

**MUNICIPALITY OF SPRINGFIELD
SPRINGFIELD, SOUTH DAKOTA**

AUDIT REPORT

**FOR THE YEAR JANUARY 1, 2012 TO DECEMBER 31, 2012
AND
FOR THE YEAR JANUARY 1, 2013 TO DECEMBER 31, 2013**

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF SPRINGFIELD

MUNICIPAL OFFICIALS
DECEMBER 31, 2013

MAYOR:

Norman Schelske

GOVERNING BOARD:

Brian Jones, President
Gerald Tolsma, Vice-President
John Evenson
Harold (Jappy) Gosser
Steve Green
Kent Hiemstra

FINANCE OFFICER:

Candace Grassel

ATTORNEY:

James Haar

Schoenfish & Co., Inc.

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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

Governing Board
Municipality of Springfield
Springfield, South Dakota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Springfield, South Dakota (Municipality), as of December 31, 2013 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated August 18, 2014, which disclaimed an opinion on the discretely presented component unit opinion unit, and expressed an unqualified opinion on all other opinion units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality'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 Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2013-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts and grant agreements, 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*.

Municipality's Response to Findings

The Municipality's response to the findings identified in our audit is described in the accompanying Schedule of Current Audit Findings. The Municipality's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this 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 Municipality'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
August 18, 2014

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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SCHEDULE OF PRIOR AUDIT FINDINGSPRIOR OTHER AUDIT FINDINGS:Finding Number 2011-01:

A material weakness in internal controls was noted due to a lack of proper segregation of duties existed for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2013-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2013-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenues. This is the ninth consecutive audit in which this finding has appeared.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

The Finance Officer processes all revenue transactions from beginning to end. The Finance Officer also receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:

1. We recommend that the Municipality of Springfield officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever possible and practical.

Management's Response:

The Municipality of Springfield, Norman Schelske, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Springfield, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the Mayor, Finance Officer and Assistant Finance Officer on August 26, 2014.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Springfield
Springfield, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Springfield, South Dakota, (Municipality) as of December 31, 2013 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Municipality's 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Municipality'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 Municipality'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.

Basis for Disclaimer of Opinion

The financial statements of the Housing and Redevelopment Commission Component Unit (HRCCU) have not been audited, and we were not engaged to audit the HRCCU financial statements as part of our audit of the Municipality's basic financial statements. HRCCU's financial activities are included in the Municipality's basic financial statements as a discretely presented component unit and represent 100 percent of the assets, net position, and revenues of the Municipality's aggregate discretely presented component units.

Disclaimer of Opinion

Because the HRCCU's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component units of the Municipality of Springfield, South Dakota, as of December 31, 2013 and for each of the years in the biennial period then ended.

Unmodified Opinions

In addition, 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, and each major fund for the primary government of the Municipality of Springfield as of December 31, 2013, and the respective changes in financial position and, cash flows where applicable, thereof for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules on pages 8 through 14, and 52 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2014 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
August 18, 2014

Schoenfish & Co., Inc.

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**MUNICIPALITY OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012**

This section of Municipality of Springfield financial report presents our discussion and analysis of the Municipality's financial performance during the fiscal years ended on December 31, 2013 and 2012. Please read it in conjunction with the Municipality's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year ended 2013, the Municipality's revenues generated from charges for services, taxes and other revenues of the governmental and business-type programs were \$297,939 more than the \$810,483 expenditures.
- During the year ended 2012, the Municipality's revenues generated from charges for services, taxes and other revenues of the governmental and business-type programs were \$200,745 more than the \$800,444 expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Municipality:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Municipality's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Municipal government, reporting the Municipality's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the Municipality operates like businesses. The Municipality has three proprietary funds – the Water Fund, the Sewer Fund, and the Liquor Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-1 summarizes the major features of the Municipality's financial statements, including the portion of the Municipal government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Municipality of Springfield's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire municipal government	The activities of the municipality that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the Municipality operates similar to private businesses, the water and sewer systems
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Municipality as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Municipality's net position and how they have changed. Net position—the difference between the Municipality's assets and liabilities—is one way to measure the Municipality's financial health or position.

- Increases or decreases in the Municipality's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Municipality, consideration of additional nonfinancial factors is needed, such as changes in the Municipality's property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the Municipality are reported in three categories:

- **Governmental Activities** – This category includes the most of the Municipality's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-type Activities** – The Municipality charges a fee to customers to help cover the costs of certain services it provides. The Municipality's water, sewer, and liquor systems are included here.

- Component Units – The Municipality includes one other entity in its report—the Housing and Redevelopment Commission. Although legally separate, this “component unit” is important because the Municipality is financially accountable for it.

Fund Financial Statements

The fund financial statements provide more detailed information about the Municipality’s most significant funds – not the Municipality as a whole. Funds are accounting devices that the Municipality uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The Municipal Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Municipality has two kinds of funds:

- Governmental Funds – Most of the Municipality’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Municipality’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary Funds – Services for which the Municipality charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Municipality’s enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Net Position

In 2013, the Municipality's combined net position increased by \$297,939, while in 2012, the net position increase by \$200,745 (See Table A-1).

Table A-1

	Governmental			Business-Type			Total		
	Activities			Activities					
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Current and Other Assets	507,445	509,046	617,401	1,760,830	1,823,358	1,792,272	2,268,275	2,332,404	2,409,673
Capital Assets	2,593,835	2,712,579	2,896,497	1,106,436	1,105,883	1,122,062	3,700,271	3,818,462	4,018,559
Total Assets	3,101,280	3,221,625	3,513,898	2,867,266	2,929,241	2,914,334	5,968,546	6,150,866	6,428,232
Long-Term Liabilities				82,365	62,765	42,519	82,365	62,765	42,519
Other Liabilities				6,337	7,512	7,185	6,337	7,512	7,185
Total Liabilities	0	0	0	88,702	70,277	49,704	88,702	70,277	49,704
Net Position:									
Net Investment in Capital Assets	2,593,835	2,712,579	2,896,497	1,024,072	1,043,118	1,079,543	3,617,907	3,755,697	3,976,040
Restricted	395,347	401,346	406,745		871,079	871,079	395,347	1,272,425	1,277,824
Unrestricted	112,098	107,700	210,656	1,754,492	944,767	914,008	1,866,590	1,052,467	1,124,664
Total Net Position	3,101,280	3,221,625	3,513,898	2,778,564	2,858,964	2,864,630	5,879,844	6,080,589	6,378,528
Beginning Net Position	2,831,719	3,101,280	3,221,625	2,777,264	2,778,564	2,858,964	5,608,963	5,879,844	6,080,589
Adjustments	0	0	0	10,940	0	0	10,940	0	0
Adjusted Beginning Net Position	2,831,719	3,101,280	3,221,625	2,788,204	2,778,564	2,858,964	5,619,923	5,879,844	6,080,589
Increase (Decrease) in Net Position	269,561	120,345	292,273	(9,640)	80,400	5,666	259,921	200,745	297,939
Percentage of Increase (Decrease) in Net Position	9.5%	3.9%	9.1%	-0.3%	2.9%	0.2%	5.0%	3.4%	4.9%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The difference between the Municipality's assets and liabilities is its net position.

The Municipality's net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment). The Municipality uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balances of net position are unrestricted and may be used to meet the Municipality's ongoing obligations to citizens and creditors.

In 2013, changes in the net position can be attributed to annual curb/gutter projects, an additional three blocks of asphalt as part of the 2013 Street Project, and the Airport Terminal Building project. (See Table A-2).

In 2012, changes in the net position can be attributed to annual curb/gutter projects and the Airport Fuel project. (See Table A-2).

Table A-2
MUNICIPALITY OF SPRINGFIELD
Changes in Net Position

	Governmental Activities			Business-Type Activities			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Revenues									
Program Revenues:									
Charges for Services	115,053	111,004	85,700	308,855	410,325	450,244	423,908	521,329	535,944
Operating Grants	30,399	52,565	38,410			5,000	30,399	52,565	43,410
Capital Grants and Contributions	202,645	606	75,068				202,645	606	75,068
General Revenues:									
Taxes	367,230	372,739	395,026				367,230	372,739	395,026
Revenue State Sources	5,165	8,783	5,838				5,165	8,783	5,838
Unrestricted Grants & Contributions	3,500	300	0				3,500	300	0
Unrestricted Investment Earnings	5,808	6,720	6,703	38,586	31,857	27,963	44,394	38,577	34,666
Miscellaneous	10,005	6,290	18,470				10,005	6,290	18,470
Total Revenues	<u>739,805</u>	<u>559,007</u>	<u>625,215</u>	<u>347,441</u>	<u>442,182</u>	<u>483,207</u>	<u>1,087,246</u>	<u>1,001,189</u>	<u>1,108,422</u>
Expenses									
General Government	110,307	128,908	122,513				110,307	128,908	122,513
Public Safety	99,212	106,190	119,719				99,212	106,190	119,719
Public Works	190,770	141,298	135,170				190,770	141,298	135,170
Health & Welfare	42,149	50,312	54,822				42,149	50,312	54,822
Culture & Recreation	46,777	50,271	47,492				46,777	50,271	47,492
Conservation & Development	61,029	33,033	17,721				61,029	33,033	17,721
Liquor				459	25	25	459	25	25
Water Services				189,636	205,806	227,426	189,636	205,806	227,426
Sewer Services				86,986	84,601	85,595	86,986	84,601	85,595
Total Expenses	<u>550,244</u>	<u>510,012</u>	<u>497,437</u>	<u>277,081</u>	<u>290,432</u>	<u>313,046</u>	<u>827,325</u>	<u>800,444</u>	<u>810,483</u>
Excess (Deficiency) Before Transfers	<u>189,561</u>	<u>48,995</u>	<u>127,778</u>	<u>70,360</u>	<u>151,750</u>	<u>170,161</u>	<u>259,921</u>	<u>200,745</u>	<u>297,939</u>
Transfers	<u>80,000</u>	<u>71,350</u>	<u>164,495</u>	<u>(80,000)</u>	<u>(71,350)</u>	<u>(164,495)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>269,561</u>	<u>120,345</u>	<u>292,273</u>	<u>(9,640)</u>	<u>80,400</u>	<u>5,666</u>	<u>259,921</u>	<u>200,745</u>	<u>297,939</u>
Ending Net Position	<u>3,101,280</u>	<u>3,221,625</u>	<u>3,513,898</u>	<u>2,778,564</u>	<u>2,858,964</u>	<u>2,864,630</u>	<u>5,879,844</u>	<u>6,080,589</u>	<u>6,378,528</u>

Governmental Activities

Revenues of the Municipality's governmental activities for 2013, increased by \$66,208, while total governmental expenses decreased by \$12,575 from 2012. The primary reason for the increase in revenue was the federal funding reimbursement for the 2012 Airport Fuel Pump Project.

Revenues for the Municipality's governmental funds for 2012 decreased by \$180,798, while total government expenses decreased by \$40,232 from 2011. The primary reason for the decrease in revenue was the federal funding reimbursement factor.

Business-type Activities

Revenues of the Municipality's business-type activities for 2013, increased by \$41,025 and expenses increased by \$22,614 from 2012. Factors contributing to these results included:

- Decrease in water loss percentages.
- Repairs to pump house and intake for the water plant.

Revenues of the Municipality's business-type activities for 2012 increased by \$94,741 and expenses increased by \$13,351 from 2011. Factors contributing to these results included:

- First full year of utility (sewer) rate increase implemented July 1, 2011 for Mike Durfee State Prison and October 1, 2011 for Commercial/Business/Residential has increased revenues.

- Water Plant drainage ditch repair by the sludge ponds/pump house station, water tower maintenance, and major repair of pump plus electrical update to the main sewer lift contributed to an increase of the proprietary accounts.

FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS

The Municipality maintains two governmental funds – General and Revolving Loan Funds, and three business-type funds – Water, Sewer, and Liquor Funds. The change in fund balance for the two years was within normal to somewhat higher ranges. General Fund's additional asphalt expense, curb and gutter project, and airport terminal building project did go over estimated cost and were supplemented by proprietary funds as budgeted for as a precaution. Proprietary accounts increased revenue and expenditures due to rate increases and maintenance and repairs in both sewer and water departments. Water loss is lower adding to additional revenue and less expense of chemicals.

General Fund Budgetary Highlights

In 2013 and 2012, the Municipal Council revised the Municipal budget one time each year. These amendments fall into one category:

- Supplemental appropriations, to prevent budget overrun, for expenses that provide for items necessary for health and welfare of citizens.

	<u>Budget</u>	
	<u>2012</u>	<u>2013</u>
Original	\$ 670,080	\$ 626,900
Final	\$ 740,080	\$ 836,900

CAPITAL ASSET ADMINISTRATION

Major capital asset additions in 2013 included:

- Excel Hustler Super Z mower, Water Plant pump house and intake pumps/pipes were repaired/replaces, three blocks of asphalt, and curb/gutter.

Major capital asset additions in 2012 included:

- Airport fuel pumps (2) with credit card system, Water Plant drainage RCP piping/manhole and curb/gutter.

Capital Assets, net of depreciation:

	2011		2012		2013	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Land	98,450	27,576	98,450	27,576	98,450	27,576
Buildings	803,172		788,226		773,033	
Improvements	1,366,832	906,402	1,446,639	912,281	1,578,212	934,765
Machinery and Equipment	325,381	172,458	379,264	166,026	374,590	159,721
Machinery and Equipment					72,212	
Total	<u>2,593,835</u>	<u>1,106,436</u>	<u>2,712,579</u>	<u>1,105,883</u>	<u>2,896,497</u>	<u>1,122,062</u>

LONG TERM DEBT

In 2011, the Municipality issued \$104,540 in a financing capital acquisition lease for a payloader. At the end of 2013, the balance on this lease was \$42,518.47. this lease was paid by the Sewer Fund.

CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability for the money it receives. If you have questions about this report or need additional information, contact the Springfield Municipality's Finance Office, PO Box 446, Springfield, SD 57062.

MUNICIPALITY OF SPRINGFIELD
STATEMENT OF NET POSITION
December 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	317,268.96	11,149.06	328,418.02	4,930.76
Investments		1,714,287.72	1,714,287.72	4,150.06
Accounts Receivable, Net	279,678.13	50,868.54	330,546.67	
Inventories		15,966.79	15,966.79	
Restricted Assets:				
Deposits	20,453.86		20,453.86	
Capital Assets:				
Land	170,662.40	27,576.00	198,238.40	15,000.00
Other Capital Assets, Net of Depreciation	2,725,834.35	1,094,485.79	3,820,320.14	239,144.00
TOTAL ASSETS	3,513,897.70	2,914,333.90	6,428,231.60	263,224.82
LIABILITIES :				
Other Current Liabilities		7,185.00	7,185.00	
Noncurrent Liabilities:				
Due Within One Year		20,914.28	20,914.28	
Due in More than One Year		21,604.19	21,604.19	237,032.43
TOTAL LIABILITIES	0.00	49,703.47	49,703.47	237,032.43
NET POSITION:				
Net Investment in Capital Assets	2,896,496.75	1,079,543.32	3,976,040.07	17,111.57
Restricted for:				
Cumulative Insurance Reserve	20,453.86		20,453.86	
Economic Development	386,291.30		386,291.30	
Equipment Repair/Replacement		871,078.82	871,078.82	
Unrestricted	210,655.79	914,008.29	1,124,664.08	9,080.82
TOTAL NET POSITION	3,513,897.70	2,864,630.43	6,378,528.13	26,192.39

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	122,513.28	16,129.72			(106,383.56)		(106,383.56)	
Public Safety	119,719.58	42.25			(119,677.33)		(119,677.33)	
Public Works	135,169.76	4,638.74	38,409.37	75,068.00	(17,053.65)		(17,053.65)	
Health and Welfare	54,821.66	60,528.56			5,706.90		5,706.90	
Culture and Recreation	47,492.36	4,360.97			(43,131.39)		(43,131.39)	
Conservation and Development	17,720.62				(17,720.62)		(17,720.62)	
Total Governmental Activities	497,437.26	85,700.24	38,409.37	75,068.00	(298,259.65)		(298,259.65)	
Business-type Activities:								
Water	227,425.85	302,819.90	5,000.00			80,394.05	80,394.05	
Sewer	85,594.73	128,651.34				43,056.61	43,056.61	
Liquor	25.00	18,772.62				18,747.62	18,747.62	
Total Business-type Activities	313,045.58	450,243.86	5,000.00	0.00		142,198.28	142,198.28	
Total Primary Government	810,482.84	535,944.10	43,409.37	75,068.00	(298,259.65)	142,198.28	(156,061.37)	
Component Units:								
Housing and Redevelopment Commission	22,725.80	28,275.00						5,549.20
General Revenues:								
Taxes:								
Property Taxes					183,634.24		183,634.24	
Sales Taxes					211,391.61		211,391.61	
State Shared Revenues					5,838.33		5,838.33	
Unrestricted Investment Earnings					6,702.51	27,963.31	34,665.82	27.08
Miscellaneous Revenue					18,470.36		18,470.36	585.00
Transfers					164,495.00	(164,495.00)	0.00	
Total General Revenues and Transfers					590,532.05	(136,531.69)	454,000.36	612.08
Change in Net Position					292,272.40	5,666.59	297,938.99	6,161.28
Net Position - Beginning					3,221,625.30	2,858,963.84	6,080,589.14	20,031.11
NET POSITION - ENDING					3,513,897.70	2,864,630.43	6,378,528.13	26,192.39

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF SPRINGFIELD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013**

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	203,094.72	114,174.24	317,268.96
Taxes Receivable--Delinquent	6,573.07		6,573.07
Accounts Receivable, Net	988.00		988.00
Notes Receivable		272,117.06	272,117.06
Deposits	20,453.86		20,453.86
TOTAL ASSETS	<u>231,109.65</u>	<u>386,291.30</u>	<u>617,400.95</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Deferred Inflows of Resources:			
Unavailable Revenue--Property Taxes	6,573.07		6,573.07
Total Deferred Inflows of Resources	6,573.07	0.00	6,573.07
Fund Balances:			
Nonspendable - Cumulative Insurance Reserve	20,453.86		20,453.86
Restricted for Economic Development		386,291.30	386,291.30
Assigned for Next Year's Budget	995.00		995.00
Unassigned	203,087.72		203,087.72
Total Fund Balances	224,536.58	386,291.30	610,827.88
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>231,109.65</u>	<u>386,291.30</u>	<u>617,400.95</u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SRPINGFIELD
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2013

Total Fund Balances - Governmental Funds	<u>610,827.88</u>
Amounts reported for 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 in the funds.	<u>2,896,496.75</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>6,573.07</u>
Net Position - Governmental Activities	<u><u>3,513,897.70</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	General Fund	Revolving Loan Fund	Total Governmental Funds
Revenues:			
Taxes:			
General Property Taxes	186,645.87		186,645.87
General Sales and Use Taxes	211,391.61		211,391.61
Amusement Taxes	60.00		60.00
Tax Deed Revenue	813.32		813.32
Penalties and Interest on Delinquent Taxes	2,021.34		2,021.34
Licenses and Permits	5,320.22		5,320.22
Intergovernmental Revenue:			
Federal Grants	68,940.00		68,940.00
State Grants	6,128.00		6,128.00
State Shared Revenue:			
Bank Franchise Tax	738.67		738.67
Motor Vehicle Commercial Prorate	1,969.15		1,969.15
Liquor Tax Reversion	5,099.66		5,099.66
Motor Vehicle Licenses	7,961.73		7,961.73
Local Government Highway and Bridge Fund	21,781.37		21,781.37
County Shared Revenue:			
County Road Tax	1,901.43		1,901.43
County Highway and Bridge Reserve Tax	4,795.69		4,795.69
Charges for Goods and Services:			
General Government	505.22	160.00	665.22
Highways and Streets	3,738.74		3,738.74
Sanitation	900.00		900.00
Culture and Recreation	4,360.97		4,360.97
Ambulance	60,528.56		60,528.56
Other	7,144.28		7,144.28
Fines and Forfeits:			
Court Fines and Costs	42.25		42.25
Miscellaneous Revenue:			
Investment Earnings	1,105.50	5,597.01	6,702.51
Rentals	13,513.20		13,513.20
Contributions and Donations from Private Sources	3,000.00		3,000.00
Other	4,957.16		4,957.16
Total Revenue	625,363.94	5,757.01	631,120.95

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Total Governmental Funds</u>
Expenditures:			
General Government:			
Executive	25,733.00		25,733.00
Financial Administration	81,413.93		81,413.93
Other	11,026.56		11,026.56
Total General Government	118,173.49	0.00	118,173.49
Public Safety:			
Police	94,366.12		94,366.12
Fire	14,425.69		14,425.69
Total Public Safety	108,791.81	0.00	108,791.81
Public Works:			
Highways and Streets	83,263.25		83,263.25
Airport	19,250.60		19,250.60
Total Public Works	102,513.85	0.00	102,513.85
Health and Welfare:			
Health	96.00		96.00
Ambulance	51,257.09		51,257.09
Total Health and Welfare	51,353.09	0.00	51,353.09
Culture and Recreation:			
Parks	34,081.76		34,081.76
Libraries	6,795.84		6,795.84
Total Culture and Recreation	40,877.60	0.00	40,877.60
Conservation and Development:			
Economic Development and Assistance (Industrial Development)	13,457.79	358.00	13,815.79
Total Conservation and Development	13,457.79	358.00	13,815.79
Capital Outlay	241,334.29	0.00	241,334.29
Total Expenditures	676,501.92	358.00	676,859.92
Excess of Revenue Over (Under) Expenditures	(51,137.98)	5,399.01	(45,738.97)
Other Financing Sources (Uses):			
Transfers In	160,000.00		160,000.00
Total Other Financing Sources (Uses)	160,000.00	0.00	160,000.00
Net Change in Fund Balances	108,862.02	5,399.01	114,261.03
Fund Balance - Beginning	115,674.56	380,892.29	496,566.85
FUND BALANCE - ENDING	224,536.58	386,291.30	610,827.88

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended December 31, 2013

Net Change in Fund Balances - Total Governmental Funds	<u>114,261.03</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>241,334.29</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(61,911.63)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>4,495.00</u>
The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>(5,906.29)</u>
Change in Net Position of Governmental Activities	<u><u>292,272.40</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013

	Water Fund	Enterprise Funds Sewer Fund	Liquor Fund	Totals
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	663.27	1,548.46	8,937.33	11,149.06
Investments	1,654,287.72	60,000.00		1,714,287.72
Accounts Receivable, Net	34,351.39	16,517.15		50,868.54
Inventory of Supplies	15,966.79			15,966.79
Total Current Assets	<u>1,705,269.17</u>	<u>78,065.61</u>	<u>8,937.33</u>	<u>1,792,272.11</u>
Noncurrent Assets:				
Capital Assets:				
Land	13,761.00	13,815.00		27,576.00
Buildings	275,586.00			275,586.00
Improvements Other Than Buildings	910,382.67	1,188,589.52		2,098,972.19
Machinery and Equipment	44,249.30	177,473.83		221,723.13
Less: Accumulated Depreciation	(890,918.54)	(610,876.99)		(1,501,795.53)
Total Noncurrent Assets	<u>353,060.43</u>	<u>769,001.36</u>	<u>0.00</u>	<u>1,122,061.79</u>
TOTAL ASSETS	<u>2,058,329.60</u>	<u>847,066.97</u>	<u>8,937.33</u>	<u>2,914,333.90</u>
LIABILITIES:				
Current Liabilities:				
Customer Deposits	7,185.00			7,185.00
Other Current Liabilities		20,914.28		20,914.28
Total Current Liabilities	<u>7,185.00</u>	<u>20,914.28</u>	<u>0.00</u>	<u>28,099.28</u>
Noncurrent Liabilities:				
Other Long-Term Liabilities		21,604.19		21,604.19
Total Noncurrent Liabilities	<u>0.00</u>	<u>21,604.19</u>	<u>0.00</u>	<u>21,604.19</u>
TOTAL LIABILITIES	<u>7,185.00</u>	<u>42,518.47</u>	<u>0.00</u>	<u>49,703.47</u>
NET POSITION:				
Net Investment in Capital Assets	353,060.43	726,482.89		1,079,543.32
Restricted Net Position:				
Equipment Repair and/or Replacement	824,676.85	46,401.97		871,078.82
Unrestricted Net Position	873,407.32	31,663.64	8,937.33	914,008.29
TOTAL NET POSITION	<u>2,051,144.60</u>	<u>804,548.50</u>	<u>8,937.33</u>	<u>2,864,630.43</u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2013

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
Operating Revenue:				
Charges for Goods and Services	302,819.90	128,651.34	18,772.62	450,243.86
Total Operating Revenue	302,819.90	128,651.34	18,772.62	450,243.86
Operating Expenses:				
Personal Services	97,895.52	55,889.22		153,784.74
Other Current Expense	122,312.19	9,386.60	25.00	131,723.79
Depreciation	11,713.14	18,248.39		29,961.53
Total Operating Expenses	231,920.85	83,524.21	25.00	315,470.06
Operating Income (Loss)	70,899.05	45,127.13	18,747.62	134,773.80
Nonoperating Revenue (Expense):				
Operating Grants	5,000.00			5,000.00
Investment Earnings	26,369.49	1,472.96	120.86	27,963.31
Interest Expense		(2,070.52)		(2,070.52)
Total Nonoperating Revenue (Expense)	31,369.49	(597.56)	120.86	30,892.79
Income (Loss) Before Transfers	102,268.54	44,529.57	18,868.48	165,666.59
Transfers Out	(70,000.00)	(60,000.00)	(30,000.00)	(160,000.00)
Change in Net Position	32,268.54	(15,470.43)	(11,131.52)	5,666.59
Net Position - Beginning	2,018,876.06	820,018.93	20,068.85	2,858,963.84
NET POSITION - ENDING	2,051,144.60	804,548.50	8,937.33	2,864,630.43

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF SPRINGFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013**

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	291,065.38	123,276.28	18,772.62	433,114.28
Cash Payments to Employees for Services	(97,895.52)	(55,889.22)		(153,784.74)
Cash Payments to Suppliers of Goods and Services	(104,760.32)	(9,386.60)	(25.00)	(114,171.92)
Net Cash Provided (Used) by Operating Activities	88,409.54	58,000.46	18,747.62	165,157.62
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Subsidies	5,000.00			5,000.00
Interfund Loan	(70,000.00)	(60,000.00)	(30,000.00)	(160,000.00)
Net Cash Provided (Used) by Noncapital Financing Activities	(65,000.00)	(60,000.00)	(30,000.00)	(155,000.00)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(46,140.50)			(46,140.50)
Principal Paid on Capital Debt		(20,246.38)		(20,246.38)
Interest Paid on Capital Debt		(2,070.52)		(2,070.52)
Net Cash Provided (Used) by Capital and Related Financing Activities	(46,140.50)	(22,316.90)	0.00	(68,457.40)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received for Interest	26,369.49	1,472.96	120.86	27,963.31
Net Cash Provided (Used) by Investing Activities	26,369.49	1,472.96	120.86	27,963.31
Net Increase (Decrease) in Cash and Cash Equivalents	3,638.53	(22,843.48)	(11,131.52)	(30,336.47)
Balances - Beginning	1,651,312.46	84,391.94	20,068.85	1,755,773.25
Balances - Ending	1,654,950.99	61,548.46	8,937.33	1,725,436.78

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF SPRINGFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013**

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	70,899.05	45,127.13	18,747.62	134,773.80
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	11,713.14	18,248.39		29,961.53
Change in Assets and Liabilities:				
Receivables	(11,427.52)	(5,375.06)		(16,802.58)
Inventories	17,551.87			17,551.87
Customer Deposits	(327.00)			(327.00)
Net Cash Provided (Used) by Operating Activities	88,409.54	58,000.46	18,747.62	165,157.62

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
STATEMENT OF NET POSITION
December 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	171,042.12	99,870.30	270,912.42	2,467.23
Investments		1,655,902.95	1,655,902.95	4,147.98
Accounts Receivable, Net	317,550.23	34,065.96	351,616.19	
Inventories		33,518.66	33,518.66	
Restricted Assets:				
Deposits	20,453.86		20,453.86	
Capital Assets:				
Land	98,450.00	27,576.00	126,026.00	15,000.00
Other Capital Assets, Net of Depreciation	2,614,129.09	1,078,306.82	3,692,435.91	243,001.00
TOTAL ASSETS	3,221,625.30	2,929,240.69	6,150,865.99	264,616.21
LIABILITIES :				
Accounts Payable		7,512.00	7,512.00	
Noncurrent Liabilities:				
Due Within One Year		20,246.38	20,246.38	
Due in More than One Year		42,518.47	42,518.47	244,585.10
TOTAL LIABILITIES	0.00	70,276.85	70,276.85	244,585.10
NET POSITION:				
Net Investment in Capital Assets	2,712,579.09	1,043,117.97	3,755,697.06	13,415.90
Restricted for:				
Cumulative Insurance Reserve	20,453.86		20,453.86	
Economic Development	380,892.29		380,892.29	
Equipment Repair/Replacement		871,078.82	871,078.82	
Unrestricted	107,700.06	944,767.05	1,052,467.11	6,615.21
TOTAL NET POSITION	3,221,625.30	2,858,963.84	6,080,589.14	20,031.11

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	128,907.96	9,399.80	15,420.30		(104,087.86)		(104,087.86)	
Public Safety	106,190.56	4.00			(106,186.56)		(106,186.56)	
Public Works	141,297.58	21,057.96	37,145.03	606.06	(82,488.53)		(82,488.53)	
Health and Welfare	50,311.73	71,122.28			20,810.55		20,810.55	
Culture and Recreation	50,271.31	8,299.43			(41,971.88)		(41,971.88)	
Conservation and Development	33,032.95				(33,032.95)		(33,032.95)	
Miscellaneous Expenditures		1,120.80			1,120.80		1,120.80	
Total Governmental Activities	510,012.09	111,004.27	52,565.33	606.06	(345,836.43)		(345,836.43)	
Business-type Activities:								
Water	205,805.25	262,733.59				56,928.34	56,928.34	
Sewer	84,601.36	128,882.76				44,281.40	44,281.40	
Liquor	25.00	18,707.18				18,682.18	18,682.18	
Total Business-type Activities	290,431.61	410,323.53	0.00	0.00		119,891.92	119,891.92	
Total Primary Government	800,443.70	521,327.80	52,565.33	606.06	(345,836.43)	119,891.92	(225,944.51)	
Component Units:								
Housing and Redevelopment Commission	26,590.86	24,400.00						(2,190.86)
General Revenues:								
Taxes:								
Property Taxes					178,152.17		178,152.17	
Sales Taxes					194,588.46		194,588.46	
State Shared Revenues					8,782.56		8,782.56	
Grants and Contributions not Restricted to Specific Programs					300.00		300.00	
Unrestricted Investment Earnings					6,719.92	31,857.04	38,576.96	18.22
Miscellaneous Revenue					6,289.71		6,289.71	
Transfers					71,349.50	(71,349.50)	0.00	
Total General Revenues and Transfers					466,182.32	(39,492.46)	426,689.86	18.22
Change in Net Position					120,345.89	80,399.46	200,745.35	(2,172.64)
Net Position - Beginning					3,101,279.41	2,778,564.38	5,879,843.79	22,203.75
NET POSITION - ENDING					3,221,625.30	2,858,963.84	6,080,589.14	20,031.11

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF SPRINGFIELD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012**

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	93,790.39	77,251.73	171,042.12
Taxes Receivable--Delinquent	12,479.36		12,479.36
Accounts Receivable, Net	1,430.31		1,430.31
Notes Receivable		303,640.56	303,640.56
Deposits	20,453.86		20,453.86
TOTAL ASSETS	<u>128,153.92</u>	<u>380,892.29</u>	<u>509,046.21</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Deferred Inflows of Resources:			
Unavailable Revenue--Property Taxes	12,479.36		12,479.36
Total Deferred Inflows of Resources	12,479.36	0.00	12,479.36
Fund Balances:			
Nonspendable - Cumulative Insurance Reserve	20,453.86		20,453.86
Restricted for Economic Development		380,892.29	380,892.29
Assigned for Next Year's Budget	1,335.00		1,335.00
Unassigned	93,885.70		93,885.70
Total Fund Balances	115,674.56	380,892.29	496,566.85
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>128,153.92</u>	<u>380,892.29</u>	<u>509,046.21</u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SRPINGFIELD
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2012

Total Fund Balances - Governmental Funds	<u>496,566.85</u>
Amounts reported for 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 in the funds.	<u>2,712,579.09</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>12,479.36</u>
Net Position - Governmental Activities	<u><u>3,221,625.30</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	General Fund	Revolving Loan Fund	Total Governmental Funds
Revenues:			
Taxes:			
General Property Taxes	171,331.05		171,331.05
General Sales and Use Taxes	194,588.46		194,588.46
Amusement Taxes	96.00		96.00
Tax Deed Revenue	1,197.67		1,197.67
Penalties and Interest on Delinquent Taxes	674.34		674.34
Licenses and Permits	3,290.50		3,290.50
Intergovernmental Revenue:			
State Grants	15,420.30		15,420.30
State Shared Revenue:			
Bank Franchise Tax	510.25		510.25
Motor Vehicle Commercial Prorate	1,899.83		1,899.83
Liquor Tax Reversion	5,272.31		5,272.31
Motor Vehicle Licenses	7,280.83		7,280.83
Local Government Highway and Bridge Fund	26,062.94		26,062.94
State Payments in Lieu of Taxes	3,000.00		3,000.00
County Shared Revenue:			
County Road Tax	1,901.43		1,901.43
Charges for Goods and Services:			
General Government	191.30		191.30
Public Safety	4.00		4.00
Highways and Streets	4,670.73		4,670.73
Sanitation	150.00		150.00
Culture and Recreation	5,854.43		5,854.43
Ambulance	71,122.28		71,122.28
Other	1,120.80		1,120.80
Miscellaneous Revenue:			
Investment Earnings	719.49	6,000.43	6,719.92
Rentals	24,600.23		24,600.23
Special Assessments	606.06		606.06
Contributions and Donations from Private Sources	300.00		300.00
Other	6,289.71		6,289.71
Total Revenue	548,154.94	6,000.43	554,155.37

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	General Fund	Revolving Loan Fund	Total Governmental Funds
Expenditures:			
General Government:			
Executive	22,114.01		22,114.01
Financial Administration	86,492.32		86,492.32
Other	15,961.84		15,961.84
Total General Government	124,568.17	0.00	124,568.17
Public Safety:			
Police	86,865.20		86,865.20
Fire	8,947.57		8,947.57
Total Public Safety	95,812.77	0.00	95,812.77
Public Works:			
Highways and Streets	82,710.99		82,710.99
Airport	28,173.71		28,173.71
Total Public Works	110,884.70	0.00	110,884.70
Health and Welfare:			
Ambulance	46,843.16		46,843.16
Total Health and Welfare	46,843.16	0.00	46,843.16
Culture and Recreation:			
Parks	37,361.02		37,361.02
Libraries	7,030.78		7,030.78
Total Culture and Recreation	44,391.80	0.00	44,391.80
Conservation and Development:			
Economic Development and Assistance (Industrial Development)	29,374.45	1.60	29,376.05
Total Conservation and Development	29,374.45	1.60	29,376.05
Capital Outlay	175,530.48	0.00	175,530.48
Total Expenditures	627,405.53	1.60	627,407.13
Excess of Revenue Over (Under) Expenditures	(79,250.59)	5,998.83	(73,251.76)
Other Financing Sources (Uses):			
Transfers In	70,000.00		70,000.00
Total Other Financing Sources (Uses)	70,000.00	0.00	70,000.00
Net Change in Fund Balances	(9,250.59)	5,998.83	(3,251.76)
Fund Balance - Beginning	124,925.15	374,893.46	499,818.61
FUND BALANCE - ENDING	115,674.56	380,892.29	496,566.85

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended December 31, 2012

Net Change in Fund Balances - Total Governmental Funds	<u>(3,251.76)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>175,530.48</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(58,135.44)</u>
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government wide statements.	<u>1,349.50</u>
The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>4,853.11</u>
Change in Net Position of Governmental Activities	<u><u>120,345.89</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Water Fund	Enterprise Funds Sewer Fund	Liquor Fund	Totals
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	65,409.51	14,391.94	20,068.85	99,870.30
Investments	1,585,902.95	70,000.00		1,655,902.95
Accounts Receivable, Net	22,923.87	11,142.09		34,065.96
Inventory of Supplies	33,518.66			33,518.66
Total Current Assets	<u>1,707,754.99</u>	<u>95,534.03</u>	<u>20,068.85</u>	<u>1,823,357.87</u>
Noncurrent Assets:				
Capital Assets:				
Land	13,761.00	13,815.00		27,576.00
Buildings	275,586.00			275,586.00
Improvements Other Than Buildings	864,242.17	1,188,589.52		2,052,831.69
Machinery and Equipment	44,249.30	177,473.83		221,723.13
Less: Accumulated Depreciation	(879,205.40)	(592,628.60)		(1,471,834.00)
Total Noncurrent Assets	<u>318,633.07</u>	<u>787,249.75</u>	<u>0.00</u>	<u>1,105,882.82</u>
TOTAL ASSETS	<u>2,026,388.06</u>	<u>882,783.78</u>	<u>20,068.85</u>	<u>2,929,240.69</u>
LIABILITIES:				
Current Liabilities:				
Customer Deposits	7,512.00			7,512.00
Other Current Liabilities		20,246.38		20,246.38
Total Current Liabilities	<u>7,512.00</u>	<u>20,246.38</u>	<u>0.00</u>	<u>27,758.38</u>
Noncurrent Liabilities:				
Other Long-Term Liabilities		42,518.47		42,518.47
Total Noncurrent Liabilities	<u>0.00</u>	<u>42,518.47</u>	<u>0.00</u>	<u>42,518.47</u>
TOTAL LIABILITIES	<u>7,512.00</u>	<u>62,764.85</u>	<u>0.00</u>	<u>70,276.85</u>
NET POSITION:				
Net Investment in Capital Assets	318,633.07	724,484.90		1,043,117.97
Restricted Net Position:				
Equipment Repair and/or Replacement	824,676.85	46,401.97		871,078.82
Unrestricted Net Position	875,566.14	49,132.06	20,068.85	944,767.05
TOTAL NET POSITION	<u>2,018,876.06</u>	<u>820,018.93</u>	<u>20,068.85</u>	<u>2,858,963.84</u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF SPRINGFIELD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
Operating Revenue:				
Charges for Goods and Services	262,733.59	128,882.76	18,707.18	410,323.53
Total Operating Revenue	262,733.59	128,882.76	18,707.18	410,323.53
Operating Expenses:				
Personal Services	112,378.00	53,607.17		165,985.17
Other Current Expense	83,311.68	10,576.37	25.00	93,913.05
Depreciation	10,790.32	18,248.36		29,038.68
Total Operating Expenses	206,480.00	82,431.90	25.00	288,936.90
Operating Income (Loss)	56,253.59	46,450.86	18,682.18	121,386.63
Nonoperating Revenue (Expense):				
Investment Earnings	30,330.83	1,481.33	44.88	31,857.04
Interest Expense		(2,717.09)		(2,717.09)
Gain (Loss) on Disposition of Assets		(127.12)		(127.12)
Total Nonoperating Revenue (Expense)	30,330.83	(1,362.88)	44.88	29,012.83
Income (Loss) Before Transfers	86,584.42	45,087.98	18,727.06	150,399.46
Transfers Out		(50,000.00)	(20,000.00)	(70,000.00)
Change in Net Position	86,584.42	(4,912.02)	(1,272.94)	80,399.46
Net Position - Beginning	1,932,291.64	824,930.95	21,341.79	2,778,564.38
NET POSITION - ENDING	2,018,876.06	820,018.93	20,068.85	2,858,963.84

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF SPRINGFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013**

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	291,065.38	123,276.28	18,772.62	433,114.28
Cash Payments to Employees for Services	(97,895.52)	(55,889.22)		(153,784.74)
Cash Payments to Suppliers of Goods and Services	(104,760.32)	(9,386.60)	(25.00)	(114,171.92)
Net Cash Provided (Used) by Operating Activities	88,409.54	58,000.46	18,747.62	165,157.62
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Subsidies	5,000.00			5,000.00
Interfund Loan	(70,000.00)	(60,000.00)	(30,000.00)	(160,000.00)
Net Cash Provided (Used) by Noncapital Financing Activities	(65,000.00)	(60,000.00)	(30,000.00)	(155,000.00)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(46,140.50)			(46,140.50)
Principal Paid on Capital Debt		(20,246.38)		(20,246.38)
Interest Paid on Capital Debt		(2,070.52)		(2,070.52)
Net Cash Provided (Used) by Capital and Related Financing Activities	(46,140.50)	(22,316.90)	0.00	(68,457.40)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received for Interest	26,369.49	1,472.96	120.86	27,963.31
Net Cash Provided (Used) by Investing Activities	26,369.49	1,472.96	120.86	27,963.31
Net Increase (Decrease) in Cash and Cash Equivalents	3,638.53	(22,843.48)	(11,131.52)	(30,336.47)
Balances - Beginning	1,651,312.46	84,391.94	20,068.85	1,755,773.25
Balances - Ending	1,654,950.99	61,548.46	8,937.33	1,725,436.78

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF SPRINGFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013**

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	70,899.05	45,127.13	18,747.62	134,773.80
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	11,713.14	18,248.39		29,961.53
Change in Assets and Liabilities:				
Receivables	(11,427.52)	(5,375.06)		(16,802.58)
Inventories	17,551.87			17,551.87
Customer Deposits	(327.00)			(327.00)
Net Cash Provided (Used) by Operating Activities	88,409.54	58,000.46	18,747.62	165,157.62

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the Municipality of Springfield (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on the that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Springfield, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Housing and Redevelopment Commission, 409 Pine Street, Springfield, SD 57062.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Municipality financial reporting entity are described below:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Grant Revolving Loan Fund – to account for federal grants that, when given to the Municipality, are subsequently loaned out to a new business to be repaid over a period of years. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Liquor Fund – to account for the operation of an on-sale and/or off-sale municipal liquor store. (SDCL 35-3-21) This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type, and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Springfield, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2013 and 2012 are miscellaneous revenue.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized 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.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets are recorded at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2013 balance of governmental activities capital assets includes approximately zero percent for which the costs were determined by estimates of the original costs. The total December 31, 2013 balance of business-type capital assets includes approximately 18 percent for which the costs were determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ -	- - N/A - -	- - N/A - -
Improvements other than buildings	\$ 3,000.00	Straight-line	20-125 yrs.
Buildings	\$ 3,000.00	Straight-line	30-90 yrs.
Machinery & Equipment	\$ 3,000.00	Straight-line	15-45 yrs.
Infrastructure	\$ 3,000.00	Straight-line	20-125 yrs.
Utility property and improvements	\$ 3,000.00	Straight-line	20-125 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of financing (capital acquisition) leases.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues and expenses.

j. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in three components.

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

l. Application of Net Position:

It is the Municipality's policy to first use restricted Net Position, prior to the use of unrestricted Net Position, when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

m. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Municipality classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Finance Officer.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount legally or contractually required to be maintained intact such as South Dakota Insurance Reserve.

The Municipality uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Municipality would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Municipality does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund:
Revolving Loan Fund

Revenue Source:
Principal and Interest on Loans

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Municipality follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits municipal funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk – State law limits eligible investments for the Municipality, as discussed above. The Municipality has no investment policy that would further limit its investment choices.

Investments

As of December 31, 2013, the Municipality had the following investments. Except for the investment in SD FIT, all investments are in an internal deposit and investment pool.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT	Unrated	\$ 10,301.59
Total Investments		<u>\$ 10,301.59</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Concentration of Credit Risk – The Municipality places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The Municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from deposits and investments to the fund making the investment.

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year, except for \$272,117.06 of receivables related to economic development loans to qualifying businesses reported in the Special Revenue Revolving Loan Fund.

4. INVENTORY

Inventory consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are consumed. Material supply inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The Municipality is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable property in the Municipality.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the two years ended December 31, 2013, is as follows:

	Balance 01/01/2012	Increases	Decreases	Balance 12/31/2013
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	98,450.00			98,450.00
Construction Work in Progress		72,212.40		72,212.40
Total, not being Depreciated	<u>98,450.00</u>	<u>72,212.40</u>	<u>0.00</u>	<u>170,662.40</u>
Capital Assets, being Depreciated:				
Buildings	985,209.54			985,209.54
Improvements Other Than Buildings	1,522,193.87	263,202.87		1,785,396.74
Machinery and Equipment	442,678.92	90,811.50	(5,025.00)	528,465.42
Total, being Depreciated	<u>2,950,082.33</u>	<u>354,014.37</u>	<u>(5,025.00)</u>	<u>3,299,071.70</u>
Less Accumulated Depreciation for:				
Buildings	(182,037.34)	(30,139.56)		(212,176.90)
Improvements Other Than Buildings	(155,362.56)	(51,822.53)		(207,185.09)
Machinery and Equipment	(117,297.88)	(38,084.98)	1,507.50	(153,875.36)
Total Accumulated Depreciation	<u>(454,697.78)</u>	<u>(120,047.07)</u>	<u>1,507.50</u>	<u>(573,237.35)</u>
Total Capital Assets, being Depreciated, Net	<u>2,495,384.55</u>	<u>233,967.30</u>	<u>(3,517.50)</u>	<u>2,725,834.35</u>
Governmental Activity Capital Assets, Net	<u>2,593,834.55</u>	<u>306,179.70</u>	<u>(3,517.50)</u>	<u>2,896,496.75</u>

Depreciation expense was charged to functions as follows:

	2012	2013
Governmental Activities:		
General Government	4,339.79	4,339.79
Public Safety	10,377.79	10,927.77
Public Works	30,412.88	32,655.91
Culture and Recreation	5,879.51	6,614.76
Health and Welfare	3,468.57	3,468.57
Conservation and Development	3,656.90	3,904.83
Total Depreciation Expense - Governmental Activities	<u>58,135.44</u>	<u>61,911.63</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Balance 01/01/2012	Increases	Decreases	Balance 12/31/2013
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	27,576.00			27,576.00
Total, not being Depreciated	<u>27,576.00</u>	<u>0.00</u>	<u>0.00</u>	<u>27,576.00</u>
Capital Assets, being Depreciated:				
Buildings	275,586.00			275,586.00
Improvements Other Than Buildings	2,024,219.32	74,752.87		2,098,972.19
Machinery and Equipment	224,774.13		(3,051.00)	221,723.13
Total, being Depreciated	<u>2,524,579.45</u>	<u>74,752.87</u>	<u>(3,051.00)</u>	<u>2,596,281.32</u>
Less Accumulated Depreciation for:				
Buildings	(275,586.00)			(275,586.00)
Improvements Other Than Buildings	(1,117,817.37)	(46,390.14)		(1,164,207.51)
Machinery and Equipment	(52,315.83)	(12,610.07)	2,923.88	(62,002.02)
Total Accumulated Depreciation	<u>(1,445,719.20)</u>	<u>(59,000.21)</u>	<u>2,923.88</u>	<u>(1,501,795.53)</u>
Total Capital Assets, being Depreciated, Net	<u>1,078,860.25</u>	<u>15,752.66</u>	<u>(127.12)</u>	<u>1,094,485.79</u>
Business-Type Activity Capital Assets, Net	<u>1,106,436.25</u>	<u>15,752.66</u>	<u>(127.12)</u>	<u>1,122,061.79</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	2012	2013
Water	10,790.32	11,713.14
Sanitary Sewer	18,248.36	18,248.39
Total Depreciation Expense - Business-Type Activities	<u>29,038.68</u>	<u>29,961.53</u>

Construction Work in Progress at December 31, 2013 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/13	Committed	Required Future Financing
Airport Terminal Building	148,900.00	72,212.40	3,834.38	72,853.22

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2013, except for compensated absences, are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2013

Year Ending December 31	Notes Payable	
	Principal	Interest
2014	20,914.28	1,402.62
2015	21,604.19	712.71
Totals	<u>42,518.47</u>	<u>2,115.33</u>

9. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of the salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2013, 2012, and 2011 were \$14,833.78, \$16,623.28, and \$16,990.77 respectively, equal to the required contribution each year.

10. RESTRICTED NET POSITION

Restricted net position for the two years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Major Funds:		
General Fund - Insurance Reserve	20,453.86	20,453.86
Revolving Loan Fund - Economic Development	<u>386,291.30</u>	<u>380,892.29</u>
Totals	<u>406,745.16</u>	<u>401,346.15</u>

These balances are restricted due to requirements of the South Dakota Public Assurance Alliance and statutory requirements.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

11. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2013 were as follows:

<u>Transfers from:</u>	<u>Transfers to:</u>
	<u>General Fund</u>
Major Funds:	
Water Fund	\$ 70,000.00
Sewer Fund	60,000.00
Liquor Fund	30,000.00
	<u>\$ 160,000.00</u>

Interfund transfers for the year ended December 31, 2012 were as follows:

<u>Transfers from:</u>	<u>Transfers to:</u>
	<u>General Fund</u>
Major Funds:	
Sewer Fund	50,000.00
Liquor Fund	20,000.00
	<u>\$ 70,000.00</u>

The Municipality typically budgets transfers to conduct the indispensable functions of the Municipality.

12. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2013, the Municipality was not involved in any significant litigation.

13. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2013, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operation as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

coverage. The Municipality pays and annual premium to the pool to provide coverage for: liability, theft, property damage and errors and omissions of public officials.

The agreement with the South Dakota Public Assurance Alliance provides that the above coverages will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of Municipality's First Full Year	50%
End of Municipality's Second Full Year	60%
End of Municipality's Third Full Year	70%
End of Municipality's Fourth Full Year	80%
End of Municipality's Fifth Full Year	90%
End of Municipality's Sixth Full Year	100%

As of December 31, 2012 and December 31, 2013 the Municipality has vested balance in the cumulative reserve fund of \$20,453.86.

The Municipality carries a \$500 deductible for the liability coverage and \$1,000 deductible for the property coverage.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The Municipality provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

14. SUBSEQUENT EVENTS

It is highly unlikely that the Municipality will collect \$101,374.22 reported as Notes Receivable in the 2013 financial statements. This amount consists of two notes. The borrowers on one note were convicted of arson and there is an ongoing dispute over the borrower's liability for the second note.

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SPRINGFIELD
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	185,500.00	185,500.00	186,645.87	1,145.87
General Sales and Use Taxes	185,000.00	185,000.00	211,391.61	26,391.61
Amusement Taxes	150.00	150.00	60.00	(90.00)
Tax Deed Revenue	0.00	0.00	813.32	813.32
Penalties and Interest on Delinquent Taxes	200.00	200.00	2,021.34	1,821.34
Licenses and Permits	3,460.00	3,460.00	5,320.22	1,860.22
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	68,940.00	68,940.00
State Grants	0.00	0.00	6,128.00	6,128.00
State Shared Revenue:				
Bank Franchise Tax	800.00	800.00	738.67	(61.33)
Motor Vehicle Commercial Prorate	1,600.00	1,600.00	1,969.15	369.15
Liquor Tax Reversion	4,500.00	4,500.00	5,099.66	599.66
Motor Vehicle Licenses	4,700.00	4,700.00	7,961.73	3,261.73
Local Government Highway and Bridge Fund	20,000.00	20,000.00	21,781.37	1,781.37
State Payments in Lieu of Taxes	3,000.00	3,000.00	0.00	(3,000.00)
County Shared Revenue:				
County Road Tax	1,900.00	1,900.00	1,901.43	1.43
County Highway and Bridge Reserve Tax	0.00	0.00	4,795.69	4,795.69
Charges for Goods and Services:				
General Government	200.00	200.00	505.22	305.22
Public Safety	10.00	10.00	0.00	(10.00)
Highways and Streets	3,400.00	3,400.00	3,738.74	338.74
Sanitation	400.00	400.00	900.00	500.00
Culture and Recreation	3,500.00	3,500.00	4,360.97	860.97
Ambulance	60,000.00	60,000.00	60,528.56	528.56
Other	0.00	0.00	7,144.28	7,144.28
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	42.25	42.25
Miscellaneous Revenue:				
Investment Earnings	700.00	700.00	1,105.50	405.50
Rentals	18,445.00	18,445.00	13,513.20	(4,931.80)
Contributions and Donations from Private Sources	100.00	100.00	3,000.00	2,900.00
Other	8,000.00	8,000.00	4,957.16	(3,042.84)
Total Revenue	505,565.00	505,565.00	625,363.94	119,798.94

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SPRINGFIELD
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive (Negative)</u>
Expenditures:				
General Government:				
Contingency	40,000.00	40,000.00		
Amount Transferred		(1,000.00)		39,000.00
Executive	26,500.00	26,500.00	25,733.00	767.00
Financial Administration	100,300.00	100,300.00	81,413.93	18,886.07
Other	29,750.00	29,750.00	11,026.56	18,723.44
Total General Government	<u>196,550.00</u>	<u>195,550.00</u>	<u>118,173.49</u>	<u>77,376.51</u>
Public Safety:				
Police	100,800.00	101,300.00	99,866.12	1,433.88
Fire	9,200.00	14,700.00	14,425.69	274.31
Total Public Safety	<u>110,000.00</u>	<u>116,000.00</u>	<u>114,291.81</u>	<u>1,708.19</u>
Public Works:				
Highways and Streets	202,500.00	272,500.00	244,385.14	28,114.86
Airport	18,500.00	133,500.00	91,463.00	42,037.00
Total Public Works	<u>221,000.00</u>	<u>406,000.00</u>	<u>335,848.14</u>	<u>70,151.86</u>
Health and Welfare:				
Health	1,500.00	1,500.00	96.00	1,404.00
Ambulance	38,850.00	53,850.00	51,257.09	2,592.91
Total Health and Welfare	<u>40,350.00</u>	<u>55,350.00</u>	<u>51,353.09</u>	<u>3,996.91</u>
Culture and Recreation:				
Parks	42,300.00	42,300.00	36,581.76	5,718.24
Libraries	7,500.00	7,500.00	6,795.84	704.16
Total Culture and Recreation	<u>49,800.00</u>	<u>49,800.00</u>	<u>43,377.60</u>	<u>6,422.40</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	9,200.00	14,200.00	13,457.79	742.21
Total Conservation and Development	<u>9,200.00</u>	<u>14,200.00</u>	<u>13,457.79</u>	<u>742.21</u>
Total Expenditures	<u>626,900.00</u>	<u>836,900.00</u>	<u>676,501.92</u>	<u>160,398.08</u>
Excess of Revenue Over (Under) Expenditures	<u>(121,335.00)</u>	<u>(331,335.00)</u>	<u>(51,137.98)</u>	<u>280,197.02</u>
Other Financing Sources (Uses):				
Transfers In	120,000.00	120,000.00	160,000.00	40,000.00
Total Other Financing Sources (Uses)	<u>120,000.00</u>	<u>120,000.00</u>	<u>160,000.00</u>	<u>40,000.00</u>
Net Change in Fund Balances	<u>(1,335.00)</u>	<u>(211,335.00)</u>	<u>108,862.02</u>	<u>320,197.02</u>
Fund Balance - Beginning	115,674.56	115,674.56	115,674.56	0.00
FUND BALANCE - ENDING	<u>114,339.56</u>	<u>(95,660.44)</u>	<u>224,536.58</u>	<u>320,197.02</u>

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SPRINGFIELD
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Revenues:				
Taxes:				
General Property Taxes	177,700.00	177,700.00	171,331.05	(6,368.95)
General Sales and Use Taxes	175,000.00	175,000.00	194,588.46	19,588.46
Amusement Taxes	150.00	150.00	96.00	(54.00)
Tax Deed Revenue	0.00	0.00	1,197.67	1,197.67
Penalties and Interest on Delinquent Taxes	200.00	200.00	674.34	474.34
Licenses and Permits	3,250.00	3,250.00	3,290.50	40.50
Intergovernmental Revenue:				
Federal Payments in Lieu of Taxes	400.00	400.00	0.00	(400.00)
State Grants	34,300.00	34,300.00	15,420.30	(18,879.70)
State Shared Revenue:				
Bank Franchise Tax	700.00	700.00	510.25	(189.75)
Motor Vehicle Commercial Prorate	1,600.00	1,600.00	1,899.83	299.83
Liquor Tax Reversion	4,500.00	4,500.00	5,272.31	772.31
Motor Vehicle Licenses	4,500.00	4,500.00	7,280.83	2,780.83
Local Government Highway and Bridge Fund	19,000.00	19,000.00	26,062.94	7,062.94
State Payments in Lieu of Taxes	3,000.00	3,000.00	3,000.00	0.00
County Shared Revenue:				
County Road Tax	1,900.00	1,900.00	1,901.43	1.43
Charges for Goods and Services:				
General Government	200.00	200.00	191.30	(8.70)
Public Safety	10.00	10.00	4.00	(6.00)
Highways and Streets	3,400.00	3,400.00	4,670.73	1,270.73
Sanitation	300.00	300.00	150.00	(150.00)
Culture and Recreation	3,200.00	3,200.00	5,854.43	2,654.43
Ambulance	60,000.00	60,000.00	71,122.28	11,122.28
Other	0.00	0.00	1,120.80	1,120.80
Miscellaneous Revenue:				
Investment Earnings	1,000.00	1,000.00	719.49	(280.51)
Rentals	16,445.00	16,445.00	24,600.23	8,155.23
Special Assessments	0.00	0.00	606.06	606.06
Contributions and Donations from Private Sources	100.00	100.00	300.00	200.00
Other	8,500.00	8,500.00	6,289.71	(2,210.29)
Total Revenue	519,355.00	519,355.00	548,154.94	28,799.94

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SPRINGFIELD
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General Government:				
Contingency	35,000.00	35,000.00		
Amount Transferred		0.00		35,000.00
Executive	25,650.00	25,650.00	22,114.01	3,535.99
Financial Administration	102,900.00	102,900.00	87,167.07	15,732.93
Other	28,050.00	28,050.00	20,061.84	7,988.16
Total General Government	<u>191,600.00</u>	<u>191,600.00</u>	<u>129,342.92</u>	<u>62,257.08</u>
Public Safety:				
Police	99,900.00	99,900.00	86,865.20	13,034.80
Fire	8,600.00	9,600.00	8,947.57	652.43
Total Public Safety	<u>108,500.00</u>	<u>109,500.00</u>	<u>95,812.77</u>	<u>13,687.23</u>
Public Works:				
Highways and Streets	198,910.00	198,910.00	187,291.97	11,618.03
Airport	50,150.00	99,150.00	93,673.71	5,476.29
Total Public Works	<u>249,060.00</u>	<u>298,060.00</u>	<u>280,965.68</u>	<u>17,094.32</u>
Health and Welfare:				
Health	1,500.00	1,500.00	0.00	1,500.00
Ambulance	36,850.00	56,850.00	47,517.91	9,332.09
Total Health and Welfare	<u>38,350.00</u>	<u>58,350.00</u>	<u>47,517.91</u>	<u>10,832.09</u>
Culture and Recreation:				
Parks	40,870.00	40,870.00	37,361.02	3,508.98
Libraries	7,500.00	7,500.00	7,030.78	469.22
Total Culture and Recreation	<u>48,370.00</u>	<u>48,370.00</u>	<u>44,391.80</u>	<u>3,978.20</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	34,200.00	34,200.00	29,374.45	4,825.55
Total Conservation and Development	<u>34,200.00</u>	<u>34,200.00</u>	<u>29,374.45</u>	<u>4,825.55</u>
Total Expenditures	<u>670,080.00</u>	<u>740,080.00</u>	<u>627,405.53</u>	<u>112,674.47</u>
Excess of Revenue Over (Under) Expenditures	<u>(150,725.00)</u>	<u>(220,725.00)</u>	<u>(79,250.59)</u>	<u>141,474.41</u>
Other Financing Sources (Uses):				
Transfers In	150,000.00	150,000.00	70,000.00	(80,000.00)
Total Other Financing Sources (Uses)	<u>150,000.00</u>	<u>150,000.00</u>	<u>70,000.00</u>	<u>(80,000.00)</u>
Net Change in Fund Balances	<u>(725.00)</u>	<u>(70,725.00)</u>	<u>(9,250.59)</u>	<u>61,474.41</u>
Fund Balance - Beginning	124,925.15	124,925.15	124,925.15	0.00
FUND BALANCE - ENDING	<u>124,200.15</u>	<u>54,200.15</u>	<u>115,674.56</u>	<u>61,474.41</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund.

The Municipality did not encumber any amounts at either December 31, 2012, or December 31, 2013.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

Note 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.