876,860</u>	<u>2,018,962</u>	<u>7,954,325</u>	<u>8,649,819</u>
Total assets	10,243,297	10,474,684	3,557,738	3,498,605	13,801,035	13,973,289
Deferred Outflow of Resources						
	395,507	1,021,527	-	-	395,507	1,021,527
Liabilities						
Current liabilities	405,289	374,914	187,256	189,484	592,545	564,398
Long-term liabilities	<u>4,126,863</u>	<u>4,268,377</u>	<u>126,250</u>	<u>126,756</u>	<u>4,253,113</u>	<u>4,395,133</u>
Total liabilities	<u>4,532,152</u>	<u>4,643,291</u>	<u>313,506</u>	<u>316,240</u>	<u>4,845,658</u>	<u>4,959,531</u>
Net Position						
Net investment in capital assets	5,558,915	6,048,663	1,735,610	1,879,756	7,294,525	7,928,419
Restricted	1,069,166	2,430,233	-	-	1,069,166	2,430,233
Unrestricted	<u>(521,429)</u>	<u>(1,625,976)</u>	<u>1,508,622</u>	<u>1,302,609</u>	<u>987,193</u>	<u>(323,367)</u>
	<u>\$ 6,106,652</u>	<u>\$ 6,852,920</u>	<u>\$ 3,244,232</u>	<u>\$ 3,182,365</u>	<u>\$ 9,350,884</u>	<u>\$ 10,035,285</u>

Net Position of the City's Governmental and Business-type activities at year-end totaled approximately \$9.35 million. This includes cash, investments, receivables, capital assets, and deferred outflows of resources versus current and long-term liabilities. Overall, the City realized a decrease in net position of \$684,401. The decrease is primarily attributable to capital asset depreciation and net disposals during the fiscal year totaling \$553,392. Long-term debt principal paid off during the fiscal year totaled \$681,600. Current assets (cash and receivables) increased \$685,430. Total assets of approximately \$14.0 million are rich in comparison to liabilities of about \$4.8 million.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

This table summarizes the change in the City's net position at **June 30, 2017**, compared to the prior year.

	Governmental Activities		Business-type Activities		Totals	
	June 30		June 30		June 30	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues						
Charges for						
Services	\$ 447,602	\$ 202,123	\$ 1,692,940	\$ 1,672,346	\$ 2,140,542	\$ 1,874,469
Grants and Contributions	624,568	966,119	256,784	-	881,352	966,119
General Revenues						
Property Taxes	1,039,407	1,020,146	-	-	1,039,407	1,020,146
City Income Taxes	1,012,598	1,020,475	-	-	1,012,598	1,020,475
State Shared Revenue	712,558	726,789	-	-	712,558	726,789
Investment Earnings	16,487	10,061	7,516	(42)	24,003	10,019
Miscellaneous	241,885	172,092	39,828	43,688	281,713	215,780
Transfers	(57,800)	(59,500)	57,800	47,000	-0-	(12,500)
Total Revenues	4,037,305	4,058,305	2,054,868	1,762,992	6,092,173	5,821,297
Expenses						
General Government	1,067,414	874,681	-	-	1,067,414	874,681
Public Safety	1,644,615	1,615,989	-	-	1,644,615	1,615,989
Public Works	1,703,859	1,243,178	-	-	1,703,859	1,243,178
Community and Economic Develop.	311,120	779,326	-	-	311,120	779,326
Recreation and Cultural	27,946	24,125	-	-	27,946	24,125
Other	28,618	22,232	1,993,001	1,798,299	2,021,619	1,820,531
Total Expenses	4,783,573	4,559,531	1,993,001	1,798,299	6,776,574	6,357,830
Change in Net Position	(746,268)	(501,226)	61,867	(35,307)	(684,401)	(536,533)
Beginning Net Position	6,852,920	7,354,146	3,182,365	3,199,732	10,035,285	10,553,878
Ending Net Position	\$ 6,106,652	\$ 6,852,920	\$ 3,244,232	\$ 3,164,425	\$ 9,350,884	\$ 10,017,345

Economic Development

The Legion Villa site is completely remediated and the new owners have tentatively agreed to present a preliminary development plan to the Springfield Planning Commission within 2 years. This is a large parcel of land in a prime location for residential development. It is also the first time in the City's history that this property has been on the tax role.

The City continues to encourage construction in its 2006 Orchard Hills investment. The land was developed into a platted subdivision with streets, curbs/gutters, storm sewers, water service, sanitary sewer service, and buried electrical/cable/telephone service. Since FY 07-08, 44 lots have been sold and developed. It is anticipated that between one and five lots will be sold and developed in FY 16-17. The completed development should add approximately \$40,000 annually to the City's property tax collections and \$30,000 annually to the City's Income Tax revenue.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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. As of 2017, all three agreements have expired. The new investment in Springfield has added \$1.5 Million in taxable value.

Financial Management and Performance

The adopted FY 2016-17 General Fund Budget proposed the use of \$68,100 in reserves. Since the adoption of the FY 17-18 budget, the EDC/TIFA Board has approved their intent to dissolve TIFA B so the amended budget shows a budget surplus of \$69,000. Future TIFA B tax capture will be limited to only the amount required for debt retirement.

During FY 2012-13, the City of Springfield completed an extensive project that reviewed our entire organization from a personnel standpoint. We focused on reviewing existing job duties, making appropriate changes to job duties, consolidating departments, and flattening our hierarchy. In June of 2013, we implemented our Reorganization Plan and the end result is a more-efficient and effective local government operation.

The City has made great strides in reducing personnel expenses. The number of full-time funded positions has decreased from 35 to 16 since 2008. Initially, four public safety, one public works, and one income tax position were eliminated. With the consolidation of Police Service in 2013, there has been a total decrease of 49% in funded full-time positions. Positions were strategically eliminated in a manner that avoided layoffs, job loss or unemployment expense. With the Police Consolidation, all of Springfield's Public Safety Officers transferred to either the Calhoun County's Sheriff Department or were hired by the City of Battle Creek Police Department. Since 2008, the annual savings to the City exceeds \$1.2 million. In addition to 16 regular full time employees, the City has 7 part-time contractual positions that provide Assessing, Attorney, Finance, Income Tax, Inspector, and Computer Network services. On call part-time Fire Fighters total 21 and the City routinely utilizes 3 to 5 part-time seasonal employees. The Public Safety Director position was replaced with a part-time Fire Chief in 2015. The City will continue to focus on maintaining an appropriate-sized staff to accommodate the needs of our residents and business owners.

The move to contractual police service and other cost reduction measures has resulted in renewed financial strength for the City of Springfield. At fiscal year-end 2016-17, the City shows cash reserves in the General Fund of \$2.3 Million.

NEXT YEAR BUDGETARY HIGHLIGHTS

The City of Springfield proposes a General Fund Budget shortfall of \$68,100 in FY 2017-2018. The General Fund's main source of revenue is generated through taxes on real and personal property. The City's 2017 taxable value (before any adjustments) is \$80,185,987. This represents an increase of 0.7% compared to the 2016 final taxable value of \$79,611,429. After tax capture by Springfield's Tax Increment Finance (TIFA) and Brownfield Redevelopment (BRA) Authorities, the City expects to collect approximately \$1,007,500 from its 14 Operating Mills and 1 Public Safety Retirement Mill. The TIFA and Brownfield Funds will capture a total of \$299,000 from taxing units in FY 2017-18. Administrative fees received by the General Fund for the collection of property taxes will total \$22,800.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

State of Michigan Revenue Sharing is Springfield's second largest General Fund revenue source. For FY 2017-18, estimated revenue is \$675,600. This represents a decrease of 0.6% compared to FY 2016-2017. General Fund State Shared Revenue has fallen from almost \$1 million dollars annually in 2003 to its current level, costing the City of Springfield more than \$3.2 million in lost revenue over the past 13 years. In coming budget years, depending on the decisions of Michigan's state officials, the City of Springfield may be required to rely even less on this revenue source to fund general operating activities because of recent decisions to divert state General Fund monies to address the deteriorating roads in the state.

Other noteworthy revenue sources anticipated in the City's General Fund for FY 2017-18 includes employee/retiree medical insurance cost share of \$75,500, cable television franchise fees of \$64,000, court fines totaling \$30,000 and an excess asset distribution from the City's property and liability provider in the amount of \$25,000. Total General Fund revenue is expected to equal \$2,972,600. This reflects an increase of approximately \$595,300 or 25% from the previous fiscal year's amended budget. This increase is due primarily to the increase in transfers from the Income Tax Fund. This increase is for a \$500,000 voluntary payment toward the City's pension liability.

Total General Fund Expenditures for FY 2017-18 are anticipated to equal \$3,040,700. Law Enforcement and Fire Department activity accounts for \$1.34 million or 44%, which represents a cost savings of \$355,400 from FY 2012-13. FY 2017-18 will be the fourth full year the City of Springfield operates under the new law enforcement contract with the Calhoun County Sheriff that took effect in October 2013. Additional Public Safety cost savings are expected in future years due to the significant impact this change will have on future pension and OPEB liabilities related to former Public Safety Officers. The change will also allow the City to consider other options for providing fire service to the residents of Springfield that will also yield significant cost savings in future years.

Other Funds

The **Major Street Fund** is expected to receive \$478,800 in FY 2017-18 primarily from State Shared Act 51 dollars, a Metro Act distribution, special assessments, and reimbursement from the State for trunk line maintenance. Large projects include the repaving of 21st, 28th, Avenue C, and 24th Street as well as Reynolds St. The Major Street budget funds \$474,200 in construction costs, routine, traffic service and winter maintenance. Expenditures also include \$29,900 for administrative costs and a \$8,600 debt service payment for 2016 Bond Debt. The Major Street Fund will transfer \$100,000 to the Local Street Fund this budget year. The net appropriation will result in a decrease of \$133,900 in the Fund's cash balance.

The **Local Street Fund** is expected to receive \$212,900 in FY 2017-18 primarily from State Shared Act 51 dollars, a Metro Act distribution, and special assessments. The Local Street Fund will also receive a \$100,000 transfer from the Major Street Fund. State law permits the use of up to 50% of Major Street Act 51 dollars for local streets. The Local Street budget funds \$414,800 in construction costs, routine traffic service, winter maintenance, and road resurfacing projects. Expenditures also include \$12,100 for administrative costs and a \$44,900 debt service payment for 2016 Bond Debt. The net appropriation will result in a decrease of \$158,900 in the Fund's cash balance.

The **TIFA B Fund** will receive \$165,300 primarily from captured property taxes and investment income. In addition, the TIFA B budget funds \$26,800 in operating costs, a \$13,500 transfer to the Brownfield and a \$88,800 debt service payment for 2016 Bond Debt. The net appropriation will result in an increase of \$36,200 in the Fund's cash balance. NOTE: Since the adoption of the FY 17-18 budget, the EDC/TIFA Board has approved their intent to dissolve TIFA B. Future tax capture will be limited to only the amount required for debt retirement.

The **TIFA D Fund** will receive \$124,200 from captured property taxes and investment income. There are no major projects budgeted for the year in an attempted to build up fund balance after the Legion Villa project. In addition, the TIFA D budget funds \$34,300 in operating costs and \$39,800 in debt service payments for 2016 Bond Debt. The net appropriation will result in an increase of \$40,100 in the Fund's cash balance.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

The **Economic Development Fund** will receive \$79,300 primarily from the sale of city property, a Communications Site Lease, and a pass-thru of special assessments for the Magnificent Motor Mile. The Economic Development budget funds \$72,500 in operating cost and a pass-thru of MMM special assessments. The Fix and Repair Program was suspended for the year in anticipation of the creation of the City's Master Plan. The net appropriation results in an increase of \$6,800 in the Fund's cash balance.

The **Farmers Market Fund** is expected to receive \$47,200. A transfer of \$35,800 from the General Fund will provide additional funding. Expenses related to the Farmers Market and its events are expected to equal \$47,200 – a decrease of 50% from the previous year. This is mainly due to the City's new public/private partnership with Sprout Urban Farms. The Fund is expected to break even at year-end.

The **Vehicle Fund** owns all City vehicles and related equipment. This enterprise fund charges rental rates to the other city departments for the use of vehicles. The Vehicle Fund is expected to receive \$1,253,400 in FY 2017-18. Budgeted expenses total \$1,303,400 which includes fuel, supplies, maintenance, insurance, depreciation, labor, and the purchase of a new fire truck. A \$33,449 payment towards the 2015-16 vehicle loan will also be made. After adjustment for \$81,600 of non-cash depreciation and \$31,600 of loan principal payment, the fund is expected to break even for the year.

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 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, 2017

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,379,777	\$ 1,239,514	\$ 4,619,291	\$ 795,096
Investments	28,000	-	28,000	-
Receivables	440,623	278,780	719,403	-
Due from other governmental units	281,060	162,584	443,644	-
Prepays	23,320	-	23,320	-
Total current assets	4,152,780	1,680,878	5,833,658	795,096
Noncurrent assets				
Capital assets not being depreciated	568,854	-	568,854	49,349
Capital assets being depreciated, net	5,508,611	1,876,860	7,385,471	-
Net other post-employment benefits asset	13,052	-	13,052	-
Total noncurrent assets	6,090,517	1,876,860	7,967,377	49,349
TOTAL ASSETS	10,243,297	3,557,738	13,801,035	844,445
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges on refunding	-	-	-0-	20,066
Deferred outflows of resources related to pensions	395,507	-	395,507	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	395,507	-0-	395,507	20,066
LIABILITIES				
Current liabilities				
Accounts payable	207,091	159,385	366,476	-
Accrued liabilities	26,583	520	27,103	-
Due to other governmental units	-	1,757	1,757	-
Accrued interest payable	1,713	469	2,182	2,648
Unearned revenue	5,460	10,125	15,585	-
Current portion of compensated absences	87,842	-	87,842	-
Current portion of long-term debt	76,600	15,000	91,600	136,811
Total current liabilities	405,289	187,256	592,545	139,459
Noncurrent liabilities				
Noncurrent portion of compensated absences	1,348	-	1,348	-
Noncurrent portion of long-term debt	441,950	126,250	568,200	534,940
Net pension liability	3,683,565	-	3,683,565	-
Total noncurrent liabilities	4,126,863	126,250	4,253,113	534,940
TOTAL LIABILITIES	4,532,152	313,506	4,845,658	674,399
NET POSITION				
Net investment in capital assets	5,558,915	1,735,610	7,294,525	49,349
Restricted				
Other purposes	1,069,166	-	1,069,166	-
Unrestricted	(521,429)	1,508,622	987,193	140,763
TOTAL NET POSITION	\$ 6,106,652	\$ 3,244,232	\$ 9,350,884	\$ 190,112

See accompanying notes to financial statements.

City of Springfield
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit (EDC)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,067,414	\$ 117,085	\$ -	\$ -	\$ (950,329)	\$ -	\$ (950,329)	\$ -
Public safety	1,644,615	26,254	-	4,355	(1,614,006)	-	(1,614,006)	-
Public works	1,703,859	5,203	614,535	5,678	(1,078,443)	-	(1,078,443)	-
Community and economic development	311,120	299,060	-	-	(12,060)	-	(12,060)	-
Recreation and cultural	27,946	-	-	-	(27,946)	-	(27,946)	-
Interest and fees on long-term debt	28,618	-	-	-	(28,618)	-	(28,618)	-
Total governmental activities	4,783,573	447,602	614,535	10,033	(3,711,403)	-0-	(3,711,403)	-0-
Business-type activities								
Sewer	1,087,834	849,080	256,784	-	-	18,030	18,030	-
Water	558,382	563,543	-	-	-	5,161	5,161	-
Refuse	217,540	239,410	-	-	-	21,870	21,870	-
Building code enforcement	37,329	28,526	-	-	-	(8,803)	(8,803)	-
Farmers market	91,916	12,381	-	-	-	(79,535)	(79,535)	-
Total business-type activities	1,993,001	1,692,940	256,784	-0-	-0-	(43,277)	(43,277)	-0-
Total primary government	\$ 6,776,574	\$ 2,140,542	\$ 871,319	\$ 10,033	(3,711,403)	(43,277)	(3,754,680)	-0-
Component unit								
Economic Development Corporation	\$ 98,810	\$ -	\$ -	\$ -	-	-	-0-	(98,810)
General revenues								
Property taxes					1,039,407	-	1,039,407	311,600
Income taxes					1,012,598	-	1,012,598	-
State shared revenue					712,558	-	712,558	-
Investment earnings, net of fees					16,487	7,516	24,003	4,871
Miscellaneous					241,885	39,828	281,713	3,806
Transfers					(57,800)	57,800	-0-	-
Total general revenues and transfers					2,965,135	105,144	3,070,279	320,277
Change in net position					(746,268)	61,867	(684,401)	221,467
Net position, beginning of the year					6,852,920	3,182,365	10,035,285	(31,355)
Net position, end of the year					\$ 6,106,652	\$ 3,244,232	\$ 9,350,884	\$ 190,112

See accompanying notes to financial statements.

City of Springfield
Governmental Funds
BALANCE SHEET
June 30, 2017

	General	Major Streets	Local Streets
ASSETS			
Cash and cash equivalents	\$ 2,305,212	\$ 443,353	\$ 522,439
Investments	28,000	-	-
Receivables			
Accounts	105,611	151	-
Taxes	327,446	-	-
Special assessment	-	32	7,383
Due from other funds	-	5,700	-
Due from other governmental units	116,768	119,294	44,998
Prepays	23,320	-	-
	\$ 2,906,357	\$ 568,530	\$ 574,820
LIABILITIES			
Accounts payable	\$ 141,057	\$ 25,036	\$ 36,033
Accrued liabilities	26,583	-	-
Due to other funds	-	-	5,700
Unearned revenue	5,460	-	-
	173,100	25,036	41,733
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	216,671	32	7,383
FUND BALANCES			
Nonspendable	23,320	-	-
Restricted	-	543,462	525,704
Committed	1,402,633	-	-
Assigned	68,100	-	-
Unassigned	1,022,533	-	-
	2,516,586	543,462	525,704
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,906,357	\$ 568,530	\$ 574,820

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 62,793	\$ 3,333,797
-	28,000
-	105,762
-	327,446
-	7,415
-	5,700
-	281,060
-	23,320
<u>\$ 62,793</u>	<u>\$ 4,112,500</u>
\$ 1,269	\$ 203,395
-	26,583
-	5,700
-	5,460
<u>1,269</u>	<u>241,138</u>
-	224,086
-	23,320
45,769	1,114,935
15,755	1,418,388
-	68,100
-	1,022,533
<u>61,524</u>	<u>3,647,276</u>
<u>\$ 62,793</u>	<u>\$ 4,112,500</u>

City of Springfield

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

June 30, 2017

Total fund balances - governmental funds \$ 3,647,276

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	\$ 27,454,021	
Accumulated depreciation is	<u>(21,858,146)</u>	
Capital assets, net		5,595,875

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		428,766
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Long-term receivables are not available to pay for current period expenditures and therefore, are considered unavailable in the funds.		224,086
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Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions		395,507
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Some assets are not a current financial resource and therefore are not reported in the Governmental Funds Balance Sheet.

Net other post-employment benefit asset		13,052
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds payable	(423,750)	
Accrued interest payable	(1,405)	
Compensated absences	(89,190)	
Net pension liability	<u>(3,683,565)</u>	
		<u>(4,197,910)</u>

Net position of governmental activities		<u><u>\$ 6,106,652</u></u>
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See accompanying notes to financial statements.

City of Springfield

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2017

	General	Major Streets	Local Streets
REVENUES			
Taxes	\$ 2,080,307	\$ -	\$ -
Licenses and permits	71,013	-	-
Intergovernmental	712,558	450,595	163,940
Charges for services	26,146	1,003	-
Fines and forfeits	21,491	-	-
Interest and rents	24,062	973	1,314
Other	210,966	7,119	7,345
TOTAL REVENUES	3,146,543	459,690	172,599
EXPENDITURES			
Current			
General government	733,586	-	-
Public safety	1,263,911	-	-
Public works	271,956	260,307	127,841
Community and economic development	-	-	-
Recreation and cultural	21,892	-	-
Other	195,112	-	-
Capital outlay	-	213,220	283,852
Debt service	-	1,464	4,577
TOTAL EXPENDITURES	2,486,457	474,991	416,270
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	660,086	(15,301)	(243,671)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	74,400	390,600
Payment to escrow agent	-	(72,936)	(393,417)
Sale of capital assets	11,785	-	-
Transfers in	9,100	100,000	360,000
Transfers out	(542,100)	(93,853)	(46,481)
TOTAL OTHER FINANCING SOURCES (USES)	(521,215)	7,611	310,702
NET CHANGE IN FUND BALANCES	138,871	(7,690)	67,031
Fund balances (deficits), beginning of year	2,377,715	551,152	458,673
Fund balances, end of year	<u>\$ 2,516,586</u>	<u>\$ 543,462</u>	<u>\$ 525,704</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ -	\$ 2,080,307
-	71,013
-	1,327,093
-	27,149
-	21,491
11,604	37,953
<u>18,737</u>	<u>244,167</u>
30,341	3,809,173
-	733,586
-	1,263,911
-	660,104
219,844	219,844
-	21,892
-	195,112
-	497,072
<u>55,334</u>	<u>61,375</u>
<u>275,178</u>	<u>3,652,896</u>
(244,837)	156,277
-	465,000
-	(466,353)
280,323	292,108
111,334	580,434
<u>-</u>	<u>(682,434)</u>
<u>391,657</u>	<u>188,755</u>
146,820	345,032
<u>(85,296)</u>	<u>3,302,244</u>
<u>\$ 61,524</u>	<u>\$ 3,647,276</u>

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, 2017

Net change in fund balances - total governmental funds \$ 345,032

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 17,050
Depreciation expense	<u>(478,362)</u>

Excess of depreciation expense over capital outlay (461,312)

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. (42,133)

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 (44,846)

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 (6,176)

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:

Long-term debt proceeds	(465,000)
Repayment of long-term debt	<u>497,044</u>

32,044

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

(Decrease) in deferred outflows of resources	(626,020)
Decrease in accrued interest payable	2,066
(Increase) in compensated absences	(16,574)
Decrease in net other post-employment benefits	52,335
Decrease in net pension liability	<u>19,316</u>

(568,877)

Change in net position of governmental activities \$ (746,268)

See accompanying notes to financial statements.

City of Springfield

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2017

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 429,916	\$ 643,612	\$ 165,986
Accounts receivable	127,959	93,614	57,207
Due from other governmental units	162,584	-	-
Total current assets	720,459	737,226	223,193
Noncurrent assets			
Capital assets being depreciated, net	853,943	1,022,917	-
TOTAL ASSETS	1,574,402	1,760,143	223,193
LIABILITIES			
Current liabilities			
Accounts payable	139,764	556	19,065
Accrued liabilities	-	520	-
Due to other governmental units	-	1,757	-
Unearned revenue	1,750	3,800	4,575
Accrued interest payable	244	225	-
Current portion of long-term debt	7,800	7,200	-
Total current liabilities	149,558	14,058	23,640
Noncurrent liabilities			
Noncurrent portion of long-term debt	65,650	60,600	-
TOTAL LIABILITIES	215,208	74,658	23,640
NET POSITION			
Net investment in capital assets	780,493	955,117	-
Unrestricted	578,701	730,368	199,553
TOTAL NET POSITION	\$ 1,359,194	\$ 1,685,485	\$ 199,553

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,239,514	\$ 45,980
278,780	-
<u>162,584</u>	<u>-</u>
1,680,878	45,980
<u>1,876,860</u>	<u>481,590</u>
3,557,738	527,570
159,385	3,696
520	-
1,757	-
10,125	-
469	308
<u>15,000</u>	<u>31,600</u>
187,256	35,604
<u>126,250</u>	<u>63,200</u>
<u>313,506</u>	<u>98,804</u>
1,735,610	386,790
<u>1,508,622</u>	<u>41,976</u>
<u>\$ 3,244,232</u>	<u>\$ 428,766</u>

City of Springfield

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2017

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
OPERATING REVENUES			
Intergovernmental	\$ 256,784	\$ -	\$ -
Charges for services	849,080	563,543	251,791
Licenses and permits	-	-	28,526
Other	776	13,414	25,638
TOTAL OPERATING REVENUES	1,106,640	576,957	305,955
OPERATING EXPENSES			
Operating expenses	980,780	495,726	346,785
Depreciation	97,135	52,801	-
TOTAL OPERATING EXPENSES	1,077,915	548,527	346,785
OPERATING INCOME (LOSS)	28,725	28,430	(40,830)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	-
Gain on disposal of capital assets	-	-	-
Interest earned, net of fees	2,693	4,693	130
Interest expenses and fees	(2,390)	(2,206)	-
Bond issuance cost	(7,529)	(7,649)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(7,226)	(5,162)	130
INCOME (LOSS) BEFORE TRANSFERS	21,499	23,268	(40,700)
TRANSFERS			
Transfers in	-	-	69,300
Transfers out	-	-	(11,500)
TOTAL TRANSFERS	-0-	-0-	57,800
CHANGE IN NET POSITION	21,499	23,268	17,100
Net position, beginning of year	1,337,695	1,662,217	182,453
Net position, end of year	<u>\$ 1,359,194</u>	<u>\$ 1,685,485</u>	<u>\$ 199,553</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 256,784	\$ -
1,664,414	133,463
28,526	-
39,828	29,011
<u>1,989,552</u>	<u>162,474</u>
1,823,291	191,688
149,936	67,403
<u>1,973,227</u>	<u>259,091</u>
16,325	(96,617)
-0-	5,592
-0-	4,300
7,516	37
(4,596)	(2,358)
(15,178)	-
<u>(12,258)</u>	<u>7,571</u>
4,067	(89,046)
69,300	44,200
(11,500)	-
<u>57,800</u>	<u>44,200</u>
61,867	(44,846)
<u>3,182,365</u>	<u>473,612</u>
<u>\$ 3,244,232</u>	<u>\$ 428,766</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

	Business-type		
	Sewer System	Water System	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 713,398	\$ 583,656	\$ 314,113
Cash receipts from grants	256,784	-	-
Cash paid for operating expenses	(965,290)	(506,241)	(346,900)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,892	77,415	(32,787)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt/(payment) of interfund balances	(5,625)	(5,687)	(1,234)
Transfers in	-	-	69,300
Transfers out	-	-	(11,500)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(5,625)	(5,687)	56,566
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expenses and fees paid	(2,747)	(2,536)	-
Gain on disposal of capital assets	-	-	-
Intergovernmental	-	-	-
Bond issuance costs	(7,529)	(7,649)	-
Capital purchases	(3,917)	(3,917)	-
Proceeds from loan	80,600	74,400	-
Payments on borrowings	(79,901)	(73,055)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(13,494)	(12,757)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received, net of fees	2,693	4,693	130
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,534)	63,664	23,909
Cash and cash equivalents, beginning of year	441,450	579,948	142,077
Cash and cash equivalents, end of year	\$ 429,916	\$ 643,612	\$ 165,986

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 1,611,167	\$ 162,474
256,784	-
<u>(1,818,431)</u>	<u>(198,141)</u>
49,520	(35,667)
(12,546)	10,460
69,300	44,200
<u>(11,500)</u>	<u>-</u>
45,254	54,660
(5,283)	(2,461)
-0-	4,300
-0-	5,592
(15,178)	-
(7,834)	(17,456)
155,000	-
<u>(152,956)</u>	<u>(31,600)</u>
(26,251)	(41,625)
<u>7,516</u>	<u>37</u>
76,039	(22,595)
<u>1,163,475</u>	<u>68,575</u>
<u>\$ 1,239,514</u>	<u>\$ 45,980</u>

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2017

	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)	\$ 28,725	\$ 28,430	\$ (40,830)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	97,135	52,801	-
(Increase) decrease in:			
Accounts receivable	26,676	8,899	14,359
Due from other governmental units	(162,584)	-	-
Increase (decrease) in:			
Accounts payable	90,753	(3,329)	701
Accrued liabilities	(75,263)	-	(816)
Due to other governmental units	-	(7,186)	-
Unearned revenue	(550)	(2,200)	(6,201)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 4,892</u>	 <u>\$ 77,415</u>	 <u>\$ (32,787)</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service (Motor Pool)</u>
\$ 16,325	\$ (96,617)
149,936	67,403
49,934	-
(162,584)	-
88,125	(6,453)
(76,079)	-
(7,186)	-
<u>(8,951)</u>	<u>-</u>
<u>\$ 49,520</u>	<u>\$ (35,667)</u>

City of Springfield

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2017

	<u>Trust and Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 11,178</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 11,178</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 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 financial 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 financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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.

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.

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 financial statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

4. Measurement Focus - continued

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, when applicable, 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 fund balance.

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 sixty (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 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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

6. Budgets and Budgetary Accounting - continued

- 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

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash and cash equivalents consist of checking accounts and uncategorized pooled investment mutual funds with a maturity from date of purchase of 90 days or less. All mutual funds are recorded at fair (market) value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

8. Investments

Investments are stated at fair value in accordance with the applicable GASB Statement. In accordance with GASB Statement No. 72, the City has accounted for land held for resale as investments of the City.

9. Receivables

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

10. Property Tax

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

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

The City is permitted by charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services and an unlimited amount for pension. The operating millage had a maximum allowable millage after roll-back for the 2016 levy of 14.8743 mills. For the year ended June 30, 2017, 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 2016 levy for property within the City was \$78,664,899.

11. Income Tax Revenues

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

12. 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.

13. Capital Assets

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

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

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

14. Long-Term Obligations

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

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

15. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation. Employees are not paid for accumulated sick leave. All employees with accumulated unused vacation pay at June 30, 2017, were vested and the total due to them, along with related payroll taxes, is recorded entirely in the government-wide financial statements.

16. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized on the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

17. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position or in the governmental funds balance sheet.

The City reports deferred outflows of resources for two (2) types of items in the government-wide financial statements. The deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price, is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports deferred amounts which correspond to the City's net pension liability and are related to differences between expected and actual experience, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

The City reports deferred inflows of resources for two (2) types of items, which arise only under a modified accrual basis of accounting and qualify 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 sixty (60) days after year end and from long-term special assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

18. 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 preclude their use for unrestricted purposes.

19. 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, CASH EQUIVALENTS, AND INVESTMENTS

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, 2017

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - 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, 2017, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 1,274,647	\$ 1,283,120
COMPONENT UNIT		
Checking	188,653	188,653
FIDUCIARY FUNDS		
Checking	<u>11,178</u>	<u>10,978</u>
TOTAL REPORTING ENTITY	<u>\$ 1,474,478</u>	<u>\$ 1,482,751</u>

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

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2017, the City accounts were insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000, and the amount of \$1,232,751 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.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three (3) levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Fair Value Measurements

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The City had the following fair value measurements as of June 30, 2017:

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Weighted Average Maturity
PRIMARY GOVERNMENT					
Fidelity Advantage Mutual Fund					
Strategic Income Class A	\$ 173,822	\$ -	\$ -	\$ 173,822	6.2 years
Floating Rate High Income Class A	168,910	-	-	168,910	4.6 years
Intermediate Muni Income Class A	297,356	-	-	297,356	4.8 years
Government Money Market Daily Money Class A	104,881	-	-	104,881	6.8 years
Advisor Short Term Bond Class A	643,458	-	-	643,458	3.0 years
Michigan CLASS	-	1,955,517	-	1,955,517	46 days
Land held for resale	-	-	28,000	28,000	N/A
Total primary government	1,388,427	1,955,517	28,000	3,371,944	
COMPONENT UNIT					
Fidelity Advantage Mutual Fund					
Strategic Income Class A	38,259	-	-	38,259	6.2 years
Floating Rate High Income Class A	37,178	-	-	37,178	4.6 years
Intermediate Muni Income Class A	65,449	-	-	65,449	4.8 years
Government Money Market Daily Money Class A	23,085	-	-	23,085	6.8 years
Advisor Short Term Bond Class A	141,627	-	-	141,627	3.0 years
Michigan CLASS	-	300,845	-	300,845	46 days
Total component unit	305,598	300,845	-0-	606,443	
TOTAL REPORTING ENTITY	\$ 1,694,025	\$ 2,256,362	\$ 28,000	\$ 3,978,387	

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

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, 2017, the rating information on the City's investments is presented below.

	Strategic Income Class A	Floating Rate High Income Class A	Intermediate Muni Income Class A	Government Money Market Daily Money Class A	Advisor Short Term Bond Class A	Michigan CLASS
US Government	24.67%	0.00%	0.00%	93.52%	0.00%	0.00%
AAA	6.02%	0.00%	8.46%	2.99%	0.00%	0.00%
AA	3.43%	0.00%	37.16%	0.00%	0.00%	0.00%
A	4.14%	0.00%	32.28%	0.00%	0.00%	0.00%
BBB	5.62%	3.31%	11.68%	0.00%	8.16%	0.00%
BB	17.41%	37.04%	0.53%	0.00%	32.29%	0.00%
B	22.69%	43.51%	0.55%	0.00%	44.29%	0.00%
CCC and Below	8.46%	3.88%	0.00%	0.00%	7.99%	0.00%
Short-Term Rated	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Not Rated/Not Available	5.85%	7.01%	6.50%	1.72%	1.87%	0.00%
Cash and Net Other Assets	1.71%	5.25%	2.84%	1.77%	5.40%	0.00%
Total	100%	100%	100%	100%	100%	100%

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, 2017

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The following summarizes the categorization of these amounts as of June 30, 2017:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 4,619,291	\$ 795,096	\$ 11,178	\$ 5,425,565
Investments	28,000	-	-	28,000
	<u>\$ 4,647,291</u>	<u>\$ 795,096</u>	<u>\$ 11,178</u>	<u>\$ 5,453,565</u>

NOTE C: INTERFUND TRANSFERS

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

Transfers to General Fund from:	
Nonmajor enterprise funds	<u>\$ 9,100</u>
Transfers to Major Streets Fund from:	
General Fund	<u>\$ 100,000</u>
Transfers to Local Streets Fund from:	
General Fund	\$ 275,000
Major Streets Fund	<u>85,000</u>
	<u>\$ 360,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 56,000
Major Streets Fund	8,853
Local Streets Fund	<u>46,481</u>
	<u>\$ 111,334</u>
Transfers to nonmajor enterprise funds from:	
General Fund	\$ 66,900
Nonmajor enterprise funds	<u>2,400</u>
	<u>\$ 69,300</u>
Transfers to Internal Service Fund from:	
General Fund	<u>\$ 44,200</u>

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

Amounts appearing as interfund payables and receivables arise from two (2) 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.

The amount of interfund receivables and payables at 2017 are as follows:

Due to Major Streets Fund from:	
Local Streets Fund	<u>\$ 5,700</u>

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 582,262	\$ -	\$ (13,408)	\$ 568,854
Capital assets being depreciated				
Roads and sidewalks	22,999,593	-	-	22,999,593
Buildings and improvements	3,181,584	17,050	-	3,198,634
Land improvements	144,996	-	(38,298)	106,698
Vehicles	1,634,002	17,456	(60,927)	1,590,531
Furniture and fixtures	103,344	-	-	103,344
Other tools and equipment	476,898	-	-	476,898
Subtotal	<u>28,540,417</u>	<u>34,506</u>	<u>(99,225)</u>	<u>28,475,698</u>
Less accumulated depreciation for:				
Roads and sidewalks	(19,335,384)	(380,228)	-	(19,715,612)
Buildings and improvements	(1,483,155)	(74,932)	-	(1,558,087)
Land improvements	(79,898)	(5,935)	9,573	(76,260)
Vehicles	(1,102,465)	(67,403)	60,927	(1,108,941)
Furniture and fixtures	(98,936)	(4,408)	-	(103,344)
Other tools and equipment	(391,984)	(12,859)	-	(404,843)
Subtotal	<u>(22,491,822)</u>	<u>(545,765)</u>	<u>70,500</u>	<u>(22,967,087)</u>
Net capital assets being depreciated	<u>6,048,595</u>	<u>(511,259)</u>	<u>(28,725)</u>	<u>5,508,611</u>
Capital assets, net	<u>\$ 6,630,857</u>	<u>\$ (511,259)</u>	<u>\$ (42,133)</u>	<u>\$ 6,077,465</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE E: CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to the following governmental activities:

General government	\$ 35,925
Public safety	51,272
Public works	428,090
Community and economic development	<u>30,478</u>
Total depreciation expense	<u>\$ 545,765</u>

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Business-type activities				
(Sewer system)				
Capital assets being depreciated				
Sewer distribution system	\$ 4,186,649	\$ -	\$ -	\$ 4,186,649
Sewer tools and equipment	<u>160,735</u>	<u>3,917</u>	<u>-</u>	<u>164,652</u>
Subtotal	4,347,384	3,917	-0-	4,351,301
Less accumulated depreciation for:				
Sewer distribution system	(3,303,580)	(91,925)	-	(3,395,505)
Sewer tools and equipment	<u>(96,643)</u>	<u>(5,210)</u>	<u>-</u>	<u>(101,853)</u>
Subtotal	<u>(3,400,223)</u>	<u>(97,135)</u>	<u>-0-</u>	<u>(3,497,358)</u>
Capital assets being depreciated	<u>\$ 947,161</u>	<u>\$ (93,218)</u>	<u>\$ -0-</u>	<u>\$ 853,943</u>
(Water system)				
Capital assets being depreciated				
Water distribution system	\$ 2,340,064	\$ -	\$ -	\$ 2,340,064
Water tools and equipment	<u>153,734</u>	<u>3,917</u>	<u>-</u>	<u>157,651</u>
Subtotal	2,493,798	3,917	-0-	2,497,715
Less accumulated depreciation for:				
Water distribution system	(1,329,010)	(47,824)	-	(1,376,834)
Water tools and equipment	<u>(92,987)</u>	<u>(4,977)</u>	<u>-</u>	<u>(97,964)</u>
Subtotal	<u>(1,421,997)</u>	<u>(52,801)</u>	<u>-0-</u>	<u>(1,474,798)</u>
Capital assets being depreciated	<u>\$ 1,071,801</u>	<u>\$ (48,884)</u>	<u>\$ -0-</u>	<u>\$ 1,022,917</u>
Component Unit				
Capital assets not being depreciated				
Land	<u>\$ 49,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,349</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017.

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
2006 Capital Improvement Bonds	\$ 455,794	\$ -	\$ (455,794)	\$ -0-	\$ -
2016 Capital Improvement Refunding Bonds	-	465,000	(41,250)	423,750	45,000
2015 DPW Equipment Loan	126,400	-	(31,600)	94,800	31,600
Compensated absences	72,616	88,092	(71,518)	89,190	87,842
	654,810	553,092	(600,162)	607,740	164,442
Business-type Activities					
2006 Capital Improvement Bonds	139,206	-	(139,206)	-0-	-
2016 Capital Improvement Refunding Bonds	-	155,000	(13,750)	141,250	15,000
	139,206	155,000	(152,956)	141,250	15,000
TOTAL PRIMARY GOVERNMENT	794,016	708,092	(753,118)	748,990	179,442
COMPONENT UNIT					
1999 Tax Increment Bonds	240,000	-	(240,000)	-0-	-
2007 Tax Increment Bonds	440,000	-	(440,000)	-0-	-
Brownfield Loan	88,135	-	(21,384)	66,751	21,811
2016 Tax Increment Refunding Bonds	-	685,000	(80,000)	605,000	115,000
TOTAL COMPONENT UNIT	768,135	685,000	(781,384)	671,751	136,811
TOTAL REPORTING ENTITY	\$ 1,562,151	\$ 1,393,092	\$(1,534,502)	\$ 1,420,741	\$ 316,253

Capital Improvement Bonds

\$595,000 Capital Improvement Refunding Bonds dated September 29, 2016, due in annual installments ranging from \$60,000 to \$65,000 through May 1, 2026, with interest of 1.99 percent, payable semi-annually. These bonds are repaid partially by governmental activities and partially by business-type activities.

\$ 565,000

Installment Purchase Agreement

\$158,000 DPW Equipment Loan dated July 15, 2015, due in annual installments of \$31,600 through May 1, 2020, with interest of 1.95 percent, payable annually.

\$ 94,800

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 \$89,190 at June 30, 2017.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE F: LONG-TERM DEBT - CONTINUED

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:

\$685,000 Tax Increment Refunding Bonds dated September 29, 2016, due in annual installments ranging from \$35,000 to \$120,000 through May 1, 2027, with interest of 2.24 percent, payable semi-annually. \$ 605,000

Brownfield Loan

\$300,000 Brownfield Loan dated March 10, 2005, due in annual installments ranging from \$21,811 to \$22,693 through March 18, 2020, including interest of 2.00 percent, payable annually. \$ 66,751

Advance Refunding - Current

On September 29, 2016, the City defeased a portion of the 1999 TIFA A Bonds which were due and payable May 1, 2017, through May 1, 2019, and a portion of the 2007 TIFA D Bonds, which were due and payable May 1, 2018, through May 1, 2027. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2016 TIFA Refunding Bonds in the amount of \$685,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On November 1, 2016, the defeased bonds due and payable May 1, 2017 through May 1, 2026, were called. At June 30, 2017, none of these bonds were considered defeased as they had all been called.

As a result of this advance refunding, the City decreased its total debt service requirements by \$49,349, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$43,043.

On September 29, 2016, the City defeased the remaining outstanding balance of the 2006 Capital Improvement Bonds, which were due and payable May 1, 2017, through May 1, 2025. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2016 Capital Improvements Refunding Bonds in the amount of \$620,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On November 1, 2016, the defeased bonds due and payable May 1, 2017 through May 1, 2026, were called. At June 30, 2017, none of these bonds were considered defeased as they had all been called.

As a result of this advance refunding, the City decreased its total debt service requirements by \$66,608, which resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$58, 929.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government - Government Activities

Year Ending June 30,	Capital Improvement Bonds		Installment Purchase Agreement	
	Principal	Interest	Principal	Interest
2018	\$ 45,000	\$ 8,433	\$ 31,600	\$ 1,849
2019	45,000	7,537	31,600	1,232
2020	45,000	6,642	31,600	616
2021	48,750	5,746	-	-
2022	48,750	4,776	-	-
2023-2026	191,250	9,627	-	-
Total	<u>\$ 423,750</u>	<u>\$ 42,761</u>	<u>\$ 94,800</u>	<u>\$ 3,697</u>

Primary Government - Business-type Activities

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2018	\$ 15,000	\$ 2,811
2019	15,000	2,512
2020	15,000	2,214
2021	16,250	1,915
2022	16,250	1,592
2023-2026	63,750	3,209
Total	<u>\$ 141,250</u>	<u>\$ 14,253</u>

Component Unit

Year Ending June 30,	Tax Increment Bonds		Brownfield Loan	
	Principal	Interest	Principal	Interest
2018	\$ 115,000	\$ 13,552	\$ 21,811	\$ 1,335
2019	120,000	10,976	22,247	899
2020	35,000	8,288	22,693	454
2021	40,000	7,504	-	-
2022	45,000	6,608	-	-
2023-2027	250,000	17,472	-	-
Total	<u>\$ 605,000</u>	<u>\$ 64,400</u>	<u>\$ 66,751</u>	<u>\$ 2,688</u>

NOTE G: 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: RISK MANAGEMENT - CONTINUED

The City also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property, liability, crime, data breach, 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 H: RETIREMENT PLAN

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

Benefits provided include plans with multipliers ranging from 2.00% to 3.00%.

Vesting period of 10 years.

Normal retirement age is 60 with early retirement at 55 with 25 years of service or reduced early retirement at 50 with 25 years of service or 55 with 15 years of service, depending on division.

Final average compensation is calculated based on 5 years. Member contributions range from 2.00% to 7.00%.

At the December 31, 2016, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>15</u>
Total employees covered by MERS	<u><u>73</u></u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE H: RETIREMENT PLAN - CONTINUED

Contributions - continued

Employer contributions range from 16.68% to 25.56% based on annual payroll for open divisions. Two (2) divisions that are closed to new employees had an annual employer contribution of \$64,956.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.75%, net of investment expenses, including inflation.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the valuation were based on the results of the 2009-2013 Five-Year Experience Study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	8.52%
Global Fixed Income	20.00%	5.68%
Real Assets	12.50%	7.73%
Diversifying Strategies	10.00%	10.06%

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE H: RETIREMENT PLAN - CONTINUED

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2015	\$ 10,067,852	\$ 6,364,971	\$ 3,702,881
Changes for the Year			
Service Cost	56,521	-	56,521
Interest on Total Pension Liability	774,969	-	774,969
Difference between expected and actual experience	45,959	-	45,959
Employer contributions	-	203,545	(203,545)
Employee contributions	-	13,695	(13,695)
Net investment income	-	693,245	(693,245)
Benefit payments, including employee refunds	(818,011)	(818,011)	-0-
Administrative expense	-	(13,720)	13,720
Net changes	<u>59,438</u>	<u>78,754</u>	<u>(19,316)</u>
Balances at December 31, 2016	<u>\$ 10,127,290</u>	<u>\$ 6,443,725</u>	<u>\$ 3,683,565</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rates of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 4,752,253	\$ 3,683,565	\$ 2,798,245

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE H: RETIREMENT PLAN - CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expenses of \$831,682. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,979	\$ -
Net difference between projected and actual earnings on pension plan investments	266,722	-
Contributions subsequent to the measurement date*	<u>105,806</u>	<u>-</u>
Total	<u>\$ 395,507</u>	<u>\$ -0-</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$105,806), which will impact the net pension liability in fiscal year 2018, rather than pension expense.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2018	\$ 134,152
2019	111,175
2020	86,100
2021	(41,726)

NOTE I: 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 (GASB) Statement No. 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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Plan Description - continued

During the year ended June 30, 2017, 25 retirees and their beneficiaries were receiving benefits. Expenditures for postemployment benefits are recognized when claims are paid. During the year, expenditures of \$130,155 were recognized for post-employment benefits. As of June 30, 2017, the City had \$390,735 in their Retiree Health Care Trust fund account with MERS.

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

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). For the year ended June 30, 2017, the City’s contributions included all required premiums for 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, 2017, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of June 30, 2017. 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)	\$ 77,311
Interest on net OPEB obligation	1,964
Adjustment to annual required contribution	<u>(1,455)</u>
Annual OPEB cost (expense)	77,820
Amounts contributed:	
Payments of current requirements (gross of employee reimbursement)	<u>130,155</u>
Decrease in net OPEB obligation	(52,335)
OPEB obligation - Beginning of year	<u>39,283</u>
OPEB obligation (asset) - End of year	<u><u>\$ (13,052)</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) was as follows:

	Year Ended June 30,		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual OPEB cost	\$ 71,523	\$ 70,403	\$ 77,820
Percentage of annual OPEB cost contributed	183.9%	263.0%	167.3%
Net OPEB obligation (asset)	\$ 154,059	\$ 39,283	\$ (13,052)

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Progress - continued

The current funding progress of the plan as of June 30, 2017, the most recent valuation, is as follows:

Fair value of assets	\$	390,735
Actuarial accrued liability (AAL)		1,066,690
Unfunded AAL (UAAL)		675,955
Funded ratio		36.6%
Covered payroll	\$	447,299
Ratio of UAAL to covered payroll		151.1%

Actuarial Methods and Assumptions

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

In the June 30, 2017, alternative measurement calculation, the entry age normal cost method was used. The 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 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, 2017:

PRIMARY GOVERNMENT	
Other purposes	
Streets and highways	\$ 1,069,166

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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

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	Nonmajor Governmental Funds	Total
Fund Balances					
Nonspendable					
Prepays	\$ 23,320	\$ -	\$ -	\$ -	\$ 23,320
Restricted					
Streets	-	543,462	525,704	-	1,069,166
Economic development	-	-	-	45,586	45,586
Debt service	-	-	-	183	183
Committed					
Public safety	-	-	-	15,755	15,755
City operations	1,402,633	-	-	-	1,402,633
Assigned					
Subsequent year's expenditures	68,100	-	-	-	68,100
Unassigned	1,022,533	-	-	-	1,022,533
TOTAL FUND BALANCES	\$ 2,516,586	\$ 543,462	\$ 525,704	\$ 61,524	\$ 3,647,276

NOTE L: SUBSEQUENT EVENT

In July 2017, the City signed an agreement to purchase a new fire truck at a cost of \$1,049,324. Future revenues and current fund balance are expected to be sufficient to cover this commitment.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE M: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City is current evaluating the impact this standard will have on the financial statements when adopted during the 2018-2019 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS)

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Operating	\$ 923,800	\$ 944,900	\$ 971,914	\$ 27,014
Pension	65,800	65,800	67,099	1,299
Tax collection fees	21,700	21,700	22,125	425
Penalties and interest	8,500	8,500	6,571	(1,929)
Total taxes	1,019,800	1,040,900	1,067,709	26,809
Licenses and permits				
Trailer fees	1,300	1,300	1,312	12
Business licenses	6,200	6,200	7,306	1,106
Liquor licenses	4,300	4,300	5,255	955
Cable franchise fees	63,500	63,500	57,140	(6,360)
Total licenses and permits	75,300	75,300	71,013	(4,287)
Intergovernmental				
State grants				
Local community stabilization	21,900	21,900	26,485	4,585
Statutory sales tax	262,600	262,600	262,606	6
Constitutional sales tax	417,200	417,200	423,467	6,267
Total state grants	701,700	701,700	712,558	10,858
Charges for services	25,000	25,000	26,146	1,146
Fines and forfeits	33,600	33,600	21,491	(12,109)
Interest and rents	10,400	10,400	17,636	7,236
Other				
Refunds and reimbursements	70,800	70,800	132,863	62,063
Other	31,800	67,600	78,103	10,503
Total other	102,600	138,400	210,966	72,566
TOTAL REVENUES	1,968,400	2,025,300	2,127,519	102,219

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) - CONTINUED

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
City council	\$ 56,500	\$ 56,500	\$ 51,585	\$ 4,915
City manager	31,200	36,800	33,777	3,023
Finance and administrative services	406,300	406,300	386,225	20,075
Public safety	1,234,600	1,270,700	1,263,911	6,789
Public service	348,100	348,100	293,848	54,252
Post-employment benefits	199,500	199,500	195,112	4,388
TOTAL EXPENDITURES	<u>2,276,200</u>	<u>2,317,900</u>	<u>2,224,458</u>	<u>93,442</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(307,800)	(292,600)	(96,939)	195,661
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	11,800	11,785	(15)
Transfers in	408,900	408,900	408,900	-0-
Transfers out	<u>(101,100)</u>	<u>(167,100)</u>	<u>(167,100)</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>307,800</u>	<u>253,600</u>	<u>253,585</u>	<u>(15)</u>
Net change in fund balance (Budgetary basis)	<u>\$ -0-</u>	<u>\$ (39,000)</u>	156,646	<u>\$ 195,646</u>
Budgetary perspective difference			<u>(17,775)</u>	
Net change in fund balance (GAAP basis)			<u>\$ 138,871</u>	

City of Springfield

Major Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 384,800	\$ 446,100	\$ 450,595	\$ 4,495
Charges for services	1,200	1,200	1,003	(197)
Interest	200	200	973	773
Other				
Special assessments	2,300	2,300	2,338	38
Miscellaneous	-	-	4,781	4,781
TOTAL REVENUES	388,500	449,800	459,690	9,890
EXPENDITURES				
Current				
Public works	277,900	290,600	260,307	30,293
Capital outlay	150,000	218,100	213,220	4,880
Debt service	-	2,800	1,464	1,336
TOTAL EXPENDITURES	427,900	511,500	474,991	36,509
EXCESS OF REVENUES (UNDER) EXPENDITURES	(39,400)	(61,700)	(15,301)	46,399
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	74,400	74,400	-0-
Payment to escrow agent	-	(7,500)	(72,936)	(65,436)
Transfer in	100,000	100,000	100,000	-0-
Transfer out	(94,400)	(158,000)	(93,853)	64,147
TOTAL OTHER FINANCING SOURCES (USES)	5,600	8,900	7,611	(1,289)
NET CHANGE IN FUND BALANCE	(33,800)	(52,800)	(7,690)	45,110
Fund balance, beginning of year	551,152	551,152	551,152	-0-
Fund balance, end of year	<u>\$ 517,352</u>	<u>\$ 498,352</u>	<u>\$ 543,462</u>	<u>\$ 45,110</u>

City of Springfield

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 163,100	\$ 206,300	\$ 163,940	\$ (42,360)
Interest	100	100	1,314	1,214
Other				
Special assessments	3,300	3,300	3,340	40
Miscellaneous	-	-	4,005	4,005
TOTAL REVENUES	166,500	209,700	172,599	(37,101)
EXPENDITURES				
Current				
Public works	188,100	188,100	127,841	60,259
Capital outlay	250,000	298,000	283,852	14,148
Debt service	-	4,600	4,577	23
TOTAL EXPENDITURES	438,100	490,700	416,270	74,430
EXCESS OF REVENUES (UNDER) EXPENDITURES	(271,600)	(281,000)	(243,671)	37,329
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	390,600	390,600	-0-
Payment to escrow agent	-	(39,200)	(393,417)	(354,217)
Transfers in	360,000	360,000	360,000	-0-
Transfers out	(49,100)	(393,300)	(46,481)	346,819
TOTAL OTHER FINANCING SOURCES (USES)	310,900	318,100	310,702	(7,398)
NET CHANGE IN FUND BALANCE	39,300	37,100	67,031	29,931
Fund balance, beginning of year	458,673	458,673	458,673	-0-
Fund balance, end of year	<u>\$ 497,973</u>	<u>\$ 495,773</u>	<u>\$ 525,704</u>	<u>\$ 29,931</u>

City of Springfield

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Last Three Measurement Dates (ultimately ten years will be displayed)
 (Amounts were determined as of 12/31 of each year)

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 56,521	\$ 53,919	\$ 73,304
Interest	774,969	718,412	734,738
Changes of benefit terms	-	-	-
Difference between expected and actual experience	45,959	249,428	-
Changes of assumptions	-	451,839	-
Benefit payments, including employee refunds	(818,011)	(762,741)	(685,524)
Other	-	22,450	1
Net Change in Total Pension Liability	59,438	733,307	122,519
Total Pension Liability, beginning	10,067,852	9,334,545	9,212,026
Total Pension Liability, ending	<u>\$ 10,127,290</u>	<u>\$ 10,067,852</u>	<u>\$ 9,334,545</u>
Plan Fiduciary Net Position			
Contributions-employer	\$ 203,545	\$ 221,143	\$ 235,339
Contributions-employee	13,695	17,831	18,296
Net investment income	693,245	(100,348)	435,038
Benefit payments including employee refunds	(818,011)	(762,741)	(685,524)
Administrative expense	(13,720)	(14,899)	(15,889)
Net Change in Plan Fiduciary Net Position	78,754	(639,014)	(12,740)
Plan Fiduciary Net Position, beginning	6,364,971	7,003,985	7,016,725
Plan Fiduciary Net Position, ending	<u>\$ 6,443,725</u>	<u>\$ 6,364,971</u>	<u>\$ 7,003,985</u>
City's Net Pension Liability	<u>\$ 3,683,565</u>	<u>\$ 3,702,881</u>	<u>\$ 2,330,560</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	64%	63%	75%
Covered employee payroll	\$ 684,780	\$ 641,708	\$ 776,341
City's Net Pension Liability as a percentage of covered employee payroll	538%	577%	300%

City of Springfield

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Three Fiscal Years (Ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 6/30 of each fiscal year)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial determined contributions	\$ 218,062	\$ 173,163	\$ 262,952
Contributions in relation to the actuarially determined contribution	<u>218,062</u>	<u>173,163</u>	<u>262,952</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 702,407	\$ 659,014	\$ 782,016
Contributions as a percentage of covered employee payroll	31%	26%	34%

City of Springfield

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2017

OTHER POST-EMPLOYMENT BENEFITS PLAN

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Fair Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Ratio of UAAL to Covered Payroll
6/30/2017	\$ 390,735	\$ 1,066,690	\$ 675,955	36.6%	\$ 447,299	151.1%
6/30/2014	269,235	903,086	633,851	29.8%	653,869	96.9%
6/30/2013	208,387	1,531,885	1,323,498	13.6%	1,402,010	94.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2017	\$ 77,820	167.3%	\$ (13,052)
2016	70,403	263.0%	39,283
2015	71,523	183.9%	154,059

City of Springfield

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated. The City's budgeted expenditures have been adopted at the departmental level in the General Fund and the total expenditure level in the Special Revenue Funds, but are maintained at the activity level. During the year ended June 30, 2017, the City incurred expenditures in the Economic Development Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Economic Development Fund			
Community and economic development	\$ 219,800	\$ 219,844	\$ 44

NOTE B: BUDGETARY/GAAP RECONCILIATION

The City budgets the activities of various funds separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, these funds are combined with the General Fund as required by GASB statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the Budgetary Comparison Schedule (Non-GAAP budgetary basis) reconciles the change in fund balance to the GAAP-basis basic financial statements and the details related to these amounts are as follows:

Net change in fund balance (budgetary basis)	\$ 156,646
To adjust for revenues generated related to various activities accounted for in separate funds	1,019,024
To adjust for expenditures generated related to various activities accounted for in separate funds	(261,999)
To remove the transfers in and out from the budgetary basis schedule	<u>(774,800)</u>
Net change in fund balance (GAAP Basis)	<u><u>\$ 138,871</u></u>

NOTE C: EMPLOYEE RETIREMENT PLAN

Changes of benefits terms: There were no changes of benefit terms during fiscal year 2017.

Changes in assumptions: There were no changes of assumptions during fiscal year 2017.

OTHER SUPPLEMENTARY INFORMATION

City of Springfield

General Fund

COMBINING BALANCE SHEET

June 30, 2017

	General	Income Tax	Total Before Eliminations	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 1,027,236	\$ 1,277,976	\$ 2,305,212	\$ -	\$ 2,305,212
Investments	28,000	-	28,000	-	28,000
Receivables					
Accounts	105,611	-	105,611	-	105,611
Taxes	16,697	310,749	327,446	-	327,446
Due from other governmental units	116,768	-	116,768	-	116,768
Prepays	23,320	-	23,320	-	23,320
TOTAL ASSETS	<u>\$ 1,317,632</u>	<u>\$ 1,588,725</u>	<u>\$ 2,906,357</u>	<u>\$ -0-</u>	<u>\$ 2,906,357</u>
LIABILITIES					
Accounts payable	\$ 136,421	\$ 4,636	\$ 141,057	\$ -	\$ 141,057
Accrued liabilities	26,583	-	26,583	-	26,583
Unearned revenue	5,460	-	5,460	-	5,460
TOTAL LIABILITIES	168,464	4,636	173,100	-0-	173,100
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	35,215	181,456	216,671	-	216,671
FUND BALANCES					
Nonspendable	23,320	-	23,320	-	23,320
Committed	-	1,402,633	1,402,633	-	1,402,633
Assigned	68,100	-	68,100	-	68,100
Unassigned	1,022,533	-	1,022,533	-	1,022,533
TOTAL FUND BALANCES	<u>1,113,953</u>	<u>1,402,633</u>	<u>2,516,586</u>	<u>-0-</u>	<u>2,516,586</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,317,632</u>	<u>\$ 1,588,725</u>	<u>\$ 2,906,357</u>	<u>\$ -0-</u>	<u>\$ 2,906,357</u>

City of Springfield

General Fund

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

Year Ended June 30, 2017

	General	Income Tax	Total Before Eliminations	Eliminations	Total
REVENUES					
Taxes	\$ 1,067,709	\$ 1,012,598	\$ 2,080,307	\$ -	\$ 2,080,307
Licenses and permits	71,013	-	71,013	-	71,013
Intergovernmental	712,558	-	712,558	-	712,558
Charges for services	26,146	-	26,146	-	26,146
Fines and forfeits	21,491	-	21,491	-	21,491
Interest and rents	17,636	6,426	24,062	-	24,062
Other	210,966	-	210,966	-	210,966
TOTAL REVENUES	2,127,519	1,019,024	3,146,543	-0-	3,146,543
EXPENDITURES					
Current					
General government	471,587	261,999	733,586	-	733,586
Public safety	1,263,911	-	1,263,911	-	1,263,911
Public works	271,956	-	271,956	-	271,956
Recreation and cultural	21,892	-	21,892	-	21,892
Other	195,112	-	195,112	-	195,112
TOTAL EXPENDITURES	2,224,458	261,999	2,486,457	-0-	2,486,457
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(96,939)	757,025	660,086	-0-	660,086
OTHER FINANCING SOURCES (USES)					
Sale of capital asset	11,785	-	11,785	-	11,785
Transfers in	408,900	-	408,900	(399,800)	9,100
Transfers out	(167,100)	(774,800)	(941,900)	399,800	(542,100)
TOTAL OTHER FINANCING SOURCES (USES)	253,585	(774,800)	(521,215)	-0-	(521,215)
NET CHANGE IN FUND BALANCES	156,646	(17,775)	138,871	-0-	138,871
Fund balances, beginning of year	957,307	1,420,408	2,377,715	-	2,377,715
Fund balances, end of year	<u>\$ 1,113,953</u>	<u>\$ 1,402,633</u>	<u>\$ 2,516,586</u>	<u>\$ -0-</u>	<u>\$ 2,516,586</u>

City of Springfield
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2017

	Special Revenue		Debt Service	Total
	Economic Development Fund	Drug Law Enforcement Fund	Debt Redemption Fund	
ASSETS				
Cash and cash equivalents	\$ 46,855	\$ 15,755	\$ 183	\$ 62,793
LIABILITIES				
Accounts payable	\$ 1,269	\$ -	\$ -	\$ 1,269
FUND BALANCES				
Restricted	45,586	-	183	45,769
Committed	-	15,755	-	15,755
TOTAL FUND BALANCES	<u>45,586</u>	<u>15,755</u>	<u>183</u>	<u>61,524</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 46,855</u>	<u>\$ 15,755</u>	<u>\$ 183</u>	<u>\$ 62,793</u>

City of Springfield

Nonmajor Governmental Funds

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

Year Ended June 30, 2017

	Special Revenue		Debt Service	Total
	Economic Development Fund	Drug Law Enforcement Fund	Debt Redemption Fund	
REVENUES				
Interest and rents	\$ 11,599	\$ 4	\$ 1	\$ 11,604
Other				
Special assessment	18,737	-	-	18,737
TOTAL REVENUES	30,336	4	1	30,341
EXPENDITURES				
Current				
Community and economic development	219,844	-	-	219,844
Debt service				
Principal	-	-	41,250	41,250
Interest and fiscal agent fees	-	-	14,084	14,084
TOTAL EXPENDITURES	219,844	-0-	55,334	275,178
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(189,508)	4	(55,333)	(244,837)
OTHER FINANCING SOURCES				
Transfers in	56,000	-	55,334	111,334
Sale of capital assets	280,323	-	-	280,323
TOTAL OTHER FINANCING SOURCES	336,323	-0-	55,334	391,657
NET CHANGE IN FUND BALANCES	146,815	4	1	146,820
Fund balances (deficits), beginning of year	(101,229)	15,751	182	(85,296)
Fund balances, end of year	\$ 45,586	\$ 15,755	\$ 183	\$ 61,524

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2017

	<u>Refuse</u>	<u>Building Code Enforcement</u>	<u>Farmers Market</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 96,516	\$ 60,340	\$ 9,130	\$ 165,986
Accounts receivable	<u>52,107</u>	<u>4,500</u>	<u>600</u>	<u>57,207</u>
TOTAL ASSETS	148,623	64,840	9,730	223,193
LIABILITIES				
Current liabilities				
Accounts payable	16,131	651	2,283	19,065
Unearned revenue	<u>-</u>	<u>4,500</u>	<u>75</u>	<u>4,575</u>
TOTAL LIABILITIES	<u>16,131</u>	<u>5,151</u>	<u>2,358</u>	<u>23,640</u>
NET POSITION				
Unrestricted	<u>\$ 132,492</u>	<u>\$ 59,689</u>	<u>\$ 7,372</u>	<u>\$ 199,553</u>

City of Springfield

Nonmajor Enterprise Funds

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

Year Ended June 30, 2017

	Refuse	Building Code Enforcement	Farmers Market	Total
OPERATING REVENUES				
Charges for services	\$ 239,410	\$ -	\$ 12,381	\$ 251,791
Licenses and permits	-	28,526	-	28,526
Other	-	17,790	7,848	25,638
TOTAL OPERATING REVENUES	239,410	46,316	20,229	305,955
OPERATING EXPENSES				
Operating expenses	217,540	37,329	91,916	346,785
OPERATING INCOME (LOSS)	21,870	8,987	(71,687)	(40,830)
NONOPERATING REVENUES				
Interest earned	87	42	1	130
INCOME (LOSS) BEFORE TRANSFERS	21,957	9,029	(71,686)	(40,700)
TRANSFERS				
Transfers in	-	-	69,300	69,300
Transfers out	(11,500)	-	-	(11,500)
TOTAL TRANSFERS	(11,500)	-0-	69,300	57,800
CHANGE IN NET POSITION	10,457	9,029	(2,386)	17,100
Net position, beginning of year	122,035	50,660	9,758	182,453
Net position, end of year	<u>\$ 132,492</u>	<u>\$ 59,689</u>	<u>\$ 7,372</u>	<u>\$ 199,553</u>

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

	Refuse	Building Code Enforcement	Farmers Market	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 236,590	\$ 51,316	\$ 26,207	\$ 314,113
Cash paid for operating expenses	(216,862)	(36,678)	(93,360)	(346,900)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	19,728	14,638	(67,153)	(32,787)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Payment) of interfund balances	(286)	-	(948)	(1,234)
Transfers in	-	-	69,300	69,300
Transfers out	(11,500)	-	-	(11,500)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(11,786)	-0-	68,352	56,566
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	87	42	1	130
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,029	14,680	1,200	23,909
Cash and cash equivalents, beginning of year	88,487	45,660	7,930	142,077
Cash and cash equivalents, end of year	<u>\$ 96,516</u>	<u>\$ 60,340</u>	<u>\$ 9,130</u>	<u>\$ 165,986</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 21,870	\$ 8,987	\$ (71,687)	\$ (40,830)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
(Increase) decrease in:				
Accounts receivable	(2,820)	500	16,679	14,359
Increase (decrease) in:				
Accounts payable	678	651	(628)	701
Accrued liabilities	-	-	(816)	(816)
Unearned revenue	-	4,500	(10,701)	(6,201)
NET CASH PROVIDED (USED) BY BY OPERATING ACTIVITIES	<u>\$ 19,728</u>	<u>\$ 14,638</u>	<u>\$ (67,153)</u>	<u>\$ (32,787)</u>

City of Springfield

Component Unit Fund

COMBINING BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION (EDC)

June 30, 2017

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	<u>\$ 315</u>	<u>\$ 540,406</u>	<u>\$ 254,375</u>	<u>\$ 795,096</u>
FUND BALANCES				
Restricted	<u>\$ 315</u>	<u>\$ 540,406</u>	<u>\$ 254,375</u>	<u>\$ 795,096</u>

City of Springfield

Component Unit Fund

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

June 30, 2017

Total fund balances - governmental funds \$ 795,096

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

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Deferred charges on refunding 20,066

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 \$ (671,751)

Accrued interest payable (2,648)

(674,399)

Net position of governmental activities \$ 190,112

City of Springfield

Component Unit Fund

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

Year Ended June 30, 2017

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
REVENUES				
Taxes	\$ 10,192	\$ 169,773	\$ 131,635	\$ 311,600
Interest	1	3,412	1,458	4,871
Other				
Miscellaneous	-	1,389	2,417	3,806
TOTAL REVENUES	10,193	174,574	135,510	320,277
EXPENDITURES				
Current				
Community and economic development	157	23,973	42,783	66,913
Debt service	23,146	89,500	33,431	146,077
TOTAL EXPENDITURES	23,303	113,473	76,214	212,990
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,110)	61,101	59,296	107,287
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	250,000	435,000	685,000
Payment to escrow agent	-	(246,182)	(432,717)	(678,899)
Transfer in	13,000	-	-	13,000
Transfer out	-	(13,000)	-	(13,000)
Bond issuance cost	-	(2,715)	(8,908)	(11,623)
TOTAL OTHER FINANCING SOURCES (USES)	13,000	(11,897)	(6,625)	(5,522)
NET CHANGE IN FUND BALANCES	(110)	49,204	52,671	101,765
Fund balance, beginning of year	425	491,202	201,704	693,331
Fund balance, end of year	<u>\$ 315</u>	<u>\$ 540,406</u>	<u>\$ 254,375</u>	<u>\$ 795,096</u>

City of Springfield

Component Unit Fund

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

Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ 101,765

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

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:

Bond proceeds	\$ (685,000)	
Repayment of long-term debt	<u>781,384</u>	
		96,384

Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but are reflected as increases or decreases of the applicable deferred outflows of resources or liabilities in the statement of net position. In the current year, these amounts consist of:

Additions to deferred charges on refunding	20,066
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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	<u>3,252</u>
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Change in net position of governmental activities \$ 221,467