

CITY OF SPRINGFIELD, TENNESSEE
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

City of Springfield, Tennessee
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June 30, 2016

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City of Springfield, Tennessee
General Information and Roster of City Officials (Unaudited)
June 30, 2016

Location and General

The City of Springfield is located in Robertson County, Tennessee. The City was incorporated in April of 1927 by Chapter 158, Acts of 1927, as amended by the General Assembly of the State of Tennessee. The City operates under a City Manager form of government.

Population

The population of the City of Springfield was 16,440 according to the 2010 special census.

Roster of Elected Public Officials

Mayor	Billy Paul Carneal
Vice-Mayor, Alderman - Ward 4	Ann Schneider
Alderman - Ward 1	James Hubbard
Alderman - Ward 2	Bobby Trotter
Alderman - Ward 3	Jeff Gragg
Alderman - Ward 5	Bruce Head
Alderman - Ward 6	Clay Sneed

Roster of City Officials

City Manager	Paul J. Nutting
City Recorder	Lisa Crockett CPA, CMFO



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Springfield
Springfield, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee, as detailed in the Audit Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1(S) to the financial statements, in 2016, the City adopted the following new accounting guidance:

- GASB Statement No. 72, Fair Value Measurement and Application
- GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
- GASB Statement No. 79, Certain Investment Pools and Pool Participants

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and additional required supplementary information on pages 7–15 and 61–63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements, budgetary comparison information-special revenue funds and capital improvement fund, and other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Comptroller of the Treasury, State of Tennessee, as detailed in the Audit Manual and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, budgetary comparison information-special revenue funds and capital improvement fund, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, budgetary comparison information-special revenue funds and capital improvement fund, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Thurman Campbell Group, PLC

Clarksville, Tennessee
December 2, 2016

City of Springfield, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

This section of the City of Springfield's annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with other additional information that we have furnished in the financial report of the City of Springfield.

Financial Highlights

The assets and deferred outflows of resources of the City of Springfield exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$116,772,931 (net position). Of this amount, \$28,063,740 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, the City of Springfield's governmental funds reported combined ending fund balances of \$9,066,722 an increase of 30.66% in comparison with the prior year.

Approximately 48.63% of this total amount, \$4,409,321 is available for spending at the City's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,409,321 or 28.44% of total general fund expenditures.

The City of Springfield's total debt increased during the current fiscal year by \$3,755,003.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Springfield's basic financial statements. The City of Springfield's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Springfield's finances in a manner similar to a private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the Primary Government. There are two government-wide statements, the statement of net position and the statement of activities, which are described below.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes or earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community development and recreation. The business-type activities of the City include electric distribution, natural gas distribution, water, sewer, sanitation and storm water management. The government-wide financial statements can be found on pages 16 and 17 of this report.

City of Springfield, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Springfield, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the citywide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Springfield maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital improvements fund, both of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Springfield adopts an annual appropriation budget for its general and other major special revenue funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget. The basic governmental fund statements can be found on pages 18 - 21 of this report.

Proprietary funds - The City of Springfield maintains enterprise funds as its only type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Springfield uses enterprise funds to account for its electric distribution, natural gas distribution, water, sewer, sanitation, and storm water management operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric distribution, natural gas distribution, water, and sewer operations, which are considered to be major funds of the City of Springfield. The basic proprietary fund financial statements can be found on pages 22 through 25 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 60 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Springfield's pension plan and other post-employment benefits. Required supplementary information can be found on pages 61 through 63 of this report.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 64 through 69 of this report.

City of Springfield, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's overall financial position. In the case of the City of Springfield, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$116,772,931 at the close of the most recent fiscal year.

By far the largest portion of the City of Springfield's net position (72.14%) reflects its investment in capital assets (e.g., land, buildings, equipment) less any related debt used to acquire those assets that is still outstanding. The City of Springfield uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Springfield's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF SPRINGFIELD'S Statement of Net Position (in thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 12,685	\$ 12,029	\$ 33,864	\$ 30,969	\$ 46,549	\$ 42,998
Capital assets	44,613	44,166	95,852	83,749	140,465	127,915
Other non-current assets	3,700	895	10,457	16,675	14,157	17,570
Total assets	<u>60,998</u>	<u>57,090</u>	<u>140,173</u>	<u>131,393</u>	<u>201,171</u>	<u>188,483</u>
Deferred outflows of resources	1,231	577	1,279	581	2,510	1,158
Current liabilities	4,090	3,529	13,074	11,919	17,164	15,448
Long term liabilities	16,879	15,685	45,487	41,880	62,366	57,565
Total liabilities	<u>20,969</u>	<u>19,214</u>	<u>58,561</u>	<u>53,799</u>	<u>79,530</u>	<u>73,013</u>
Deferred inflows of resources	5,990	5,954	1,388	1,448	7,378	7,402
Net position:						
Net investment in capital assets	29,455	27,347	54,845	52,917	84,300	80,264
Restricted	1,847	1,170	2,562	5,320	4,409	6,490
Unrestricted	3,967	3,982	24,097	18,490	28,064	22,472
Total net position	<u>\$ 35,269</u>	<u>\$ 32,499</u>	<u>\$ 81,504</u>	<u>\$ 76,727</u>	<u>\$ 116,773</u>	<u>\$ 109,226</u>

A portion of the City's net position (3.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Springfield is able to report positive balances in all categories of net position, both for government as a whole as well as its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net position increased by \$7,756,301 during the current fiscal year.

The following is a summary of financial activities for the City during the fiscal year ended June 30, 2016:

City of Springfield, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

CITY OF SPRINGFIELD'S Statement of Activities (in thousands)

	Governmental activities		Business type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues						
Charges for services	\$ 1,298	\$ 1,038	\$ 49,979	\$ 50,902	\$ 51,277	\$ 51,940
Operating grants and contributions	474	466	-	-	474	466
Capital grants and contributions	45	19	-	-	45	19
General revenues:						
Property taxes	4,679	4,646	-	-	4,679	4,646
Other taxes	8,856	8,386	-	-	8,856	8,386
Others	286	595	154	68	440	663
Total revenue	<u>15,638</u>	<u>15,150</u>	<u>50,133</u>	<u>50,970</u>	<u>65,771</u>	<u>66,120</u>
Expenses:						
General government	1,409	1,330	-	-	1,409	1,330
Community development	399	433	-	-	399	433
Public safety	6,622	6,372	-	-	6,622	6,372
Highways and streets	2,135	2,099	-	-	2,135	2,099
Culture and recreation	2,291	2,282	-	-	2,291	2,282
Cemeteries	120	117	-	-	120	117
Bond issuance cost	32	28	-	-	32	28
Interest on long term debt	540	565	-	-	540	565
Electric	-	-	26,675	27,929	26,675	27,929
Gas	-	-	8,032	9,795	8,032	9,795
Sewer	-	-	3,471	3,234	3,471	3,234
Water	-	-	5,256	5,129	5,256	5,129
Other business type activities	-	-	1,032	1,028	1,032	1,028
Total functions/programs	<u>13,548</u>	<u>13,226</u>	<u>44,466</u>	<u>47,115</u>	<u>58,014</u>	<u>60,341</u>
Excess (deficiency)	2,090	1,924	5,667	3,855	7,757	5,779
Transfers	801	766	(801)	(766)	-	-
Special Item	-	(2,519)	-	-	-	(2,519)
Change in net position	<u>2,891</u>	<u>171</u>	<u>4,866</u>	<u>3,089</u>	<u>7,757</u>	<u>3,260</u>
Beginning net position, as previously stated	32,499	32,517	76,727	73,604	109,226	106,121
Prior period adjustments (See Note 17)	(121)	(189)	(89)	34	(210)	(155)
Beginning net position, as restated	<u>32,378</u>	<u>32,328</u>	<u>76,638</u>	<u>73,638</u>	<u>109,016</u>	<u>105,966</u>
Ending net position	<u>\$ 35,269</u>	<u>\$ 32,499</u>	<u>\$ 81,504</u>	<u>\$ 76,727</u>	<u>\$ 116,773</u>	<u>\$ 109,226</u>

City of Springfield, Tennessee
Management's Discussion and Analysis (Unaudited)
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Governmental activities – Current period governmental activities increased the City of Springfield's net position by \$2,891,006. In the prior year, governmental activities increased net position by \$171,298.

Business-type activities – Current period business-type activities increased the City of Springfield's net position by \$4,865,295. In the prior year, business-type activities increased net position by \$3,088,951.

Financial Analysis of the City's Funds

As noted earlier, the City of Springfield uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City of Springfield's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Springfield's governmental funds reported combined ending fund balances of \$9,066,722, an increase of \$2,127,674 in comparison with the prior year. Approximately 48.63% of this total amount (\$4,409,321) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is non-spendable (\$72,187), restricted (\$3,893,916), or, assigned (\$691,298). The non-spendable fund balance generally is related to assets that are not expected to be converted to cash. Of the City's total non-spendable balance, \$72,187 is made up of amounts spent on inventory and prepaid expenses. Restricted fund balance is made up of amounts that have been restricted as to purpose by enabling legislation. Of the City's total restricted fund, \$829,543 is the State Street Aid fund balance and is restricted for road projects. \$129,137 is the Drug Fund balance and is restricted to drug enforcement activities. \$62,565 is the Forfeited Property Fund balance and is restricted to law enforcement activities. \$2,012,523 is restricted for capital improvement projects. Assigned fund balance is made up of balances that are to be used for a specific purpose as defined by the governing body. Of the City's assigned fund balance \$691,298 is related to borrowings committed to specific projects in process as well as self-insurance claims.

The general fund is the chief operating fund of the City of Springfield. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,409,321 while total fund balance was \$5,665,414. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28.44% of total general fund expenditures, while total fund balance represents 36.54% of that same amount. The fund balance of the City of Springfield's general fund increased by \$1,382,597 as a result of the current fiscal year operations and prior period adjustments. See Note 17 on page 59 of this report for additional explanation of the prior period adjustments.

The capital projects fund has a total fund balance of \$2,380,063. In general this fund balance is made up of restricted and assigned fund balances designated for projects in process that are financed with borrowings on notes and bonds. Capital improvements fund increased by \$893,821 as a result of current year operations.

Non-major (other) governmental funds have a fund balance of \$1,021,245. The net decrease in non-major governmental fund balance during the current year was \$148,744.

Proprietary funds. The City of Springfield's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of all proprietary funds at the end of the year amounted to \$24,097,147. The total increase in net position for all proprietary funds in total was \$4,776,185. This includes a (\$89,110) prior period adjustment. See Note 17 on page 59 of this report for additional explanation of the prior period adjustment.

City of Springfield, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

General Fund Budgetary Highlights

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is at the department level within funds. The most significant budgeted fund is the general fund. The increase in total general fund appropriations from the original budget was immaterial during the current fiscal year.

Capital Assets and Debt Administration

Capital assets - The City of Springfield's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$140,465,569 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, software, infrastructure and construction in progress.

The City's investment in capital assets (net of accumulated depreciation) represents an increase of \$12,550,311 from the prior year. Governmental capital assets (net of accumulated depreciation) increased by \$446,937. Business-type capital assets (net of accumulated depreciation) increased by \$12,103,374. Both business and governmental capital assets were purchased during the fiscal year ended June 30, 2016. Major capital asset increases during the current fiscal year included the following:

Governmental Activities

- * Internal lighting improvements were started at City Hall
- * New computers were purchased for personnel in several departments
- * A new email server was installed and domain upgraded
- * Email archiving was implemented
- * Software was purchased and implemented for online payment processing for utility billing and property tax receipts.
- * Two new handheld meter reading devices were purchased for the Customer Service and Meter Reading departments
- * A plotter was purchased for the Community Development Department
- * Eight new patrol vehicles were purchased for the Police Department
- * Bullet proof vests and radar guns were purchased for the Police Department
- * Implementation of a new Report Management System for the Police Department
- * The back parking lot at the Police Department was repaved and restriped and interior areas of the Police Department were tiled.
- * Renovations were made to the Animal Shelter.
- * Fire gear and equipment were purchased for the Fire Department including 18 self-contained breathing apparatus
- * Two new scoreboards were installed at The Center
- * A new mower was purchased for the Parks Department.
- * Planning for improvements at MLK, Jr. Park began including a concessions/restroom facility and irrigation system at two soccer fields.
- * The repair of the log cabin at Travis Price Park began.
- * A fairway mower and a trim mower were purchased for the Legacy Golf Course
- * Interior and exterior improvements were made at Legacy Golf Course clubhouse
- * Drainage improvements were made at Legacy Golf Course
- * Renovation and maintenance of bunkers continued at Legacy Golf Course
- * A new turning lane was constructed at the intersection of US 41 South and Academy Drive
- * Engineering for Phase 3 of the Greenway expansion continued

City of Springfield, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

- * Public Works Department constructed a new sidewalk on the east side of White Street between 5th Avenue West and 4th Avenue
- * Sidewalks were constructed in Legacy Subdivision, Section 5
- * Public Works repaved the internal road at Travis Price Park
- * Public Works repaved multiple streets throughout the city.
- * A Street sweeper, 1-ton pickup, and cold planer attachment for Bobcat loader were purchased for Public Works.
- * A mower was purchased for the Cemetery
- * AutoCAD software and Bentley water modeling software were purchased for the Engineering Department

Business-Type Activities

- * Work continued on the rehabilitation of the sanitary sewer collection system. Contracts 2A, 2B, 3A continued, and Contracts 3B and 4 were started.
- * Reconstruction of the south backwash basin was completed at the Water Treatment Plant.
- * The East Hillcrest water tank was repaired and repainted.
- * Repairs and painting of the 17th Avenue elevated water tank began.
- * The replacement of old water meters continued throughout the water system.
- * A chemical injector and ag-gator were purchased for the Water Department.
- * Three pickup trucks, a utility truck, and two dump trucks were purchased for the Water/Wastewater Department
- * Two portable generators and a plotter were purchased for the Water/Wastewater Department
- * The gas main relocation and upgrades were completed for the Hwy 431 widening project.
- * Natural gas mains were extended on Dorris Street, along Kinneys Road between Cedar Hill and Adams, and along Cedar Grove Road
- * The replacement of gas meters continued and new services were installed
- * A fitting rehabilitation project was completed by the Gas Department.
- * A ½ ton four wheel drive truck and backhoe trailer were purchased for the Gas Department.
- * A fusematic machine, leak detection equipment, and line locators were purchased for the Gas Department.
- * Building improvements were made at the Gas Department including a new alarm system, lighting upgrades and new cabinetry.
- * Electric Department completed the replacement of wood poles with steel poles in the transmission line on South Main Street from Sleepy Hollow substation to South Springfield substation on Batson Parkway.
- * Electric Department began retrofitting traffic signals with LED bulbs.
- * Electric Department began installing new poles for the 69-kV line from Adairville to Springfield.
- * An underground electric line was installed to serve Runnymede subdivision.
- * A service bucket truck and metering bucket truck were purchased for the Electric Department.
- * Substation batteries and a portable meter field test kit were purchased for the Electric Department.
- * A PILOT program for automatic meter reading was started for the Gas, Electric, and Water/Wastewater departments with new meters and endpoints being installed and two mobile data collectors were purchased.
- * GIS mapping software and a skid loader were purchased for the Storm Water Management Department.
- * New computers were purchased for personnel in several departments

City of Springfield, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

CITY OF SPRINGFIELD'S Capital Assets (in thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Capital assets not depreciated						
Land	\$ 2,544	\$ 6,694	\$ 1,368	\$ 1,126	\$ 3,912	\$ 7,820
Construction in progress	101	-	19,426	8,060	19,527	8,060
Total capital assets not depreciated	2,645	6,694	20,794	9,186	23,439	15,880
Capital assets depreciated						
Buildings	11,579	7,346	128,557	125,019	140,136	132,365
Machinery and equipment	15,761	16,253	9,492	8,478	25,253	24,731
Infrastructure	37,666	36,674	-	-	37,666	36,674
Total	65,006	60,273	138,049	133,497	203,055	193,770
Less accumulated depreciation	(23,038)	(22,801)	(62,991)	(58,934)	(86,029)	(81,735)
Net capital assets depreciated	41,968	37,472	75,058	74,563	117,026	112,035
Net capital assets	\$ 44,613	\$ 44,166	\$ 95,852	\$ 83,749	\$ 140,465	\$ 127,915

Additional information on the City of Springfield's capital assets can be found in Note 6 on page 43-44 of this report.

Long-term debt - At the end of the current fiscal year, the City of Springfield had total debt outstanding of \$69,730,856. All of this debt is backed by the full faith and credit of the government.

CITY OF SPRINGFIELD'S Outstanding Debt (in thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Bonds and notes payable						
Bonds and notes payable	\$ 17,388	\$ 17,320	\$ 48,639	\$ 45,259	\$ 66,027	\$ 62,579
Add: Premium on bonds	392	394	1,242	1,210	1,634	1,604
Capital Leases	251	-	-	-	251	-
Total bonds and notes payable	18,031	17,714	49,881	46,469	67,912	64,183
Other long-term liabilities						
Compensated absences	376	394	273	284	649	678
OPEB	723	690	447	425	1,170	1,115
Total long-term debt	\$ 19,130	\$ 18,798	\$ 50,601	\$ 47,178	\$ 69,731	\$ 65,976

The City of Springfield's total debt increased by \$3,755,003 (5.69%) during the current fiscal year. The City maintains an A1 rating from Moody's Investors Service for its General Obligation debt.

City of Springfield, Tennessee
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Economic Factors and Next Year's Budget and Rates

The average unemployment rate for the Robertson County area was 4.66% for the current fiscal year. This compares to the average state unemployment rate for the same period of 4.95%. The prior year rate for the Robertson County area was 5.47%

Inflationary trends in the region are comparable to national indices.

Housing starts for this fiscal year were 24 single family homes as compared to 21 single family homes and 1 multi-family complex with 4 units in the prior fiscal year.

The City's short term interest rates on operating fund investments with the Local Government Investment Pool increased during fiscal year 2016. Interest rates during the year averaged 0.23% as compared to 0.09% in fiscal year 2015.

During the current fiscal year, unassigned fund balance in the general fund rose to \$4,409,321 (an increase of \$653,859 from the prior fiscal year). All appropriations lapse at year-end.

All of these factors were considered in preparing the City of Springfield's budget for fiscal year 2017.

Requests for Information

This financial report is designed to provide a general overview of the City of Springfield's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Springfield, City Recorder, P. O. Box 788, 405 North Main Street, Springfield, Tennessee 37172.

City of Springfield, Tennessee
Statement of Net Position
June 30, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 5,932,682	\$ 27,755,344	\$ 33,688,026
Receivables, Net	6,920,177	4,627,962	11,548,139
Internal Balances, Net	(239,896)	239,896	-
Inventory	48,128	761,677	809,805
Prepaid Expenses	24,059	478,779	502,838
Total Current Assets	<u>12,685,150</u>	<u>33,863,658</u>	<u>46,548,808</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	2,872,671	9,647,076	12,519,747
Net Pension Asset	826,556	810,705	1,637,261
Land and Construction in Progress	2,644,980	20,793,805	23,438,785
Other Capital Assets, Net of Depreciation	41,968,453	75,058,331	117,026,784
Total Noncurrent Assets	<u>48,312,660</u>	<u>106,309,917</u>	<u>154,622,577</u>
Total Assets	<u>60,997,810</u>	<u>140,173,575</u>	<u>201,171,385</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows Related to Pensions	<u>1,230,914</u>	<u>1,278,694</u>	<u>2,509,608</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	1,594,381	7,476,034	9,070,415
Unearned Revenue	244,797	-	244,797
Current Portion - Compensated Absences	75,265	54,448	129,713
Current Portion - Notes and Bonds Payable	2,175,620	5,060,109	7,235,729
Customer Deposits	-	483,766	483,766
Total Current Liabilities	<u>4,090,063</u>	<u>13,074,357</u>	<u>17,164,420</u>
Noncurrent Liabilities:			
OPEB Liability	722,278	447,436	1,169,714
Compensated Absences	301,063	217,790	518,853
Notes and Bonds Payable	15,855,462	44,821,383	60,676,845
Total Noncurrent Liabilities	<u>16,878,803</u>	<u>45,486,609</u>	<u>62,365,412</u>
Total Liabilities	<u>20,968,866</u>	<u>58,560,966</u>	<u>79,529,832</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows Related to Pensions	1,378,442	1,387,788	2,766,230
Property Taxes Levied for Subsequent Year	4,612,000	-	4,612,000
Total Deferred Inflows of Resources	<u>5,990,442</u>	<u>1,387,788</u>	<u>7,378,230</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	29,455,022	54,844,998	84,300,020
Restricted For:			
Drug Fund	129,137	-	129,137
State Street Aid	829,543	-	829,543
Forfeited Property	62,565	-	62,565
Debt Service	-	772,722	772,722
Sanitation Services	-	977,943	977,943
Other Purposes	826,556	810,705	1,637,261
Unrestricted	<u>3,966,593</u>	<u>24,097,147</u>	<u>28,063,740</u>
Total Net Position	<u>\$ 35,269,416</u>	<u>\$ 81,503,515</u>	<u>\$ 116,772,931</u>

The accompanying notes are an integral part of these financial statements.

City of Springfield, Tennessee
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position of the Primary Government		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 1,408,920	\$ 277,312	\$ 18,930	\$ -	\$ (1,112,678)	\$ -	\$ (1,112,678)
Community Development	398,712	-	-	-	(398,712)	-	(398,712)
Public Safety	6,622,059	33,774	3,163	3,250	(6,581,872)	-	(6,581,872)
Highways and Streets	2,135,036	-	451,999	41,322	(1,641,715)	-	(1,641,715)
Culture and Recreation	2,291,527	946,045	-	-	(1,345,482)	-	(1,345,482)
Cemeteries	120,290	41,214	-	-	(79,076)	-	(79,076)
Bond Issuance Cost	32,018	-	-	-	(32,018)	-	(32,018)
Interest on Long-term Debt	539,502	-	-	-	(539,502)	-	(539,502)
Total Governmental Activities	<u>13,548,064</u>	<u>1,298,345</u>	<u>474,092</u>	<u>44,572</u>	<u>(11,731,055)</u>	<u>-</u>	<u>(11,731,055)</u>
Business-Type Activities							
Electric	26,674,634	27,540,893	-	-	-	866,259	866,259
Gas	8,032,266	8,493,121	-	-	-	460,855	460,855
Sewer	3,470,789	5,324,070	-	-	-	1,853,281	1,853,281
Water	5,256,060	7,197,463	-	-	-	1,941,403	1,941,403
Other Business-type Activities	1,033,438	1,423,126	-	-	-	389,688	389,688
Total Functions/Programs	<u>44,467,187</u>	<u>49,978,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,511,486</u>	<u>5,511,486</u>
Total Primary Government	<u>\$ 58,015,251</u>	<u>\$ 51,277,018</u>	<u>\$ 474,092</u>	<u>\$ 44,572</u>	<u>(11,731,055)</u>	<u>5,511,486</u>	<u>(6,219,569)</u>
General Revenues							
Property Taxes					4,678,654	-	4,678,654
Payment in Lieu of Tax - TVA					192,924	-	192,924
Payment in Lieu of Tax - Housing Authority					28,248	-	28,248
Income and Excise Taxes					200,510	-	200,510
Sales Tax					6,985,811	-	6,985,811
Alcoholic Beverage Taxes					801,698	-	801,698
Business Taxes					442,606	-	442,606
Miscellaneous Taxes					204,656	-	204,656
Investment Earnings					6,962	41,372	48,334
Gain/(Loss) on Sale of Assets					7,297	113,170	120,467
Miscellaneous					271,962	-	271,962
Transfers					800,733	(800,733)	-
Total General Revenues, Transfers and Extraordinary Item					<u>14,622,061</u>	<u>(646,191)</u>	<u>13,975,870</u>
Change in Net Position					2,891,006	4,865,295	7,756,301
Beginning Net Position, As Previously Stated					32,499,011	76,727,330	109,226,341
Prior Period Adjustments (See Note 17)					(120,601)	(89,110)	(209,711)
Beginning Net Position, As Restated					<u>32,378,410</u>	<u>76,638,220</u>	<u>109,016,630</u>
Ending Net Position					<u>\$ 35,269,416</u>	<u>\$ 81,503,515</u>	<u>\$ 116,772,931</u>

The accompanying notes are an integral part of these financial statements.

City of Springfield, Tennessee
Balance Sheet – Governmental Funds
June 30, 2016

	General Fund	Capital Improvements Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 4,238,512	\$ 441,652	\$ 1,252,518	\$ 5,932,682
Receivables, Net:				
Property Taxes	5,049,928	-	-	5,049,928
Intergovernmental	1,605,762	-	82,243	1,688,005
Other	177,779	1,282	3,183	182,244
Due From Other Funds	316,714	1,073	-	317,787
Inventory	48,128	-	-	48,128
Restricted Cash and Cash Equivalents	860,148	2,012,523	-	2,872,671
Prepaid Expenses	23,554	505	-	24,059
Total Assets	<u>\$ 12,320,525</u>	<u>\$ 2,457,035</u>	<u>\$ 1,337,944</u>	<u>\$ 16,115,504</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 864,171	\$ 76,972	\$ -	\$ 941,143
Accrued Liabilities	389,725	-	-	389,725
Intergovernmental Payables	125,120	-	-	125,120
Due To Other Funds	240,984	-	316,699	557,683
Unearned Revenue	244,797	-	-	244,797
Total Liabilities	<u>1,864,797</u>	<u>76,972</u>	<u>316,699</u>	<u>2,258,468</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenues-Property Taxes	178,314	-	-	178,314
Property Taxes Levied for Subsequent Year	4,612,000	-	-	4,612,000
Total Deferred Inflows of Resources	<u>4,790,314</u>	<u>-</u>	<u>-</u>	<u>4,790,314</u>
<u>FUND BALANCES</u>				
Non-Spendable	71,682	505	-	72,187
Restricted	860,148	2,012,523	1,021,245	3,893,916
Assigned	324,263	367,035	-	691,298
Unassigned	4,409,321	-	-	4,409,321
Total Fund Balances	<u>5,665,414</u>	<u>2,380,063</u>	<u>1,021,245</u>	<u>9,066,722</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,320,525</u>	<u>\$ 2,457,035</u>	<u>\$ 1,337,944</u>	<u>\$ 16,115,504</u>

City of Springfield, Tennessee
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2016

Total fund balances of governmental funds \$ 9,066,722

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

Construction-in-progress	100,573
Capital assets	67,550,432
Accumulated depreciation	(23,037,570)

Property taxes not collected within 60 days subsequent to the fiscal year end are unavailable in the governmental funds	178,315
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Long-term liabilities and related deferred items are not due and payable in the current period and therefore, are not reported in the governmental fund balance sheet but are reported on the government-wide statement of net position.

Accrued compensated absences	(376,328)
OPEB liability	(722,278)
Bond premium	(392,415)
Bonds and notes payable	(17,638,667)
Net pension asset (liability)	826,556
Deferred outflows related to pensions	1,230,914
Deferred inflows related to pensions	(1,378,442)

Accrued interest payable is reported in government wide, but not governmental activities

Accrued interest	(138,396)
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Net position of governmental activities	\$ 35,269,416
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City of Springfield, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Capital Improvements Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 11,704,737	\$ -	\$ -	\$ 11,704,737
License and Permits	130,102	-	-	130,102
Fines and Forfeitures	147,210	-	24,038	171,248
Intergovernmental Revenues	1,894,936	-	451,999	2,346,935
Charges for Services	996,995	-	-	996,995
Investment Income	1,036	3,167	2,759	6,962
Rental Income	169,115	-	-	169,115
Miscellaneous Revenues	101,867	-	974	102,841
Total Revenues	<u>15,145,998</u>	<u>3,167</u>	<u>479,770</u>	<u>15,628,935</u>
EXPENDITURES				
Current:				
General Government	1,267,421	-	-	1,267,421
Community Development	398,712	-	-	398,712
Public Safety	6,295,660	-	-	6,295,660
Highways and Streets	1,538,703	-	-	1,538,703
Cemeteries	119,882	-	-	119,882
Culture and Recreation	1,981,111	-	-	1,981,111
Drug Fund	-	-	4,583	4,583
Debt Service:				
Principal	1,994,890	-	-	1,994,890
Interest	570,878	-	-	570,878
Bond Issuance Cost	9,006	23,012	-	32,018
Capital Outlay	1,328,711	343,309	623,931	2,295,951
Total Expenditures	<u>15,504,974</u>	<u>366,321</u>	<u>628,514</u>	<u>16,499,809</u>
Revenues Over (Under) Expenditures	<u>(358,976)</u>	<u>(363,154)</u>	<u>(148,744)</u>	<u>(870,874)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(47,300)	-	-	(47,300)
Transfers In	800,733	47,300	-	848,033
Bond Premium	-	24,675	-	24,675
Bond Proceeds	869,100	1,185,000	-	2,054,100
Other Financing Sources - Capital Leases	259,002	-	-	259,002
Sale of Capital Assets	7,297	-	-	7,297
Total Other Financing Sources (Uses)	<u>1,888,832</u>	<u>1,256,975</u>	<u>-</u>	<u>3,145,807</u>
Net Changes in Fund Balances	<u>1,529,856</u>	<u>893,821</u>	<u>(148,744)</u>	<u>2,274,933</u>
Beginning Fund Balance, As Previously Reported	4,282,816	1,486,242	1,169,989	6,939,047
Prior Period Adjustment, (Note 17)	(147,258)	-	-	(147,258)
Beginning Fund Balance, As Restated	<u>4,135,558</u>	<u>1,486,242</u>	<u>1,169,989</u>	<u>6,791,789</u>
Ending Fund Balance	<u>\$ 5,665,414</u>	<u>\$ 2,380,063</u>	<u>\$ 1,021,245</u>	<u>\$ 9,066,722</u>

The accompanying notes are an integral part of these financial statements.

City of Springfield, Tennessee
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 In Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ 2,274,933

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

Governmental funds report capital outlays as expenditures. In the statement of activities, however, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased	2,278,293
Depreciation expense	(1,858,013)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt proceeds	(2,054,100)
Capital Leases - Other Financing Resources	(259,002)
Debt principal repayments	1,994,890

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

Property Taxes	2,099
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Governmental funds report debt premiums, discounts, and similar items as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions or deductions from the long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.

Bond premium	(24,675)
Amortization of bond premiums/discounts	25,795

Changes in the City's net pension asset, deferred outflows of resources, and deferred inflows of resources related to City's TCRS pension plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities 520,168

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(Increase) Decrease in accrued compensated absences	17,331
(Increase) Decrease in OPEB liability	(32,294)
(Increase) Decrease in accrued interest	5,581

Change in net position of governmental activities	\$ 2,891,006
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City of Springfield, Tennessee
Statement of Net Position - Proprietary Funds
June 30, 2016

	Electric Fund	Gas Fund	Sewer Fund	Water Fund	Non-Major Funds	Total Proprietary Funds
<u>ASSETS</u>						
Current Assets:						
Cash and Cash Equivalents	\$ 5,785,450	\$ 9,400,508	\$ 6,379,548	\$ 4,615,143	\$ 1,574,695	\$ 27,755,344
Receivables (Net of Uncollectibles)	3,084,238	323,532	463,604	630,801	125,787	4,627,962
Due From Other Funds	54,961	56,272	33,572	84,683	23,452	252,940
Prepaid Expenses	-	470,268	1,315	7,196	-	478,779
Inventory	305,062	119,575	23,322	313,718	-	761,677
Total Current Assets	<u>9,229,711</u>	<u>10,370,155</u>	<u>6,901,361</u>	<u>5,651,541</u>	<u>1,723,934</u>	<u>33,876,702</u>
Noncurrent Assets:						
Restricted Cash and Cash Equivalents	382,591	172,383	3,118,800	5,463,348	509,954	9,647,076
Net Pension Asset	198,747	178,408	151,180	218,195	64,175	810,705
Assets Not Depreciated	1,023,018	735,678	17,268,232	1,424,150	342,727	20,793,805
Assets Net of Accumulated Depreciation	14,075,217	14,801,310	23,439,519	21,590,312	1,151,973	75,058,331
Total Noncurrent Assets	<u>15,679,573</u>	<u>15,887,779</u>	<u>43,977,731</u>	<u>28,696,005</u>	<u>2,068,829</u>	<u>106,309,917</u>
Total Assets	<u>24,909,284</u>	<u>26,257,934</u>	<u>50,879,092</u>	<u>34,347,546</u>	<u>3,792,763</u>	<u>140,186,619</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Deferred Outflows Related to Pensions	333,226	295,756	236,420	318,597	94,695	1,278,694
<u>LIABILITIES</u>						
Current Liabilities:						
Accounts Payable	3,986,582	396,862	1,464,850	304,553	130,520	6,283,367
Accrued and Other Liabilities	317,955	227,345	255,966	359,148	32,253	1,192,667
Compensated Absences-Current	11,137	14,902	5,629	20,542	2,236	54,448
Bonds and Notes Payable-Current	875,528	246,063	2,211,220	1,544,687	182,611	5,060,109
Due To Other Funds	11,971	-	-	1,073	-	13,044
Customer Deposits	258,480	142,901	7,030	75,355	-	483,766
Total Current Liabilities	<u>5,461,653</u>	<u>1,028,073</u>	<u>3,944,695</u>	<u>2,305,358</u>	<u>347,620</u>	<u>13,087,401</u>
Noncurrent Liabilities:						
OPEB Liability	82,787	109,852	87,759	115,968	51,070	447,436
Compensated Absences-Noncurrent	44,549	59,609	22,518	82,170	8,946	217,790
Notes and Bonds Payable-Noncurrent	1,203,939	1,465,456	28,761,873	12,163,016	1,227,099	44,821,383
Total Noncurrent Liabilities	<u>1,331,275</u>	<u>1,634,917</u>	<u>28,872,150</u>	<u>12,361,154</u>	<u>1,287,115</u>	<u>45,486,609</u>
Total Liabilities	<u>6,792,928</u>	<u>2,662,990</u>	<u>32,816,845</u>	<u>14,666,512</u>	<u>1,634,735</u>	<u>58,574,010</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Inflows Related to Pensions	350,642	312,020	257,935	360,616	106,575	1,387,788
<u>NET POSITION</u>						
Net Investment in Capital Assets	13,137,928	13,825,469	12,853,458	14,433,199	594,944	54,844,998
Restricted	462,178	350,791	151,180	555,103	1,042,118	2,561,370
Unrestricted	4,498,834	9,402,420	5,036,094	4,650,713	509,086	24,097,147
Total Net Position	<u>\$ 18,098,940</u>	<u>\$ 23,578,680</u>	<u>\$ 18,040,732</u>	<u>\$ 19,639,015</u>	<u>\$ 2,146,148</u>	<u>\$ 81,503,515</u>

The accompanying notes are an integral part of these financial statements.

City of Springfield, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2016

	Electric Fund	Gas Fund	Sewer Fund	Water Fund	Non-Major Funds	Total Proprietary Funds
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 27,217,872	\$ 8,342,335	\$ 5,222,021	\$ 6,909,563	\$ 1,412,875	\$ 49,104,666
Other Operating Revenue	323,021	150,786	102,049	287,900	10,251	874,007
Total Operating Revenues	<u>27,540,893</u>	<u>8,493,121</u>	<u>5,324,070</u>	<u>7,197,463</u>	<u>1,423,126</u>	<u>49,978,673</u>
<u>OPERATING EXPENSES</u>						
Costs of Sales and Services	24,008,788	6,439,797	1,805,987	3,316,914	884,456	36,455,942
Administration	1,555,480	503,043	338,262	513,554	-	2,910,339
Depreciation	1,065,540	1,036,685	967,122	1,097,305	132,902	4,299,554
Total Operating Expenses	<u>26,629,808</u>	<u>7,979,525</u>	<u>3,111,371</u>	<u>4,927,773</u>	<u>1,017,358</u>	<u>43,665,835</u>
Operating Income	<u>911,085</u>	<u>513,596</u>	<u>2,212,699</u>	<u>2,269,690</u>	<u>405,768</u>	<u>6,312,838</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Investment Income	9,771	12,029	9,512	7,233	2,827	41,372
Gain (Loss) on Sale of Fixed Assets	-	15,181	-	97,792	197	113,170
Bond Issuance Costs	(1,248)	-	(1,825)	(95,025)	-	(98,098)
Interest and Amortization	(43,578)	(52,741)	(357,593)	(233,262)	(16,080)	(703,254)
Total Non-Operating Revenues (Expenses)	<u>(35,055)</u>	<u>(25,531)</u>	<u>(349,906)</u>	<u>(223,262)</u>	<u>(13,056)</u>	<u>(646,810)</u>
Income (Loss) Before Contributions/Transfers	<u>876,030</u>	<u>488,065</u>	<u>1,862,793</u>	<u>2,046,428</u>	<u>392,712</u>	<u>5,666,028</u>
<u>CONTRIBUTIONS/TRANSFERS</u>						
Transfers Out	(402,050)	(189,201)	(152,993)	(56,489)	-	(800,733)
Total Contributions/Transfers	<u>(402,050)</u>	<u>(189,201)</u>	<u>(152,993)</u>	<u>(56,489)</u>	<u>-</u>	<u>(800,733)</u>
Change in Net Position	<u>473,980</u>	<u>298,864</u>	<u>1,709,800</u>	<u>1,989,939</u>	<u>392,712</u>	<u>4,865,295</u>
Beginning Net Position, As Previously Reported	17,645,724	23,300,394	16,348,050	17,673,260	1,759,902	76,727,330
Prior Period Adjustments (See Note 17)	(20,764)	(20,578)	(17,118)	(24,184)	(6,466)	(89,110)
Beginning Net Position, As Restated	<u>17,624,960</u>	<u>23,279,816</u>	<u>16,330,932</u>	<u>17,649,076</u>	<u>1,753,436</u>	<u>76,638,220</u>
Ending Net Position	<u>\$ 18,098,940</u>	<u>\$ 23,578,680</u>	<u>\$ 18,040,732</u>	<u>\$ 19,639,015</u>	<u>\$ 2,146,148</u>	<u>\$ 81,503,515</u>

The accompanying notes are an integral part of these financial statements.

City of Springfield, Tennessee
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2016

	Electric Fund	Gas Fund	Sewer Fund	Water Fund	Non-Major Funds	Total Proprietary Funds
Cash Flows from Operating Activities:						
Cash Received From Customers	\$ 27,301,355	\$ 9,143,413	\$ 5,166,830	\$ 6,792,021	\$ 1,434,138	\$ 49,837,757
Cash Payments for Goods and Services	(24,479,778)	(5,305,437)	(712,479)	(1,918,987)	(279,844)	(32,696,525)
Cash Payments for Personnel	(1,118,024)	(1,297,308)	(1,321,587)	(1,409,227)	(501,671)	(5,647,817)
Cash Payments for Interfund Services	(458,962)	(476,936)	(275,626)	(620,249)	(108,217)	(1,939,990)
Other Receipts (Payments)	323,021	150,786	102,049	287,900	10,251	874,007
Net Cash Provided By (Used In) Operating Activities	<u>1,567,612</u>	<u>2,214,518</u>	<u>2,959,187</u>	<u>3,131,458</u>	<u>554,657</u>	<u>10,427,432</u>
Cash Flows from Non-Capital Financing Activities:						
Transfer to Other Funds	(402,050)	(189,201)	(152,993)	(56,489)	-	(800,733)
Interfund Payables	2,385	(556)	(4,332)	(3,540)	(12,352)	(18,395)
Interfund Receivables	161,152	196,935	176,800	645,736	(8,370)	1,172,253
Net Cash Provided By (Used In) Non-Capital Financing Activities	<u>(238,513)</u>	<u>7,178</u>	<u>19,475</u>	<u>585,707</u>	<u>(20,722)</u>	<u>353,125</u>
Cash Flows from Capital and Related Financing Activities:						
Sale of Fixed Assets	-	15,181	-	115,661	197	131,039
Proceeds from Bonds and Notes	120,400	-	176,100	5,020,149	-	5,316,649
Bond Issuance Costs	(1,248)	-	(1,825)	(95,025)	-	(98,098)
Principal Paid on Bonds and Notes	(299,186)	(240,063)	360,487	(1,482,049)	(174,615)	(1,835,426)
Interest Paid on Bonds and Notes	(51,020)	(54,461)	(406,694)	(231,584)	(18,729)	(762,488)
Acquisition and Construction of Capital Assets	(1,035,697)	(827,817)	(12,176,311)	(1,636,583)	(241,498)	(15,917,906)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(1,266,751)</u>	<u>(1,107,160)</u>	<u>(12,048,243)</u>	<u>1,690,569</u>	<u>(434,645)</u>	<u>(13,166,230)</u>
Cash Flows from Investing Activities:						
Interest Received	9,771	12,029	9,512	7,233	2,827	41,372
Net Increase (Decrease) in Cash	72,119	1,126,565	(9,060,069)	5,414,967	102,117	(2,344,301)
Cash and Cash Equivalents, Beginning	6,095,922	8,446,326	18,558,417	4,663,524	1,982,532	39,746,721
Cash and Cash Equivalents, Ending	<u>\$ 6,168,041</u>	<u>\$ 9,572,891</u>	<u>\$ 9,498,348</u>	<u>\$ 10,078,491</u>	<u>\$ 2,084,649</u>	<u>\$ 37,402,420</u>

See accompanying notes are an integral part of these financial statements.

City of Springfield, Tennessee
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended June 30, 2016

	<u>Electric Fund</u>	<u>Gas Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Non-Major Funds</u>	<u>Total Proprietary Funds</u>
Reconciliation of Operating Income to Net Cash Provided By (Used in) Operating Activities:						
Operating Income (Loss)	\$ 911,085	\$ 513,596	\$ 2,212,699	\$ 2,269,690	\$ 405,768	\$ 6,312,838
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	1,065,540	1,036,685	967,122	1,097,305	132,902	4,299,554
Change in Assets and Liabilities:						
(Increase) Decrease in Receivable, Net	7,496	806,747	(89,978)	(143,177)	10,845	591,933
(Increase) Decrease in Inventory	28,509	25,396	443	(70,955)	-	(16,607)
(Increase) Decrease in Prepaid Expenses	-	58,496	224	915	-	59,635
(Increase) Decrease in Deferred Outflows	(186,127)	(164,874)	(128,376)	(167,767)	(50,109)	(697,253)
Increase (Decrease) in Accounts Payable	(344,636)	(122,107)	(19,291)	70,010	66,927	(349,097)
Increase (Decrease) in Customer Deposits	(6,453)	(4,790)	7,030	323	-	(3,890)
Increase (Decrease) in Accrued Liabilities	43,454	23,685	(17,934)	38,777	(23,711)	64,271
Increase (Decrease) in Net Pension Liability	60,912	52,625	39,538	48,050	14,527	215,652
Increase (Decrease) in Deferred Inflows	(15,602)	(13,848)	(11,070)	(14,917)	(4,434)	(59,871)
Increase (Decrease) in OPEB Liability	4,114	5,196	4,806	5,587	2,342	22,045
Increase (Decrease) in Compensated Absences	(680)	(2,289)	(6,026)	(2,383)	(400)	(11,778)
Total Adjustments	<u>656,527</u>	<u>1,700,922</u>	<u>746,488</u>	<u>861,768</u>	<u>148,889</u>	<u>4,114,594</u>
Net Cash Provided By (Used in) Operating Activities	<u>\$ 1,567,612</u>	<u>\$ 2,214,518</u>	<u>\$ 2,959,187</u>	<u>\$ 3,131,458</u>	<u>\$ 554,657</u>	<u>\$ 10,427,432</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:						
Cash and Cash Equivalents	\$ 5,785,450	\$ 9,400,508	\$ 6,379,548	\$ 4,615,143	\$ 1,574,695	\$ 27,755,344
Restricted Cash and Cash Equivalents	<u>382,591</u>	<u>172,383</u>	<u>3,118,800</u>	<u>5,463,348</u>	<u>509,954</u>	<u>9,647,076</u>
Total Cash and Cash Equivalents	<u>\$ 6,168,041</u>	<u>\$ 9,572,891</u>	<u>\$ 9,498,348</u>	<u>\$ 10,078,491</u>	<u>\$ 2,084,649</u>	<u>\$ 37,402,420</u>

The accompanying notes are an integral part of these financial statements.

City of Springfield, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>REVENUES</u>				
Taxes				
Property	\$ 4,747,237	\$ 4,747,237	\$ 4,676,555	\$ (70,682)
Local Option Sales	5,408,000	5,458,492	5,654,686	196,194
Wholesale Beer	637,000	657,000	651,059	(5,941)
Wholesale Liquor	101,500	101,500	108,622	7,122
Business	395,000	409,000	442,606	33,606
Other	180,364	180,364	171,209	(9,155)
Intergovernmental				
Grants	-	51,230	66,665	15,435
TVA PILOT	190,000	190,000	192,924	2,924
Housing Authority PILOT	35,000	35,000	28,248	(6,752)
State Sales Tax	1,260,553	1,275,053	1,329,678	54,625
Telecommunications Sales Tax	1,447	1,447	1,447	-
State Income Tax	85,000	85,000	155,392	70,392
State Beer Tax	8,100	8,100	8,027	(73)
Petroleum Special	34,000	34,000	33,447	(553)
Mixed Drink Tax	26,000	26,000	33,990	7,990
Corporate Excise Tax	29,000	29,000	45,118	16,118
License and Permits	108,650	108,650	130,102	21,452
Fines and Forfeitures	180,000	180,000	147,210	(32,790)
Charges for Services	954,305	954,305	996,995	42,690
Investment Income	4,500	4,500	1,036	(3,464)
Rental Income	174,266	174,266	169,115	(5,151)
Miscellaneous Revenues	89,301	91,501	101,867	10,366
Total Revenues	<u>\$ 14,649,223</u>	<u>\$ 14,801,645</u>	<u>\$ 15,145,998</u>	<u>\$ 344,353</u>
<u>EXPENDITURES</u>				
<u>General Government</u>				
Administrative Services:				
Salaries and Benefits	\$ 132,599	\$ 132,254	\$ 131,718	\$ 536
Management & Operations	6,214	6,824	4,919	1,905
Capital Outlay	700	435	431	4
Total Administrative Services	<u>\$ 139,513</u>	<u>\$ 139,513</u>	<u>\$ 137,068</u>	<u>\$ 2,445</u>
City Recorder:				
Salaries and Benefits	\$ 143,821	\$ 143,821	\$ 129,474	\$ 14,347
Management & Operations	26,587	26,482	16,809	9,673
Capital Outlay	4,704	4,809	1,408	3,401
Total City Recorder	<u>\$ 175,112</u>	<u>\$ 175,112</u>	<u>\$ 147,691</u>	<u>\$ 27,421</u>

The accompanying notes are an integral part of these financial statements.

City of Springfield, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund (Continued)
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Final	Variance - Favorable (Unfavorable)
<u>General Government (continued)</u>				
Engineering:				
Salaries and Benefits	\$ 169,884	\$ 169,904	\$ 161,585	\$ 8,319
Management & Operations	32,374	32,524	15,198	17,326
Capital Outlay	14,099	13,929	8,356	5,573
Total Engineering	<u>\$ 216,357</u>	<u>\$ 216,357</u>	<u>\$ 185,139</u>	<u>\$ 31,218</u>
Finance:				
Salaries and Benefits	\$ 177,740	\$ 166,186	\$ 98,727	\$ 67,459
Management & Operations	48,950	61,342	29,927	31,415
Capital Outlay	80,016	79,178	5,536	73,642
Total Finance	<u>\$ 306,706</u>	<u>\$ 306,706</u>	<u>\$ 134,190</u>	<u>\$ 172,516</u>
Other General:				
Salaries and Benefits	\$ 12,697	\$ 12,697	\$ 4,389	\$ 8,308
Management & Operations	689,785	708,762	603,056	105,706
Capital Outlay	52,524	145,400	32,368	113,032
Bond Issuance Cost	-	9,007	9,006	1
Principal Payments	1,992,116	2,213,160	1,994,890	218,270
Interest Payments	576,769	576,879	570,878	6,001
Total Other General	<u>\$ 3,323,891</u>	<u>\$ 3,665,905</u>	<u>\$ 3,214,587</u>	<u>\$ 451,318</u>
Legislative:				
Salaries and Benefits	\$ 27,018	\$ 27,018	\$ 23,852	\$ 3,166
Management & Operations	45,391	57,891	47,767	10,124
Total Legislative	<u>\$ 72,409</u>	<u>\$ 84,909</u>	<u>\$ 71,619</u>	<u>\$ 13,290</u>
 Total General Government	 <u>\$ 4,233,988</u>	 <u>\$ 4,588,502</u>	 <u>\$ 3,890,294</u>	 <u>\$ 698,208</u>
<u>Community Development:</u>				
Salaries and Benefits	\$ 415,697	\$ 416,697	\$ 363,687	\$ 53,010
Management & Operations	85,320	84,720	35,025	49,695
Capital Outlay	17,250	16,850	16,053	797
Total Community Development	<u>\$ 518,267</u>	<u>\$ 518,267</u>	<u>\$ 414,765</u>	<u>\$ 103,502</u>

City of Springfield, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund (Continued)
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Final	Variance - Favorable (Unfavorable)
<u>Public Safety</u>				
Fire:				
Salaries and Benefits	\$ 2,221,478	\$ 2,234,875	\$ 2,180,330	\$ 54,545
Management & Operations	294,320	281,287	256,100	25,187
Capital Outlay	100,168	149,294	125,903	23,391
Total Fire	<u>\$ 2,615,966</u>	<u>\$ 2,665,456</u>	<u>\$ 2,562,333</u>	<u>\$ 103,123</u>
Police:				
Salaries and Benefits	\$ 3,109,589	\$ 3,071,319	\$ 2,981,495	\$ 89,824
Management & Operations	843,148	852,017	769,642	82,375
Capital Outlay	369,546	438,777	429,359	9,418
Total Police	<u>\$ 4,322,283</u>	<u>\$ 4,362,113</u>	<u>\$ 4,180,496</u>	<u>\$ 181,617</u>
Animal Control:				
Salaries and Benefits	\$ 102,754	\$ 91,788	\$ 80,482	\$ 11,306
Management & Operations	30,751	41,717	27,611	14,106
Capital Outlay	2,700	2,700	866	1,834
Total Animal Control	<u>\$ 136,205</u>	<u>\$ 136,205</u>	<u>\$ 108,959</u>	<u>\$ 27,246</u>
 Total Public Safety	 <u>\$ 7,074,454</u>	 <u>\$ 7,163,774</u>	 <u>\$ 6,851,788</u>	 <u>\$ 311,986</u>
<u>Highways and Streets</u>				
Streets:				
Salaries and Benefits	\$ 914,221	\$ 913,621	\$ 855,221	\$ 58,400
Management & Operations	515,280	512,950	467,420	45,530
Capital Outlay	565,400	581,622	299,136	282,486
Total Streets	<u>\$ 1,994,901</u>	<u>\$ 2,008,193</u>	<u>\$ 1,621,777</u>	<u>\$ 386,416</u>
Vehicle Maintenance:				
Salaries and Benefits	\$ 200,606	\$ 196,606	\$ 190,400	\$ 6,206
Management & Operations	31,881	35,971	25,662	10,309
Capital Outlay	12,601	22,511	4,790	17,721
Total Vehicle Maintenance	<u>\$ 245,088</u>	<u>\$ 255,088</u>	<u>\$ 220,852</u>	<u>\$ 34,236</u>
 Total Highways and Streets	 <u>\$ 2,239,989</u>	 <u>\$ 2,263,281</u>	 <u>\$ 1,842,629</u>	 <u>\$ 420,652</u>

City of Springfield, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund (Continued)
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Final	Variance - Favorable (Unfavorable)
<u>Cemeteries:</u>				
Salaries and Benefits	\$ 111,812	\$ 112,915	\$ 108,717	\$ 4,198
Management & Operations	18,380	17,277	11,165	6,112
Capital Outlay	6,800	6,800	6,503	297
Total Cemeteries	<u>\$ 136,992</u>	<u>\$ 136,992</u>	<u>\$ 126,385</u>	<u>\$ 10,607</u>
<u>Parks and Recreation</u>				
Golf Course:				
Salaries and Benefits	\$ 455,607	\$ 439,272	\$ 439,167	\$ 105
Management & Operations	471,504	505,719	488,142	17,577
Capital Outlay	112,000	108,120	97,169	10,951
Capital Outlay - Capital Leases	-	-	259,002	(259,002)
Total Golf Course	<u>\$ 1,039,111</u>	<u>\$ 1,053,111</u>	<u>\$ 1,283,480</u>	<u>\$ (230,369)</u>
Recreation-General:				
Salaries and Benefits	\$ 806,850	\$ 808,440	\$ 692,718	\$ 115,722
Management & Operations	424,560	421,383	361,084	60,299
Capital Outlay	95,064	139,751	41,831	97,920
Total Recreation-general	<u>\$ 1,326,474</u>	<u>\$ 1,369,574</u>	<u>\$ 1,095,633</u>	<u>\$ 273,941</u>
Total Parks and Recreation	<u>\$ 2,365,585</u>	<u>\$ 2,422,685</u>	<u>\$ 2,379,113</u>	<u>\$ 43,572</u>
Total Expenditures	<u>\$ 16,569,275</u>	<u>\$ 17,093,501</u>	<u>\$ 15,504,974</u>	<u>\$ 1,588,527</u>
Revenues Over (Under) Expenditures	<u>\$ (1,920,052)</u>	<u>\$ (2,291,856)</u>	<u>\$ (358,976)</u>	<u>\$ 1,932,880</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	\$ -	\$ (47,300)	\$ (47,300)	\$ -
Transfers In	796,298	1,125,401	800,733	(324,668)
Bond and Note Proceeds	859,173	859,173	869,100	9,927
Other Financing Sources-Capital Leases	-	-	259,002	259,002
Sale of General Capital Assets	26,000	26,000	7,297	(18,703)
Total Other Financing Sources (Uses)	<u>1,681,471</u>	<u>1,963,274</u>	<u>1,888,832</u>	<u>(74,442)</u>
Net Change in Fund Balance	<u>\$ (238,581)</u>	<u>\$ (328,582)</u>	<u>1,529,856</u>	<u>\$ 1,858,438</u>
Beginning Fund Balance, As Previously Reported			4,282,816	
Prior Period Adjustment (Note 17)			<u>(147,258)</u>	
Beginning Fund Balance, As Restated			<u>4,135,558</u>	
Ending Fund Balance			<u>\$ 5,665,414</u>	

The accompanying notes are an integral part of these financial statements.

City of Springfield, Tennessee
Notes to the Financial Statements
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Springfield, Tennessee (the City) was incorporated under the laws of the State of Tennessee. The City provides the following services to its citizens, as authorized by its charter: general administrative services, public safety, streets and roadways, health and welfare, culture and recreation, planning and zoning, public improvements, electric, gas, sanitation, storm water, and water and sewer utility services.

The accounting and reporting policies of the City conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB). The most significant of the City's accounting policies are described below:

A. Reporting Entity

Generally accepted accounting principles require that financial statements present the accounts and operations of the government and its component units, entities for which the government is considered to be financially accountable. The basic criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's financial report is the financial accountability over such organization by the governmental unit's elected officials. The manifestations of such financial accountability are financial benefactor or burden, ability to impose its will, and fiscal dependence. As of June 30, 2016 and for the fiscal year then ended, the City had no component units which were required to be included in these financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of agency funds which have no measurement focus; however, agency funds use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental grants, excise taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if recognition criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the City.

D. Basis of Presentation

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are separately aggregated and reported as non-major funds.

Governmental Fund Types

Governmental fund types are used to account for the City's general government activities. Governmental fund types include the following:

General Fund

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund is presented as a major fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (not including major capital projects).

Capital Projects Funds

The capital projects fund is used to account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The Capital Improvements Fund is presented as a major fund.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Types

Proprietary fund types are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Proprietary fund types include the following:

Electric Fund

The electric fund is used to account for financial activity related to electric power services provided throughout the City and certain surrounding areas. The electric fund is presented as a major fund.

Gas Fund

The gas fund is used to account for financial activity related to natural gas services provided throughout the City and certain surrounding areas. The gas fund is presented as a major fund.

Sewer Fund

The sewer fund is used to account for financial activity related to sewer services provided throughout the City and certain surrounding areas. The sewer fund is presented as a major fund.

Water Fund

The water fund is used to account for financial activity related to water services provided throughout the City and certain surrounding areas. The water fund is presented as a major fund.

Sanitation Fund

The sanitation fund is used to account for financial activity related to sanitation services provided throughout the City and certain surrounding areas.

Storm Water Fund

The storm water fund is used to account for the costs associated with the management, construction, maintenance, protections, control, regulation, use, and enhancement of storm water systems and programs throughout the City and certain surrounding areas.

Fiduciary Fund Type

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

Agency Fund

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are used to account for assets that the City holds for others in an agency capacity. The City had one agency fund, the Library Fund, which was created to account for assets held for the Gorham-MacBane Public Library construction. As of June 30, 2016, City held no assets in the Agency Fund.

E. Receivables

Accounts receivable are reported at unpaid principal balance net of any allowance for uncollectible accounts. The allowance for uncollectible accounts was \$598,658 at June 30, 2016. Bad debts are charged to expense using the allowance method. The City's policy, for proprietary funds, is to reserve accounts 30 days or more past due; for governmental funds (property taxes), it is the City's policy to reserve accounts one or more years past due. The bad debt expense for the year ended June 30, 2016 was \$190,126.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment are reported at the acquisition value at the time of acquisition. Construction period interest on constructed assets is capitalized as a portion of the cost of the asset. Interest capitalized during the current fiscal year was \$622,266.

Governmental capital asset values, reported under GASB 34, are based on historical costs. Since the City is a Phase 3 municipality, the valuation of infrastructure includes only infrastructure added after June 30, 2003; retroactive reporting has not been elected.

The City does not have a formal asset capitalization policy.

Depreciation is computed on governmental capital assets using the straight-line method over the following estimated useful lives:

<u>Infrastructure</u>	
Roadways	20-50 years
Bridges	50 years
<u>Other Capital Assets</u>	
Land Improvements	15-50 years
Machinery and Equipment	3-15 years
Buildings	50 years
Vehicles	5 years

Depreciation is provided on the business-type capital assets in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The estimated service lives by type of asset are as follows:

Utility Plant	20-50 years
Land and Improvements	15-50 years
Equipment	3-15 years
Vehicles	5 years

G. Property Tax

The City's property taxes are levied each October 1 on assessed value as of the prior January 1 for all real and business personal property located in the City. Taxes are due and payable on or before December 31. Property taxes attach as an enforceable lien on property as of January 1 of the following year. Property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectability is doubtful.

Under GASB Statement 33, Accounting for Non-Exchange Transactions, property taxes are imposed non-exchange revenue. Assets (accounts receivable) from imposed non-exchange transactions are recorded when the City has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. The assessment date has been designated in the enabling legislation as January 1. Therefore, the City has recorded the succeeding year's receivable and deferred inflows of resources for taxes assessed as of year-end that will not be received until after year-end.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate; are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

I. Long-Term Liabilities and Interest Capitalization

Long-term liabilities consist of bonds, notes, and other indebtedness including liabilities associated with compensated absences, pension, and other post-employment benefits.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight line method which is not materially different from the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Total interest incurred and expensed for the governmental funds for the year ended June 30, 2016 was \$565,297. Total interest incurred for the proprietary funds for the year ended June 30, 2016 was \$1,393,759. Interest capitalized was \$622,266, and interest expensed was \$771,493 for the year ended June 30, 2016.

J. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and then unrestricted resources as they are needed.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Inventories

Proprietary fund inventories of material, supplies and replacement parts are valued using average cost determined by the moving average inventory method. A physical inventory is taken annually.

Inventory items used by the general fund are expensed at the time items are purchased rather than when consumed, except for the golf inventory. Golf inventory record is kept on the same basis as proprietary fund inventory.

L. Unbilled Revenue

As is the general practice in the utility industry, unbilled revenue for services (proprietary funds) from the date of the most recent meter reading to the balance sheet date is not recorded. However, the effect is considered immaterial.

M. Unearned Revenue

When resources are received in advance of charges for services being earned or in advance of any eligibility requirement other than a time requirement being met for government-mandated or voluntary nonexchange transactions (i.e., for intergovernmental revenues), a liability is reported for the unearned revenues.

N. Insurance and Advertising

Insurance and advertising costs are expensed as incurred.

O. Operating and Non-Operating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

P. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased and investments in the local government investment pool funds to be cash and cash equivalents.

Q. Use of Estimates

The City used estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Springfield's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Springfield's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

S. New Pronouncements

Effective for the fiscal year ending June 30, 2015, the City adopted the following provisions of Governmental Accounting Standards Board (GASB):

- GASB Statement No. 68, Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27 and
- GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68

The objective of Statement No. 68 is to improve financial reporting by state and local governmental pension plans. In addition, it requires the liability of the employer contributing entity to employees for defined benefit pension plans (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

In addition, Statement No. 68 details the disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The effects of this statement were applied retroactively by reporting the cumulative effect of the application as a restatement of beginning net position. Also see note 17.

The objective of Statement No. 71 is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The provisions of Statement No. 71 are required to be applied simultaneously with the provisions of Statement No. 68.

Effective for the fiscal year ending June 30, 2016, the City adopted the following provisions of Governmental Accounting Standards Board (GASB):

- GASB Statement No. 72, Fair Value Measurement and Application
- GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
- GASB Statement No. 79, Certain Investment Pools and Pool Participants

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. There is no effect of this Statement on the City's beginning net position/fund balance.

The GASB Statement No. 72 requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

The objective of GASB Statement No. 76 is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

The GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement.

The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended. There is no effect of this Statement on the Town's beginning net position/fund balance.

The GASB Statement No. 79 establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Fund Balance Classification

Beginning with fiscal year 2010-2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The classifications used in the governmental fund financial statements are as follows:

- I. Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Inventories and Prepaid Expenses as non-spendable to indicate that they are not available for appropriation and are not available financial resources.
- II. Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified State Street Aid, Drug Fines and Forfeitures as being restricted because their use is restricted by State Statute for street expenditures and police investigation expenditures. Proceeds from sale of land and bonds are restricted for capital improvement projects.
- III. Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action (ordinance or resolution) of the Board of Aldermen. The Board of Aldermen is the highest level of decision-making authority for the City. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- IV. Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board of Aldermen delegating this responsibility to the City Manager or City Recorder through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. At June 30, 2016, the City had \$691,298 in assigned funds.
- V. Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Aldermen has provided otherwise in its commitment or assignment actions.

During the fiscal year 2014, the City adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year-end to be at least \$2,000,000.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

2. CASH AND INVESTMENTS

Statement No. 40, “Deposit and Investment Risk Disclosures”, of the Governmental Accounting Standards Board (GASB), states “If a government has no deposit or investment policy that addresses a specific type of risk that it is exposed to, the disclosure should indicate that fact.” The City does not have an official deposit and investment policy. Although there is no official deposit and investment policy for the City, in order to provide a safe temporary medium for investment of the City’s idle funds, the City invests those idle funds under the provisions of Tennessee Code Annotated 6-56-106. State statutes authorize the City to invest in, among other things: (1) U.S. government securities and obligations guaranteed by the U.S. government, (2) deposit accounts at state and federally chartered banks and savings and loan associations, and (3) the Local Government Investment Pool of the State of Tennessee.

The City has investments in the Local Government Investment Pool (LGIP), which is part of the State Pooled Investment Fund (SPIF). The City has no regulatory oversight for the pool, which is governed by the State of Tennessee Funding Board and is administered by the State Treasurer. Investments in the LGIP are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest or principal. The pool contains investments in certificate of deposits, bank deposits, U.S. Government obligations and commercial paper. The SPIF/LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, as amended. Accordingly, the pool qualifies as a 2a7-like pool and is reported at amortized cost. State statutes require the State Treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the State Treasurer. There are no other investments held by the City that are required to be reported at fair value as of June 30, 2016.

<u>Investment</u>	<u>Weighted Average Maturity (days)</u>	<u>Reported at Amortized Cost</u>
Local Government Investment Pool (LGIP)	4 to 117	\$ 31,287,586

GASBS 40 is designed to inform financial statement users about the deposit and investment risks that could affect a government’s ability to provide services and meet its obligations as they become due. The City recognizes its deposits and investments may have one or more of the following risks:

1. Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit investments in debt securities to the highest rated category by at least two nationally recognized rating agencies. The City has no policy that would limit its investment choices. As of June 30, 2016, the City’s investment in the LGIP was unrated.
2. Concentration of credit risk: A concentration of investments in any one single issuer of debt securities presents a greater risk for loss in the event that the issuer fails on its obligations. The City places no limit on the amount the City may invest in any one issuer. One hundred percent of the City’s investments are in the LGIP.
3. Interest rate risk: Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The City 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, but mitigates the risk by investing only in the LGIP fund.
4. Custodial credit risk: Custodial credit risk is defined as the risk that a government will not be able to recover its deposits, investments or collateral from the bank in the event of bank failure. The City doesn’t have custodial credit risk policy for investments.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

2. CASH AND INVESTMENTS (continued)

The Federal Depository Insurance Corporation (FDIC) currently insures the first \$250,000 of the City's deposits at each financial institution. State statutes require that all deposits with financial institutions must be secured by FDIC, by the Tennessee Bank Collateral Pool or by collateral held by the financial institution in the City's name. As of June 30, 2016, the carrying amount of the City's deposits was \$46,207,773 and the bank balance of \$46,363,902 was categorized as follows:

	<u>Bank Balances</u>
Insured by FDIC	\$ 354,993
Insured by Tennessee Bank Collateral Pool	14,721,323
Local Government Investment Pool (LGIP)	31,287,586
Total	\$ 46,363,902

3. RELATED PARTY TRANSACTIONS

The City of Springfield is part of an association of municipalities that own Tennessee Energy Acquisition Corporation (TEAC). One of the primary purposes of this corporation is to enter into a gas supply agreement with the Municipal Gas Authority of Georgia for the purchase of natural gas at below market prices on a long-term basis. This allows TEAC to enter into agreements with the associated municipalities to supply such gas to the municipalities, perform transportation, provide storage capacity and load management services and to secure the delivery of such gas supplies to the City gate stations for their benefit at below market prices. Gas purchases from TEAC were \$4,853,594 for the year ended June 30, 2016. At June 30, 2016, the City had prepaid gas in storage at TEAC of \$458,788 and a liability for purchased gas of \$286,814.

4. COMPENSATED ABSENCES

Vacation Leave:

The full-time employees of the City accrue vacation leave monthly. Vacation leave is accrued upon the completion of each calendar month of service. Vacation leave will begin to accrue as of the first full month of employment, but will only be granted after the satisfactory completion of the probationary period, except when approved by the City Manager for emergency reasons. As the number of years of service increases the number of days' increase for vacation leave. Vacation leave shall be earned as follows:

Employees hired before May 16, 1990 shall earn as follows:

Years of Service	Vacation per Month	Maximum Accrual
1 to 10	1 Day (8 hours)	12 Days
10 to 15	1.5 Days (12 hours)	18 Days
15+	2 Days (16 hours)	24 Days

Employees hired on or after May 16, 1990 shall earn as follows:

Years of Service	Vacation per Month	Maximum Accrual
Up to 1	1/2 Day (4 hours)	6 Days
1 to 10	1 Day (8 hours)	12 Days
10 to 15	1.25 Days (10 hours)	15 Days
15+	1.5 Days (12 hours)	18 Days

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

4. COMPENSATED ABSENCES (continued)

The full-time employees completing twenty-five years of continuous service will be credited with a one-time additional twenty-four (24) hours of vacation leave upon the twenty-fifth anniversary of the employment date.

The full-time employees may accumulate and carry forward from one calendar year to the next the maximum number of days specified above. Vacation leave in excess of the maximum number of days specified above may be converted to sick leave if not used by the end of a calendar year.

The regular part-time employees will be allowed to accumulate vacation leave on a proportionate rate based on the amount of time worked. Likewise, a regular part-time employee may carry forward a maximum of one year's accrued vacation leave.

Sick Leave:

Sick leave pay will be granted to all full-time employees at the rate of eight (8) hours for each month of service with no maximum cap. The part-time employees will be allowed to accumulate sick leave on a proportionate rate based on the amount of time worked. Sick leave shall accrue as of the first full month of employment but will only be granted after the satisfactory completion of probationary period, except when approved by the City Manager for emergency reasons.

The City has two plans for sick leave: Plan A and B. Employees of the City at May 15, 1990 were allowed to choose either plan. Employees hired after May 15, 1990 automatically fall under Plan B.

Plan A - The City allows employees to accumulate sick leave with pay at the rate of one (1) working day for each full calendar month of service completed up to an unused maximum of 120 days. Upon normal retirement employees will be compensated for one-half of their accumulated sick leave days.

Plan B - The City allows unused accumulated sick leave to be counted as creditable service in computing retirement benefits. Each 20 days of sick leave accumulated is equal to one month of creditable service towards retirement. Under this plan, there is no limit to the number of days which can be accumulated.

Employees leaving the City employment for any reason other than retirement will not be compensated for any balance of sick leave not taken.

As of June 30, 2016, the compensated absences liability was \$648,566.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

5. RISK MANAGEMENT AND SELF-INSURANCE PROGRAM

The City is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has elected to obtain various insurance policies to transfer risks to a commercial insurance company either directly or through the Tennessee Municipal League Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three years. Insurance settlement for the lightning damage at the Engineering building as well as a claim on a police car that was totaled during the year ended June 30, 2016 was approximately \$35,000 and is included in miscellaneous revenues on the financial statements.

The Tennessee Municipal League Risk Management Pool was begun in 1979 when an Interlocal Cooperation Agreement was signed and Tennessee local governmental entities became the owners of their own alternative insurance program. The purpose of this liability pool was to provide affordable, dependable liability coverage for entities such as the City. The pool is not an insurance company but is a cooperative risk sharing arrangement. Participating members pay a premium, receive coverage, and make claims against coverage. A portion of the premium is used to purchase reinsurance to cover losses that exceed the pool's loss fund. Legally, the members can be assessed for losses exceeding pool loss funds available and reinsurance policy limits but this circumstance is not expected to occur due to the financial management of the pool.

Until January 1, 2014, employee health benefits (medical and pharmacy) were covered by a commercial insurance policy purchased by the City, with no risk of loss retained by the City. Effective January 1, 2014, the City is self-insured with respect to employee health benefits. However, an excess liability policy (stop-loss policy) for employee health benefits has been purchased. All funds of the City participate in the self-insurance program.

Self-insurance program liabilities are reported when it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Estimated insurance claims payable at June 30, 2016, including incurred but not reported claims, amounting to \$199,979 and \$648,309 in the governmental funds and the proprietary funds, respectively. In addition, reinsurance recoverable on unpaid claims were deducted from the liability for unpaid claims. Following is a summary of the changes in claims liability for the Self Insurance Program for the fiscal year ended June 30, 2016:

<u>Year</u>	<u>Beginning of Fiscal-Year Liability</u>	<u>Current-Year Claims and Change in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal-Year End</u>
2013-2014	\$ -	\$ 1,789,582	\$ 1,020,767	\$ 768,815
2014-2015	\$ 768,815	\$ 2,480,144	\$ 2,512,186	\$ 736,773
2015-2016	\$ 736,773	\$ 2,561,216	\$ 2,449,701	\$ 848,288

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016:

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
<u>Governmental Assets:</u>				
Capital Assets not Depreciated:				
Land	\$ 2,544,407	\$ -	\$ -	\$ 2,544,407
Construction in Progress	-	100,573	-	100,573
Total Capital Assets not Depreciated	<u>2,544,407</u>	<u>100,573</u>	<u>-</u>	<u>2,644,980</u>
Capital Assets Depreciated:				
Buildings	11,495,955	83,012	-	11,578,967
Machinery and Equipment	16,253,069	1,128,813	(1,621,132)	15,760,750
Infrastructure	36,673,754	992,552	-	37,666,306
Total	64,422,778	2,204,377	(1,621,132)	65,006,023
Less Accumulated Depreciation	<u>(22,800,689)</u>	<u>(1,858,013)</u>	<u>1,621,132</u>	<u>(23,037,570)</u>
Net Capital Assets Depreciated	<u>41,622,089</u>	<u>346,364</u>	<u>-</u>	<u>41,968,453</u>
Net Governmental Assets	<u>44,166,496</u>	<u>446,937</u>	<u>-</u>	<u>44,613,433</u>
<u>Business-Type Activities:</u>				
Capital Assets not Depreciated:				
Land	1,126,460	259,610	(17,869)	1,368,201
Construction in Progress	8,059,637	17,040,671	(5,674,704)	19,425,604
Total Capital Assets not Depreciated	<u>9,186,097</u>	<u>17,300,281</u>	<u>(5,692,573)</u>	<u>20,793,805</u>
Capital Assets Depreciated:				
Utility Plant/Building	125,018,812	3,594,506	(56,143)	128,557,175
Equipment	8,477,781	1,155,454	(141,599)	9,491,636
Total	133,496,593	4,749,960	(197,742)	138,048,811
Less Accumulated Depreciation	<u>(58,933,928)</u>	<u>(4,299,554)</u>	<u>243,002</u>	<u>(62,990,480)</u>
Net Capital Assets Depreciated	<u>74,562,665</u>	<u>450,406</u>	<u>45,260</u>	<u>75,058,331</u>
Net Business-Type Assets	<u>83,748,762</u>	<u>17,750,687</u>	<u>(5,647,313)</u>	<u>95,852,136</u>
Net Capital Assets	<u>\$ 127,915,258</u>	<u>\$ 18,197,624</u>	<u>\$ (5,647,313)</u>	<u>\$ 140,465,569</u>

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

6. CAPITAL ASSETS (continued)

Depreciation expense related to governmental activities was charged to the following functions for June 30, 2016:

General Government	\$ 181,850
Public Safety	613,895
Highways, Streets, and Roadways	655,999
Public Works	54,010
Vehicle Maintenance	7,291
Cemetery	6,985
Parks and Recreation	178,151
Golf	159,832
Total	<u>\$ 1,858,013</u>

7. LONG-TERM DEBT

The following is a summary of changes to long-term liabilities during the year ended June 30, 2016. The compensated absences liability and outstanding notes and bonds attributable to the governmental activities will be liquidated primarily by the General Fund. Interest requirements for variable rate debt are calculated using the interest rate effective at the end of the reporting year. Variable interest rates are based upon the federal prime rate.

	Balance <u>6/30/2015</u>	Added	Paid	Balance <u>6/30/2016</u>	Due Within <u>One year</u>
<u>Governmental Activities:</u>					
Bonds and Notes Payable	\$ 17,320,455	\$ 2,054,100	\$ 1,987,117	\$ 17,387,438	\$ 2,175,620
Add: Premium on Bonds	393,532	24,675	25,792	392,415	-
Capital Leases	<u>-</u>	<u>259,002</u>	<u>7,771</u>	<u>251,231</u>	<u>31,861</u>
Total Bonds and Notes Payable	17,713,987	2,337,777	2,020,680	18,031,084	2,207,481
OPEB	689,984	32,294	-	722,278	-
Compensated Absences	<u>393,659</u>	<u>-</u>	<u>17,331</u>	<u>376,328</u>	<u>75,266</u>
Total Governmental Activities	<u>18,797,630</u>	<u>2,370,071</u>	<u>2,038,011</u>	<u>19,129,690</u>	<u>2,282,747</u>
<u>Business-Type Activities:</u>					
Bonds and Notes Payable	45,258,937	7,125,696	3,745,222	48,639,411	5,060,109
Add: Premium on Bonds	<u>1,209,881</u>	<u>100,594</u>	<u>68,394</u>	<u>1,242,081</u>	<u>-</u>
Total Bonds and Notes Payable	46,468,818	7,226,290	3,813,616	49,881,492	5,060,109
OPEB	425,391	22,045	-	447,436	-
Compensated Absences	<u>284,014</u>	<u>-</u>	<u>11,776</u>	<u>272,238</u>	<u>54,448</u>
Total Business-Type Activities	<u>47,178,223</u>	<u>7,248,335</u>	<u>3,825,392</u>	<u>50,601,166</u>	<u>5,114,557</u>
Total Governmental and Business-Type Activities	<u>\$ 65,975,853</u>	<u>\$ 9,618,406</u>	<u>\$ 5,863,403</u>	<u>\$ 69,730,856</u>	<u>\$ 7,397,303</u>

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

7. LONG-TERM DEBT (continued)

Governmental long-term debt at June 30, 2016 consists of the following obligations:

Issue	Original Amount Issued	Fiscal Year Maturity Date	Interest Rate	Principal Outstanding 6/30/2016
General Obligation Bonds-Governmental:				
General Obligation Bond, Series 1981 (Berkadia)	\$ 652,500	2020	5%	\$ 137,000
General Obligation Bond, Series 2009A (US Bank)	3,000,000	2030	2-4.20%	<u>2,380,000</u>
Total General Obligation Bonds-Governmental				<u>2,517,000</u>
General Obligation Notes-Governmental:				
Capital Outlay Note, Series 2010 (CB&T)	317,700	2017	4.06%	52,950
Capital Outlay Note, Series 2011 (Commerce Union)	177,000	2020	4.14%	78,667
Capital Outlay Note, Series 2012 (Farmers Bank)	680,000	2022	4.87%	<u>408,000</u>
Total General Obligation Notes-Governmental				<u>539,617</u>
Jointly Issued General Obligation Debt-Governmental:				
General Obligation Refunding Bond, Series 2008 (US Bank)	11,950,000	2022	2-4.20%	1,680,380
General Obligation Bond, Series 2009 (US Bank)	8,770,000	2025	2-4%	2,672,022
Capital Outlay Note, Series 2009 (US Bank)	200,000	2019	4.98%	17,400
General Obligation Bond, Series 2010 (US Bank)	5,260,000	2027	2-4%	2,227,168
GO Refunding and Public Impv Bond, Series 2012 (US Bank)	9,255,000	2033	2-3%	2,374,658
GO Public Improvements Bond, Series 2013 (US Bank)	11,225,000	2033	2-4.50%	1,295,000
GO Public Improvements Bond, Series 2014 (US Bank)	18,485,000	2039	2-5%	1,317,136
Capital Outlay Note, Series 2013 (Volunteer)	453,880	2017	2.50%	50,468
Capital Outlay Note, Series 2014-A (US Bank)	631,248	2018	1.57%	126,292
Capital Outlay Note, Series 2014-B (US Bank)	607,253	2022	2.59%	89,005
Capital Outlay Note, Series 2015 (US Bank)	1,831,000	2021	1.24-2.79%	427,190
Capital Outlay Note, Series 2016	1,240,000	2023	1.75%	869,100
GO Public Improvements Bond, Series 2016 (US Bank)	6,030,000	2036	2-3%	<u>1,185,000</u>
Total Jointly Issued General Obligation Debt-Governmental				<u>14,330,819</u>
Capital Leases-Governmental:				
PNC Equipment Finance - Golf Carts	250,800	2020	3.95%	243,505
PNC Equipment Finance - Golf Utility Vehicle	\$ 8,202	2020	3.95%	<u>7,726</u>
Total Capital Leases-Governmental				<u>251,231</u>
Total Governmental Long-Term Debt				17,638,667
Add: Premiums				392,415
Less: Current Portion				<u>(2,175,620)</u>
Net Governmental Long-Term Debt				<u>\$ 15,855,462</u>

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

7. LONG-TERM DEBT (continued)

Proprietary long-term debt at June 30, 2016 consists of the following obligations:

Issue	Original Amount Issued	Maturity Date	Interest Rate	Principal Outstanding 6/30/2016
General Obligation Bonds-Proprietary:				
General Obligation Revenue Bond, Series 1978 (Berkadia)	\$ 4,500,000	2018	5.00%	\$ 500,000
General Obligation Bond, Series 1979 (Berkadia)	700,000	2019	5.00%	115,000
Gas General Obligation Bond, Series 2012 (Fifth Third)	1,750,000	2027	2.80%	<u>1,357,000</u>
Total General Obligation Bonds-Proprietary				<u>1,972,000</u>
General Obligation Notes-Proprietary:				
Capital Outlay Note, Series 2009 (Commerce Union)	134,600	2017	4.39%	16,825
Capital Outlay Note, Series 2009 (Commerce Union)	215,000	2019	4.49%	<u>64,500</u>
Total General Obligation Notes-Proprietary				<u>81,325</u>
Jointly Issued General Obligation Debt-Proprietary:				
General Obligation Refunding Bond, Series 2008 (US Bank)	11,950,000	2022	2-4.20%	2,299,619
General Obligation and Tax Bond, Series 2009 (US Bank)	8,770,000	2025	2-4%	1,482,978
Capital Outlay Note, Series 2009 (US Bank)	200,000	2019	4.98%	42,600
General Obligation and Taxbond, Series 2010 (US Bank)	5,260,000	2027	2-4%	1,692,832
Capital Outlay Note, Series 2010 (US Bank)	955,500	2019	3.97%	393,573
Capital Outlay Note, Series 2011 (US Bank)	150,000	2018	3.74%	42,858
Capital Outlay Note, Series 2012 (Commerce Union)	635,670	2017	3.10%	127,134
GO Refunding and Public Impv Bond, Series 2012 (US Bank)	9,255,000	2033	2-3%	5,445,342
GO Public Improvements Bond, Series 2013 (US Bank)	11,225,000	2033	2-4.50%	8,785,000
GO Public Improvements Bond, Series 2014 (US Bank)	18,485,000	2039	2-5%	16,717,864
Capital Outlay Note, Series 2013 (Volunteer)	453,880	2017	2.50%	63,002
Capital Outlay Note, Series 2014-A (US Bank)	631,248	2018	1.57%	191,056
Capital Outlay Note, Series 2014-B (US Bank)	607,253	2022	2.59%	370,748
Capital Outlay Note, Series 2015 (US Bank)	1,831,000	2021	1.24-2.79%	1,083,810
GO Public Improvements Bond, Series 2016 (US Bank)	6,030,000	2036	2-3%	4,845,000
Capital Outlay Note, Series 2016	1,240,000	2023	1.75%	<u>370,900</u>
Total Jointly Issued General Obligation Debt-Proprietary				<u>43,954,316</u>
State Loans:				
TN State Funding Loan (SRF 94-069)	1,607,000	2020	2.84%	223,856
TN State Funding Loan (SRF 16-360)	\$ 19,250,000	2041	1.35%	<u>1,755,925</u>
Total State Loans				<u>1,979,781</u>
TVA Conversion Loan				<u>651,989</u>
Total Proprietary Long-Term Debt				48,639,411
Add: Premiums				1,242,081
Less: Current Portion				<u>(5,060,109)</u>
Net Proprietary Long-Term Debt				<u>\$ 44,821,383</u>

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

7. LONG-TERM DEBT (continued)

Below is a condensed schedule of maturities for long-term debt and obligations at June 30, 2016. Utility plant assets and net revenues are pledged as collateral for the respective bond issues outstanding. A sinking fund is required only for bonds in the water department for payment of the outstanding principal and interest. The City has a continuing disclosure requirement on some of its bonds to provide an annual report, audited financial statements and certain other information to Municipal Securities Rulemaking Board (MSRB). Outstanding governmental notes and bonds are secured by the full faith and credit and taxing powers of the City.

State revolving fund loan is secured by the City's user fees, charges and or ad valorem taxes. In addition, the City pledged and assigned its Unobligated State-Shared Taxes in an amount equal to the maximum annual debt service requirements under the loan agreement.

Fiscal Year Ended June 30	Principal Due	Interest Due
2017	\$ 7,235,729	\$ 2,046,552
2018	5,413,611	1,852,180
2019	5,067,178	1,702,006
2020	4,540,707	1,544,416
2021	3,876,300	1,397,141
2022-2026	16,463,553	5,177,445
2027-2031	12,376,000	2,893,480
2032-2036	8,105,000	1,283,625
2037-2039	3,200,000	226,975
Total Long-Term Debt	<u>\$ 66,278,078</u>	<u>\$ 18,123,819</u>

8. PENSION PLAN

Plan description: Employees of Springfield are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided: Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

8. PENSION PLAN (CONT'D)

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms: At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	142
Active employees	<u>235</u>
Total	<u><u>442</u></u>

Contributions: The City of Springfield has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5 percent of annual covered payroll. Springfield makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for Springfield was \$1,159,343 based on a rate of 10.94% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Springfield's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Springfield's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

8. PENSION PLAN (CONT'D)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique.

The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Springfield will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

8. PENSION PLAN (CONT'D)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Balance at 6/30/14	\$ 33,909,081	\$ 35,953,584	\$ (2,044,503)
Changes for the year:			
Service cost	728,516	-	728,516
Interest	2,562,125	-	2,562,125
Differences between expected and actual experience	(622,677)	-	(622,677)
Contributions- employer	-	1,159,343	(1,159,343)
Contributions- employees	-	2,334	(2,334)
Net investment income	-	1,110,393	(1,110,393)
Benefit payments, including refunds of employee contributions	(951,863)	(951,863)	-
Administrative expense	-	(11,348)	11,348
Net changes	<u>1,716,101</u>	<u>1,308,859</u>	<u>407,242</u>
Balance at 6/30/15	<u>\$ 35,625,182</u>	<u>\$ 37,262,443</u>	<u>\$ (1,637,261)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of Springfield calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Springfield's net pension liability (asset)	\$ 3,351,676	\$ (1,637,261)	\$ (5,793,674)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense: For the year ended June 30, 2016, Springfield recognized pension expense of \$174,224.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

8. PENSION PLAN (CONT'D)

Deferred outflows of resources and deferred inflows of resources: For the year ended June 30, 2016, Springfield reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,091,360
Net difference between projected and actual earnings on pension plan investments	1,274,854	1,674,870
Contributions subsequent to the measurement date of June 30, 2015	1,234,754	-
	\$ 2,509,608	\$ 2,766,230

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended	Amount Reported		
June 30	Outflows (a)	Inflows (b)	(a) + (b)
2017	\$ 318,714	\$ (740,183)	\$ (421,469)
2018	318,714	(740,183)	(421,469)
2019	318,714	(740,183)	(421,469)
2020	318,712	(181,894)	136,818
2021	-	(181,894)	(181,894)
Thereafter	\$ -	\$ (181,893)	\$ (181,893)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2016, Springfield reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

8. PENSION PLAN (CONT'D)

TARGET BENEFIT PENSION PLAN

The City has another pension plan, Springfield Department of Utilities Employees' Target Benefit Pension Plan & Trust, which is a defined contribution plan administered by the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees were eligible to participate in the plan after one year of service and having attained age 25. Since 1985, participation is closed into this plan for new employees. Benefit terms, including contribution requirements, for the Plan are established and may be amended by City's Board of Aldermen.

Mandatory employee contributions are \$1.25 per month for each \$10 of assumed normal retirement benefit and shall not exceed fifty percent of the employer contributions. Voluntary employee contributions shall not exceed ten percent of employee compensation. Total employee contributions for the current fiscal year were \$20,218. Employer contributions are equal to the level funding amount necessary to fund the participant's target benefit. The target benefit is calculated on the basis of a life annuity with ten years certain. The amount of required and actual employer contributions for the current fiscal year was \$50,572. No pension plan changes occurred during the year that affected the required contribution to be made by the City or its employees.

The "vested percentage" in an employee account is determined under the following schedule and is based on vesting years of service. The employees will always, however, be 100% vested at retirement age.

Vesting Schedule					
Years of Service	Percentage	Years of Service	Percentage	Years of Service	Percentage
0-1	0%	5	33.0%	10	66.0%
1	6.6%	6	39.6%	11	72.6%
2	13.2%	7	46.2%	12	79.2%
3	19.8%	8	52.8%	13	85.8%
4	26.4%	9	59.4%	14	92.4%
				15	100.0%

Regardless of these vesting schedules, the employee is always 100% vested in all amounts he/she contributed to the Plan.

Forfeitures are created when participants terminate employment before becoming entitled to their full benefits under the Plan. These forfeited amounts are used to reduce the employer's contributions to the Plan and or are used to pay a portion of Plan's administrative expenses. There were no forfeitures during the current fiscal year. The City had no liability to the plan at June 30, 2016.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

9. OTHER POST EMPLOYMENT BENEFITS

The City implemented the provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, during the year ended June 30, 2008. These provisions were applied prospectively with respect to the City's postemployment benefit plans. GASB Statement No. 45 requires the accrual of other postemployment benefit obligations over the working careers of plan members rather than as benefits are paid.

Plan Description - The City of Springfield's Retired Employees' Benefit Plan (the "Plan") is a single-employer defined benefit medical and life insurance plan administered by the City of Springfield which was prospectively implemented in accordance with GASB Statement 45. The Plan provides medical and life insurance benefits to eligible retirees. Retirees are able to obtain medical insurance at the City group rates for their spouses. Employees eligible includes employees hired before July 1, 1976, age sixty with ten years of service, or age fifty-five with twenty-five years of service, or thirty years of service until Medicare. Employees hired after July 1, 1976, age sixty with five years of service or thirty years of service without regard to age are eligible. The Plan has a total of 213 participants of which 5 are retired participants and 208 are active participants. Benefits are established and amended by the Board of Aldermen. The Plan does not issue a publicly available financial report that includes financial statements and required supplementary information.

Funding Policy - The contribution requirements were determined by the actuary study performed as of July 1, 2015. The funding requirements are established and may be amended by the Board of Aldermen. The Plan is self-insured with respect to medical benefits and financed on a pay-as-you-go basis. Estimated medical claims liabilities of the Plan are used to establish premium rates for the plan members. Plan members pay fifteen percent of the medical premium rates established. The City pays 100 percent of the life insurance premiums (\$5,000 policy). Funds approved by the Board of Aldermen in fiscal year 2016 were sufficient to pay the current cost of other post employment benefits for eligible retirees in fiscal year 2016.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the city's net OPEB obligation:

Summary of OPEB Obligations

	<u>6/30/2016</u>
Annual Required Contribution (ARC)	\$ 100,297
Interest on net OPEB Obligation	44,615
Adjustment to ARC	<u>(64,503)</u>
Annual OPEB Cost (Expense)	80,409
Contribution Made	<u>(26,070)</u>
Increase in OPEB Obligation	54,339
Net OPEB Obligation - beginning of year	<u>1,115,375</u>
Net OPEB Obligation - end of year	<u><u>\$ 1,169,714</u></u>

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

9. OTHER POST EMPLOYMENT BENEFITS (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	Annual OPEB Cost as a % of Payroll
2016	\$ 80,409	32.42%	\$ 1,169,714	\$ 9,770,277	0.82%
2015	\$ 80,626	32.33%	\$ 1,115,374	\$ 9,770,277	0.83%
2014	\$ 91,597	15.37%	\$ 1,060,818	\$ 12,087,460	0.76%
2013	\$ 94,417	17.91%	\$ 983,301	\$ 12,087,460	0.78%

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,169,714, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,169,714. The covered payroll (annual payroll of active employees covered by the plan) was \$9.77 million, and the ratio of the UAAL to the covered payroll was 0.82 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care and life insurance cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and as new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2015 actuarial valuation, the projected unit cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the rate of the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 7.50 percent initially, decreasing 1.0 percent per year to a level of 4.50 percent. The rate of inflation (assumed rate of increase in payroll) was assumed at 3.0 percent. The actuarial value of assets was not applicable to the actuarial valuation. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period as of the July 1, 2015 study date, was 30 years.

10. COMMITMENTS, CONCENTRATIONS, AND CONTINGENCIES

A. Litigation

Various claims and lawsuits are pending against the City. In the opinion of the City's management and attorney, the potential loss on all claims and lawsuits will not have a material adverse effect on the City's financial position. Accordingly, no provisions for any liability have been made in the financial statements.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

10. COMMITMENTS, CONCENTRATIONS, AND CONTINGENCIES (continued)

B. Unemployment

The City is self-insured relative to unemployment compensation claims. The City reimburses the State for claims paid. At June 30, 2016, there were no significant unemployment claims against the City.

C. Major Suppliers

The electric fund purchases 100% of its power from the Tennessee Valley Authority. The gas fund's primary supplier is the Tennessee Energy Acquisition Corporation ("TEAC"), a related party (see note 4).

D. Contracts

The City maintains various contracts with providers and as a provider in relation to its utility services. The City has contractual commitments for various construction projects totaling \$9.50 million as of June 30, 2016. These contracts will be paid in the future as work is performed. Payments will be made mostly with bond proceeds.

Financial instruments that potentially subject the City to significant concentrations of credit risk consist principally of cash and accounts receivable. The City maintains cash with federally insured financial institutions or with members of the state bank collateral pool and limits the amount of credit exposure to any one institution by requiring collateral.

With respect to accounts receivable, credit risk is dispersed across a large number of customers who are geographically concentrated in the Springfield, Tennessee service area. The City performs an initial credit evaluation for new customers or obtains a security deposit, when applicable.

In September 2012, the Sewer Department received a United States Environment Protection Agency (EPA) issued administrative order of consent. As per the EPA's inspection on October 6, 2011, the Sewer Department's wastewater discharges exceeded Tennessee Department of Environment and Conservation (TDEC) National Pollutant Discharge Elimination System Permit limits and provisions. In order to comply with the corrective action plans, complete assessments and maintenance, and issue reports on the status of the compliance with the order, all projects are to be completed by December 31, 2017. In July 2013, EPA issued a Consent Agreement and Final Order and assessed a civil penalty of \$122,500. The City accrued a liability of \$122,500 at June 30, 2013 and paid the penalty during the FY 13-14. The Sewer Department anticipates spending approximately \$50 million to comply with the order. Noncompliance with the order is not anticipated.

11. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2016, was as follows:

Due To	Due From				
	General	Water	Electric	Non-Major Governmental	Total
General Fund	\$ -	\$ -	\$ 15	\$ 316,699	\$ 316,714
Capital Improvements	-	1,073	-	-	1,073
Water Fund	84,683	-	-	-	84,683
Sewer Fund	33,572	-	-	-	33,572
Electric Fund	54,961	-	-	-	54,961
Gas Fund	56,272	-	-	-	56,272
Non-Major Enterprise	11,496	-	11,956	-	23,452
Total	<u>\$ 240,984</u>	<u>\$ 1,073</u>	<u>\$ 11,971</u>	<u>\$ 316,699</u>	<u>\$ 570,727</u>

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

11. INTERFUND BALANCES AND TRANSFERS (continued)

Balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Long-term interfund loans are classified as interfund advances. The General Fund had an interfund advance payable to the Gas Fund of \$231,038 as of June 30, 2014. It was accounted for by the General Fund and Gas Fund in the fund financial statements as interfund advance payable/receivable as of June 30, 2014. This interfund loan with a balance of \$226,038 at June 30, 2015 was paid in full in December 2015.

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>					
	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Gas</u>	<u>Total</u>
General Fund	\$ -	\$ 56,489	\$ 152,993	\$ 402,050	\$ 189,201	\$ 800,733
Capital Improvements	47,300	-	-	-	-	47,300
Total	<u>47,300</u>	<u>56,489</u>	<u>152,993</u>	<u>402,050</u>	<u>189,201</u>	<u>848,033</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

12. RESTRICTED ASSETS

Restricted assets in proprietary funds represent cash, cash equivalents and investments for capital improvement projects, as required by the bond covenants to be set aside for the retirement of bond obligations and for other purposes like net pension obligations. Restricted assets in sanitation fund are restricted as required by state statutes to establish and maintain solid waste collection and disposal services. Restricted assets in governmental funds represent cash, cash equivalents and investments for capital improvement projects and as required by state statutes for street expenditures and police investigation expenditures.

13. BUDGETARY INFORMATION

A. Budget Basis

Budgets for the General Fund, Capital Projects Funds and Special Revenue Funds are adopted on the modified accrual basis consistent with generally accepted accounting principles (GAAP).

B. Budgetary Information

Listed below are the City's procedures for establishing budgetary data:

1. The City Manager submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

13. BUDGETARY INFORMATION (continued)

2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of ordinance.

The City Manager may authorize transfer of budget amounts within a department; however, any revisions that increase the total budgeted expenditures of any department must be approved by the Mayor and Board of Aldermen. Expenditures may not legally exceed budgeted appropriations at the department level without approval from the Mayor and Board of Aldermen.

Legally adopted budgets for all departments serve as a management control device. Budgets are adopted on a basis consistent with generally accepted accounting principles using the modified accrual basis of accounting for all governmental funds.

Since encumbrance accounting is not used by the City, unexpended appropriations of governmental funds automatically lapse at the end of the fiscal year.

Certain administrative and general costs of General Government departments support the functions of both the general government and proprietary funds. The City budgets the costs of operating these departments without considering the impact of reimbursements from the supported proprietary funds. Management has attempted to more accurately depict the operating results of these departments by reducing budget and actual allocations by the reimbursements received from the proprietary funds (which are not legally required to adopt an operating budget). The basis for these allocations is the total expenditure within that department.

14. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2016:

General Fund:	<u>Amount</u>	
Parks and Recreation:		
Golf Course:		
Capital Outlay - Capital Leases	\$ 259,002	Note A
Capital Improvements Fund:		
Bond Issuance Cost	\$ 23,012	

As discussed in Note #13, however, budgeted appropriations have been reduced by reimbursements received from proprietary funds that benefit from the services of the above departments. It should be noted that none of the above departments incurred departmental expenditures in excess of total budgeted appropriations, before or after the aforementioned reallocations to the proprietary funds. These reallocations were necessary in order to present meaningful budgetary comparisons.

Note A – During the current fiscal year, the City acquired two capital leases. In governmental funds, at the inception of capital leases, City is required to report capital leases as a capital outlay expenditure and other financing sources in an amount equal to the present value of future minimum lease payments (see note 16). This resulted in capital outlay – capital leases expenditures to be in excess of appropriations. Actual cash payments for capital leases were not over budget.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

15. SUBSEQUENT EVENTS

In July 2016, the Water Department received a Director's Order from Tennessee Department of Environment and Conservation (TDEC). The Director's Order is the result of three violations of turbidity limits at the Water Plant; one violation in each of the years 2012, 2013, and 2015. The City is required to upgrade portions of the water treatment plant by November 2017. TDEC assessed a minimum civil penalty of \$2,640 and maximum of \$13,200. The City has not accrued a liability at June 30, 2016, as the amount is considered immaterial. The civil penalty will be recorded when paid in the fiscal year 2016-2017. The Water Department anticipates spending approximately \$150,000 to comply with the order. Noncompliance with the order is not anticipated.

The City has evaluated subsequent events through December 2, 2016, the date which the financial statements were available to be issued.

16. LEASES

Operating Leases

The City has entered into a number of leases, and with the exception of the non-cancelable leases, these leases have cancellation provisions and are renewable on a monthly basis. Rent payments for all types of leases during the year ended June 30, 2016 were \$29,773. Future minimum lease payments under non-cancelable leases are \$0 for 2017 and thereafter.

Capital Leases

The City is the lessee of equipment under two capital leases expiring in March 2020. The assets and liabilities under these capital leases are recorded at the present value of the future minimum lease payments. The assets are depreciated over their estimated useful life.

Property held under capital leases, which is included in capital assets, is as follows:

Machinery and Equipment	\$ 259,002
Less: Accumulated Depreciation	<u>(10,706)</u>
Total	<u>\$ 248,296</u>

The remaining minimum future lease payments under capital leases, which are included in notes and bonds payable, are:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Payments</u>
2017	\$ 9,349	\$ 31,861	\$ 41,210
2018	8,068	33,142	41,210
2019	6,735	34,475	41,210
2020	<u>4,555</u>	<u>151,753</u>	<u>156,308</u>
	<u>\$ 28,707</u>	<u>\$ 251,231</u>	279,938
Less: Amount Representing Interest			<u>(28,707)</u>
Present Value of Net Minimum Lease Payments			251,231
Less: Current Portion			<u>(31,861)</u>
Capital Leases - Long-Term Portion			<u>\$ 219,370</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

17. PRIOR PERIOD ADJUSTMENTS

In prior year, the City incorrectly recorded revenue collected from industrial development board twice. A prior period adjustment was made to decrease the beginning fund balance on the governmental fund financial statements (general fund) and decrease the net position on the government-wide governmental activities by \$14,317. Had the error not occurred, the change in fund balance/net position for the prior year would have been decreased by \$14,317.

In the prior year, the City underestimated accrued payroll and related benefits expense. Therefore, a prior period adjustment was made to record additional payroll and related benefits and decrease the beginning fund balance on the governmental fund financial statements (general fund) and decrease the beginning net position on the proprietary fund financials and government-wide governmental/business-type activities by \$222,051. The effect of this transaction on the prior year would have been a decrease in the change in fund balance/net position by \$222,051.

In the prior year, the City didn't capitalize certain equipment in the government-wide financial statements. A prior period adjustment was made to capitalize these assets and increase the beginning net position on the government-wide governmental activities by \$26,657. Had the error not occurred, the change in net position for the prior year would have been increased by \$26,657.

Summary of prior period adjustments as of June 30, 2016 are as follows:

	Government-Wide		Fund Financials	
	Governmental	Business-Type	General Fund	Electric Fund
Beginning Net Position/Fund Balance, As Previously Stated	\$ 32,499,011	\$ 76,727,330	\$ 4,282,816	\$ 17,645,724
Revenue recorded in error	(14,317)	-	(14,317)	-
Unrecorded accrued payroll & benefits	(132,941)	(89,110)	(132,741)	(20,764)
Capitalize additional assets	26,657	-	-	-
Beginning Net Position/Fund Balance, As Restated	<u>\$ 32,378,410</u>	<u>\$ 76,638,220</u>	<u>\$ 4,135,758</u>	<u>\$ 17,624,960</u>

	Fund Financials				
	Gas Fund	Sewer Fund	Water Fund	Sanitation Fund	Storm Water Fund
Beginning Net Position/Fund Balance, As Previously Stated	\$ 23,300,394	\$ 16,348,050	\$ 17,673,260	\$ 895,372	\$ 864,530
Unrecorded accrued payroll & benefits	(20,578)	(17,118)	(24,184)	(6,129)	(337)
Beginning Net Position/Fund Balance, As Restated	<u>\$ 23,279,816</u>	<u>\$ 16,330,932</u>	<u>\$ 17,649,076</u>	<u>\$ 889,243</u>	<u>\$ 864,193</u>

City of Springfield, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2016

18. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Effective for the fiscal year ending June 30, 2014, the City adopted the provisions of Governmental Accounting Standards Board (GASB), *Statement No. 65, Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

In addition to assets, the statement of financial position/balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has only one item that qualifies for reporting in this category. It is the deferred outflows related to pension, upon adoption of GASB Statement No. 68 and 71 (See Note 1-S), reported in the government-wide and proprietary fund statement of net position. A deferred outflow resulted from contributions to the pension plan from the City subsequent to the measurement date (June 30, 2015) of the beginning net pension liability and before the end of the City's reporting period (June 30, 2016). Also see note 8 for deferred outflows related to pensions.

In addition to liabilities, the statement of financial position/balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as revenue until that time. The City has three items that meet this criterion. First, under a modified accrual basis of accounting, unavailable revenue is reported only in the governmental funds balance sheet (general fund) as deferred inflows of resources. Second, resources associated with imposed non-exchange revenue transactions are reported as a receivable before the period for which property taxes are levied. Accordingly, property taxes levied for subsequent year is reported in the governmental funds balance sheet (general fund) and government-wide statement of net position as deferred inflows of resources. Third, the deferred inflows related to pension are recorded due to the difference in actuarial experience and the assumed experience, and the difference in the actual investment earnings and the assumed investment earnings. Also see note 8 for deferred inflows related to pensions.

A deferred outflow of resources has a positive effect on net position/fund balance, similar to assets, and a deferred inflow of resources has a negative effect on net position/fund balance, similar to liabilities.

19. CHANGE IN PRESENTATION

Certain items from the prior year have been reclassified to conform to current year presentation.

20. FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68
- Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
- Tax Abatement Disclosures
- Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans
- Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73

The City is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

City of Springfield, Tennessee
Required Supplementary Information
June 30, 2016

1. Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS for the Fiscal Year Ending June 30, 2016 (Year Shown Below is Measurement Date)

	2014	2015
Total pension liability		
Service cost	\$ 766,303	\$ 728,516
Interest	2,446,913	2,562,125
Changes in benefit terms	-	-
Differences between actual & expected experience	(743,517)	(622,677)
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(839,625)	(951,863)
Net change in total pension liability	1,630,074	1,716,101
Total pension liability-beginning	32,279,007	33,909,081
Total pension liability-ending (a)	\$ 33,909,081	\$ 35,625,182
Plan fiduciary net position		
Contributions-employer	\$ 1,219,600	\$ 1,159,343
Contributions-employee	3,632	2,334
Net investment income	5,092,053	1,110,393
Benefit payments, including refunds of employee contributions	(839,625)	(951,863)
Administrative expense	(10,043)	(11,348)
Net change in plan fiduciary net position	5,465,617	1,308,859
Plan fiduciary net position-beginning	30,487,967	35,953,584
Plan fiduciary net position-ending (b)	\$ 35,953,584	\$ 37,262,443
Net Pension Liability (asset)-ending (a) – (b)	\$ (2,044,503)	\$ (1,637,261)
Plan fiduciary net position as a percentage of total pension liability	106.03%	104.60%
Covered-employee payroll	\$ 10,831,270	\$ 10,597,281
Net pension liability (asset) as a percentage of covered-employee payroll	-18.88%	-15.45%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

City of Springfield, Tennessee
 Required Supplementary Information (Continued)
 June 30, 2016

2. Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS for Fiscal Year Ending June 30.

	2014	2015	2016
Actuarially determined contribution	\$ 1,219,600	\$ 1,158,228	\$ 1,234,754
Contributions in relation to the actuarially determined contribution	1,219,600	1,158,228	1,234,754
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 10,831,270	\$ 10,597,281	\$ 11,286,638
Contributions as a percentage covered-employee payroll	11.26%	10.94%	10.94%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to the Schedule Relating to the Actuarially Determined Contribution

Valuation Date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	3 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

City of Springfield, Tennessee
 Required Supplementary Information (Continued)
 June 30, 2016

3. Schedule of Funding Progress and Summary of Actuarial Assumptions for OPEB

Actuarial Valuation Date	Actuarial Value of Assets (b)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b-a) / c)
July 1, 2015	\$ -	\$ 901,568	\$ 901,568	0.0%	\$ 9,770,277	9.23%
July 1, 2014	\$ -	\$ 901,568	\$ 901,568	0.0%	\$ 9,770,277	9.23%
July 1, 2012	\$ -	\$ 883,225	\$ 883,225	0.0%	\$ 12,087,460	7.31%
July 1, 2010	\$ -	\$ 694,878	\$ 694,878	0.0%	\$ 11,702,678	5.94%

Covered Payroll for July 1, 2015 valuation excludes those employees who opted out of medical plan.

Methods and Assumptions:

Valuation Date	July 1, 2015
Actuarial Cost Method	Projected Unit Cost Method
Amortization Method	Level Dollar
Asset Valuation Method	Not Applicable
Funding Interest Rate	4.00%
Inflation Rate (Annual Payroll Growth Rate)	3.00%
Health Care Cost Trend Rate	7.50%
Ultimate Trend Rate	4.50%

City of Springfield, Tennessee
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016

	Non-Major Governmental Funds			
	State Street Aid	Drug Fund	Forfeited Property	Total Special Revenue Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,060,816	\$ 129,137	\$ 62,565	\$ 1,252,518
Due From Other Funds	-	-	-	-
Intergovernmental Receivables	82,243	-	-	82,243
Other Receivables	3,183	-	-	3,183
Total Assets	\$ 1,146,242	\$ 129,137	\$ 62,565	\$ 1,337,944
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due To Other Funds	316,699	-	-	316,699
Total Liabilities	316,699	-	-	316,699
<u>FUND BALANCES</u>				
Non-Spendable	-	-	-	-
Restricted	829,543	129,137	62,565	1,021,245
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	829,543	129,137	62,565	1,021,245
Total Liabilities and Fund Balances	\$ 1,146,242	\$ 129,137	\$ 62,565	\$ 1,337,944

City of Springfield, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances – Non-Major Governmental Funds
For the Year Ended June 30, 2016

	Non-Major Governmental Funds			Total Special Revenue Funds
	State Street Aid	Drug Fund	Forfeited Property	
<u>REVENUES</u>				
Gasoline Tax	\$ 451,999	\$ -	\$ -	\$ 451,999
Fines and Forfeitures	-	24,038	-	24,038
Seized Property	-	974	-	974
Investment Income	2,289	347	123	2,759
Total Revenue	<u>454,288</u>	<u>25,359</u>	<u>123</u>	<u>479,770</u>
<u>EXPENDITURES</u>				
Program Costs	-	4,583	-	4,583
Capital Outlay	557,977	65,954	-	623,931
Total Expenditures	<u>557,977</u>	<u>70,537</u>	<u>-</u>	<u>628,514</u>
Net Change in Fund Balances	(103,689)	(45,178)	123	(148,744)
Beginning Fund Balance	<u>933,232</u>	<u>174,315</u>	<u>62,442</u>	<u>1,169,989</u>
Ending Fund Balance	<u>\$ 829,543</u>	<u>\$ 129,137</u>	<u>\$ 62,565</u>	<u>\$ 1,021,245</u>

City of Springfield, Tennessee
Combining Statement of Net Position
Non-Major Proprietary Funds
June 30, 2016

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total Non-Major Proprietary Funds</u>
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 983,836	\$ 590,859	\$ 1,574,695
Receivables (Net of Uncollectibles)	90,816	34,971	125,787
Due From Other Funds	21,891	1,561	23,452
Total Current Assets	<u>1,096,543</u>	<u>627,391</u>	<u>1,723,934</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	509,954	509,954
Net Pension Asset (Liability)	61,146	3,029	64,175
Assets Not Depreciated	21,185	321,542	342,727
Assets Net of Accumulated Depreciation	538,098	613,875	1,151,973
Total Noncurrent Assets	<u>620,429</u>	<u>1,448,400</u>	<u>2,068,829</u>
Total Assets	<u>1,716,972</u>	<u>2,075,791</u>	<u>3,792,763</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows Related to Pensions	<u>90,557</u>	<u>4,138</u>	<u>94,695</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	27,349	103,171	130,520
Accrued and Other Liabilities	18,420	13,833	32,253
Compensated Absences-Current	2,236	-	2,236
Bonds and Notes Payable-Current	142,611	40,000	182,611
Total Current Liabilities	<u>190,616</u>	<u>157,004</u>	<u>347,620</u>
Noncurrent Liabilities:			
OPEB Liability	50,491	579	51,070
Compensated Absences-Noncurrent	8,946	-	8,946
Notes and Bonds Payable-Noncurrent	378,774	848,325	1,227,099
Total Noncurrent Liabilities	<u>438,211</u>	<u>848,904</u>	<u>1,287,115</u>
Total Liabilities	<u>628,827</u>	<u>1,005,908</u>	<u>1,634,735</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows Related to Pensions	<u>101,715</u>	<u>4,860</u>	<u>106,575</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	37,898	557,046	594,944
Restricted	1,039,089	3,029	1,042,118
Unrestricted	-	509,086	509,086
Total Net Position	<u>\$ 1,076,987</u>	<u>\$ 1,069,161</u>	<u>\$ 2,146,148</u>

City of Springfield, Tennessee
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position – Non-Major Proprietary Funds
For the Year Ended June 30, 2016

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total Non-Major Proprietary Funds</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 1,018,892	\$ 393,983	\$ 1,412,875
Other Operating Revenue	10,251	-	10,251
Total Operating Revenues	<u>1,029,143</u>	<u>393,983</u>	<u>1,423,126</u>
<u>OPERATING EXPENSES</u>			
Costs of Sales and Services	718,043	166,413	884,456
Depreciation	107,164	25,738	132,902
Total Operating Expenses	<u>825,207</u>	<u>192,151</u>	<u>1,017,358</u>
Operating Income	<u>203,936</u>	<u>201,832</u>	<u>405,768</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Investment Income	1,651	1,176	2,827
Sale of Fixed Assets	197	-	197
Interest and Amortization	(18,040)	1,960	(16,080)
Total Non-Operating Revenues (Expenses)	<u>(16,192)</u>	<u>3,136</u>	<u>(13,056)</u>
Change in Net Position	<u>187,744</u>	<u>204,968</u>	<u>392,712</u>
Beginning Net Position, As Previously Reported	895,372	864,530	1,759,902
Prior Period Adjustments (See Note 17)	(6,129)	(337)	(6,466)
Beginning Net Position, As Restated	<u>889,243</u>	<u>864,193</u>	<u>1,753,436</u>
Ending Net Position	<u>\$ 1,076,987</u>	<u>\$ 1,069,161</u>	<u>\$ 2,146,148</u>

City of Springfield, Tennessee
Combining Statement of Cash Flows
Non-Major Proprietary Funds
For the Year Ended June 30, 2016

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total Non-Major Proprietary Funds</u>
Cash Flows from Operating Activities:			
Cash Received From Customers	\$ 1,037,412	\$ 396,726	\$ 1,434,138
Cash Payments for Goods and Services	(199,385)	(80,459)	(279,844)
Cash Payments for Personnel	(480,491)	(21,180)	(501,671)
Interfund Payments	(108,217)	-	(108,217)
Other Receipts (Payments)	10,251	-	10,251
Net Cash Provided By (Used In) Operating Activities	<u>259,570</u>	<u>295,087</u>	<u>554,657</u>
Cash Flows from Non-Capital Financing Activities:			
Interfund Payables	(12,352)	-	(12,352)
Interfund Receivables	(8,095)	(275)	(8,370)
Net Cash Provided By (Used In) Non-Capital Financing Activities	<u>(20,447)</u>	<u>(275)</u>	<u>(20,722)</u>
Cash Flows from Capital and Related Financing Activities:			
Sale of Fixed Assets	197	-	197
Principal Paid on Bonds and Notes	(134,615)	(40,000)	(174,615)
Interest Paid on Long-term Debt	(18,596)	(133)	(18,729)
Acquisition and Construction of Capital Assets	(1,873)	(239,625)	(241,498)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(154,887)</u>	<u>(279,758)</u>	<u>(434,645)</u>
Cash Flows from Investing Activities:			
Interest Received	<u>1,651</u>	<u>1,176</u>	<u>2,827</u>
Net Increase (Decrease) in Cash	85,887	16,230	102,117
Cash and Cash Equivalents, Beginning	<u>897,949</u>	<u>1,084,583</u>	<u>1,982,532</u>
Cash and Cash Equivalents, Ending	<u>\$ 983,836</u>	<u>\$ 1,100,813</u>	<u>\$ 2,084,649</u>

City of Springfield, Tennessee
Combining Statement of Cash Flows (Continued)
Non-Major Proprietary Funds
For the Year Ended June 30, 2016

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total Non-Major Proprietary Funds</u>
Reconciliation of Operating Income to Net Cash Provided By (Used in) Operating Activities:			
Operating Income (Loss)	\$ 203,936	\$ 201,832	\$ 405,768
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	107,164	25,738	132,902
Change in Assets and Liabilities:			
(Increase) Decrease in Receivable, Net	10,295	550	10,845
(Increase) Decrease in Deferred Outflows	(48,001)	(2,108)	(50,109)
Increase (Decrease) in Accounts Payable	2,436	64,491	66,927
Increase (Decrease) in Accrued Liabilities	(27,647)	3,936	(23,711)
Increase (Decrease) in Net Pension Liability	13,973	554	14,527
Increase (Decrease) in Deferred Inflows	(4,240)	(194)	(4,434)
Increase (Decrease) in OPEB Liability	2,054	288	2,342
Increase (Decrease) in Compensated Absences	(400)	-	(400)
Total Adjustments	<u>55,634</u>	<u>93,255</u>	<u>148,889</u>
Net Cash Provided By (Used in) Operating Activities	<u>\$ 259,570</u>	<u>\$ 295,087</u>	<u>\$ 554,657</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and Cash Equivalents	\$ 983,836	\$ 590,859	\$ 1,574,695
Restricted Cash and Cash Equivalents	<u>-</u>	<u>509,954</u>	<u>509,954</u>
Total Cash and Cash Equivalents	<u>\$ 983,836</u>	<u>\$ 1,100,813</u>	<u>\$ 2,084,649</u>

City of Springfield, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Funds
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance - Favorable (Unfavorable)
<u>STATE STREET AID -</u>				
<u>REVENUES</u>				
Gasoline and Motor Fuel Tax	\$ 420,000	\$ 420,000	\$ 309,804	\$ (110,196)
Gas 1989 Tax	-	-	49,788	49,788
Gas 3 Cent Tax	-	-	92,407	92,407
Investment Income	-	-	2,289	2,289
Total Revenues	<u>420,000</u>	<u>420,000</u>	<u>454,288</u>	<u>34,288</u>
<u>EXPENDITURES</u>				
Capital Outlay	<u>1,291,500</u>	<u>1,291,500</u>	<u>557,977</u>	<u>733,523</u>
Total Expenditures	<u>1,291,500</u>	<u>1,291,500</u>	<u>557,977</u>	<u>733,523</u>
Net Change in Fund Balance	<u>\$ (871,500)</u>	<u>\$ (871,500)</u>	(103,689)	<u>\$ 767,811</u>
Beginning Fund Balance			<u>933,232</u>	
Ending Fund Balance			<u>\$ 829,543</u>	
<u>DRUG ENFORCEMENT -</u>				
<u>REVENUES</u>				
Fine and Forfeitures	\$ 10,000	\$ 10,000	\$ 24,038	\$ 14,038
Seized Property	-	-	974	974
Investment Income	-	-	347	347
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>25,359</u>	<u>15,359</u>
<u>EXPENDITURES</u>				
Drug Program Costs	50,000	50,000	4,583	45,417
Capital Outlay	<u>138,368</u>	<u>138,368</u>	<u>65,954</u>	<u>72,414</u>
Total Expenditures	<u>188,368</u>	<u>188,368</u>	<u>70,537</u>	<u>117,831</u>
Net Change in Fund Balances	<u>\$ (178,368)</u>	<u>\$ (178,368)</u>	(45,178)	<u>\$ 133,190</u>
Beginning Fund Balance			<u>174,315</u>	
Ending Fund Balance			<u>\$ 129,137</u>	
<u>FORFEITED PROPERTY -</u>				
<u>REVENUES</u>				
Fines and Forfeitures	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	123	123
Total Revenues	<u>-</u>	<u>-</u>	<u>123</u>	<u>123</u>
<u>EXPENDITURES</u>				
Capital Outlay	<u>19,417</u>	<u>19,417</u>	-	<u>19,417</u>
Total Expenditures	<u>19,417</u>	<u>19,417</u>	-	<u>19,417</u>
Net Change in Fund Balances	<u>\$ (19,417)</u>	<u>\$ (19,417)</u>	123	<u>\$ 19,540</u>
Beginning Fund Balance			<u>62,442</u>	
Ending Fund Balance			<u>\$ 62,565</u>	

City of Springfield, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Capital Improvement Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance - Favorable (Unfavorable)
<u>REVENUES</u>				
State Grants	\$ 1,406,000	\$ 1,406,000	\$ -	\$ (1,406,000)
Investment Income	-	-	3,167	3,167
Total Revenues	<u>1,406,000</u>	<u>1,406,000</u>	<u>3,167</u>	<u>(1,402,833)</u>
<u>EXPENDITURES</u>				
Bond Issuance Cost	-	-	23,012	(23,012)
Capital Outlay	2,650,020	2,650,020	343,309	2,306,711
Total Expenditures	<u>2,650,020</u>	<u>2,650,020</u>	<u>366,321</u>	<u>2,283,699</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,244,020)</u>	<u>(1,244,020)</u>	<u>(363,154)</u>	<u>880,866</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	10,800	10,800	47,300	36,500
Bond Premium	-	-	24,675	24,675
Loan Proceeds	1,233,220	1,233,220	1,185,000	(48,220)
Total Other Financing Sources (Uses)	<u>1,244,020</u>	<u>1,244,020</u>	<u>1,256,975</u>	<u>12,955</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	893,821	<u>\$ 893,821</u>
Beginning Fund Balance			<u>1,486,242</u>	
Ending Fund Balance			<u>\$ 2,380,063</u>	

City of Springfield, Tennessee
Schedule of Expenditure of Federal and State Awards
For the Year Ended June 30, 2016

CFDA Number	Program Name	Grant Number	Grantor Agency/ Pass-Through Agency	Balance 6/30/2015 (Receivable)	Cash Receipts	Amount Earned or Expended	Balance 6/30/2016 (Receivable)
<u>Federal Awards</u>							
16.111							
(Archived 2014)	Organized Crime Drug Enforcement Task Forces	SE-TNM-0164	USDOJ - DEA	\$ (3,328)	\$ 6,125	\$ 3,163	\$ (366)
16.607	Vest Grant	BUBX13068557	USDOJ/TDEC	(2,600)	4,225	3,250	(1,625)
20.205	Pedestrian/Bicycle Greenway	140112	USDOT/TDOT	(3,134)	4,081	41,321	(40,374)
20.600	Safe Scene & Stop Grant	Z16GHS336	USDOT/TDOT	-	4,604	10,323	(5,719)
20.607	Alcohol, Enforcement, Prevention, and Safety	Z15GHS335	USDOT/TDOT	(13,017)	21,624	8,607	-
	Total Federal Awards			<u>(22,079)</u>	<u>40,659</u>	<u>66,664</u>	<u>(48,084)</u>
<u>State Awards - Loan Program</u>							
66.458	Capitalization Grants for CleanWater State Revolving Fund	SRF 16-360	EPA/TDEC	-	1,755,925	1,755,925	-
	Total Awards			<u>\$ (22,079)</u>	<u>\$ 1,796,584</u>	<u>\$ 1,822,589</u>	<u>\$ (48,084)</u>

Note A: The Schedule of Expenditures of Federal and State Awards was prepared using the accrual basis of accounting.

Note B: At June 30, 2016, there was an outstanding balance of \$1,755,925 and \$223,856 on state revolving fund loans SRF 16-360 and SRF 94-069, respectively. Payments during the current fiscal year were \$0 and \$55,788 on SRF 16-360 and SRF 94-069, respectively.

Note C:
USDOJ - United States Department of Justice
DEA - Drug Enforcement Administration
USDOT - United States Department of Transportation
EPA - United States Environmental Protection Agency
TDEC - Tennessee Department of Environment and Conservation
TDOT - Tennessee Department of Transportation

City of Springfield, Tennessee
Schedule of Future Long-Term Debt Principal and Interest Requirements
Governmental Activities (Unaudited)
June 30, 2016

GOVERNMENTAL ACTIVITIES

Fiscal Year Ended June 30,	Industrial Park General Obligation 1981		Community Bank \$317,700		Commerce Union Bank \$177,000	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 30,000	\$ 6,850	\$ 52,950	\$ 1,087	\$ 19,667	\$ 3,302
2018	35,000	5,350	-	-	19,667	2,477
2019	35,000	3,600	-	-	19,667	1,651
2020	37,000	1,750	-	-	19,666	827
Total	<u>\$ 137,000</u>	<u>\$ 17,550</u>	<u>\$ 52,950</u>	<u>\$ 1,087</u>	<u>\$ 78,667</u>	<u>\$ 8,257</u>

Fiscal Year Ended June 30,	The Farmers Bank \$680,000		PNC Capital Lease \$250,800		PNC Capital Lease \$8,202	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 68,000	\$ 19,834	\$ 29,911	\$ 9,079	\$ 1,950	\$ 270
2018	68,000	16,558	31,114	7,876	2,028	192
2019	68,000	13,246	32,365	6,625	2,110	110
2020	68,000	9,953	150,115	4,528	1,638	27
2021	68,000	6,611	-	-	-	-
2022	68,000	3,312	-	-	-	-
Total	<u>\$ 408,000</u>	<u>\$ 69,514</u>	<u>\$ 243,505</u>	<u>\$ 28,108</u>	<u>\$ 7,726</u>	<u>\$ 599</u>

See auditor's report.

City of Springfield, Tennessee
Schedule of Future Long-Term Debt Principal and Interest Requirements
Governmental Activities (Continued) (Unaudited)
June 30, 2016

Fiscal Year Ended June 30,	General Obligation Bond Series 2009A		Total Governmental Activities	
	Principal	Interest	Principal	Interest
	2017	\$ 130,000	\$ 89,913	\$ 332,478
2018	135,000	85,600	290,809	118,053
2019	140,000	80,788	297,142	106,020
2020	145,000	75,800	421,419	92,885
2021	150,000	70,450	218,000	77,061
2022	160,000	64,638	228,000	67,950
2023	165,000	58,544	165,000	58,544
2024	170,000	52,050	170,000	52,050
2025	180,000	45,050	180,000	45,050
2026	185,000	37,750	185,000	37,750
2027	195,000	30,150	195,000	30,150
2028	200,000	22,050	200,000	22,050
2029	210,000	13,440	210,000	13,440
2030	215,000	4,515	215,000	4,515
Total	<u>\$ 2,380,000</u>	<u>\$ 730,738</u>	<u>\$ 3,307,848</u>	<u>\$ 855,853</u>

See auditor's report.

City of Springfield, Tennessee
Schedule of Future Long-Term Debt Principal and Interest Requirements
Business Type Activities (Continued) (Unaudited)
June 30, 2016

Electric Fund

Fiscal Year Ended June 30,	TVA Conservation		Total	
	Principal	Interest	Principal	Interest
2017	\$ 651,989	-	\$ 651,989	-
	<u>\$ 651,989</u>	<u>\$ -</u>	<u>\$ 651,989</u>	<u>\$ -</u>

Sanitation Fund

Fiscal Year Ended June 30,	Commerce Union Bank \$134,600		Commerce Union Bank \$215,000		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 16,825	\$ 750	\$ 21,500	\$ 2,936	\$ 38,325	\$ 3,686
2018	-	-	21,500	1,958	21,500	1,958
2019	-	-	21,500	980	21,500	980
Total	<u>\$ 16,825</u>	<u>\$ 750</u>	<u>\$ 64,500</u>	<u>\$ 5,874</u>	<u>\$ 81,325</u>	<u>\$ 6,624</u>

Sewer Fund

Fiscal Year Ended June 30,	TN State Funding Board \$1,607,000		TN State Revolving Fund \$19,250,000		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 57,384	\$ 5,616	\$ 651,804	\$ 23,705	\$ 709,188	\$ 29,321
2018	59,040	3,960	660,660	14,906	719,700	18,866
2019	60,744	2,268	443,461	5,987	504,205	8,255
2020	46,688	558	-	-	46,688	558
Total	<u>\$ 223,856</u>	<u>\$ 12,402</u>	<u>\$1,755,925</u>	<u>\$ 44,598</u>	<u>\$1,979,781</u>	<u>\$ 57,000</u>

See auditor's report.

City of Springfield, Tennessee
Schedule of Future Long-Term Debt Principal and Interest Requirements
Business Type Activities (Continued) (Unaudited)
June 30, 2016

Gas Fund				
Fiscal Year	Fifth Third Bank		Total	
Ended	\$1.75m			
June 30,	Principal	Interest	Principal	Interest
2017	\$ 107,000	\$ 36,498	\$ 107,000	\$ 36,498
2018	110,000	33,460	110,000	33,460
2019	113,000	30,338	113,000	30,338
2020	116,000	27,132	116,000	27,132
2021	120,000	23,828	120,000	23,828
2022	123,000	20,426	123,000	20,426
2023	126,000	16,940	126,000	16,940
2024	130,000	13,356	130,000	13,356
2025	134,000	9,660	134,000	9,660
2026	137,000	5,866	137,000	5,866
2027	<u>141,000</u>	<u>1,974</u>	<u>141,000</u>	<u>1,974</u>
Total	<u>\$ 1,357,000</u>	<u>\$ 219,478</u>	<u>\$ 1,357,000</u>	<u>\$ 219,478</u>

Water Fund						
Fiscal Year	1978 Water Fund Bonds		1979 Water Fund Bonds		Total	
Ended	\$4,500,000		\$510,300			
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 240,000	\$ 19,000	\$ 35,000	\$ 4,900	\$ 275,000	\$ 23,900
2018	260,000	6,500	40,000	3,000	300,000	9,500
2019	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>1,000</u>	<u>40,000</u>	<u>1,000</u>
Total	<u>\$ 500,000</u>	<u>\$ 25,500</u>	<u>\$ 115,000</u>	<u>\$ 8,900</u>	<u>\$ 615,000</u>	<u>\$ 34,400</u>

See auditor's report.

City of Springfield, Tennessee
Schedule of Future Long-Term Debt Principal and Interest Requirements
Business Type Activities (Continued) (Unaudited)
June 30, 2016

Storm Water				
Fiscal Year	Improvement Bonds 2012			
Ended	\$975,000		Total	
June 30,	Principal	Interest	Principal	Interest
2017	\$ 40,000	\$ 23,813	\$ 40,000	\$ 23,813
2018	40,000	23,013	40,000	23,013
2019	45,000	21,813	45,000	21,813
2020	45,000	20,463	45,000	20,463
2021	45,000	19,113	45,000	19,113
2022	45,000	17,763	45,000	17,763
2023	50,000	16,413	50,000	16,413
2024	50,000	15,413	50,000	15,413
2025	50,000	14,413	50,000	14,413
2026	50,000	13,350	50,000	13,350
2027	50,000	11,850	50,000	11,850
2028	55,000	10,350	55,000	10,350
2029	55,000	8,700	55,000	8,700
2030	55,000	7,050	55,000	7,050
2031	60,000	5,400	60,000	5,400
2032	60,000	3,600	60,000	3,600
2033	60,000	1,800	60,000	1,800
Total	\$ 855,000	\$ 234,317	\$ 855,000	\$ 234,317

See auditor's report.

City of Springfield, Tennessee
Schedule of Future Long-Term Debt Principal and Interest Requirements
Jointly Issued Debt (Continued) (Unaudited)
June 30, 2016

Fiscal Year Ended June 30,	Deutsche Bank 2010 \$5,260,000		Refunding Bonds 2009 \$8,770,000		Refunding Bonds 2008 11,950,000		US Bank \$200,000		US Bank \$607,253	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 285,000	\$ 144,081	\$ 735,000	\$ 144,125	\$ 1,350,000	\$ 125,656	\$ 20,000	\$ 2,988	\$ 74,100	\$ 11,908
2018	295,000	135,738	370,000	127,550	675,000	89,375	20,000	1,992	74,800	9,988
2019	305,000	126,356	400,000	114,000	710,000	63,406	20,000	996	75,700	8,051
2020	320,000	115,000	430,000	97,400	630,000	37,494	-	-	76,900	6,091
2021	335,000	101,900	465,000	79,500	380,000	17,294	-	-	78,300	4,099
2022	350,000	88,200	500,000	60,200	235,000	4,846	-	-	79,953	2,071
2023	370,000	73,800	535,000	39,500	-	-	-	-	-	-
2024	385,000	58,700	350,000	21,800	-	-	-	-	-	-
2025	405,000	42,900	370,000	7,400	-	-	-	-	-	-
2026	425,000	26,300	-	-	-	-	-	-	-	-
2027	445,000	8,900	-	-	-	-	-	-	-	-
Total	\$ 3,920,000	\$ 921,875	\$ 4,155,000	\$ 691,475	\$ 3,980,000	\$ 338,071	\$ 60,000	\$ 5,976	\$ 459,753	\$ 42,208

Fiscal Year Ended June 30,	US Bank \$955,500		US Bank \$150,000		Commerce Union \$635,670		Capital Outlay Note \$453,880		US Bank \$631,248	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 126,118	\$ 13,121	\$ 21,429	\$ 1,603	\$ 127,134	\$ 3,996	\$ 113,470	\$ 2,884	\$ 158,000	\$ 4,982
2018	131,125	8,015	21,429	801	-	-	-	-	159,346	2,502
2019	136,331	2,706	-	-	-	-	-	-	-	-
Total	\$ 393,574	\$ 23,842	\$ 42,858	\$ 2,404	\$ 127,134	\$ 3,996	\$ 113,470	\$ 2,884	\$ 317,346	\$ 7,484

See auditor's report.

City of Springfield, Tennessee
Schedule of Future Long-Term Debt Principal and Interest Requirements
Jointly Issued Debt (Continued) (Unaudited)
June 30, 2016

Fiscal Year Ended June 30,	Refunding Bonds 2012 \$9,255,000		GO Bonds 2013 \$11,225,000		GO Capital Outlay 2015 \$1,831,000		GO Bonds 2014 \$18,485,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 455,000	\$ 188,600	\$ 465,000	\$ 297,125	\$ 320,000	\$ 31,789	\$ 590,000	\$ 633,325
2018	465,000	179,500	475,000	287,825	330,000	26,605	595,000	615,625
2019	480,000	165,550	490,000	278,325	335,000	20,467	600,000	597,775
2020	495,000	151,150	505,000	268,525	336,000	13,298	610,000	567,775
2021	505,000	136,300	510,000	258,425	190,000	5,301	620,000	537,275
2022	525,000	121,150	525,000	248,225	-	-	635,000	506,275
2023	540,000	105,400	555,000	232,475	-	-	650,000	474,525
2024	550,000	94,600	565,000	215,825	-	-	665,000	442,025
2025	560,000	83,600	580,000	190,400	-	-	685,000	415,425
2026	570,000	71,700	600,000	173,000	-	-	705,000	399,156
2027	590,000	54,600	630,000	155,000	-	-	725,000	381,531
2028	605,000	36,900	645,000	136,100	-	-	750,000	359,781
2029	625,000	18,750	665,000	115,944	-	-	775,000	337,281
2030	-	-	680,000	95,163	-	-	800,000	314,031
2031	-	-	705,000	73,913	-	-	830,000	290,031
2032	-	-	735,000	50,119	-	-	855,000	264,093
2033	-	-	750,000	25,313	-	-	885,000	237,375
2034	-	-	-	-	-	-	920,000	208,613
2035	-	-	-	-	-	-	950,000	178,712
2036	-	-	-	-	-	-	990,000	146,650
2037	-	-	-	-	-	-	1,025,000	112,000
2038	-	-	-	-	-	-	1,065,000	76,125
2039	-	-	-	-	-	-	1,110,000	38,850
Total	\$ 6,965,000	\$ 1,407,800	\$ 10,080,000	\$ 3,101,702	\$ 1,511,000	\$ 97,460	\$ 18,035,000	\$ 8,134,254

See auditor's report.

City of Springfield, Tennessee
Schedule of Future Long-Term Debt Principal and Interest Requirements
Jointly Issued Debt (Continued) (Unaudited)
June 30, 2016

Fiscal Year Ended June 30,	GO Bonds 2016 \$6,030,000		Capital Outlay 2016 \$1,240,000		Total Joint Debt		Total Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 25,000	\$ 172,092	\$ 216,500	\$ 20,724	\$ 5,081,751	\$ 1,798,999	\$ 7,235,729	\$ 2,046,552
2018	100,000	143,913	219,900	17,901	3,931,600	1,647,330	5,413,611	1,852,180
2019	270,000	141,913	224,300	14,055	4,046,331	1,533,600	5,067,178	1,702,006
2020	280,000	136,513	228,700	10,132	3,911,600	1,403,378	4,540,707	1,544,416
2021	285,000	130,913	125,000	6,132	3,493,300	1,277,139	3,876,300	1,397,141
2022	290,000	125,213	111,700	3,946	3,251,653	1,160,126	3,647,653	1,266,265
2023	295,000	119,413	113,900	1,992	3,058,900	1,047,105	3,399,900	1,139,002
2024	300,000	113,513	-	-	2,815,000	946,463	3,165,000	1,027,282
2025	305,000	107,513	-	-	2,905,000	847,238	3,269,000	916,361
2026	310,000	101,413	-	-	2,610,000	771,569	2,982,000	828,535
2027	320,000	95,213	-	-	2,710,000	695,244	3,096,000	739,218
2028	325,000	88,013	-	-	2,325,000	620,794	2,580,000	653,194
2029	335,000	80,700	-	-	2,400,000	552,675	2,665,000	574,815
2030	340,000	72,325	-	-	1,820,000	481,519	2,090,000	493,084
2031	350,000	63,825	-	-	1,885,000	427,769	1,945,000	433,169
2032	360,000	54,200	-	-	1,950,000	368,412	2,010,000	372,012
2033	370,000	44,300	-	-	2,005,000	306,988	2,065,000	308,788
2034	380,000	34,125	-	-	1,300,000	242,738	1,300,000	242,738
2035	390,000	22,725	-	-	1,340,000	201,437	1,340,000	201,437
2036	400,000	12,000	-	-	1,390,000	158,650	1,390,000	158,650
2037	-	-	-	-	1,025,000	112,000	1,025,000	112,000
2038	-	-	-	-	1,065,000	76,125	1,065,000	76,125
2039	-	-	-	-	1,110,000	38,850	1,110,000	38,850
Total	\$ 6,030,000	\$ 1,859,835	\$ 1,240,000	\$ 74,882	\$ 57,430,135	\$ 16,716,148	\$ 66,278,078	\$ 18,123,819

See auditor's report.

City of Springfield, Tennessee
 Utility Rates and Customers - Sewer Fund
 (Unaudited)
 June 30, 2016

Consumption (Gallons)

	City Rate	County Rate
<u>Residential</u>		
First 2,000	26.33 (minimum bill)	39.50 (minimum bill)
2,000-5,000	8.35 per 1,000	12.53 per 1,000
5,001-20,000	7.22 per 1,000	10.83 per 1,000
20,001-10000	6.14 per 1,000	9.21 per 1,000
Over 100,000	5.01 per 1,000	7.51 per 1,000

Commercial

	Small	Large	Small	Large
First 2,000	40.42 (minimum bill)	67.31	60.63 (minimum bill)	100.96
2,000-5,000	8.35 per 1,000	8.35	12.53 per 1,000	12.53
5,001-20,000	7.22 per 1,000	7.22	10.83 per 1,000	10.83
20,001-10000	6.14 per 1,000	6.14	9.21 per 1,000	9.21
Over 100,000	5.01 per 1,000	5.01	7.51 per 1,000	7.51

Industrial

First 2,000	268.68 (minimum bill)	403.02 (minimum bill)
2,000-5,000	8.35 per 1,000	12.53 per 1,000
5,001-20,000	7.22 per 1,000	10.83 per 1,000
20,001-10000	6.14 per 1,001	9.21 per 1,000
Over 100,000	5.01 per 1,002	7.51 per 1,000

Installation

6"-Service: \$700.00

All others are at actual costs.

Tap Fees

All connections: \$300.00

Number of Customers - 6,737

City of Springfield, Tennessee
 Utility Rates and Customers – Gas Fund
 (Unaudited)
 June 30, 2016

<u>Residential</u>	<u>City Rate</u>	<u>County Rate</u>
First 600 cubic feet	4.00 minimum	6.00 minimum
Over 600 cubic feet	0.724 per 100 cubic feet	0.942 per 100 cubic feet
<u>Commerical service</u>		
First 600 cubic feet	5.00 minimum	7.50 minimum
Over 600 cubic feet	0.771 per 100 cubic feet	1.01 per 100 cubic feet
<u>Large Commercial and Industrial</u>		
Schedule III	200.00 minimum 0.652 per 100 cubic feet	
Schedule IV	200.00 minimum 0.652 per 100 cubic feet	
Schedule V	200.00 minimum 0.6171 per 100 cubic feet	
Schedule VI	200.00 minimum 0.771 per 100 cubic feet	
Number of Customers- 7,571		

City of Springfield, Tennessee
 Utility Rates and Customers – Electric Fund
 (Unaudited)
 June 30, 2016

<u>Residential</u>	
Customer Charge (minimum)	11.37
Energy Charge (per KWH)	0.08721
<u>Commercial and Industrial</u>	
General Power	
Customer Charge (minimum)	25.32
<u>GSA 1 (Codes 40 and 45)</u>	
Energy Charge (per KWH)	0.09510
<u>GSA 2 (Code 50) - Demand 51 - 1,000 KW</u>	
Customer Charge (minimum)	98.31
Demand 51- 1,000 KW	13.79
Energy Charge (per KWH)	
First 15,000 KWH	0.09497
Additional KWH	0.05769
<u>GSA 3 (Code 54 & 55) - Demand 1,001-5,000 KW</u>	
Customer Charge (minimum)	198.29
Demand	
0-1,000 KW	12.84
1,001-5,000 KW	12.14
Energy Charge (per KWH)	
	0.06109
<u>Code 5 VPI-MSB Part 2 - Demand 5,000-15,000 KWH</u>	
Customer Charge (minimum)	1,500.00
Admin Charge	350.00
Demand	
5,000-15,000 KW	17.18
Transition	0.03854
<u>Outdoor Lighting</u>	
Energy Charge (per KWH)	0.06471
Number of Customers - 8,208	

City of Springfield, Tennessee
 Utility Rates and Customers – Water Fund
 (Unaudited)
 June 30, 2016

Consumption (Gallons)

	<u>City Rate</u>		<u>County Rate</u>	
<u>Residential</u>				
First 2,000	14.25 (minimum bill)		21.37 (minimum bill)	
2,000-5,000	5.44 per 1,000		8.16 per 1,000	
5,001-20,000	4.63 per 1,000		6.94 per 1,000	
20,001-10000	3.80 per 1,000		5.70 per 1,000	
Over 100,000	3.25 per 1,000		4.87 per 1,000	
<u>Commercial</u>				
	<u>Small</u>		<u>Large</u>	
First 2,000	21.87 (minimum bill)		32.87	
2,000-5,000	5.44 per 1,000		5.44	
5,001-20,000	4.63 per 1,000		4.63	
20,001-10000	3.8 per 1,000		3.80	
Over 100,000	3.25 per 1,000		3.25	
	<u>Small</u>		<u>Large</u>	
First 2,000	32.81 (minimum bill)		49.31	
2,000-5,000	8.16 per 1,000		8.16	
5,001-20,000	6.94 per 1,000		6.94	
20,001-10000	5.70 per 1,000		5.70	
Over 100,000	4.87 per 1,000		4.87	
<u>Industrial</u>				
First 2,000	50.27 (minimum bill)		75.40 (minimum bill)	
2,000-5,000	5.44 per 1,000		8.16 per 1,000	
5,001-20,000	4.63 per 1,000		6.94 per 1,000	
20,001-10000	3.80 per 1,000		5.70 per 1,000	
Over 100,000	3.25 per 1,000		4.87 per 1,000	
<u>Other Sales</u>				
Pleasant View Utility	3.35 per 1,000			
East Montgomery Utility	3.35 per 1,000			
City of Greenbrier	3.35 per 1,000			
White House Utility	3.35 per 1,000			

Installation

3/4"- Service: \$700.00 short-side / \$900.00 long-side

Larger Service: \$1,000.00 per inch diameter plus actual main extension costs.

Tap Fees

All connections: \$300.00

Capacity Fees

Each new equivalent single family dwelling connection: \$750.00.

Fire Hydrant

6" Line: \$1,500.00

Sprinklers

6" Sprinkler (Unmetered): \$1,500.00 short-side / \$1,500.00 plus actual main extension costs for long-side

8" Sprinkler (Unmetered): \$2,000.00 short-side / \$1,500.00 plus actual main extension costs for long-side

Number of Customers- 12,399

City of Springfield, Tennessee
 Schedule of Unaccounted for Water
 (Unaudited)
 June 30, 2016

SCHEDULE OF UNACCOUNTED FOR WATER

AWWA Free Water Audit Software:

WAS v5.0
American Water Works Association.
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Reporting Worksheet

? Click to access definition
+ Click to add a comment

Water Audit Report for: **Springfield Water and Wastewater Department (PWSID# 0000666)**
 Reporting Year:

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

WATER SUPPLIED

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below

----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+	?	8	1,679.830	MG/Yr
Water imported:	+	?	n/a	0.000	MG/Yr
Water exported:	+	?	8	217.200	MG/Yr

WATER SUPPLIED: 1,455.353 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+	?	9	944.480	MG/Yr
Billed unmetered:	+	?		0.000	MG/Yr
Unbilled metered:	+	?		0.000	MG/Yr
Unbilled unmetered:	+	?		18.192	MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: 962.672 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

492.681 MG/Yr

Apparent Losses

Unauthorized consumption: 3.638 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+	?	5	49.709	MG/Yr
Systematic data handling errors:	+	?		2.361	MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 55.709 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 436.972 MG/Yr

WATER LOSSES: 492.681 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 510.873 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+	?	8	452.0	miles
Number of active AND inactive service connections:	+	?	8	14,410	
Service connection density:	+	?		32	conn./mile main

Are customer meters typically located at the curbside or property line?

Average length of customer service line: 0.0 ft (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average operating pressure: 70.0 psi

COST DATA

Total annual cost of operating water system:	+	?	9	\$8,177,341	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	7	\$6.04	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	8	\$1,027.64	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 75 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Customer metering inaccuracies


3: Unauthorized consumption

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See auditor's report.

City of Springfield, Tennessee
 Schedule of Unaccounted for Water (Continued)
 (Unaudited)
 June 30, 2016

SCHEDULE OF UNACCOUNTED FOR WATER (Continued)



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
 American Water Works Association.
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Water Audit Report for: Springfield Water and Wastewater Department (PWSID# 0000666)

Reporting Year:

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 75 out of 100 ***

System Attributes:

	Apparent Losses:	55.709	MG/Yr	
	+ Real Losses:	436.972	MG/Yr	
	= Water Losses:	492.681	MG/Yr	

	? Unavoidable Annual Real Losses (UARL):	117.70	MG/Yr	
	Annual cost of Apparent Losses:	\$336,483		
	Annual cost of Real Losses:	\$449,050		Valued at Variable Production Cost Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	35.1%	
		Non-revenue water as percent by cost of operating system:	9.8%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	10.59	gallons/connection/day
		Real Losses per service connection per day:	N/A	gallons/connection/day
		Real Losses per length of main per day*:	2,648.64	gallons/mile/day
		Real Losses per service connection per day per psi pressure:	N/A	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):	436.97	million gallons/year
? Infrastructure Leakage Index (IL) [CARL/UARL]:	3.71	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See auditor's report.

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City of Springfield, Tennessee
Other Supplemental Information
(Unaudited)
June 30, 2016

1. PROPERTY TAX RATES AND ASSESSMENT FOR THE LAST TEN YEARS

Year of Levy	Tax Rate Per \$100	Total Assessed Value
2015	1.20	385,045,891
2014	1.20	377,147,404
2013	1.06	360,511,390
2012	0.89	358,915,003
2011	0.89	351,858,877
2010	0.83	356,612,901
2009	0.83	352,523,312
2008	0.83	350,834,910
2007	0.83	350,310,000
2006	1.00	274,026,000

2. CHANGES IN PROPERTY TAXES RECEIVABLE

Tax Year	Gross Property Taxes Receivable June 30, 2015	Property Tax Levied	Anticipated Current Year Levy	Collections/ Adjustments	Allowance for Uncollectibles	Net Property Taxes Receivable June 30, 2016
2016 (accrued)	\$ -	\$ -	\$ 4,612,000	\$ -	\$ -	\$ 4,612,000
2015	-	4,620,551	-	(4,429,391)	(45,078)	146,082
2014	209,301	-	-	(81,040)	(44,149)	84,112
2013	145,825	-	-	(32,802)	(37,318)	75,705
2012	104,701	-	-	(8,970)	(31,243)	64,488
2011	95,629	-	-	(6,093)	(30,601)	58,935
2010	48,005	-	-	(10,412)	(28,987)	8,606
2009	21,856	-	-	(8,230)	(13,626)	-
2008	15,725	-	-	(5,307)	(10,418)	-
2007	9,381	-	-	(1,031)	(8,350)	-
2006 & prior	55,396	-	-	(37,190)	(18,206)	-
Totals	<u>\$ 705,819</u>	<u>\$ 4,620,551</u>	<u>\$ 4,612,000</u>	<u>\$ (4,620,466)</u>	<u>\$ (267,976)</u>	<u>\$ 5,049,928</u>

Note: Delinquent property taxes for 2014 and prior years have been turned over to collections.



THURMAN CAMPBELL GROUP, PLC
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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***

Honorable Mayor and Board of Aldermen
City of Springfield
Springfield, TN

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thurman Campbell Group, PLC

Clarksville, Tennessee
December 2, 2016

City of Springfield, Tennessee
Schedule of Prior Year Findings and Responses
June 30, 2016

There were no prior year findings reported.