

**City of Springfield
Calhoun County, Michigan**

FINANCIAL STATEMENTS

June 30, 2018



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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, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note M to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, during the year. Our opinions are not modified with respect to this matter.

Also, as discussed in Note M to the financial statements, the City implemented GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, during the year. Our opinions are not modified with respect to this matter.

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, schedules of changes in net pension liability and contributions, and schedules of changes in net OPEB liability and contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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 accompanying 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Stevens Kirinovic & Tucker, P.C.

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

November 26, 2018

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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, 2018:

Property Taxes are the General Fund's main source of revenue. In FY 2017-18 a total of \$1,157,538 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 2017 tax roll. The total amount collected represents a slight increase in revenue of approximately 2.5% compared to the prior year. The City's 2017 taxable value of \$80,139,404 concurrently showed a slight increase of 1.9%. This includes Ad Valorem and Land Bank parcels.

The TIFA and Brownfield Funds captured a total of \$136,719 from the 2017 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 \$993,656; a decrease of \$18,942 or 1.8% compared to prior year collections. In FY 2016-17, the Income Tax provided funding to the General Fund in the amount of \$425,000 for Public Safety services, an increase of \$25,200, or 6.3% compared to prior year funding. Income Tax also provided \$500,000 to the General Fund for a voluntary contribution to the City's pension plan.

State Shared Revenue distributions of Constitutional Sales Tax and EVIP dollars received by the General Fund totaled \$732,323. This was an increase of 2.7% compared to last year. In addition, grant proceeds totaling \$45,199 were received from the USDA and Michigan DNR for the purchase of new police vehicles and firefighter equipment. 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 \$615,421 in FY 2017-18, an increase of 19.8% compared to prior year.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Vehicles The City purchased a new trailer for public works at a total cost of \$30,170.

Change in General Fund Balance At fiscal year-end, the General Fund showed a decrease of \$439,585 in overall fund balance ending the year with a healthy balance of \$2,077,000 representing approximately 60.4% of actual fiscal year expenditures including other financing uses. The decrease in fund balance is attributable to a voluntary contribution to the City's pension trust in the amount of \$500,000.

The City as a Whole

This table shows in a condensed format, the City's net position at **June 30, 2018**, compared to the prior year:

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets						
Current and other assets	\$ 3,810,810	\$ 4,165,832	\$ 1,574,179	\$ 1,680,878	\$ 5,384,989	\$ 5,846,710
Capital assets	<u>7,089,108</u>	<u>6,077,465</u>	<u>2,016,360</u>	<u>1,876,860</u>	<u>9,105,468</u>	<u>7,954,325</u>
Total assets	10,899,918	10,243,297	3,590,539	3,557,738	14,490,457	13,801,035
Deferred Outflow of Resources						
	106,301	395,507	-	-	106,301	395,507
Liabilities						
Current liabilities	684,498	405,289	153,630	187,256	838,128	592,545
Long-term liabilities	<u>4,301,397</u>	<u>4,126,863</u>	<u>111,250</u>	<u>126,250</u>	<u>4,412,647</u>	<u>4,253,113</u>
Total liabilities	4,985,895	4,532,152	264,880	313,506	5,250,775	4,845,658
Deferred Inflows of Resources						
	<u>144,882</u>	-	-	-	<u>144,882</u>	<u>-0-</u>
Net Position						
Net investment in capital assets	5,965,358	5,558,915	1,890,110	1,735,610	7,855,468	7,294,525
Restricted	1,100,597	1,069,166	-	-	1,100,597	1,069,166
Unrestricted	<u>(1,190,513)</u>	<u>(521,429)</u>	<u>1,435,549</u>	<u>1,508,622</u>	<u>245,036</u>	<u>987,193</u>
	<u>\$ 5,875,442</u>	<u>\$ 6,106,652</u>	<u>\$ 3,325,659</u>	<u>\$ 3,244,232</u>	<u>\$ 9,201,101</u>	<u>\$ 9,350,884</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 \$149,783. The decrease is primarily attributable to capital asset depreciation. Long-term debt principal paid off during the fiscal year totaled \$291,611. Current assets (cash and receivables) decreased \$461,721. 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, 2018

This table summarizes the change in the City's net position at **June 30, 2018**, compared to the prior year.

	Governmental Activities		Business-type Activities		Totals	
	June 30		June 30		June 30	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues						
Charges for Services	\$ 173,850	\$ 447,602	\$ 1,697,371	\$ 1,692,940	\$ 1,871,221	\$ 2,140,542
Grants and Contributions	1,148,278	624,568	161,022	256,784	1,309,300	881,352
General Revenues						
Property Taxes	1,141,668	1,039,407	-	-	1,141,668	1,039,407
City Income Taxes	993,656	1,012,598	-	-	993,656	1,012,598
State Shared Revenue	701,530	712,558	-	-	701,530	712,558
Local community stabilization	30,793	-	-	-	30,793	-0-
Investment Earnings	36,191	16,487	12,042	7,516	48,233	24,003
Miscellaneous	142,116	241,885	29,105	39,828	171,221	281,713
Transfers	(21,700)	(57,800)	21,700	57,800	-0-	-0-
Total Revenues	4,346,382	4,037,305	1,921,240	2,054,868	6,267,622	6,092,173
Expenses						
General Government	895,560	1,067,414	-	-	895,560	1,067,414
Public Safety	1,662,693	1,644,615	-	-	1,662,693	1,644,615
Public Works	1,277,779	1,703,859	-	-	1,277,779	1,703,859
Community and Economic Development	96,606	311,120	-	-	96,606	311,120
Recreation and Cultural	26,529	27,946	-	-	26,529	27,946
Other	8,284	28,618	1,839,813	1,993,001	1,848,097	2,021,619
Total Expenses	3,967,451	4,783,572	1,839,813	1,993,001	5,807,264	6,776,573
Change in Net Position	\$ 378,931	\$ (746,267)	\$ 81,427	\$ 61,867	\$ 460,358	\$ (684,400)

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, 31 lots have been sold and developed. It is anticipated that between one and two lots will be sold and developed in FY 18-19. The completed development is expected to add approximately \$35,000 annually to the City's property tax collections and \$25,000 annually to the City's Income Tax revenue.

The City took ownership in November 2016 of an old recycling center after the property was forfeited to Calhoun County by tax foreclosure. The four acre property is expected to require some environmental cleanup and remediation. In FY 2018-19 the City will begin working with the State of Michigan's Department of Environmental Quality to conduct the required environmental studies to evaluate exactly how much cleanup is required at the property. Once the studies are completed the City will be able to work with the DEQ in developing a plan to cleanup the property and open it up for future development.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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. 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 2018, all three agreements have expired. The new investment in Springfield has added \$1.5 Million in taxable value.

Financial Management and Performance

In July of 2017, the EDC/TIFA Board approved their intent to dissolve TIFA B and reduce future TIFA B tax capture to only what is required for debt retirement. This will end up providing an estimated \$80,000 of annual property tax revenue to the General Fund once TIFA B debt is fully paid off in 2020.

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. Compared to 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 2 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 appropriately 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 2017-18, the City shows cash reserves in the General Fund of \$2,077,000.

NEXT YEAR BUDGETARY HIGHLIGHTS

The City of Springfield proposes use of \$255,700 of General Fund reserves in FY 2018-2019. The General Fund's main source of revenue is generated through taxes on real and personal property. The City's 2018 taxable value (before any adjustments) is \$82,493,004. This represents an increase of 2.9% compared to the 2017 final taxable value of \$80,139,404. After tax capture by Springfield's Tax Increment Finance (TIFA) and Brownfield Redevelopment (BRA) Authorities, the City expects to collect approximately \$1,086,000 from its 14 Operating Mills and 1 Public Safety Retirement Mill. The TIFA and Brownfield Funds will capture a total of \$244,900 from taxing units in FY 2017-18. Administrative fees received by the General Fund for the collection of property taxes will total \$22,400.

Income tax revenue is the City's second largest General Fund revenue source and is close to surpassing property taxes as the largest. Total FY 2018-19 income tax collections are expected to be \$1,027,000, an increase of 3.3% compared to FY 2017-18. Since its inception in 1989, the income tax fund has been a significant source of funding for Springfield's public safety and infrastructure improvements.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

State of Michigan Revenue Sharing is Springfield's third largest General Fund revenue source. For FY 2018-19, estimated revenue is \$745,700. This represents an increase of 1.8% compared to FY 2017-2018. 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 2018-19 includes employee/retiree medical insurance cost share of \$74,200, cable television franchise fees of \$55,000, court fines totaling \$20,000 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 \$2,631,300. 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 2018-19 are anticipated to equal \$2,631,300. FY 2018-19 will be the fifth full year the City of Springfield operates under the law enforcement contract with the Calhoun County Sheriff that took effect in October 2013. The police service contract with Calhoun County has saved the city roughly \$950,000 over the last 5 fiscal years. 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 \$549,400 in FY 2018-19 primarily from State Shared Act 51 dollars, a Metro Act distribution, special assessments, and reimbursement from the State for trunk line maintenance. There are no large projects planned in the Major Street Fund in FY 2018-19. The Major Street budget funds \$265,350 in construction costs, routine, traffic service and winter maintenance. Expenditures also include \$29,200 for administrative costs and a \$8,500 debt service payment for 2016 Bond Debt. The Major Street Fund will transfer \$200,000 to the Local Street Fund this budget year. The net appropriation will result in a decrease of \$3,650 in the Fund's cash balance.

The **Local Street Fund** is expected to receive \$450,700 in FY 2018-19 primarily from State Shared Act 51 dollars, a Metro Act distribution, special assessments, and transfer from the Major Street Fund. The Local Street Fund will also receive a \$200,000 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 \$460,600 in construction costs, routine traffic service, winter maintenance, and street resurfacing projects. Expenditures also include \$10,900 for administrative costs and a \$44,200 debt service payment for 2016 Bond Debt. The net appropriation will result in a decrease of \$140,000 in the Fund's cash balance.

The **TIFA B Fund** will receive \$100,000 from captured property taxes and investment income. The TIFA B budget includes a \$13,000 transfer to the Brownfield fund for the DEQ Brownfield loan payment and a \$87,000 debt service payment for 2016 Bond Debt. The net appropriation will result in no change in the Fund's cash balance. In July 2017, the EDC/TIFA Board approved their intent to dissolve TIFA B, limiting tax capture to only the amount required for debt retirement.

The **TIFA D Fund** will receive \$211,300 from captured property taxes, investment income, and a transfer from the General Fund. TIFA D will be helping fund the repaving of the city hall and public safety parking lot along with the General Fund. In addition, the TIFA D budget funds \$28,600 in operating costs and \$44,100 in debt service payments for 2016 Bond Debt. The net appropriation will result in a decrease of \$13,800 in the Fund's cash balance.

City of Springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

The **Economic Development Fund** will receive \$43,900 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 \$73,500 in operating cost and a pass-thru of MMM special assessments. The Fix and Repair Program has been added back in the budget this year after being suspended in FY 2017-18. The City is also expected to complete its Master Plan during FY 2018-19. The net appropriation results in a decrease of \$29,600 in the Fund's cash balance.

The **Farmers Market Fund** is expected to receive \$47,000. FY 2018-19 is the first year Sprout will be making lease payments for the use of the Farmers Market building. A transfer of \$12,300 from the General Fund is budgeted to keep the Farmers Market Fund from using cash reserves. This General Fund funding is significantly less than the \$30,800 transfer in the prior year. In FY 2019-20 Sprout's lease payments will increase and it is expected that the Farmers Market Fund will be self-sustaining for the first time in its history. Expenses related to the Farmers Market and its events are expected to equal \$47,000. 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 funds for the use of vehicles. The Vehicle Fund is expected to receive \$1,253,400 in FY 2017-18. Budgeted expenses total \$600,600 which includes fuel, supplies, maintenance, insurance, depreciation, labor, and the purchase of one new pickup truck for the public services department. Total payments of \$265,000 will be made towards the loan for the City's new firetruck. The City put the new firetruck into service in August of 2018. After adjustment for \$111,000 of non-cash depreciation the fund is expected to add \$51,700 to cash balance in anticipation of upcoming vehicle purchases in the near future.

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, 2018

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,059,447	\$ 1,340,827	\$ 4,400,274	\$ 325,488
Investments	34,600	-	34,600	-
Receivables	397,986	263,095	661,081	-
Due from other governmental units	233,763	12,787	246,550	-
Internal balances	42,530	(42,530)	-0-	-
Prepays	42,484	-	42,484	-
Total current assets	3,810,810	1,574,179	5,384,989	325,488
Noncurrent assets				
Capital assets not being depreciated	1,603,120	-	1,603,120	49,349
Capital assets being depreciated, net	5,485,988	2,016,360	7,502,348	-
Total noncurrent assets	7,089,108	2,016,360	9,105,468	49,349
TOTAL ASSETS	10,899,918	3,590,539	14,490,457	374,837
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	-	-0-	16,233
Deferred outflows of resources related to pensions	106,301	-	106,301	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	106,301	-0-	106,301	16,233
LIABILITIES				
Current liabilities				
Accounts payable	260,364	125,497	385,861	-
Accrued liabilities	55,022	520	55,542	-
Accrued interest payable	1,945	419	2,364	2,083
Due to other governmental units	-	9,594	9,594	-
Unearned revenue	4,657	2,600	7,257	-
Current portion of compensated absences	74,550	-	74,550	-
Current portion of long-term debt	287,960	15,000	302,960	142,247
Total current liabilities	684,498	153,630	838,128	144,330
Noncurrent liabilities				
Noncurrent portion of compensated absences	15,514	-	15,514	-
Noncurrent portion of long-term debt	835,790	111,250	947,040	392,693
Net pension liability	2,869,762	-	2,869,762	-
Net OPEB liability	580,331	-	580,331	-
Total noncurrent liabilities	4,301,397	111,250	4,412,647	392,693
TOTAL LIABILITIES	4,985,895	264,880	5,250,775	537,023
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	140,999	-	140,999	-
Deferred inflows of resources related to OPEB	3,883	-	3,883	-
TOTAL DEFERRED INFLOWS OF RESOURCES	144,882	-0-	144,882	-0-
NET POSITION				
Net investment in capital assets	5,965,358	1,890,110	7,855,468	49,349
Restricted				
Other purposes	1,100,597	-	1,100,597	-
Unrestricted	(1,190,513)	1,435,549	245,036	(195,302)
TOTAL NET POSITION	\$ 5,875,442	\$ 3,325,659	\$ 9,201,101	\$ (145,953)

See accompanying notes to financial statements.

City of Springfield
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							
	Expenses	Program Revenues			Primary Government			Component Unit (EDC)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 895,560	\$ 101,962	\$ 257,341	\$ -	\$ (536,257)	\$ -	\$ (536,257)	\$ -
Public safety	1,662,693	23,881	-	9,607	(1,629,205)	-	(1,629,205)	-
Public works	1,277,779	14,054	880,131	-	(383,594)	-	(383,594)	-
Community and economic development	96,606	33,953	-	-	(62,653)	-	(62,653)	-
Recreation and cultural	26,529	-	1,199	-	(25,330)	-	(25,330)	-
Interest and fees on long-term debt	8,284	-	-	-	(8,284)	-	(8,284)	-
Total governmental activities	3,967,451	173,850	1,138,671	9,607	(2,645,323)	-0-	(2,645,323)	-0-
Business-type activities								
Sewer	949,839	832,475	161,022	-	-	43,658	43,658	-
Water	561,038	544,263	-	-	-	(16,775)	(16,775)	-
Refuse	233,062	244,842	-	-	-	11,780	11,780	-
Building code enforcement	56,064	73,664	-	-	-	17,600	17,600	-
Farmers market	39,810	2,127	-	-	-	(37,683)	(37,683)	-
Total business-type activities	1,839,813	1,697,371	161,022	-0-	-0-	18,580	18,580	-0-
Total primary government	\$ 5,807,264	\$ 1,871,221	\$ 1,299,693	\$ 9,607	(2,645,323)	18,580	(2,626,743)	-0-
Component unit								
Economic Development Corporation	\$ 479,645	\$ -	\$ 2,000	\$ -	-	-	-0-	(477,645)
General revenues								
Property taxes					1,141,668	-	1,141,668	136,718
Income taxes					993,656	-	993,656	-
State shared revenue					701,530	-	701,530	-
Local community stabilization					30,793	-	30,793	-
Investment earnings, net of fees					36,191	12,042	48,233	4,862
Miscellaneous					142,116	29,105	171,221	-
Transfers					(21,700)	21,700	-0-	-
Total general revenues and transfers					3,024,254	62,847	3,087,101	141,580
Change in net position					378,931	81,427	460,358	(336,065)
Restated net position, beginning of the year					5,496,511	3,244,232	8,740,743	190,112
Net position, end of the year					\$ 5,875,442	\$ 3,325,659	\$ 9,201,101	\$ (145,953)

See accompanying notes to financial statements.

City of Springfield
Governmental Funds
BALANCE SHEET
June 30, 2018

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 2,016,381	\$ 491,670	\$ 394,719	\$ 77,255	\$ 2,980,025
Investments	34,600	-	-	-	34,600
Receivables					
Accounts	21,111	960	-	-	22,071
Taxes	372,247	-	-	-	372,247
Special assessment	-	-	3,668	-	3,668
Due from other funds	-	17,011	25,519	-	42,530
Due from other governmental units	120,836	81,305	31,622	-	233,763
Prepays	42,484	-	-	-	42,484
TOTAL ASSETS	\$ 2,607,659	\$ 590,946	\$ 455,528	\$ 77,255	\$ 3,731,388
LIABILITIES					
Accounts payable	\$ 244,944	\$ 4,136	\$ 5,238	\$ 2,214	\$ 256,532
Accrued liabilities	55,022	-	-	-	55,022
Unearned revenue	4,657	-	-	-	4,657
TOTAL LIABILITIES	304,623	4,136	5,238	2,214	316,211
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	226,036	960	3,668	-	230,664
FUND BALANCES					
Nonspendable	42,484	-	-	-	42,484
Restricted	-	585,850	446,622	68,308	1,100,780
Committed	864,687	-	-	6,733	871,420
Assigned	255,700	-	-	-	255,700
Unassigned	914,129	-	-	-	914,129
TOTAL FUND BALANCES	2,077,000	585,850	446,622	75,041	3,184,513
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,607,659	\$ 590,946	\$ 455,528	\$ 77,255	\$ 3,731,388

See accompanying notes to financial statements.

City of Springfield

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

June 30, 2018

Total fund balances - governmental funds \$ 3,184,513

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	\$ 27,941,913	
Accumulated depreciation is	<u>(22,346,400)</u>	
Capital assets, net		5,595,513

The 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		823,496
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Long-term receivables are not available to pay for current period expenditures and therefore, are considered unavailable in the funds. 230,664

Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. 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 plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Net pension liability	(2,869,762)	
Net OPEB liability	(580,331)	
Deferred outflows of resources related to pensions	106,301	
Deferred inflows of resources related to pensions	(140,999)	
Deferred inflows of resources related to OPEB	<u>(3,883)</u>	
		(3,488,674)

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	(378,750)	
Accrued interest payable	(1,256)	
Compensated absences	<u>(90,064)</u>	
		<u>(470,070)</u>

Net position of governmental activities \$ 5,875,442

City of Springfield

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total
REVENUES					
Taxes	\$ 2,151,194	\$ -	\$ -	\$ -	\$ 2,151,194
Special assessments	-	34	4,002	18,737	22,773
Licenses and permits	68,128	-	-	-	68,128
Intergovernmental	1,044,470	561,865	274,266	-	1,880,601
Charges for services	16,272	1,488	-	-	17,760
Fines and forfeits	14,723	-	-	-	14,723
Interest and rents	35,976	4,652	5,333	12,068	58,029
Other	141,042	2,751	1,250	3,253	148,296
TOTAL REVENUES	3,471,805	570,790	284,851	34,058	4,361,504
EXPENDITURES					
Current					
General government	767,479	-	-	-	767,479
Public safety	1,476,606	-	-	-	1,476,606
Public works	447,679	247,488	117,354	-	812,521
Community and economic development	-	-	-	56,464	56,464
Recreation and cultural	24,014	-	-	-	24,014
Other	722,116	-	-	-	722,116
Capital outlay	-	172,364	301,696	9,077	483,137
Debt service	-	-	-	53,433	53,433
TOTAL EXPENDITURES	3,437,894	419,852	419,050	118,974	4,395,770
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	33,911	150,938	(134,199)	(84,916)	(34,266)
OTHER FINANCING SOURCES (USES)					
Transfers in	9,100	-	100,000	98,433	207,533
Transfers out	(482,597)	(108,550)	(44,883)	-	(636,030)
TOTAL OTHER FINANCING SOURCES (USES)	(473,497)	(108,550)	55,117	98,433	(428,497)
NET CHANGE IN FUND BALANCES	(439,586)	42,388	(79,082)	13,517	(462,763)
Fund balances, beginning of year	2,516,586	543,462	525,704	61,524	3,647,276
Fund balances, end of year	\$ 2,077,000	\$ 585,850	\$ 446,622	\$ 75,041	\$ 3,184,513

See accompanying notes to financial statements.

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, 2018

Net change in fund balances - total governmental funds \$ (462,763)

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	\$ 490,423
Depreciation expense	<u>(488,254)</u>

Excess of capital outlay over depreciation expense	2,169
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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. (2,531)

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	394,730
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in unavailable revenue	6,578
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Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Repayment of long-term debt	45,000
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Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

Decrease in accrued interest payable	149
(Increase) in compensated absences	(874)
Decrease in net pension liability	813,803
(Decrease) in deferred outflows of resources related to pensions	(289,206)
(Increase) in deferred inflows of resources related to pensions	(140,999)
Decrease in net OPEB liability	16,758
(Increase) in deferred inflows of resources related to OPEB	<u>(3,883)</u>

395,748

Change in net position of governmental activities \$ 378,931

City of Springfield

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2018

	Business-type Activities			Total	Governmental
	Sewer System	Water System	Nonmajor Enterprise Funds		Internal Service (Motor Pool)
ASSETS					
Current assets					
Cash and cash equivalents	\$ 649,428	\$ 501,990	\$ 189,409	\$ 1,340,827	\$ 79,422
Accounts receivable	131,406	79,524	52,165	263,095	-
Due from other governmental units	9,219	3,568	-	12,787	-
Total current assets	790,053	585,082	241,574	1,616,709	79,422
Noncurrent assets					
Capital assets not being depreciated	-	-	-	-0-	1,036,797
Capital assets being depreciated, net	804,239	1,212,121	-	2,016,360	456,798
Total noncurrent assets	804,239	1,212,121	-0-	2,016,360	1,493,595
TOTAL ASSETS	1,594,292	1,797,203	241,574	3,633,069	1,573,017
LIABILITIES					
Current liabilities					
Accounts payable	64,213	40,875	20,409	125,497	3,832
Accrued liabilities	-	520	-	520	-
Accrued interest payable	218	201	-	419	689
Due to other governmental units	9,594	-	-	9,594	-
Due to other funds	42,530	-	-	42,530	-
Unearned revenue	1,150	1,450	-	2,600	-
Current portion of long-term debt	7,800	7,200	-	15,000	242,960
Total current liabilities	125,505	50,246	20,409	196,160	247,481
Noncurrent liabilities					
Noncurrent portion of long-term debt	57,850	53,400	-	111,250	502,040
TOTAL LIABILITIES	183,355	103,646	20,409	307,410	749,521
NET POSITION					
Net investment in capital assets	738,589	1,151,521	-	1,890,110	748,595
Unrestricted	672,348	542,036	221,165	1,435,549	74,901
TOTAL NET POSITION	\$ 1,410,937	\$ 1,693,557	\$ 221,165	\$ 3,325,659	\$ 823,496

See accompanying notes to financial statements.

City of Springfield

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2018

	Business-type Activities			Total	Governmental
	Sewer System	Water System	Nonmajor Enterprise Funds		Internal Service (Motor Pool)
OPERATING REVENUES					
Intergovernmental	\$ 161,022	\$ -	\$ -	\$ 161,022	\$ -
Charges for services	832,475	544,263	269,368	1,646,106	149,121
Licenses and permits	-	-	51,265	51,265	-
Other	2,508	18,549	8,048	29,105	15,266
TOTAL OPERATING REVENUES	996,005	562,812	328,681	1,887,498	164,387
OPERATING EXPENSES					
Operating expenses	845,999	500,105	328,936	1,675,040	159,919
Depreciation	102,404	59,608	-	162,012	55,502
TOTAL OPERATING EXPENSES	948,403	559,713	328,936	1,837,052	215,421
OPERATING INCOME (LOSS)	47,602	3,099	(255)	50,446	(51,034)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	-	-	-	-0-	10,381
Interest earned, net of fees	5,577	6,298	167	12,042	47
Interest expenses and fees	(1,436)	(1,325)	-	(2,761)	(2,171)
TOTAL NONOPERATING REVENUES (EXPENSES)	4,141	4,973	167	9,281	8,257
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	51,743	8,072	(88)	59,727	(42,777)
TRANSFERS AND CAPITAL CONTRIBUTIONS					
Contributed capital	-	-	-	-	30,710
Transfers in	-	-	33,200	33,200	406,797
Transfers out	-	-	(11,500)	(11,500)	-
TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS	-0-	-0-	21,700	21,700	437,507
CHANGE IN NET POSITION	51,743	8,072	21,612	81,427	394,730
Net position, beginning of year	1,359,194	1,685,485	199,553	3,244,232	428,766
Net position, end of year	\$ 1,410,937	\$ 1,693,557	\$ 221,165	\$ 3,325,659	\$ 823,496

See accompanying notes to financial statements.

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

	Business-type Activities				Governmental
	Sewer System	Water System	Nonmajor Enterprise Funds	Total	Internal Service (Motor Pool)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 984,301	\$ 570,984	\$ 329,148	\$ 1,884,433	\$ 164,387
Cash receipts from grants	161,022	-	-	161,022	-
Cash paid for operating expenses	(911,956)	(461,543)	(327,592)	(1,701,091)	(159,783)
NET CASH PROVIDED BY OPERATING ACTIVITIES	233,367	109,441	1,556	344,364	4,604
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipt of interfund balances	42,530	-	-	42,530	-
Transfers in	-	-	33,200	33,200	406,797
Transfers out	-	-	(11,500)	(11,500)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	42,530	-0-	21,700	64,230	406,797
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Intergovernmental	-	-	-	-0-	10,381
Capital purchases	(52,700)	(248,812)	-	(301,512)	(1,036,797)
Proceeds from loan	-	-	-	-0-	745,000
Payments on borrowings	(7,800)	(7,200)	-	(15,000)	(94,800)
Interest expenses and fees paid	(1,462)	(1,349)	-	(2,811)	(1,790)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(61,962)	(257,361)	-0-	(319,323)	(378,006)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received, net of fees	5,577	6,298	167	12,042	47
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	219,512	(141,622)	23,423	101,313	33,442
Cash and cash equivalents, beginning of year	429,916	643,612	165,986	1,239,514	45,980
Cash and cash equivalents, end of year	<u>\$ 649,428</u>	<u>\$ 501,990</u>	<u>\$ 189,409</u>	<u>\$ 1,340,827</u>	<u>\$ 79,422</u>

See accompanying notes to financial statements.

City of Springfield

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2018

	Business-type Activities			Total	Governmental
	Sewer System	Water System	Nonmajor Enterprise Funds		Activities Internal Service (Motor Pool)
Reconciliation of operating income (loss) to net to net cash provided by operating activities					
Operating income (loss)	\$ 47,602	\$ 3,099	\$ (255)	\$ 50,446	\$ (51,034)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	102,404	59,608	-	162,012	55,502
(Increase) decrease in:					
Accounts receivable	(3,447)	14,090	5,042	15,685	-
Due from other governmental units	153,365	(3,568)	-	149,797	-
Increase (decrease) in:					
Accounts payable	(75,551)	40,319	1,344	(33,888)	136
Accrued liabilities	9,594	-	-	9,594	-
Due to other governmental units	-	(1,757)	-	(1,757)	-
Unearned revenue	(600)	(2,350)	(4,575)	(7,525)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 233,367	\$ 109,441	\$ 1,556	\$ 344,364	\$ 4,604

City of Springfield

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2018

	<u>Trust and Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 7,921</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 7,921</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018

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. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. 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 a fiduciary fund to account for assets held by the City as the agent (Trust and Agency Funds) for others. Fiduciary Funds are not included in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

4. Measurement Focus

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

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources, 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

6. Budgets and Budgetary Accounting - continued

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

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

7. Cash and Cash Equivalents

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

10. Property Tax - continued

The City is permitted by charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services and an unlimited amount for pension. The operating millage had a maximum allowable millage after roll-back for the 2017 levy of 14.8743 mills. For the year ended June 30, 2018, 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 2017 levy for property within the City was \$80,067,850.

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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

14. Long-Term Obligations - continued

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, 2018, 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.

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 in the government-wide financial statements and one (1) type of item which arises only under a modified accrual basis of accounting and qualify for reporting in this category. The City reports deferred amounts which correspond to the City's net pension liability and net OPEB liability and are related to differences between expected and actual experience, changes in assumptions, net differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date, as applicable. The City also recognizes unavailable revenue, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenue related to payments not received within 60 days of fiscal year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

18. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

19. 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.

20. 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.
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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Deposits

As of June 30, 2018, 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	\$ 1,158,651	\$ 1,174,936
COMPONENT UNIT		
Checking	33,895	33,895
FIDUCIARY FUND		
Checking	<u>7,921</u>	<u>6,921</u>
TOTAL REPORTING ENTITY	<u><u>\$ 1,200,467</u></u>	<u><u>\$ 1,215,752</u></u>

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

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2018, the City accounts were federally for \$250,000, and the amount of \$965,752 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.
- 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.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

The City had the following fair value measurements as of June 30, 2018:

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	\$ 297,061	\$ -	\$ -	\$ 297,061	9.9 years
Floating Rate High Income Class A	295,319	-	-	295,319	4.9 years
Intermediate Muni Income Class A	185,990	-	-	185,990	5.1 years
Advisor Short Term Bond Class A	627,806	-	-	627,806	2 years
Michigan CLASS	-	1,834,747	-	1,834,747	52 days
Land held for resale	-	-	34,600	34,600	N/A
Total primary government	1,406,176	1,834,747	34,600	3,275,523	
COMPONENT UNIT					
Fidelity Advantage Mutual Fund					
Strategic Income Class A	18,812	-	-	18,812	9.9 years
Floating Rate High Income Class A	18,701	-	-	18,701	4.9 years
Intermediate Muni Income Class A	11,778	-	-	11,778	5.1 years
Advisor Short Term Bond Class A	39,757	-	-	39,757	2 years
Michigan CLASS	-	202,545	-	202,545	52 days
Total component unit	89,048	202,545	-0-	291,593	
TOTAL REPORTING ENTITY	\$ 1,495,224	\$ 2,037,292	\$ 34,600	\$ 3,567,116	

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, 2018, 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	Advisor Short Term Bond Class A	Michigan CLASS
US Government	25.61%	0.00%	0.00%	26.28%	0.00%
AAA	3.46%	0.00%	9.52%	19.28%	0.00%
AA	1.71%	0.00%	39.24%	5.95%	0.00%
A	3.87%	0.00%	29.09%	23.97%	0.00%
BBB	6.86%	4.58%	10.74%	19.57%	0.00%
BB	23.43%	36.12%	1.30%	0.42%	0.00%
B	23.81%	46.71%	0.04%	0.01%	0.00%
CCC and Below	6.83%	4.44%	0.00%	0.05%	0.00%
Short-Term Rated	0.00%	0.00%	1.35%	1.18%	100.00%
Not Rated/Not Available	2.26%	2.78%	6.26%	0.26%	0.00%
Cash and Net Other Assets	2.16%	5.37%	2.46%	3.03%	0.00%
Total	100%	100%	100%	100%	100%

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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.

The following summarizes the categorization of these amounts as of June 30, 2018:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 4,400,274	\$ 325,488	\$ 7,921	\$ 4,733,683
Investments	34,600	-	-	34,600
	<u>\$ 4,434,874</u>	<u>\$ 325,488</u>	<u>\$ 7,921</u>	<u>\$ 4,768,283</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 Local Streets Fund from:	
Major Streets Fund	<u>\$ 100,000</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE C: INTERFUND TRANSFERS - CONTINUED

Transfers to nonmajor governmental funds from:	
General Fund	\$ 45,000
Major Streets Fund	8,550
Local Streets Fund	44,883
	<u>98,433</u>
Transfers to nonmajor enterprise funds from:	
General Fund	\$ 30,800
Nonmajor enterprise funds	2,400
	<u>33,200</u>
Transfers to Internal Service Fund from:	
General Fund	\$ 406,797

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

NOTE 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 2018 are as follows:

Due to Major Streets Fund from:	
Sewer Fund	\$ 17,011
Due to Local Streets Fund from:	
Sewer Fund	\$ 25,519

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	\$ 568,854	\$ -	\$ (2,531)	\$ 566,323
Construction in progress	-	1,036,797	-	1,036,797
	<u>568,854</u>	<u>1,036,797</u>	<u>(2,531)</u>	<u>1,603,120</u>
Subtotal	568,854	1,036,797	(2,531)	1,603,120

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities - continued				
Capital assets being depreciated				
Roads and sidewalks	\$ 22,999,593	\$ 305,018	\$ -	\$ 23,304,611
Buildings and improvements	3,198,634	70,225	-	3,268,859
Land improvements	106,698	78,006	-	184,704
Vehicles	1,590,531	30,710	-	1,621,241
Furniture and fixtures	103,344	-	-	103,344
Other tools and equipment	476,898	37,174	-	514,072
Subtotal	28,475,698	521,133	-0-	28,996,831
Less accumulated depreciation for:				
Roads and sidewalks	(19,715,612)	(386,185)	-	(20,101,797)
Buildings and improvements	(1,558,087)	(78,986)	-	(1,637,073)
Land improvements	(76,260)	(7,503)	-	(83,763)
Vehicles	(1,108,941)	(55,502)	-	(1,164,443)
Furniture and fixtures	(103,344)	-	-	(103,344)
Other tools and equipment	(404,843)	(15,580)	-	(420,423)
Subtotal	(22,967,087)	(543,756)	-0-	(23,510,843)
Net capital assets being depreciated	5,508,611	(22,623)	-0-	5,485,988
Capital assets, net	<u>\$ 6,077,465</u>	<u>\$ 1,014,174</u>	<u>\$ (2,531)</u>	<u>\$ 7,089,108</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 33,618
Public safety	40,251
Public works	435,623
Community and economic development	<u>34,264</u>
Total depreciation expense	<u>\$ 543,756</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Business-type activities				
(Sewer system)				
Capital assets being depreciated				
Sewer distribution system	\$ 4,186,649	\$ -	\$ -	\$ 4,186,649
Sewer tools and equipment	164,652	52,700	-	217,352
Subtotal	4,351,301	52,700	-0-	4,404,001
Less accumulated depreciation for:				
Sewer distribution system	(3,395,505)	(91,924)	-	(3,487,429)
Sewer tools and equipment	(101,853)	(10,480)	-	(112,333)
Subtotal	(3,497,358)	(102,404)	-0-	(3,599,762)
Capital assets being depreciated	<u>\$ 853,943</u>	<u>\$ (49,704)</u>	<u>\$ -0-</u>	<u>\$ 804,239</u>
(Water system)				
Capital assets being depreciated				
Water distribution system	\$ 2,340,064	\$ 206,562	\$ -	\$ 2,546,626
Water tools and equipment	157,651	42,250	-	199,901
Subtotal	2,497,715	248,812	-0-	2,746,527
Less accumulated depreciation for:				
Water distribution system	(1,376,834)	(50,406)	-	(1,427,240)
Water tools and equipment	(97,964)	(9,202)	-	(107,166)
Subtotal	(1,474,798)	(59,608)	-0-	(1,534,406)
Capital assets being depreciated	<u>\$ 1,022,917</u>	<u>\$ 189,204</u>	<u>\$ -0-</u>	<u>\$ 1,212,121</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, 2018

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, 2018.

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
2016 Capital Improvement Refunding Bonds	\$ 423,750	\$ -	\$ (45,000)	\$ 378,750	\$ 45,000
2015 DPW Equipment Loan	94,800	-	(94,800)	-0-	-
2018 Firetruck Loan	-	745,000	-	745,000	242,960
Compensated absences	89,190	74,701	(73,827)	90,064	74,550
	607,740	819,701	(213,627)	1,213,814	362,510
Business-type Activities					
2016 Capital Improvement Refunding Bonds	141,250	-	(15,000)	126,250	15,000
TOTAL PRIMARY GOVERNMENT	748,990	819,701	(228,627)	1,340,064	377,510
COMPONENT UNIT					
Brownfield Loan	66,751	-	(21,811)	44,940	22,247
2016 Tax Increment Refunding Bonds	605,000	-	(115,000)	490,000	120,000
TOTAL COMPONENT UNIT	671,751	-0-	(136,811)	534,940	142,247
TOTAL REPORTING ENTITY	\$ 1,420,741	\$ 819,701	\$ (365,438)	\$ 1,875,004	\$ 519,757

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.

\$ 505,000

Installment Purchase Agreement

\$745,000 Firetruck Loan dated June 18, 2018, due in quarterly installments of \$64,809 through June 1, 2020, with interest of 2.63 percent, payable quarterly.

\$ 745,000

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 \$90,064 at June 30, 2018.

COMPONENT UNIT

Tax Increment Finance Authority Bonds

\$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.

\$ 490,000

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - CONTINUED

Brownfield Loan

\$300,000 Brownfield Loan dated March 10, 2005, due in annual installments ranging from \$22,247 to \$22,693 through March 18, 2020, including interest of 2.00 percent, payable annually.

\$ 44,940

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

Primary Government - Government Activities

Year Ending June 30,	Capital Improvement Bonds		Installment Purchase Agreement	
	Principal	Interest	Principal	Interest
2019	\$ 45,000	\$ 7,537	\$ 242,960	\$ 15,587
2020	45,000	6,642	248,470	10,766
2021	48,750	5,746	253,570	4,167
2022	48,750	4,776	-	-
2023	45,000	3,806	-	-
2024-2026	146,250	5,821	-	-
Total	<u>\$ 378,750</u>	<u>\$ 34,328</u>	<u>\$ 745,000</u>	<u>\$ 30,520</u>

Primary Government - Business-type Activities

Year Ending June 30,	Capital Improvement Bonds	
	Principal	Interest
2019	\$ 15,000	\$ 2,811
2020	15,000	2,512
2021	16,250	2,214
2022	16,250	1,915
2023	15,000	1,592
2024-2026	48,750	3,209
Total	<u>\$ 126,250</u>	<u>\$ 14,253</u>

Component Unit

Year Ending June 30,	Tax Increment Bonds		Brownfield Loan	
	Principal	Interest	Principal	Interest
2019	\$ 120,000	\$ 13,552	\$ 22,247	\$ 899
2020	35,000	10,976	22,693	454
2021	40,000	8,288	-	-
2022	45,000	7,504	-	-
2023	45,000	6,608	-	-
2024-2027	205,000	17,472	-	-
Total	<u>\$ 490,000</u>	<u>\$ 64,400</u>	<u>\$ 44,940</u>	<u>\$ 1,353</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

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, 2017, 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	17
Active employees	<u>15</u>
Total employees covered by MERS	<u><u>72</u></u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H: RETIREMENT PLAN - CONTINUED

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.

Employer contributions range from 9.69% to 23.73% based on annual payroll for open divisions. One (1) division that is closed to new employees had an annual employer contribution of \$595,292.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2017, 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, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.50%

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	55.50%	8.65%
Global Fixed Income	18.50%	3.76%
Real Assets	13.50%	9.72%
Diversifying Strategies	12.50%	7.50%

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H: RETIREMENT PLAN - CONTINUED

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.

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, 2016	\$ 10,127,290	\$ 6,443,725	\$ 3,683,565
Changes for the year			
Service cost	58,416	-	58,416
Interest on total pension liability	779,374	-	779,374
Changes in benefits	(13,018)	-	(13,018)
Difference between expected and actual experience	(59,776)	-	(59,776)
Employer contributions	-	724,744	(724,744)
Employee contributions	-	22,369	(22,369)
Net investment income	-	845,028	(845,028)
Benefit payments, including employee refunds	(828,642)	(828,642)	-0-
Administrative expense	-	(13,341)	13,341
Other changes	1	-	1
Net changes	<u>(63,645)</u>	<u>750,158</u>	<u>(813,803)</u>
Balances at December 31, 2017	<u>\$ 10,063,645</u>	<u>\$ 7,193,883</u>	<u>\$ 2,869,762</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.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	<u>\$ 3,931,510</u>	<u>\$ 2,869,762</u>	<u>\$ 1,988,769</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018, the City recognized pension expenses of \$341,641. 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	\$ -	\$ 29,888
Net difference between projected and actual earnings on pension plan investments	-	111,111
Contributions subsequent to the measurement date*	<u>106,301</u>	<u>-</u>
Total	<u>\$ 106,301</u>	<u>\$ 140,999</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, 2019.

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 (\$106,301), which will impact the net pension liability in fiscal year 2019, 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>
2019	\$ 14,622
2020	19,435
2021	(108,391)
2022	(66,665)

NOTE I: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Springfield Other Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City of Springfield using MERS' retiree health funding vehicle (RHFV). The Plan provides certain retiree healthcare benefits, in accordance with union agreements and/or personnel policies to employees who have retired. Benefit provisions are established, and the Plan is managed at the direction of City Council. The Plan does not issue a separate stand-alone financial statement.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Benefits Provided

The City allows eligible retirees to continue in the City's group medical, dental, and vision insurance plans. Benefits are provided through fully-insured plans administered by Blue Cross Blue Shield of Michigan until a retiree is eligible to enroll in Medicare. After the time of eligibility for Medicare, the City provides \$200 per month for general employees and \$250 per month for department heads towards the purchase of supplemental insurance in lieu of continuance on the City's group health insurance plan. The City also carries a \$5,000 life insurance policy for eligible retirees.

At the time of retirement, any employee that is eligible to participate in the City's hospitalization plan, but chooses to decline participation, is paid a one-time deferral fee equal to \$25,000 for union members and \$10,000 for non-union employees. Such retirees have no future right to access the City's hospitalization plan.

Summary of Plan Participants

At the June 30, 2017, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	25
Active employees	<u>9</u>
	<u><u>34</u></u>

Contributions

The City has no obligations to make contributions in advance of when the premiums are due for payments (i.e., may be financed on a "pay-as-you-go" basis). The current contributions being made are to fund the trust for future obligations. The City is currently paying premiums of retirees from current, available financial resources. For the year ended June 30, 2018, the City's only contribution was its portion of premium payments.

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, and rolled-forward using generally accepted actuarial procedures.

Actuarial Assumption

The total OPEB liability in the June 30, 2017 valuation was determined using the following assumptions applied to all periods included in the measurement:

Discount rate	6.50%
Long-term expected rate of return	6.50%
Salary growth rate	3.75%
AA 20-year municipal bond rate	3.10%
Probability of accepting benefits	100.00%
Price inflation	2.50%
Healthcare cost trend rate	8.00% year one graded to 4.00% in year nine

Mortality rates used were based on the 1994 Group Annuity Table of a 50% Male and 50% Female blend. For disables retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense 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>
Domestic Fixed Income	10.00%	3.00%
International Fixed Income	7.00%	5.75%
Domestic Equity	38.00%	8.50%
International Equity	12.50%	8.75%
Private Equity	5.00%	9.75%
Real Estate	9.00%	7.00%
Cash	1.50%	2.00%
Other	17.00%	2.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50 percent. The discount rate is the single rate that reflects the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2018, is as follows:

	<u>Calculating the Net OPEB Liability</u>		
	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (Asset) (a)-(b)</u>
Balances at June 30, 2017	\$ 987,824	\$ 390,735	\$ 597,089
Changes for the year			
Service cost	8,636	-	8,636
Interest on total OPEB liability	61,539	-	61,539
Employer contributions	-	59,167	(59,167)
Net investment income	-	28,701	(28,701)
Benefit payments	(82,131)	(82,131)	-0-
Administrative expense	-	(935)	935
Net changes	<u>(11,956)</u>	<u>4,802</u>	<u>(16,758)</u>
Balances as of June 30, 2018	<u>\$ 975,868</u>	<u>\$ 395,537</u>	<u>\$ 580,331</u>

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Sensitivity of the net OPEB liability to Changes in the Discount Rate

The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 683,635</u>	<u>\$ 580,331</u>	<u>\$ 491,589</u>

Sensitivity of the net OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it were calculated using healthcare cost trends rates that are 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 567,353</u>	<u>\$ 580,331</u>	<u>\$ 595,036</u>

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$46,292. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	<u>\$ -0-</u>	<u>\$ 3,883</u>

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

<u>Year Ending June 30,</u>	<u>OPEB Expense</u>
2019	\$ (971)
2020	(971)
2021	(971)
2022	(970)

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE J: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities due to a change in accounting principles.

Beginning net position	\$ 6,106,652
Net OPEB asset (GASB 45)	(13,052)
Net OPEB liability (GASB 75)	<u>(597,089)</u>
Restated beginning net position	<u><u>\$ 5,496,511</u></u>

NOTE K: 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, 2018:

Governmental Activities	
Streets and highways	\$ 1,032,472
Economic development	<u>68,125</u>
	<u><u>\$ 1,100,597</u></u>

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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

City of Springfield

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

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	\$ 42,484	\$ -	\$ -	\$ -	\$ 42,484
Restricted					
Streets	-	585,850	446,622	-	1,032,472
Economic development	-	-	-	68,125	68,125
Debt service	-	-	-	183	183
Committed					
Public safety	-	-	-	6,733	6,733
City operations	864,687	-	-	-	864,687
Assigned					
Subsequent year's expenditures	255,700	-	-	-	255,700
Unassigned	914,129	-	-	-	914,129
TOTAL FUND BALANCES	\$ 2,077,000	\$ 585,850	\$ 446,622	\$ 75,041	\$ 3,184,513

NOTE M: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during the year. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and 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).

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, was also implemented during the year. 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 Practices for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS

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 2019-2020 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.

In April 2018, the GASB issued Statements No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

City of Springfield

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS)

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes				
Operating	\$ 940,300	\$ 1,024,500	\$ 1,053,851	\$ 29,351
Pension	67,200	72,500	74,926	2,426
Tax collection fees	22,800	22,800	22,448	(352)
Penalties and interest	6,000	6,000	6,313	313
Total taxes	1,036,300	1,125,800	1,157,538	31,738
Licenses and permits				
Trailer fees	1,300	1,300	1,393	93
Business licenses	6,200	6,200	7,367	1,167
Liquor licenses	4,500	4,500	6,180	1,680
Cable franchise fees	64,000	64,000	53,188	(10,812)
Total licenses and permits	76,000	76,000	68,128	(7,872)
Intergovernmental				
Federal grants	22,000	44,000	54,806	10,806
State grants				
Local community stabilization	29,100	29,100	30,793	1,693
Statutory sales tax	262,600	262,600	266,877	4,277
Constitutional sales tax	413,000	430,000	434,653	4,653
Total state grants	704,700	721,700	732,323	21,429
Local grants	-	257,400	257,341	(59)
Total intergovernmental	726,700	1,023,100	1,044,470	21,370
Charges for services	25,500	25,500	16,272	(9,228)
Fines and forfeits	30,000	30,000	14,723	(15,277)
Interest and rents	10,500	29,800	26,881	(2,919)
Other				
Refunds and reimbursements	75,500	92,700	89,325	(3,375)
Other	58,000	58,000	51,717	(6,283)
Total other	133,500	150,700	141,042	(9,658)
TOTAL REVENUES	2,038,500	2,460,900	2,469,054	8,154

City of Springfield

General Fund

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

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
EXPENDITURES				
Current				
General government				
City council	\$ 56,000	\$ 56,000	\$ 48,155	\$ 7,845
City manager	38,200	50,300	48,630	1,670
Finance and administrative services	383,500	365,000	346,794	18,206
Public safety	1,338,700	1,470,700	1,476,606	(5,906)
Public service	399,800	474,700	471,693	3,007
Post-employment benefits	736,900	721,900	722,116	(216)
TOTAL EXPENDITURES	<u>2,953,100</u>	<u>3,138,600</u>	<u>3,113,994</u>	<u>24,606</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(914,600)	(677,700)	(644,940)	32,760
OTHER FINANCING SOURCES (USES)				
Transfers in	934,100	934,100	934,100	-0-
Transfers out	<u>(87,600)</u>	<u>(195,800)</u>	<u>(190,800)</u>	<u>5,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>846,500</u>	<u>738,300</u>	<u>743,300</u>	<u>5,000</u>
Net change in fund balance (Budgetary basis)	<u>\$ (68,100)</u>	<u>\$ 60,600</u>	\$ 98,360	<u>\$ 37,760</u>
Budgetary perspective difference			<u>(537,946)</u>	
Net change in fund balance (GAAP basis)			<u>\$ (439,586)</u>	

City of Springfield

Major Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 477,300	\$ 507,300	\$ 561,865	\$ 54,565
Special assessments	-	-	34	34
Charges for services	1,200	1,200	1,488	288
Interest	300	300	4,652	4,352
Other				
Miscellaneous	-	-	2,751	2,751
TOTAL REVENUES	478,800	508,800	570,790	61,990
EXPENDITURES				
Current				
Public works	291,100	281,400	247,488	33,912
Capital outlay	213,000	186,000	172,364	13,636
TOTAL EXPENDITURES	504,100	467,400	419,852	47,548
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,300)	41,400	150,938	109,538
OTHER FINANCING (USES)				
Transfers out	(108,600)	(108,600)	(108,550)	50
NET CHANGE IN FUND BALANCE	(133,900)	(67,200)	42,388	109,588
Fund balance, beginning of year	543,462	543,462	543,462	-0-
Fund balance, end of year	<u>\$ 409,562</u>	<u>\$ 476,262</u>	<u>\$ 585,850</u>	<u>\$ 109,588</u>

City of Springfield

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 209,700	\$ 250,200	\$ 274,266	\$ 24,066
Special assessments	2,900	2,900	4,002	1,102
Interest	300	300	5,333	5,033
Other				
Miscellaneous	-	-	1,250	1,250
TOTAL REVENUES	212,900	253,400	284,851	31,451
EXPENDITURES				
Current				
Public works	269,900	212,900	117,354	95,546
Capital outlay	157,000	317,400	301,696	15,704
TOTAL EXPENDITURES	426,900	530,300	419,050	111,250
EXCESS OF REVENUES (UNDER) EXPENDITURES	(214,000)	(276,900)	(134,199)	142,701
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-0-
Transfers out	(44,900)	(44,900)	(44,883)	17
TOTAL OTHER FINANCING SOURCES (USES)	55,100	55,100	55,117	17
NET CHANGE IN FUND BALANCE	(158,900)	(221,800)	(79,082)	142,718
Fund balance, beginning of year	525,704	525,704	525,704	-0-
Fund balance, end of year	<u>\$ 366,804</u>	<u>\$ 303,904</u>	<u>\$ 446,622</u>	<u>\$ 142,718</u>

City of Springfield

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

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

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 58,416	\$ 56,521	\$ 53,919	\$ 73,304
Interest	779,374	774,969	718,412	734,738
Changes of benefit terms	(13,018)	-	-	-
Difference between expected and actual experience	(59,776)	45,959	249,428	-
Changes of assumptions	-	-	451,839	-
Benefit payments, including employee refunds	(828,642)	(818,011)	(762,741)	(685,524)
Other	1	-	22,450	1
Net Change in Total Pension Liability	(63,645)	59,438	733,307	122,519
Total Pension Liability, beginning	10,127,290	10,067,852	9,334,545	9,212,026
Total Pension Liability, ending	<u>\$ 10,063,645</u>	<u>\$ 10,127,290</u>	<u>\$ 10,067,852</u>	<u>\$ 9,334,545</u>
Plan Fiduciary Net Position				
Contributions-employer	\$ 724,744	\$ 203,545	\$ 221,143	\$ 235,339
Contributions-employee	22,369	13,695	17,831	18,296
Net investment income	845,028	693,245	(100,348)	435,038
Benefit payments including employee refunds	(828,642)	(818,011)	(762,741)	(685,524)
Administrative expense	(13,341)	(13,720)	(14,899)	(15,889)
Net Change in Plan Fiduciary Net Position	750,158	78,754	(639,014)	(12,740)
Plan Fiduciary Net Position, beginning	6,443,725	6,364,971	7,003,985	7,016,725
Plan Fiduciary Net Position, ending	<u>\$ 7,193,883</u>	<u>\$ 6,443,725</u>	<u>\$ 6,364,971</u>	<u>\$ 7,003,985</u>
City's Net Pension Liability	<u>\$ 2,869,762</u>	<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	71%	64%	63%	75%
Covered employee payroll	\$ 692,175	\$ 684,780	\$ 641,708	\$ 776,341
City's Net Pension Liability as a percentage of covered employee payroll	415%	538%	577%	300%

City of Springfield

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial determined contributions ⁽¹⁾	\$ 225,239	\$ 218,062	\$ 173,163	\$ 262,952
Contributions in relation to the actuarially determined contribution	<u>725,239</u>	<u>218,062</u>	<u>173,163</u>	<u>262,952</u>
Contribution deficiency (excess)	<u>\$ 500,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 729,480	\$ 702,407	\$ 659,014	\$ 782,016
Contributions as a percentage of covered employee payroll	99%	31%	26%	34%

⁽¹⁾The actuarially determined contribution was calculated based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially-determined contribution has been expressed above as a percentage of actual payroll.

City of Springfield

SCHEDULES OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS

Last Measurement Date (ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 6/30 of each fiscal year)

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 8,636
Interest on total OPEB liability	61,539
Benefit payments	<u>(82,131)</u>
Net change in total pension liability	(11,956)
Total OPEB liability, beginning	<u>987,824</u>
Total OPEB liability, ending	<u><u>\$ 975,868</u></u>
Plan fiduciary net position	
Contributions-employer	\$ 59,167
Net Investment income	28,701
Benefit payments	(82,131)
Administrative expense	<u>(935)</u>
Net change in plan fiduciary net position	4,802
Plan fiduciary net position, beginning	<u>390,735</u>
Plan fiduciary net position, ending	<u><u>\$ 395,537</u></u>
City's net OPEB liability	<u><u>\$ 580,331</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	41%
Covered employee payroll	\$ 460,539
City's net OPEB liability as a percentage of covered employee payroll	126%

City of Springfield

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

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

	<u>2018</u>
Annually determined contributions	\$ 41,910
Contributions in relation to the annually determined contribution	<u>59,167</u>
Contribution deficiency (excess)	<u>\$ (17,257)</u>
Covered employee payroll	\$ 460,539
Contributions as a percentage of covered employee payroll	13%

City of Springfield

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

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, 2018, the City incurred expenditures in certain departments of the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General fund			
Current			
Public safety	\$ 1,470,700	\$ 1,476,606	\$ 5,906
Post-employment benefits	721,900	722,116	216

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)	\$ 98,360
To adjust for revenues generated related to various activities accounted for in a separate fund	1,002,751
To adjust for expenditures generated related to various activities accounted for in a separate fund	(323,900)
To adjust for transfers in and out accounted for in a separate fund	<u>(1,216,797)</u>
Net change in fund balance (GAAP Basis)	<u>\$ (439,586)</u>

NOTE C: PENSION PLAN

Changes of benefits terms: Amortization of closed divisions was accelerated to a 15-year amortization.

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

NOTE D: OTHER POST-EMPLOYMENT BENEFITS PLAN

Changes of benefits terms: There were no changes of benefit terms in plan year 2018.

Changes in assumptions: There were no changes in assumptions in plan year 2018.

OTHER SUPPLEMENTARY INFORMATION

City of Springfield

General Fund

COMBINING BALANCE SHEET

June 30, 2018

	General	Income Tax	Total Before Eliminations	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 1,297,983	\$ 718,398	\$ 2,016,381	\$ -	\$ 2,016,381
Investments	34,600	-	34,600	-	34,600
Receivables					
Accounts	21,111	-	21,111	-	21,111
Taxes	11,695	360,552	372,247	-	372,247
Due from other governmental units	120,836	-	120,836	-	120,836
Prepays	42,484	-	42,484	-	42,484
TOTAL ASSETS	<u>\$ 1,528,709</u>	<u>\$ 1,078,950</u>	<u>\$ 2,607,659</u>	<u>\$ -0-</u>	<u>\$ 2,607,659</u>
LIABILITIES					
Accounts payable	\$ 241,479	\$ 3,465	\$ 244,944	\$ -	\$ 244,944
Accrued liabilities	55,022	-	55,022	-	55,022
Unearned revenue	4,657	-	4,657	-	4,657
TOTAL LIABILITIES	301,158	3,465	304,623	-0-	304,623
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	15,238	210,798	226,036	-	226,036
FUND BALANCES					
Nonspendable	42,484	-	42,484	-	42,484
Committed	-	864,687	864,687	-	864,687
Assigned	255,700	-	255,700	-	255,700
Unassigned	914,129	-	914,129	-	914,129
TOTAL FUND BALANCES	<u>1,212,313</u>	<u>864,687</u>	<u>2,077,000</u>	<u>-0-</u>	<u>2,077,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,528,709</u>	<u>\$ 1,078,950</u>	<u>\$ 2,607,659</u>	<u>\$ -0-</u>	<u>\$ 2,607,659</u>

City of Springfield

General Fund

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

Year Ended June 30, 2018

	General	Income Tax	Total Before Eliminations	Eliminations	Total
REVENUES					
Taxes	\$ 1,157,538	\$ 993,656	\$ 2,151,194	\$ -	\$ 2,151,194
Licenses and permits	68,128	-	68,128	-	68,128
Intergovernmental	1,044,470	-	1,044,470	-	1,044,470
Charges for services	16,272	-	16,272	-	16,272
Fines and forfeits	14,723	-	14,723	-	14,723
Interest and rents	26,881	9,095	35,976	-	35,976
Other	141,042	-	141,042	-	141,042
TOTAL REVENUES	2,469,054	1,002,751	3,471,805	-0-	3,471,805
EXPENDITURES					
Current					
General government	443,579	323,900	767,479	-	767,479
Public safety	1,476,606	-	1,476,606	-	1,476,606
Public works	447,679	-	447,679	-	447,679
Recreation and cultural	24,014	-	24,014	-	24,014
Other	722,116	-	722,116	-	722,116
TOTAL EXPENDITURES	3,113,994	323,900	3,437,894	-0-	3,437,894
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(644,940)	678,851	33,911	-0-	33,911
OTHER FINANCING SOURCES (USES)					
Transfers in	934,100	-	934,100	(925,000)	9,100
Transfers out	(190,800)	(1,216,797)	(1,407,597)	925,000	(482,597)
TOTAL OTHER FINANCING SOURCES (USES)	743,300	(1,216,797)	(473,497)	-0-	(473,497)
NET CHANGE IN FUND BALANCES	98,360	(537,946)	(439,586)	-0-	(439,586)
Fund balances, beginning of year	1,113,953	1,402,633	2,516,586	-	2,516,586
Fund balances, end of year	<u>\$ 1,212,313</u>	<u>\$ 864,687</u>	<u>\$ 2,077,000</u>	<u>\$ -0-</u>	<u>\$ 2,077,000</u>

City of Springfield
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2018

	Special Revenue		Debt Service	Total
	Economic Development Fund	Drug Law Enforcement Fund	Debt Redemption Fund	
ASSETS				
Cash and cash equivalents	\$ 70,339	\$ 6,733	\$ 183	\$ 77,255
LIABILITIES				
Accounts payable	\$ 2,214	\$ -	\$ -	\$ 2,214
FUND BALANCES				
Restricted	68,125	-	183	68,308
Committed	-	6,733	-	6,733
TOTAL FUND BALANCES	<u>68,125</u>	<u>6,733</u>	<u>183</u>	<u>75,041</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 70,339</u>	<u>\$ 6,733</u>	<u>\$ 183</u>	<u>\$ 77,255</u>

City of Springfield

Nonmajor Governmental Funds

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

Year Ended June 30, 2018

	Special Revenue		Debt Service	Total
	Economic Development Fund	Drug Law Enforcement Fund	Debt Redemption Fund	
REVENUES				
Special assessment	\$ 18,737	\$ -	\$ -	\$ 18,737
Interest and rents	12,063	5	-	12,068
Other				
Miscellaneous	3,203	50	-	3,253
TOTAL REVENUES	34,003	55	-0-	34,058
EXPENDITURES				
Current				
Community and economic development	56,464	-	-	56,464
Capital outlay	-	9,077	-	9,077
Debt service				
Principal	-	-	42,190	42,190
Interest and fiscal agent fees	-	-	11,243	11,243
TOTAL EXPENDITURES	56,464	9,077	53,433	118,974
EXCESS OF REVENUES (UNDER) EXPENDITURES	(22,461)	(9,022)	(53,433)	(84,916)
OTHER FINANCING SOURCES				
Transfers in	45,000	-	53,433	98,433
NET CHANGE IN FUND BALANCES	22,539	(9,022)	-0-	13,517
Fund balances, beginning of year	45,586	15,755	183	61,524
Fund balances, end of year	<u>\$ 68,125</u>	<u>\$ 6,733</u>	<u>\$ 183</u>	<u>\$ 75,041</u>

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2018

	<u>Refuse</u>	<u>Building Code Enforcement</u>	<u>Farmers Market</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 97,105	\$ 79,403	\$ 12,901	\$ 189,409
Accounts receivable	52,165	-	-	52,165
	<u>149,270</u>	<u>79,403</u>	<u>12,901</u>	<u>241,574</u>
LIABILITIES				
Current liabilities				
Accounts payable	16,400	2,049	1,960	20,409
	<u>16,400</u>	<u>2,049</u>	<u>1,960</u>	<u>20,409</u>
NET POSITION				
Unrestricted	<u>\$ 132,870</u>	<u>\$ 77,354</u>	<u>\$ 10,941</u>	<u>\$ 221,165</u>

City of Springfield

Nonmajor Enterprise Funds

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

Year Ended June 30, 2018

	Refuse	Building Code Enforcement	Farmers Market	Total
OPERATING REVENUES				
Charges for services	\$ 244,842	\$ 22,399	\$ 2,127	\$ 269,368
Licenses and permits	-	51,265	-	51,265
Other	-	-	8,048	8,048
TOTAL OPERATING REVENUES	244,842	73,664	10,175	328,681
OPERATING EXPENSES				
Operating expenses	233,062	56,064	39,810	328,936
OPERATING INCOME (LOSS)	11,780	17,600	(29,635)	(255)
NONOPERATING REVENUES				
Interest earned	98	65	4	167
INCOME (LOSS) BEFORE TRANSFERS	11,878	17,665	(29,631)	(88)
TRANSFERS				
Transfers in	-	-	33,200	33,200
Transfers out	(11,500)	-	-	(11,500)
TOTAL TRANSFERS	(11,500)	-0-	33,200	21,700
CHANGE IN NET POSITION	378	17,665	3,569	21,612
Net position, beginning of year	132,492	59,689	7,372	199,553
Net position, end of year	<u>\$ 132,870</u>	<u>\$ 77,354</u>	<u>\$ 10,941</u>	<u>\$ 221,165</u>

City of Springfield

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

	Refuse	Building Code Enforcement	Farmers Market	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 244,784	\$ 73,664	\$ 10,700	\$ 329,148
Cash paid for operating expenses	(232,793)	(54,666)	(40,133)	(327,592)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	11,991	18,998	(29,433)	1,556
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	33,200	33,200
Transfers out	(11,500)	-	-	(11,500)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(11,500)	-0-	33,200	21,700
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	98	65	4	167
NET INCREASE IN CASH AND CASH EQUIVALENTS	589	19,063	3,771	23,423
Cash and cash equivalents, beginning of year	96,516	60,340	9,130	165,986
Cash and cash equivalents, end of year	<u>\$ 97,105</u>	<u>\$ 79,403</u>	<u>\$ 12,901</u>	<u>\$ 189,409</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 11,780	\$ 17,600	\$ (29,635)	\$ (255)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
(Increase) decrease in:				
Accounts receivable	(58)	4,500	600	5,042
Increase (decrease) in:				
Accounts payable	269	1,398	(323)	1,344
Unearned revenue	-	(4,500)	(75)	(4,575)
NET CASH PROVIDED (USED) BY BY OPERATING ACTIVITIES	<u>\$ 11,991</u>	<u>\$ 18,998</u>	<u>\$ (29,433)</u>	<u>\$ 1,556</u>

City of Springfield

Component Unit Fund

COMBINING BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION (EDC)

June 30, 2018

	<u>Brownfield</u>	<u>TIFA B</u>	<u>TIFA D</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	<u>\$ 505</u>	<u>\$ 5,925</u>	<u>\$ 319,058</u>	<u>\$ 325,488</u>
FUND BALANCES				
Restricted	<u>\$ 505</u>	<u>\$ 5,925</u>	<u>\$ 319,058</u>	<u>\$ 325,488</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, 2018

Total fund balances - governmental funds \$ 325,488

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 16,233

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 \$ (534,940)

Accrued interest payable (2,083)

(537,023)

Net position of governmental activities \$ (145,953)

City of Springfield

Component Unit Fund

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

Year Ended June 30, 2018

	Brownfield	TIFA B	TIFA D	Total
REVENUES				
Taxes	\$ 10,283	\$ -	\$ 126,435	\$ 136,718
Intergovernmental	-	-	2,000	2,000
Interest	-	1,380	3,482	4,862
TOTAL REVENUES	10,283	1,380	131,917	143,580
EXPENDITURES				
Current				
Community and economic development	147	433,867	27,526	461,540
Debt service	23,146	88,794	39,708	151,648
TOTAL EXPENDITURES	23,293	522,661	67,234	613,188
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,010)	(521,281)	64,683	(469,608)
OTHER FINANCING SOURCES (USES)				
Transfer in	13,200	-	-	13,200
Transfer out	-	(13,200)	-	(13,200)
TOTAL OTHER FINANCING SOURCES (USES)	13,200	(13,200)	-0-	-0-
NET CHANGE IN FUND BALANCES	190	(534,481)	64,683	(469,608)
Fund balance, beginning of year	315	540,406	254,375	795,096
Fund balance, end of year	\$ 505	\$ 5,925	\$ 319,058	\$ 325,488

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, 2018

Net change in fund balances - total governmental funds \$ (469,608)

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:

Repayment of long-term debt 136,811

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:

(Decrease) to deferred charges on refunding (3,833)

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 565

Change in net position of governmental activities \$ (336,065)



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Springfield (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated November 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stevens Kirinovic & Tucker, P.C.

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

November 26, 2018