

CITY OF SPRING HILL, KANSAS
FINANCIAL STATEMENTS
Year ended December 31, 2012

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City of Spring Hill, Kansas
FINANCIAL STATEMENTS
Year ended December 31, 2012

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City of Spring Hill, Kansas
Financial Statements
Year ending December 31, 2012

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Council
City of Spring Hill, Kansas

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 Spring Hill, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Accounting and Audit Guide." These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

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 of Spring Hill, Kansas, as of December 31, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the schedule of funding progress on page 42 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 financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mike Houser: Company PA

August 14, 2013

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012
Unaudited

Our discussion and analysis of the City of Spring Hill, Kansas financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2012.

Financial Highlights

- The Government-wide net position totaled \$10.4 million at the end of the current fiscal year.
- Total capital assets, net of accumulated depreciation at December 31, 2012 totaled \$34.6 million.
- Government-wide activities increased the net position of the City by \$.2 million for the year ended December 31, 2012.
- The City's total indebtedness decreased by \$1 million.
- The City's net capital assets decreased \$1.5 million in the current fiscal year.

Using This Financial Report

This annual report consists of two distinct series of financial statements: government-wide and funds. In addition, the annual report includes budgetary-basis financial statement comparisons, in accordance with the State of Kansas cash basis and budget laws.

The government-wide statements are designed to provide information about the City's activities as a whole and provide a longer-term view of the City's finances. The fund financial statements tell how the City's services for both governmental and business-type activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in greater detail than the government-wide statements by providing information about the City's most significant funds. In addition, combining statements included in the supplemental information show detail of all other governmental funds.

Reporting on the City as a Whole (Government Wide)

Statement of Net Position and the Statement of Activities

The view of the City as a whole looks at all financial transactions and asks the question, "Are we in a better financial position as a result of the current year's financial activities?" The Statement of Net Position and the Statement of Activities provide the basis for answering this question. The statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the City's net position and current year change in those net position. The change in net position is important because it tells the reader whether the City, as a whole, has improved or diminished its financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Causes of these changes may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, state mandates, and the financial condition of the State of Kansas general fund.

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012
Unaudited

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

Governmental Activities - Most of the City's programs and services are reported here including general government, public safety, public works, and culture and recreation.

Business-Type Activities - These services are provided on a charge for goods and services basis to recover all of the expenses of the goods or services provided. The City's water utility and sewer utility are reported as business-type activities.

Reporting the City's Most Significant Funds (Fund Financial Statements)

Fund financial statements provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. The main fund financial statements focus on the City's most significant funds. Combining fund balance sheets and statements of revenues, expenditures and changes in fund balances provide detailed information about all of the City's non-major governmental funds.

Governmental Funds - Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of the funds and balances left over at fiscal year end available to be spent in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps the reader to decide where there are more or fewer financial resources that can be spent in the near term to finance the City's programs. Major differences between the City's governmental activities as reported in the Statement of Net Position and the Statement of Activities and its governmental funds are reconciled in the Governmental Funds financial statements.

Proprietary Funds - Proprietary funds (Water Utility and Sewer Utility) are enterprise funds that use the same basis of accounting as business-type activities, therefore, these statements replicate the information provided in the government-wide financial statements.

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012
Unaudited

The City as a Whole

Government-Wide Assets

The Statement of Net Position provides the financial position of the City as a whole. The following is a summary of the City's Statement of Net Position as of December 31, 2012:

City of Spring Hill
Condensed Statement of Net Position
December 31, 2012 and 2011

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current assets	\$ 6,492,470	\$ 6,695,018	\$ 2,543,376	\$ 2,477,193	\$ 9,035,846	\$ 9,172,211
Net capital assets	<u>18,904,095</u>	<u>19,187,559</u>	<u>15,735,833</u>	<u>20,981,589</u>	<u>34,639,928</u>	<u>40,169,148</u>
Total assets	<u>\$ 25,396,565</u>	<u>\$ 25,882,577</u>	<u>\$ 18,279,209</u>	<u>\$ 23,458,782</u>	<u>\$ 43,675,774</u>	<u>\$ 49,341,359</u>
Current liabilities	\$ 1,897,736	\$ 8,351,382	\$ 1,682,592	\$ 4,851,266	\$ 3,580,328	\$ 13,202,648
Noncurrent liabilities	16,702,580	12,950,288	11,033,913	19,400,370	27,736,493	32,350,658
Deferred inflows of resources	<u>2,005,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,005,993</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>\$ 20,606,309</u>	<u>\$ 21,301,670</u>	<u>\$ 12,716,505</u>	<u>\$ 24,251,636</u>	<u>\$ 33,322,814</u>	<u>\$ 45,553,306</u>
Net Position:						
Invested in capital assets, net of debt	\$ 1,554,318	\$ 707,809	\$ 3,391,766	\$ [2,124,933]	\$ 4,946,084	\$ [1,417,124]
Restricted for:						
Debt Service	557,617	371,764	-	-	557,617	371,764
Unrestricted	<u>2,678,321</u>	<u>3,501,334</u>	<u>2,170,938</u>	<u>1,332,079</u>	<u>4,849,259</u>	<u>4,833,413</u>
Total net position	<u>\$ 4,790,256</u>	<u>\$ 4,580,907</u>	<u>\$ 5,562,704</u>	<u>\$ [792,854]</u>	<u>\$ 10,352,960</u>	<u>\$ 3,788,053</u>

The assets of the City are classified as current assets and capital assets. Cash and investments and accounts receivable are the largest current assets. These are assets that are available to provide resources for the near-term operations of the City. Capital assets are used in the operations of the City. These assets include land, buildings, improvements other than buildings, machinery and equipment, and infrastructure.

Current and non-current liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued liabilities, and current portion of long-term obligations. Current assets exceed current liabilities by \$5.5 million.

The City has \$29.3 million in long-term debt, consisting of general obligation bonds, temporary notes, loans, and capital leases payable, of which \$1.6 million is due within the next fiscal year.

The City had total assets at December 31, 2012, totaling \$44 million. The total assets of the City exceeded the total liabilities by \$10.4 million. Net position invested in capital assets, net of related debt, totaled \$4.9 million, restricted net position totaled \$.6 million and unrestricted net position totaled \$4.9 million.

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012
Unaudited

Government-Wide Activities

The following is a condensed statement of the City's change in net position for the year ended December 31, 2012. Major items of program revenues, grants and general revenues are detailed below. Government-wide activities increased the net position of the City by \$.2 million for the year ended December 31, 2012. A reconciliation of the total change in fund balances for the governmental funds to the Statement of Activities is located on page 14 of the basic financial statements. Major differences in the Statement of Activities and changes in the fund balances of governmental funds as expenditures in the funds statements include the repayment of bonds, temporary notes, and leases in the current fiscal year of \$5.9 million which are treated as an expenditure in the fund statements and a reduction of long term debt payable in the Government wide financial statements. Also bond proceeds in the amount of \$4.6 million are treated as revenues in the fund statements and an increase in long term debt in the Government wide financial statements. In addition, the capital outlays of \$.2 million are treated as expenditures in the fund statements, but are treated as capital assets in the Government wide financial statements.

City of Spring Hill
Condensed Statement of Changes in Net Position
For the Years Ending December 31, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 433,241	\$ 320,707	\$ 2,564,413	\$ 3,433,724	\$ 2,997,654	\$ 3,754,431
Operating grants	1,098,491	344,404	-	-	1,098,491	344,404
General revenues:						
Taxes	4,975,839	4,867,537	-	-	4,975,839	4,867,537
Transfers [net]	29,054	30,768	[29,054]	[30,768]	-	-
Other	<u>170,941</u>	<u>166,311</u>	<u>8,326</u>	<u>7,856</u>	<u>179,267</u>	<u>174,167</u>
Total revenues	<u>6,707,566</u>	<u>5,729,727</u>	<u>2,543,685</u>	<u>3,410,812</u>	<u>9,251,251</u>	<u>9,140,539</u>
Program expenses:						
General government	2,314,880	2,286,387	-	-	2,314,880	2,286,387
Public safety	1,077,551	1,061,583	-	-	1,077,551	1,061,583
Public works	1,591,176	749,164	-	-	1,591,176	749,164
Culture and recreation	549,179	499,818	-	-	549,179	499,818
Infrastructure depreciation	325,497	318,276	-	-	325,497	318,276
Water utility	-	-	1,222,564	1,246,581	1,222,564	1,246,581
Sewer utility	-	-	1,250,073	1,576,491	1,250,073	1,576,491
Golf course	-	-	-	1,522,587	-	1,522,587
Interest on long term debt	<u>644,934</u>	<u>796,272</u>	<u>-</u>	<u>-</u>	<u>644,934</u>	<u>796,272</u>
Total expenses	<u>6,503,217</u>	<u>5,711,500</u>	<u>2,472,637</u>	<u>4,345,659</u>	<u>8,975,854</u>	<u>10,057,159</u>
Increase [decrease] in net position	<u>\$ 204,349</u>	<u>\$ 18,227</u>	<u>\$ 71,048</u>	<u>\$ [934,847]</u>	<u>\$ 275,397</u>	<u>\$ [916,620]</u>

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012
Unaudited

Governmental Activities increase the net position by \$.2. Business-type activities increased the net position by \$.1 million.

Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance with state and federal finance related legal requirements. These funds are accounted for on the modified accrual basis of accounting.

The governmental funds of the City provide information on near-term inflows, outflows and balances of spendable resources.

Total fund balances at December 31, 2012 for the governmental funds totaled \$3.9 million. Total unassigned fund balances at December 31, 2012 totaled \$.7 million, of which \$.7 million was attributable to the General Fund. The remainder of fund balance includes; \$3 million of restricted fund balance to indicate that constraints have been placed on the use of resources either by being externally imposed by creditors, grantors, contributors, or laws or regulations and \$.2 million of committed fund balance to indicate amounts that are constrained by the City governing body to be used for specific purposes.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$.7 million, which represents all of the total fund balance. The decrease in the General Fund's fund balance was \$.1 million due to transfers to other funds for future capital project improvements.

The Fire Services Fund is used to account for fire services provided to the City's citizens. At the end of the current fiscal year, restricted fund balance of the fund was \$10,107, which represents all of the total fund balance. The decrease in the fund's fund balance was \$35,790. Due

The Special Highway Fund is used to account for capital improvements of City streets. At the end of the current fiscal year, restricted fund balance of the fund was \$1.3 million, which represents all of the total fund balance. The decrease in the fund's fund balance was \$87,833.

The Debt Service Fund is used to accumulate tax revenues and other revenues for the payment of principal and interest on general long-term debt.

The City Hall/Civic Center, Aquatic Center and Capital Project Funds are used to account for capital improvement projects throughout the City.

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

Unrestricted net position of the Water Fund at the end of the year amounted to \$1.2 million and the unrestricted net position of the Sewer Fund at the end of the year amounted to \$1 million. The total change in the two funds was [\$118,685] and \$189,733, respectively.

General Fund Budgeting Highlights

The City's budgets are prepared in accordance with Kansas law and are based primarily on the basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The City's final General Fund budget was \$3,744,000, the original published budget was \$3,594,891. The revenues were more than budgetary estimates by \$52,467 and the expenditures were less than budgetary estimates by \$101,364.

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012
Unaudited

Fixed Assets and Debt Administration

The City's investment in fixed assets for its governmental and business-type activities totaled \$34.6 million (net of accumulated depreciation) as of December 31, 2012.

Major fixed asset events during the current fiscal year included the following:

The City completed the North Sanitary Sewer Benefit District #3, installed Playground Equipment and a Picnic Shelter and purchased four police vehicles.

At December 31, 2012, the City had total debt outstanding of \$29.3 million, backed by the full faith and credit of the City. Total long-term debt decreased for the fiscal year ended December 31, 2012, in the amount of \$1 million. This was a result of the gradual pay down of current outstanding debt.

Additional information on the City's general long term debt can be found in Note III to the financial statements.

Contacting the City

This financial report is designed to provide a general overview of the City's finances. If you have questions about this report or need additional financial information, visit the Finance Director at 401 N. Madison, Spring Hill, Kansas 66083 or (913) 592-3664.

City of Spring Hill, Kansas

STATEMENT OF NET POSITION
December 31, 2012

	Primary Government		
	Total Governmental Activities	Total Business-type Activities	Total Primary Government
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,368,196	\$ 1,394,829	\$ 4,763,025
Taxes receivable	2,006,007	-	2,006,007
Accounts receivable	77,334	220,808	298,142
Grants receivable	411,831	-	411,831
Due from others	250,000	-	250,000
Due from other funds	377,408	723,200	1,100,608
Restricted assets			
Cash and cash equivalents	-	22,894	22,894
Deferred charges	1,694	181,645	183,339
Total current assets	<u>6,492,470</u>	<u>2,543,376</u>	<u>9,035,846</u>
Noncurrent assets:			
Capital assets, nondepreciable			
Construction in progress	80,305	394,472	474,777
Land	320,279	36,281	356,560
Capital assets, depreciable	23,303,727	27,255,002	50,558,729
Less: accumulated depreciation	<u>4,800,216</u>	<u>11,949,922</u>	<u>16,750,138</u>
Total noncurrent assets	<u>18,904,095</u>	<u>15,735,833</u>	<u>34,639,928</u>
Total assets	<u>\$ 25,396,565</u>	<u>\$ 18,279,209</u>	<u>\$ 43,675,774</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Current liabilities: (payable from current assets):			
Accounts payable	\$ 188,543	\$ 200,736	\$ 389,279
Accrued interest payable	227,926	149,930	377,856
Accrued salaries	36,711	9,896	46,607
Compensated absences payable	47,650	11,876	59,526
Due to other funds	377,408	723,200	1,100,608
Current portion of leases payable	35,563	-	35,563
Current portion of notes payable	-	434,285	434,285
Current portion of bonds payable	<u>983,935</u>	<u>152,669</u>	<u>1,136,604</u>
Total current liabilities (payable from current assets)	<u>1,897,736</u>	<u>1,682,592</u>	<u>3,580,328</u>
Noncurrent liabilities:			
Leases payable	197,367	-	197,367
Net other post employment benefits payable	50,301	-	50,301
Temporary notes payable	322,000	-	322,000
Notes payable	-	3,926,025	3,926,025
Bonds payable	<u>16,132,912</u>	<u>7,107,888</u>	<u>23,240,800</u>
Total noncurrent liabilities	<u>16,702,580</u>	<u>11,033,913</u>	<u>27,736,493</u>
Total liabilities	<u>18,600,316</u>	<u>12,716,505</u>	<u>31,316,821</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	2,005,993	-	2,005,993
Total deferred inflows of resources	<u>2,005,993</u>	<u>-</u>	<u>2,005,993</u>
Total liabilities and deferred inflows of resources	<u>\$ 20,606,309</u>	<u>\$ 12,716,505</u>	<u>\$ 33,322,814</u>
Net Position			
Invested in fixed assets, net of related debt	\$ 1,554,318	\$ 3,391,766	\$ 4,946,084
Restricted for:			
Debt service	557,617	-	557,617
Unrestricted	<u>2,678,321</u>	<u>2,170,938</u>	<u>4,849,259</u>
Total net position	<u>\$ 4,790,256</u>	<u>\$ 5,562,704</u>	<u>\$ 10,352,960</u>

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

City of Spring Hill, Kansas

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	Program Revenues			Net [Expenses] Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	
Governmental activities:						
General government	\$ 2,314,880	\$ 290,429	\$ 128,737	\$ [1,895,714]	\$ -	\$ [1,895,714]
Public safety	1,077,551	-	-	[1,077,551]	-	[1,077,551]
Highways and streets	1,591,176	-	952,916	[638,260]	-	[638,260]
Culture and recreation	549,179	142,812	16,838	[389,529]	-	[389,529]
Infrastructure depreciation	325,497	-	-	[325,497]	-	[325,497]
Interest on long-term debt	644,934	-	-	[644,934]	-	[644,934]
Total governmental activities	<u>6,503,217</u>	<u>433,241</u>	<u>1,098,491</u>	<u>[4,971,485]</u>	<u>-</u>	<u>[4,971,485]</u>
Business-type activities:						
Water	1,222,564	1,102,764	-	-	[119,800]	[119,800]
Sewer	1,250,073	1,461,649	-	-	211,576	211,576
Golf Course	-	-	-	-	-	-
Total business-type activities	<u>2,472,637</u>	<u>2,564,413</u>	<u>-</u>	<u>-</u>	<u>91,776</u>	<u>91,776</u>
Total primary government	<u>\$ 8,975,854</u>	<u>\$ 2,997,654</u>	<u>\$ 1,098,491</u>	<u>[4,971,485]</u>	<u>91,776</u>	<u>[4,879,709]</u>
General Revenues:						
Property taxes levied for						
General purposes				3,834,235	-	3,834,235
Debt service				1,141,604	-	1,141,604
Investments earnings				133,741	1,608	135,349
Transfers				29,054	[29,054]	-
Miscellaneous				37,200	6,718	43,918
Total general revenues and transfers				<u>5,175,834</u>	<u>[20,728]</u>	<u>5,155,106</u>
Change in net position				<u>204,349</u>	<u>71,048</u>	<u>275,397</u>
Net position - beginning				4,580,907	[792,854]	3,788,053
Restatement				<u>5,000</u>	<u>6,284,510</u>	<u>6,289,510</u>
Net position - beginning, restated				<u>4,585,907</u>	<u>5,491,656</u>	<u>10,077,563</u>
Net position - ending				<u>\$ 4,790,256</u>	<u>\$ 5,562,704</u>	<u>\$ 10,352,960</u>

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

City of Spring Hill, Kansas

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	General	Fire Services	Special Highway	Debt Service	City Hall/ Civic Center	Aquatic Center	Capital Project	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash and investments	\$ 233,702	\$ 10,107	\$ 1,347,640	\$ 557,617	\$ 315,662	\$ 3,227	\$ 5,807	\$ 894,434	\$ 3,368,196
Receivables									
Accounts	46,114	-	-	-	-	-	31,220	-	77,334
Taxes	1,366,860	465,793	-	164,852	-	-	-	8,502	2,006,007
Grants	-	-	-	-	-	-	-	411,831	411,831
Due from others	250,000	-	-	-	-	-	-	-	250,000
Due from others funds	377,408	-	-	-	-	-	-	-	377,408
Total assets	\$ 2,274,084	\$ 475,900	\$ 1,347,640	\$ 722,469	\$ 315,662	\$ 3,227	\$ 37,027	\$ 1,314,767	\$ 6,490,776
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 184,915	\$ -	\$ 1,088	\$ -	\$ -	\$ 776	\$ -	\$ 1,764	\$ 188,543
Accrued salaries payable	36,711	-	-	-	-	-	-	-	36,711
Due to other funds	-	-	-	-	-	-	-	377,408	377,408
Total liabilities	221,626	-	1,088	-	-	776	-	379,172	602,662
Deferred inflows of resources:									
Unavailable revenue - property taxes	1,366,846	465,793	-	164,852	-	-	-	8,502	2,005,993
Total deferred inflows of resources	1,366,846	465,793	-	164,852	-	-	-	8,502	2,005,993
Total liabilities and deferred inflows of resources	1,588,472	465,793	1,088	164,852	-	776	-	387,674	2,608,655
Fund balance:									
Restricted	-	10,107	1,346,552	557,617	315,662	2,451	37,027	748,506	3,017,922
Committed	5,655	-	-	-	-	-	-	178,587	184,242
Unassigned	679,957	-	-	-	-	-	-	-	679,957
Total fund balance	685,612	10,107	1,346,552	557,617	315,662	2,451	37,027	927,093	3,882,121
Total liabilities, deferred inflows of resources and fund balances	\$ 2,274,084	\$ 475,900	\$ 1,347,640	\$ 722,469	\$ 315,662	\$ 3,227	\$ 37,027	\$ 1,314,767	\$ 6,490,776

City of Spring Hill, Kansas

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2012

Total Governmental Fund Balances \$ 3,882,121

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

Bond issuance costs are shown as current year expenditures in the funds.

Bond issuance costs		1,694
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Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

The cost of capital assets is	23,704,311	
Accumulated depreciation is	<u>4,800,216</u>	18,904,095

Long-term liabilities, including bonds payable, are not due and payable in
the current period and therefore are not reported as liabilities in the funds.
Long term liabilities at year end consist of:

General obligation bonds payable	17,116,847	
Temporary notes payable	322,000	
Leases payable	232,930	
Interest payable	227,926	
Net other post employment benefits payable	50,301	
Compensated absences payable	<u>47,650</u>	<u>[17,997,654]</u>

Net Position of Governmental Activities		<u>\$ 4,790,256</u>
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City of Spring Hill, Kansas

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

	General	Fire Services	Special Highway	Debt Service	City Hall/ Civic Center	Aquatic Center	Capital Project	Other Governmental Funds	Total Governmental Funds
REVENUES:									
Taxes	\$ 2,984,672	\$ 438,545	\$ 110,261	\$ 1,141,604	\$ -	\$ -	\$ -	\$ 300,757	\$ 4,975,839
Special assessments	-	-	-	111,598	-	-	-	-	111,598
Intergovernmental	17,139	-	141,458	-	-	-	-	828,296	986,893
Fines and fees	433,241	-	-	-	-	-	-	-	433,241
Use of money and property	26,821	218	10,773	93,033	1,588	2	135	1,171	133,741
Miscellaneous	35,484	-	-	-	-	-	1	1,715	37,200
Total revenues	3,497,357	438,763	262,492	1,346,235	1,588	2	136	1,131,939	6,678,512
EXPENDITURES:									
Current									
General government	1,418,603	474,553	-	-	-	-	-	275,510	2,168,666
Law enforcement	978,869	-	-	-	-	-	-	-	978,869
Court services	81,734	-	-	-	-	-	-	-	81,734
Highways and streets	568,115	-	50,325	-	-	-	-	-	618,440
Culture and recreation	488,565	-	-	-	-	-	-	50,653	539,218
Capital outlay	-	-	-	-	-	58,171	47,079	1,092,254	1,197,504
Debt service									
Principal	-	-	-	873,833	-	-	5,010,000	-	5,883,833
Interest and other charges	-	-	-	601,993	-	-	64,016	-	666,009
Total expenditures	3,535,886	474,553	50,325	1,475,826	-	58,171	5,121,095	1,418,417	12,134,273
Excess [deficiency] of revenues over [under] expenditures	[38,529]	[35,790]	212,167	[129,591]	1,588	[58,169]	[5,120,959]	[286,478]	[5,455,761]
OTHER FINANCING SOURCES [USES]									
Bond proceeds	-	-	-	-	-	-	4,125,000	338,385	4,463,385
Bond premium	-	-	-	-	-	-	111,618	-	111,618
Lease proceeds	-	-	-	-	-	-	-	192,500	192,500
Transfers in	-	-	-	315,444	70,001	11,611	-	35,102	432,158
Transfers out	[101,095]	-	[300,000]	-	-	-	[2,009]	-	[403,104]
Total other financing sources [uses]	[101,095]	-	[300,000]	315,444	70,001	11,611	4,234,609	565,987	4,796,557
Net change in fund balance	[139,624]	[35,790]	[87,833]	185,853	71,589	[46,558]	[886,350]	279,509	[659,204]
Fund balance - Beginning of year	825,236	45,897	1,434,385	371,764	244,073	49,009	923,377	642,584	4,536,325
Prior period adjustment	-	-	-	-	-	-	-	5,000	5,000
Fund balance - Beginning of year, restated	825,236	45,897	1,434,385	371,764	244,073	49,009	923,377	647,584	4,541,325
Fund balance - End of year	\$ 685,612	\$ 10,107	\$ 1,346,552	\$ 557,617	\$ 315,662	\$ 2,451	\$ 37,027	\$ 927,093	\$ 3,882,121

City of Spring Hill, Kansas

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Total Net Change In Fund Balances - Governmental Funds \$ [659,204]

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

Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	242,632	
Depreciation expense	<u>[526,096]</u>	[283,464]

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which interest decreased.

21,075

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

1,951

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

[4,287]

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

4,378

Repayment of lease principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

7,570

Capital lease proceeds are an other financing source in the governmental funds, but it increases long-term liabilities in the statement of net position and does not affect the statement of activities

[192,500]

Bond proceeds are an other financing source in the governmental funds, but it increases long-term liabilities in the statement of net position and does not affect the statement of activities

[4,575,003]

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

5,883,833

Changes In Net Position of Governmental Activities \$ 204,349

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

City of Spring Hill, Kansas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ACTUAL AND BUDGET
GENERAL FUND
For the Year Ended December 31, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 2,984,672	\$ -	\$ 2,984,672	\$ 2,990,391	\$ 2,990,391	\$ [5,719]
Intergovernmental	17,139	-	17,139	-	-	17,139
Fines and fees	433,241	-	433,241	415,700	415,700	17,541
Use of money and property	26,821	-	26,821	-	-	26,821
Miscellaneous	35,484	-	35,484	38,800	38,799	[3,315]
Total revenues	<u>3,497,357</u>	<u>-</u>	<u>3,497,357</u>	<u>3,444,891</u>	<u>3,444,890</u>	<u>52,467</u>
Expenditures						
General government	1,418,603	5,655	1,424,258	1,365,656	1,361,809	[62,449]
Law enforcement	978,869	-	978,869	1,033,200	1,030,289	51,420
Court services	81,734	-	81,734	90,250	89,996	8,262
Highways and streets	568,115	-	568,115	547,750	546,206	[21,909]
Culture and recreation	488,565	-	488,565	550,250	548,700	60,135
Total expenditures	<u>3,535,886</u>	<u>5,655</u>	<u>3,541,541</u>	<u>3,587,106</u>	<u>3,577,000</u>	<u>35,459</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[38,529]</u>	<u>[5,655]</u>	<u>[44,184]</u>	<u>[142,215]</u>	<u>[132,110]</u>	<u>87,926</u>
Other financing sources [uses]						
Transfers [out]	<u>[101,095]</u>	<u>-</u>	<u>[101,095]</u>	<u>[7,785]</u>	<u>[167,000]</u>	<u>65,905</u>
Total other financing sources [uses]	<u>[101,095]</u>	<u>-</u>	<u>[101,095]</u>	<u>[7,785]</u>	<u>[167,000]</u>	<u>65,905</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[139,624]</u>	<u>[5,655]</u>	<u>[145,279]</u>	<u>\$ [150,000]</u>	<u>\$ [299,110]</u>	<u>\$ 153,831</u>
Fund balance, January 1	<u>825,236</u>	<u>-</u>	<u>825,236</u>			
Fund balance, December 31	<u>\$ 685,612</u>	<u>\$ [5,655]</u>	<u>\$ 679,957</u>			

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

City of Spring Hill, Kansas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ACTUAL AND BUDGET
 FIRE SERVICES FUND
 For the Year Ended December 31, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 438,545	\$ -	\$ 438,545	\$ 434,385	\$ 434,385	\$ 4,160
Use of money and property	218	-	218	-	-	218
Total revenues	<u>438,763</u>	<u>-</u>	<u>438,763</u>	<u>434,385</u>	<u>434,385</u>	<u>4,378</u>
Expenditures						
General government						
Contractual services	<u>474,553</u>	<u>-</u>	<u>474,553</u>	<u>474,900</u>	<u>474,900</u>	<u>347</u>
Total expenditures	<u>474,553</u>	<u>-</u>	<u>474,553</u>	<u>474,900</u>	<u>474,900</u>	<u>347</u>
Excess [deficiency] of revenues over [under] expenditures	[35,790]	-	[35,790]	<u>\$ [40,515]</u>	<u>\$ [40,515]</u>	<u>\$ 4,725</u>
Fund balance, January 1	<u>45,897</u>	<u>-</u>	<u>45,897</u>			
Fund balance, December 31	<u>\$ 10,107</u>	<u>\$ -</u>	<u>\$ 10,107</u>			

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

City of Spring Hill, Kansas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ACTUAL AND BUDGET
SPECIAL HIGHWAY FUND
For the Year Ended December 31, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Intergovernmental	\$ 141,458	\$ -	\$ 141,458	\$ 139,630	\$ 139,630	\$ 1,828
Taxes	110,261	-	110,261	-	110,260	1
Use of money and property	<u>10,773</u>	<u>-</u>	<u>10,773</u>	<u>-</u>	<u>-</u>	<u>10,773</u>
Total revenues	<u>262,492</u>	<u>-</u>	<u>262,492</u>	<u>139,630</u>	<u>249,890</u>	<u>12,602</u>
Expenditures						
Highways and streets						
Commodities	-	-	-	56,500	56,500	56,500
Contractual services	41,545	-	41,545	160,000	160,000	118,455
Capital outlay	8,780	-	8,780	7,400	7,400	[1,380]
Reserve for capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,285,145</u>	<u>1,095,405</u>	<u>1,095,405</u>
Total expenditures	<u>50,325</u>	<u>-</u>	<u>50,325</u>	<u>1,509,045</u>	<u>1,319,305</u>	<u>1,268,980</u>
Excess [deficiency] of revenues over [under] expenditures	<u>212,167</u>	<u>-</u>	<u>212,167</u>	<u>[1,369,415]</u>	<u>[1,069,415]</u>	<u>1,281,582</u>
Other financing sources [uses]						
Transfers [out]	<u>[300,000]</u>	<u>-</u>	<u>[300,000]</u>	<u>-</u>	<u>[300,000]</u>	<u>-</u>
Total other financing sources [uses]	<u>[300,000]</u>	<u>-</u>	<u>[300,000]</u>	<u>-</u>	<u>[300,000]</u>	<u>-</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[87,833]</u>	<u>-</u>	<u>[87,833]</u>	<u>[\$1,369,415]</u>	<u>[\$1,369,415]</u>	<u>\$ 1,281,582</u>
Fund balance, January 1	<u>1,434,385</u>	<u>-</u>	<u>1,434,385</u>			
Fund balance, December 31	<u>\$ 1,346,552</u>	<u>\$ -</u>	<u>\$ 1,346,552</u>			

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

City of Spring Hill, Kansas

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2012

ASSETS	Business-Type Activities: Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Golf Course	
Current assets:				
Cash and cash equivalents	\$ 439,958	\$ 954,871	\$ -	\$ 1,394,829
Receivables	89,806	131,002	-	220,808
Restricted assets				
Cash and cash equivalents	22,894	-	-	22,894
Due from other funds	723,200	-	-	723,200
Deferred charges	16,835	164,810	-	181,645
Total current assets	<u>1,292,693</u>	<u>1,250,683</u>	<u>-</u>	<u>2,543,376</u>
Noncurrent assets:				
Capital assets, nondepreciable				
Land	-	36,281	-	36,281
Construction in progress	-	394,472	-	394,472
Capital assets, depreciable	10,025,519	17,229,483	-	27,255,002
Less: accumulated depreciation	<u>[6,567,965]</u>	<u>[5,381,957]</u>	<u>-</u>	<u>[11,949,922]</u>
Total noncurrent assets	<u>3,457,554</u>	<u>12,278,279</u>	<u>-</u>	<u>15,735,833</u>
Total assets	<u>\$ 4,750,247</u>	<u>\$ 13,528,962</u>	<u>\$ -</u>	<u>\$ 18,279,209</u>
LIABILITIES AND NET POSITION				
Current liabilities (payable from current assets):				
Accounts payable	\$ 51,671	\$ 149,065	\$ -	\$ 200,736
Accrued salaries payable	4,551	5,345	-	9,896
Accrued interest payable	29,800	120,130	-	149,930
Compensated absences payable	7,625	4,251	-	11,876
Due to other funds	-	723,200	-	723,200
Current portion of notes payable	213,175	221,110	-	434,285
Current portion of bonds payable	<u>-</u>	<u>152,669</u>	<u>-</u>	<u>152,669</u>
Total current liabilities				
(payable from current assets):	<u>306,822</u>	<u>1,375,770</u>	<u>-</u>	<u>1,682,592</u>
Noncurrent liabilities				
Notes payable	1,998,040	1,927,985	-	3,926,025
Bonds payable	<u>-</u>	<u>7,107,888</u>	<u>-</u>	<u>7,107,888</u>
Total noncurrent liabilities	<u>1,998,040</u>	<u>9,035,873</u>	<u>-</u>	<u>11,033,913</u>
Total liabilities	<u>\$ 2,304,862</u>	<u>\$ 10,411,643</u>	<u>\$ -</u>	<u>\$ 12,716,505</u>
Net position				
Invested in capital assets, net of related debt	\$ 1,246,339	\$ 2,145,427	\$ -	\$ 3,391,766
Unrestricted	<u>1,199,046</u>	<u>971,892</u>	<u>-</u>	<u>2,170,938</u>
Total net position	<u>\$ 2,445,385</u>	<u>\$ 3,117,319</u>	<u>\$ -</u>	<u>\$ 5,562,704</u>

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

City of Spring Hill, Kansas

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

	Business-Type Activities: Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Golf Course	
Operating revenues				
Charges for services	\$ 1,102,764	\$ 1,461,649	\$ -	\$ 2,564,413
Miscellaneous	796	5,922	-	6,718
Total operating revenues	1,103,560	1,467,571	-	2,571,131
Operating expenses				
Personal services	275,960	167,186	-	443,146
Contractual services	449,710	187,817	-	637,527
Commodities	36,158	19,642	-	55,800
Capital outlay	-	9,323	-	9,323
Depreciation	409,272	522,220	-	931,492
Total operating expenses	1,171,100	906,188	-	2,077,288
Operating income [loss]	[67,540]	561,383	-	493,843
Nonoperating revenues [expenses]				
Interest income	319	1,289	-	1,608
Transfer in [out]	-	[29,054]	-	[29,054]
Interest expense	[51,464]	[343,885]	-	[395,349]
Total nonoperating revenues [expenses]	[51,145]	[371,650]	-	[422,795]
Change in net position	[118,685]	189,733	-	71,048
Net position, January 1	2,569,070	2,927,586	[6,289,510]	[792,854]
Prior period adjustment	[5,000]	-	6,289,510	6,284,510
Net position, January 1, beginning	2,564,070	2,927,586	-	5,491,656
Net position, December 31	\$ 2,445,385	\$ 3,117,319	\$ -	\$ 5,562,704

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

City of Spring Hill, Kansas

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2012

	Business-Type Activities: Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Golf Course	
Cash flows from operating activities				
Cash received from customers	\$ 1,083,546	\$ 1,457,923	\$ -	\$ 2,541,469
Cash paid to suppliers	[573,194]	[100,254]	-	[673,448]
Cash paid to employees	[270,279]	[162,743]	-	[433,022]
Net cash provided by [used in] operating activities	240,073	1,194,926	-	1,434,999
Cash flows from capital and related financing activities				
Capital expenditures	[5,242]	[209,434]	-	[214,676]
Due to other funds	200,000	[205,000]	-	[5,000]
Transfer in [out]	-	[29,054]	-	[29,054]
Interest paid on debt	[52,483]	[377,258]	-	[429,741]
Proceeds from issuance of debt	-	635,605	-	635,605
Principal payments on bonds and notes	[210,118]	[299,716]	-	[509,834]
Net cash provided by [used in] capital and related financing activities	[67,843]	[484,857]	-	[552,700]
Cash flows from investing activities				
Interest income	319	1,289	-	1,608
Net cash provided by investing activities	319	1,289	-	1,608
Net increase [decrease] in cash and cash equivalents	172,549	711,358	-	883,907
Cash and cash equivalents, January 1	290,303	243,513	69,141	602,957
Prior period adjustment	-	-	[69,141]	[69,141]
Cash and cash equivalents, January 1, restated	290,303	243,513	-	533,816
Cash and cash equivalents, December 31	\$ 462,852	\$ 954,871	\$ -	\$ 1,417,723

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

City of Spring Hill, Kansas

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2012

	Business-Type Activities: Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Golf Course	
Reconciliation of operating income [loss] to net cash provided by [used in] operating activities				
Operating income [loss]	\$ [67,540]	\$ 561,383	\$ -	\$ 493,843
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities				
Depreciation and amortization expense	409,272	522,220	-	931,492
Changes in assets and liabilities				
Accounts receivable [increase] decrease	[19,219]	[9,648]	-	[28,867]
Accounts payable increase [decrease]	[87,326]	116,528	-	29,202
Accrued salaries increase [decrease]	4,551	3,921	-	8,472
Accrued compensated absences increase [decrease]	1,130	522	-	1,652
Customer deposits payable increase [decrease]	[795]	-	-	[795]
Net cash provided by [used in] operating activities	<u>\$ 240,073</u>	<u>\$ 1,194,926</u>	<u>\$ -</u>	<u>\$ 1,434,999</u>

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

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Spring Hill (the City) is a municipal corporation governed by a mayor and five member council. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the City and any component units, entities for which the City is considered to be financially accountable. The City has no component units.

B. Government-wide and fund financial statements

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. Exceptions to this general rule are charges between the City's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Taxes and other items which are not classified as program revenues are presented as general revenues of the City.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 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 City 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 certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes 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. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *general fund* is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

The *fire services fund* is used to account for the fire services provided to the City's citizens.

The *special highway fund* is used to account for the improvement of City streets.

The *debt service fund* is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *city hall/civic center fund* is used to account for the improvement of city hall and the civic center.

The *aquatic center* is a temporary project fund used for the revenues and expenses associated with the construction of the Spring Hill Aquatic Center.

The *capital project fund* is used to account for the City's capital projects.

The City reports the following major proprietary funds:

Water fund - To account for the activities of the City's water operations.

Sewer fund – To account for the activities of the City's sewer operations.

Golf course fund - To account for the operations of the City's golf course.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments (including certificates of deposit) with original maturities of three months or less from the date of acquisition.

Kansas statutes authorize the City and the Cemetery Board to invest in U.S. Treasury bills and notes, repurchase agreements, the Kansas Municipal Investment Pool, and certain other types of federal and Kansas municipal obligations. The remaining proceeds of the issuance of the certificates of participation in 1998 are invested as specified by that agreement.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles, if any.

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and therefore are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2013.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied as of November 1 and become a lien on the property as of that date. Payments are due November 1, becoming delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the City, is on or before January 20 of the ensuing year. Additional amounts are distributed on four (4) subsequent dates throughout the calendar year.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

3. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenses when consumed rather than when purchased.

4. Restricted Assets

Certain proceeds of the City's certificates of participation (COPS), as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and the COPS agreement. In addition, resources are restricted for customer meter deposits.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets used in governmental fund types of the City are recorded at cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type is included in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Other equipment	5 -20
Vehicles	6 -10
Infrastructure	30 -50

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay. Vacation pay is accrued when incurred in the governmental statement of net position and the proprietary funds and reported as a fund liability.

7. Long-term Obligations

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The certificates of participation are payable only from the net revenues of a City golf course.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report fund balance in the following classifications: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance indicates that constraints have been placed on the use of resources either by being externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city council. Assigned fund balances include amounts that are constrained by the City management's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available restricted amounts is considered to be spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the following is the order in which resources will be expended: committed, assigned and unassigned.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

8. Fund Equity (Continued)

The following is the detail for fund balance classifications in the financial statements:

	Major Governmental Funds							Other Governmental Funds	Total Governmental Funds
	General	Fire Services	Special Highway	Debt Service	City Hall/ Civic Center	Aquatic Center	Capital Project		
Fund Balances:									
Restricted for:									
Public safety	\$ -	\$ 10,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 235	\$ 10,342
Public works	-	-	1,346,552	-	-	-	-	-	1,346,552
Debt payments	-	-	-	557,617	-	-	-	-	557,617
Capital improvements	-	-	-	-	315,662	2,451	37,027	572,609	927,749
Cemetery operations	-	-	-	-	-	-	-	93,822	93,822
Culture and recreation	-	-	-	-	-	-	-	81,840	81,840
Committed for:									
Capital improvements	5,655	-	-	-	-	-	-	178,587	184,242
Unassigned:	679,957	-	-	-	-	-	-	-	679,957
Total Fund Balances	<u>\$ 685,612</u>	<u>\$ 10,107</u>	<u>\$ 1,346,552</u>	<u>\$ 557,617</u>	<u>\$ 315,662</u>	<u>\$ 2,451</u>	<u>\$ 37,027</u>	<u>\$ 927,093</u>	<u>\$ 3,882,121</u>

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. The government funds report unavailable revenues from one source: property taxes. The government-wide statements of net position report only the unavailable revenue for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

11. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service fund, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of the notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The city amended the 2012 budget for the General and the Special Highway Funds.

The statutes permit management to transfer budgeted amounts between accounts within an individual fund. However, such statutes prohibit management from incurring expenditures in excess of the total amount of the adopted budget for expenditures of individual funds without first following the amendment procedures mentioned in the above paragraph. Budget comparison statements are presented for certain funds showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

A legal operating budget is not required for capital project funds and certain special revenue funds.

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

The actual data presented in the budgetary comparison statements differs from the data presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The following is a summary of the effects on the ending fund balances caused by the difference in accounting between the budgetary basis and GAAP.

	Major Governmental Funds								Total Governmental Funds
	General	Fire Services	Special Highway	Debt Service	City Hall/ Civic Center	Aquatic Center	Capital Project	Other Governmental Funds	
GAAP FUND BALANCE December 31, 2012	\$ 685,612	\$ 10,107	\$ 1,346,552	\$ 557,617	\$ 315,662	\$ 2,451	\$ 37,027	\$ 927,093	\$ 3,882,121
Adjustments:									
Encumbrances outstanding	[5,655]	-	-	-	-	-	-	-	[5,655]
Fund balances not subject to the Kansas Budget Law:									
Civic Hall/Civic Center	-	-	-	-	[315,662]	-	-	-	[315,662]
Aquatic	-	-	-	-	-	[2,451]	-	-	[2,451]
Capital Project	-	-	-	-	-	-	[37,027]	-	[37,027]
Nonmajor governmental funds	-	-	-	-	-	-	-	[863,230]	[863,230]
Total deductions	[5,655]	-	-	-	[315,662]	[2,451]	[37,027]	[863,230]	[1,224,025]
BUDGETARY FUND BALANCE December 31, 2012	\$ 679,957	\$ 10,107	\$ 1,346,552	\$ 557,617	\$ -	\$ -	\$ -	\$ 63,863	\$ 2,658,096

B. Restatement of Equity

After the close of the prior year, UMB Bank & Trust, the trustee over the Spring Hill Golf Corporation, requested the District Court of Johnson County, Kansas order an appointment of receiver over the Spring Hill Golf Corporation. The Court ordered the appointment of a receiver and that receiver has been authorized to take complete possession and control of the Spring Hill Golf Corporation's assets, facilities and offices and to manage and operate the golf course. Through this receivership, the Golf Course Fund no longer qualifies as a fund of the City. The results of this appointment on the City's Golf Course Fund beginning net position are as follows:

	Golf Course Fund
Net Position - Beginning	\$ [6,289,510]
Prior Period Adjustments:	
Golf Course Receivership Appointment	6,289,510
Net Position - Beginning, Restated	\$ -

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

III. DETAILED NOTES ON ALL FUNDS

A. *Deposits and Investments*

The City's cash is considered to be active funds by management and is invested according to K.S.A. 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate for active funds.

Various City investments are considered to be idle funds by management and are invested according to K.S.A. 12-1675. The statute requires that the City invest its idle funds in only temporary notes of the City, bank certificates of deposit, repurchase agreements, and if eligible banks do not offer an acceptable rate for the funds: U.S. Treasury bills or notes, the Municipal Investment Pool (KMIP). Maturities of the above investments may not exceed two years by statute.

Some of the City's investments are of bond proceeds invested pursuant to K.S.A. 10-131. This statute allows additional investment authority beyond that of K.S.A. 12-1675. Investments of bond proceeds may follow K.S.A. 12-1675 or include other investments such as the KMIP, direct obligations of the U.S. government or any agency thereof, investment agreements with a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's investors service or Standard and Poor's corporation, and various other investments as specified in K.S.A. 10-131.

The City does not have any formal investment policies that would further limit concentration of credit risk, interest rate, or custodial credit risks beyond state statutes.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to K.S.A. 9-1402.

B. *Receivables*

Receivables as of year-end are as follows:

	<u>General</u>	<u>Fire Services</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Water</u>	<u>Sewer</u>	<u>Other Governmental</u>	<u>Totals</u>
Receivables:								
Taxes	\$ 1,366,860	\$ 465,793	\$ 164,852	\$ -	\$ -	\$ -	\$ 8,502	\$ 2,006,007
Grants	-	-	-	-	-	-	411,831	411,831
Accounts	<u>46,114</u>	<u>-</u>	<u>-</u>	<u>31,220</u>	<u>89,806</u>	<u>131,002</u>	<u>-</u>	<u>298,142</u>
Total receivables	<u>\$ 1,412,974</u>	<u>\$ 465,793</u>	<u>\$ 164,852</u>	<u>\$ 31,220</u>	<u>\$ 89,806</u>	<u>\$ 131,002</u>	<u>\$ 420,333</u>	<u>\$ 2,715,980</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/2011	Additions	Retirements	Balance 12/31/2012
City governmental activities:				
Capital assets, not being depreciated				
Land	\$ 320,279	\$ -	\$ -	\$ 320,279
Construction in progress	3,466,339	80,305	3,466,339	80,305
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	<u>19,761,347</u>	<u>3,628,666</u>	<u>86,286</u>	<u>23,303,727</u>
Total capital assets	<u>23,496,154</u>	<u>3,708,971</u>	<u>3,552,625</u>	<u>23,704,311</u>
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	<u>4,360,406</u>	<u>526,096</u>	<u>86,286</u>	<u>4,800,216</u>
Total accumulated depreciation	<u>3,853,696</u>	<u>526,096</u>	<u>86,286</u>	<u>4,800,216</u>
Governmental activities capital assets, net	<u>\$ 19,642,458</u>	<u>\$ 3,182,875</u>	<u>\$ 3,466,339</u>	<u>\$ 18,904,095</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 36,281	\$ -	\$ -	\$ 36,281
Construction in progress	190,275	204,197	-	394,472
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	<u>27,244,523</u>	<u>10,479</u>	<u>-</u>	<u>27,255,002</u>
Total capital assets	<u>27,471,079</u>	<u>214,676</u>	<u>-</u>	<u>27,685,755</u>
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	<u>11,022,998</u>	<u>926,924</u>	<u>-</u>	<u>11,949,922</u>
Total accumulated depreciation	<u>11,022,998</u>	<u>926,924</u>	<u>-</u>	<u>11,949,922</u>
Business-type activities capital assets, net	<u>\$ 16,448,081</u>	<u>\$ [712,248]</u>	<u>\$ -</u>	<u>\$ 15,735,833</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

The City's depreciation expense was charged as follows:

Governmental Activities:

General government	\$	150,592
Public safety		18,899
Highways and streets		21,147
Culture and recreation		9,961
Infrastructure		<u>325,497</u>

Total depreciation \$ 526,096

Business-type Activities:

Water	\$	408,739
Sewer		<u>518,185</u>

Total depreciation \$ 926,924

D. Leases

The City has entered into lease agreements for the acquisition of equipment in the current and prior years. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

The following lists the cost of items leased under capital leases as of December 31, 2012.

		Governmental Activities <u>Assets</u>
Equipment	\$	<u>328,111</u>
	\$	<u>328,111</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012 are as follows:

Year Ending December 31,	Governmental Activities
2013	\$ 35,563
2014	35,563
2015	35,562
2016	35,564
2017	35,562
2018 - 2022	<u>80,920</u>
Total minimum lease payments	258,736
Less: amount representing interest	<u>25,806</u>
Present value of minimum lease payments	<u>\$ 232,930</u>

E. Long-term Debt

During the year ended December 31, 2012, the following changes occurred in long term liabilities:

Governmental Activities

	Restated Balance <u>January 1, 2012</u>	Additions	Reductions	Balance <u>December 31, 2012</u>	Amounts Due Within <u>One Year</u>
General obligation bonds	\$ 13,421,750	\$ 4,575,002	\$ 879,905	\$ 17,116,847	\$ 983,935
Temporary notes payable	5,332,000	-	5,010,000	322,000	-
Leases payable	48,000	192,500	7,570	232,930	35,563
Compensated absences	<u>49,601</u>	<u>-</u>	<u>1,951</u>	<u>47,650</u>	<u>47,650</u>
	<u>\$ 18,851,351</u>	<u>\$ 4,767,502</u>	<u>\$ 5,899,426</u>	<u>\$ 17,719,427</u>	<u>\$ 1,067,148</u>

Business-type Activities

General obligation bonds	\$ 6,715,732	\$ 635,605	\$ 90,780	\$ 7,260,557	\$ 152,669
Loans payable	4,783,977	-	423,667	4,360,310	434,285
Compensated absences	<u>11,318</u>	<u>558</u>	<u>-</u>	<u>11,876</u>	<u>11,876</u>
	<u>\$ 11,511,027</u>	<u>\$ 636,163</u>	<u>\$ 514,447</u>	<u>\$ 11,632,743</u>	<u>\$ 598,830</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

General Obligation Bonds. The City issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General Obligation Bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. General Obligation Bonds currently outstanding are as follows:

	<u>Date of Issuance</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Current Amount</u>
<u>Governmental Activities</u>					
2003-A general obligation refunding	09/01/03	09/01/14	2.0-4.0%	\$ 1,540,000	\$ 140,000
2004-A general obligation	02/15/04	09/01/14	2.0-3.5%	651,202	225,000
2007-A general obligation	08/15/07	09/01/32	4.50%	1,986,315	1,352,798
2008-A general obligation	05/22/08	09/01/33	3.25 - 5.00%	4,087,453	3,504,962
2008-B general obligation	05/22/08	09/01/16	2.25 - 3.45%	1,105,000	595,000
2009-B general obligation	09/01/09	09/01/29	1.55 - 6.00%	5,085,000	4,730,000
2011-A general obligation	08/01/11	09/01/36	2.90 - 4.60%	2,070,088	1,994,085
2012-A general obligation	01/27/12	01/27/52	3.75%	338,385	338,385
2012-B general obligation	07/12/12	09/01/32	2.00 - 3.50%	4,236,617	4,236,617
<u>Business-type Activities</u>					
2007-A general obligation	08/15/07	09/01/32	4.50%	4,092,795	2,098,598
2008-A general obligation	05/22/08	09/01/33	3.25 - 5.00%	2,870,421	2,591,354
2011-A general obligation	08/01/11	09/01/36	2.90 - 4.60%	1,935,000	1,935,000
2012-B general obligation	07/12/12	09/01/22	2.00 - 2.50%	635,605	635,605
				<u>\$ 30,633,881</u>	<u>\$ 24,377,404</u>

Annual debt service requirements to maturity for the general obligation bonds are as follows:

<u>Year Ending December 31,</u>	<u>G.O. Bonds</u>			
	<u>Governmental Activities Principal</u>	<u>Interest</u>	<u>Business-type Activities Principal</u>	<u>Interest</u>
2013	\$ 983,935	\$ 691,919	\$ 152,669	\$ 289,608
2014	1,018,960	651,260	142,786	284,232
2015	889,210	617,374	167,683	280,260
2016	914,694	587,597	152,351	275,367
2017	780,424	555,491	166,779	270,839
2018 - 2022	4,437,470	2,299,730	1,181,134	1,251,240
2023 - 2027	4,787,948	1,362,750	1,918,069	981,788
2028 - 2032	3,075,398	326,244	2,208,069	554,003
2033 - 2037	42,496	39,832	1,171,017	120,930
2038 - 2042	51,085	31,243	-	-
2043 - 2047	61,409	20,919	-	-
2048 - 2052	73,818	8,508	-	-
Totals	<u>\$ 17,116,847</u>	<u>\$ 7,192,867</u>	<u>\$ 7,260,557</u>	<u>\$ 4,308,267</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

State Agency Loans. In 2001, the City arranged for a \$3,843,815 loan through the Kansas Water Pollution Control Revolving Loan Fund for improving the wastewater system in Spring Hill. The City is obligated to make semi-annual payments of \$147,310 from September 1, 2001 to September 1, 2021. These payments will include a gross interest rate of 3.26% plus a .25% service fee. At December 31, 2012, the outstanding principal balance was \$2,149,095. In 2004, the City arranged for a \$1,835,090 loan through the Kansas Water Public Water Supply Loan Fund for improving the water system in Spring Hill. The City is obligated to make semi-annual payments of \$65,791 from August 1, 2005 to August 1, 2025. These payments will include a gross interest rate of 3.43% plus a .25% service fee. At December 31, 2012, the outstanding principal balance was \$1,301,215.

The following displays annual debt service requirements to maturity for state agency loans payable to be paid from service revenues:

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u>
2013	\$ 467,195
2014	467,195
2015	467,195
2016	467,195
2017	467,195
2018 - 2022	1,899,084
2023 - 2025	<u>411,322</u>
Total payments	4,646,381
Less: Interest and fees	<u>1,196,071</u>
Total principal	<u>\$ 3,450,310</u>

Conduit Debt Obligations. From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State of Kansas, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2012 there were Industrial Revenue Bonds outstanding, with an aggregate original principal amount payable of \$1,856,680.

Special Assessments. As provided by Kansas statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the debt service fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the debt service fund. The special assessments receivable are not recorded as revenue when levied against the respective property owners as such amounts are not available to finance current year operations. The special assessment debt is a contingent liability of the City to the extent of property owner defaults, which have historically been immaterial.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Temporary Notes. In 2011, the City entered into a 1% interest rate temporary note in the amount of \$5,185,000. Of that note, \$5,010,000 was retired in 2012, leaving a balance of \$175,000 in the 2011B temporary note. In 2011, the City also entered into a 3% interest rate temporary note in the amount of \$147,000. The annual debt service requirements for these notes are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ -	\$ 6,160
2014	<u>322,000</u>	<u>3,955</u>
Total	<u>\$ 322,000</u>	<u>\$ 10,115</u>

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. No significant reductions in insurance from that of the prior year have occurred. Settlements have not exceeded insurance coverage for each of the last three years.

B. Commitments

In connection with certain agreements with AFG Industries, Inc. (AFG) for the construction of infrastructure improvements related to AFG's manufacturing plant, the City was obligated to pay AFG a total of \$2,582,193 in semi-annual payments under an installment purchase agreement without interest over 20 years beginning March 15, 2000.

At December 31, 2012, the remaining balance is due as follows:

Year Ending <u>December 31,</u>	<u>Payment</u>
2013	\$ 130,000
2014	130,000
2015	130,000
2016	130,000
2017	130,000
2018 - 2019	<u>260,000</u>
Total	<u>\$ 910,000</u>

This liability is recorded in the Water Fund.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

IV. OTHER INFORMATION (Continued)

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

D. Defined Benefit Pension Plan

Plan description - The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Fireman's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by Kansas statutes (K.S.A. 74-4901 et seq). KPERS and KP&F provide retirement benefits, life insurance, disability income benefits and death benefits. Kansas law established and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to 611 South Kansas Ave., Suite 100, Topeka, Kansas 66603 or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at up to 6% of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provision of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates. The KPERS employer rate was 7.34% for the year ended December 31, 2012. The City employer contributions to KPERS for the year ended December 31, 2012, 2011 and 2010 were \$100,590, \$92,207, and \$82,713, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2012 is 16.54%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which are determined separately for each participating employer. The City's contributions to KP&F for the years ended December 31, 2012, 2011 and 2010 was \$84,658, \$69,684 and \$77,060, equal to the required contribution for the year.

E. Interfund Transfers

A reconciliation of transfers by fund type for 2012 follows:

	<u>To</u>	<u>From</u>
Major Funds		
General	\$ -	\$ 101,095
Special Highway	-	300,000
Debt Service	315,444	-
City Hall/Civic Center	70,001	-
Aquatic Center	11,611	-
Capital Project	-	2,009
Other Governmental Funds	35,102	-
Sewer Fund	-	<u>29,054</u>
Total	<u>\$ 432,158</u>	<u>\$ 432,158</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

IV. OTHER INFORMATION (Continued)

F. Management Plans Regarding Golf Course Enterprise Fund

The Governing Body of the City of Spring Hill authorized the sale of Certificates of Participation for the construction of the Sycamore Ridge Golf Course. The transaction required the formation of the Spring Hill Golf Corporation. The Governing Body and the City serves as the Board of Directors of the Golf Corporation. The City has a lease with the Golf Corporation which obligates the City to operate the Course.

On January 20, 2005 and on October 30, 2009, the Trustee notified holders of the Series 1998A Certificates (the "Certificateholders") of an event of default, as the revenues collected at the golf course were insufficient to pay the January 15, 2005 principal and interest payment.

On November 28, 2011, the Trustee renewed its notice of default set forth in a letter dated October 30, 2009, but notified the City that there were other events of default under the trust indenture and lease agreement. Therefore, the Trustee accelerated the maturity of the Series 1998A Certificates and intended to exercise its remedies under the trust indenture and/or lease agreement, and under existing at law or at equity or by statute exercise its rights and remedies under the trust indenture and/or lease.

On February 1, 2012, the City canceled the contract with its golf management company and on March 2, 2012, executed a contract with a different golf management company. On February 9, 2012, the Trustee notified the City that it would hold the City responsible for any and all loss, cost, and expense incurred by the Trustee as a result of the change in golf management and any resulting reduction in the value of the golf course. Further, if the City fails to reach an agreement with the Trustee for the City to transfer fee title of the golf course to a third party, the City should expect that the Certificateholders will direct the Trustee to bring a lawsuit against the City to exercise its remedies directed toward transferring the leasehold interest to a third party.

On May 16, 2012, Ridge Management, LLC filed suit against the City and the Corporation for breach of contract and management fees in the amount of \$58,912.52. The defendants assert that the City and the Corporation are not liable for the management fees and any payment of the management fees are limited to being paid from the gross revenues of the golf course.

On, July 19, 2012, the Trustee, as plaintiff, filed with the Clerk of the District Court of Johnson County, Kansas (the "District Court"), a petition and subsequently an amended petition, against the City and the Spring Hill Golf Corporation (the "Corporation"), as defendants (the original petition and amended petition are referred to collectively as the "Trustee's Petition").

The Trustee also filed an application for appointment of a receiver to the default on the certificates which was granted by the Court. The Plaintiff alleged breach of contract, foreclosure of liens, injunctive relief, or for declaratory judgment with respect to the Certificates of Participation.

On June 18, 2013, the City, the Trustee, the Corporation and other parties entered into a Joint Settlement Agreement which provided, among other items, for (a) the transfer by the City of title to, and easements on, certain property owned by the City which are used as part of the Golf Course to a purchaser to be designated by the Trustee, (b) the dismissal of the Trustee's petition with prejudice and (c) the mutual release of all parties to the Joint Settlement Agreement for claims relating to the Certificates or the Golf Course.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

IV. OTHER INFORMATION (Continued)

F. Management Plans Regarding Golf Course Enterprise Fund (Continued)

The Joint Settlement Agreement was approved by the District Court and the case dismissed on June 18, 2013; however, the dismissal and other provisions were conditioned upon occurrence of several events which could result in the Joint Settlement Agreement being cancelled and the case reinstated. Specifically, the Joint Settlement Agreement provides that it shall be terminated upon the occurrence of the following:

- (a) At the option of the City, the sale of the golf course has not occurred within one year from the date of the execution of the Joint Settlement Agreement (dated April 15, 2013);
- (b) The Trustee receives instructions from the majority of the owners of the Series 1998A Certificates to not proceed with the transfer and sale of the golf course and termination of the Base Lease, Lease and Indenture;
- (c) There is a change in the owner of a majority of the Series 1998A Certificates and the Trustee has not received instructions from the new owner or owners to proceed with the transfer and sale of the golf course and the termination of the Base Lease, Lease and Indenture; or
- (d) The Trustee receives notice of pending or threatened litigation relating to this Joint Settlement Agreement or the Certificates by an owner of the Certificates.

At this time, the sale of the golf course property has not occurred.

The City cannot predict the future financial results of the ongoing operations of the golf course and pending litigation. However, the trust indenture for the Certificates states that the Certificates and the interest thereon are special, limited obligations payable solely out of the rental payments and other revenues derived by the Course.

G. Postemployment Healthcare Plan

Plan Description. The City provides for a continuation of medical and dental insurance benefits to eligible early retirees and their spouses. K.S.A. 12-5040 requires all local governmental entities in the state that provide a group health care plan to make participation available to all retirees and dependents until the retiree reaches the age of 65 years. No separate financial report is issued for the Plan.

Funding Policy. The contribution requirements of plan participants and the City are established and amended by the City. The required contribution is based on projected pay-as-you-go financing requirements. Plan participants contributed approximately 100% of the total premiums to the Plan, through their required annual contribution of \$5,352 to \$8,052 for retiree-only coverage and \$6,948 to \$10,488 for retiree and dependent coverage.

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 of the employer (ARC), an amount 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

IV. OTHER INFORMATION (Continued)

G. Postemployment Healthcare Plan (Continued)

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

Annual required contribution (ARC)	\$ 9,799
Interest on Net OPEB Obligation	2,144
Adjustment to the ARC	<u>[2,656]</u>
Annual OPEB cost (expense)	9,287
Benefit payments	<u>5,000</u>
Change in net OPEB obligation	4,287
Net OPEB obligation - beginning of year	<u>46,014</u>
Net OPEB obligation - end of year	<u>\$ 50,301</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended December 31, 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2010	\$ 16,852	\$ 4,000	\$ 32,143
December 31, 2011	17,871	4,000	46,014
December 31, 2012	9,287	5,000	50,301

Funding Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$74,008 and the actuarial value of asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$74,008. The covered payroll (annual payroll of active employees covered by the plan) was \$1,695,918, and the ratio of the UAAL to the covered payroll was 4.36%.

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 healthcare 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 new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, presents multiyear trend information about whether the actuarial value of plan assets (if any) are 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 participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. 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.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

IV. OTHER INFORMATION (Continued)

G. Postemployment Healthcare Plan (Continued)

As of July 1, 2011, the most recent actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.75% investment rate of return, which is the rate of the employer's own investments as there are no plan assets and an annual healthcare cost trend of 8.5% initially, reduced by decrements to an ultimate rate of 5.0% after eight years. The UAAL is being amortized as a level dollar over an open thirty-year period.

H. Due To/From Other Funds

A reconciliation of due to/from other funds for 2012 follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 377,408	\$ -
Other Governmental Fund	-	377,408
Water Fund	723,200	-
Sewer Fund	<u>-</u>	<u>723,200</u>
 Total	 <u>\$ 1,100,608</u>	 <u>\$ 1,100,608</u>

The Water Fund advanced \$1,314,800 in system development fees to the Sewer Fund for principal and interest payments on city-at-large general obligation bonds for improvements. The anticipated payback of this loan is \$200,000 annually from the Sewer Fund to the Water Fund.

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City of Spring Hill, Kansas

OTHER POST-EMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended December 31, 2012

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfund AAL <u>(b) - (a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as Percent of Payroll <u>(b-a)/(c)</u>
7/1/2007	\$ -	\$ 140,491	\$ 140,491	0.00%	\$ 1,477,487	9.51%
7/1/2009	-	127,326	127,326	0.00%	1,790,589	7.11%
7/1/2011	-	74,008	74,008	0.00%	1,695,918	4.36%

City of Spring Hill, Kansas
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2012

ASSETS	Cemetery Taxation	Cemetery Reserve	Special Parks	Gift	Holiday Lights	Law Enforcement Reserve	Water Feature	System Development	Storm Sewer	Sales Tax	Scholarship
Cash and cash equivalents	\$ 3	\$ 93,819	\$ 63,860	\$ 4,578	\$ 8,000	\$ 235	\$ 3,634	\$ 5,006	\$ 123,685	\$ 161,337	\$ 1,768
Grant receivable	-	-	-	-	-	-	-	-	-	-	-
Taxes receivable	8,502	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 8,505	\$ 93,819	\$ 63,860	\$ 4,578	\$ 8,000	\$ 235	\$ 3,634	\$ 5,006	\$ 123,685	\$ 161,337	\$ 1,768
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES											
Liabilities											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-	-	-
Deferred inflows of resources											
Deferred revenue	8,502	-	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	8,502	-	-	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	8,502	-	-	-	-	-	-	-	-	-	-
Fund balances											
Restricted	3	93,819	63,860	4,578	8,000	235	3,634	5,006	-	161,337	1,768
Committed	-	-	-	-	-	-	-	-	123,685	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Total fund balance	3	93,819	63,860	4,578	8,000	235	3,634	5,006	123,685	161,337	1,768
Total liabilities and fund balances	\$ 8,505	\$ 93,819	\$ 63,860	\$ 4,578	\$ 8,000	\$ 235	\$ 3,634	\$ 5,006	\$ 123,685	\$ 161,337	\$ 1,768

West Lake Park	CDBG 2009	CDBG 2010	Replacement Reserve	CDBG 2012	School Gym Wall Repair	Building Demolition	Wilson Unloader Lease	Street Phase 2	Police Facility	Manhole Rehab	CDBG 2013	Vehicle Lease	Totals
\$ 21,267	\$ -	\$ -	\$ 33,635	\$ 564	\$ -	\$ 79,576	\$ -	\$ -	\$ 162,434	\$ -	\$ 1,489	\$ 129,544	\$ 894,434
-	-	-	-	-	-	-	-	411,831	-	-	-	-	411,831
-	-	-	-	-	-	-	-	-	-	-	-	-	8,502
<u>\$ 21,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,635</u>	<u>\$ 564</u>	<u>\$ -</u>	<u>\$ 79,576</u>	<u>\$ -</u>	<u>\$ 411,831</u>	<u>\$ 162,434</u>	<u>\$ -</u>	<u>\$ 1,489</u>	<u>\$ 129,544</u>	<u>\$ 1,314,767</u>
\$ -	\$ -	\$ -	\$ -	\$ 564	\$ -	\$ -	\$ -	\$ -	\$ 1,200	\$ -	\$ -	\$ -	\$ 1,764
-	-	-	-	-	-	-	-	377,408	-	-	-	-	377,408
-	-	-	-	564	-	-	-	377,408	1,200	-	-	-	379,172
-	-	-	-	-	-	-	-	-	-	-	-	-	8,502
-	-	-	-	-	-	-	-	-	-	-	-	-	8,502
-	-	-	-	564	-	-	-	377,408	1,200	-	-	-	387,674
-	-	-	-	-	-	79,576	-	34,423	161,234	-	1,489	129,544	748,506
21,267	-	-	33,635	-	-	-	-	-	-	-	-	-	178,587
-	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>21,267</u>	<u>-</u>	<u>-</u>	<u>33,635</u>	<u>-</u>	<u>-</u>	<u>79,576</u>	<u>-</u>	<u>34,423</u>	<u>161,234</u>	<u>-</u>	<u>1,489</u>	<u>129,544</u>	<u>927,093</u>
<u>\$ 21,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,635</u>	<u>\$ 564</u>	<u>\$ -</u>	<u>\$ 79,576</u>	<u>\$ -</u>	<u>\$ 411,831</u>	<u>\$ 162,434</u>	<u>\$ -</u>	<u>\$ 1,489</u>	<u>\$ 129,544</u>	<u>\$ 1,314,767</u>

City of Spring Hill, Kansas

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2012

	Cemetery Taxation	Cemetery Reserve	Special Parks	Gift	Holiday Lights	Law Enforcement Reserve	Water Feature	System Development	Storm Sewer	Sales Tax	Scholarship
Revenues											
Taxes	\$ 9,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290,814	\$ -
Intergovernmental	-	-	16,838	-	-	-	-	-	-	-	-
Use of money and property	1	190	139	-	-	-	-	6	210	362	-
Miscellaneous	-	-	-	71	-	-	-	-	991	-	653
Total revenues	9,944	190	16,977	71	-	-	-	6	1,201	291,176	653
Expenditures											
General government	12,000	-	-	-	-	-	112	-	120	-	-
Culture and recreation	-	-	48,159	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	12,000	-	48,159	-	-	-	112	-	120	-	-
Excess [deficiency] of revenues over [under] expenditures	[2,056]	190	[31,182]	71	-	-	[112]	6	1,081	291,176	653
Other financing sources and [uses]											
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-
Lease proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfers in [out]	-	-	[1,203]	-	7,687	-	-	-	23,173	[280,994]	-
Total other financing sources and [uses]	-	-	[1,203]	-	7,687	-	-	-	23,173	[280,994]	-
Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses]	[2,056]	190	[32,385]	71	7,687	-	[112]	6	24,254	10,182	653
Fund balances - Beginning of year	2,059	93,629	96,245	4,507	313	235	3,746	-	99,431	151,155	1,115
Prior period adjustment	-	-	-	-	-	-	-	5,000	-	-	-
Fund balances - Beginning of year, restated	2,059	93,629	96,245	4,507	313	235	3,746	5,000	99,431	151,155	1,115
Fund balances, December 31	\$ 3	\$ 93,819	\$ 63,860	\$ 4,578	\$ 8,000	\$ 235	\$ 3,634	\$ 5,006	\$ 123,685	\$ 161,337	\$ 1,768

West Lake Park	CDBG 2009	CDBG 2010	Replacement Reserve	CDBG 2012	Gym Wall Repair	School Building Demolition	Unloader Lease	Wilson Street Phase 2	Police Facility	Manhole Rehab	CDBG 2013	Vehicle Lease	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,757
-	-	-	-	-	-	-	-	811,458	-	-	-	-	828,296
5	-	-	97	-	80	74	-	7	-	-	-	-	1,171
-	-	-	-	-	-	-	-	-	-	-	-	-	1,715
<u>5</u>	<u>-</u>	<u>-</u>	<u>97</u>	<u>-</u>	<u>80</u>	<u>74</u>	<u>-</u>	<u>811,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,131,939</u>
-	2	-	30,630	9,035	-	-	-	-	138,766	16,900	1,989	65,956	275,510
2,494	-	-	-	-	-	-	-	-	-	-	-	-	50,653
-	-	-	-	-	-	-	-	1,092,254	-	-	-	-	1,092,254
<u>2,494</u>	<u>2</u>	<u>-</u>	<u>30,630</u>	<u>9,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,092,254</u>	<u>138,766</u>	<u>16,900</u>	<u>1,989</u>	<u>65,956</u>	<u>1,418,417</u>
[2,489]	[2]	-	[30,533]	[9,035]	80	74	-	[280,789]	[138,766]	[16,900]	[1,989]	[65,956]	[286,478]
-	-	-	-	-	-	-	-	338,385	-	-	-	-	338,385
-	-	-	-	-	-	-	-	-	-	-	-	192,500	192,500
-	-	[24,412]	12,510	4,034	[3,387]	-	[2,511]	[23,173]	300,000	16,900	3,478	3,000	35,102
-	-	[24,412]	12,510	4,034	[3,387]	-	[2,511]	315,212	300,000	16,900	3,478	195,500	565,987
[2,489]	[2]	[24,412]	[18,023]	[5,001]	[3,307]	74	[2,511]	34,423	161,234	-	1,489	129,544	279,509
23,756	2	24,412	51,658	5,001	42,655	40,154	2,511	-	-	-	-	-	642,584
-	-	-	-	-	[39,348]	39,348	-	-	-	-	-	-	5,000
<u>23,756</u>	<u>2</u>	<u>24,412</u>	<u>51,658</u>	<u>5,001</u>	<u>3,307</u>	<u>79,502</u>	<u>2,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>647,584</u>
\$ 21,267	\$ -	\$ -	\$ 33,635	\$ -	\$ -	\$ 79,576	\$ -	\$ 34,423	\$ 161,234	\$ -	\$ 1,489	\$ 129,544	\$ 927,093

City of Spring Hill, Kansas

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ACTUAL AND BUDGET
 CEMETERY TAXATION FUND
 For the Year Ended December 31, 2012

	<u>GAAP Basis</u>	<u>Adjustments to Budgetary Basis</u>	<u>Budgetary Basis</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Positive [Negative]</u>
Revenues						
Taxes	\$ 9,943	\$ -	\$ 9,943	\$ 10,085	\$ 10,085	\$ [142]
Use of money and property	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total revenues	<u>9,944</u>	<u>-</u>	<u>9,944</u>	<u>10,085</u>	<u>10,085</u>	<u>[141]</u>
Expenditures						
Culture and recreation						
Contractual services	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total expenditures	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	[2,056]	-	[2,056]	<u>\$ [1,915]</u>	<u>\$ [1,915]</u>	<u>\$ [141]</u>
Fund balance, January 1	<u>2,059</u>	<u>-</u>	<u>2,059</u>			
Fund balance, December 31	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 3</u>			

See independent auditor's report on the financial statements.

City of Spring Hill, Kansas

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ACTUAL AND BUDGET
 SPECIAL PARKS FUND
 For the Year Ended December 31, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Intergovernmental	\$ 16,838	\$ -	\$ 16,838	\$ 8,030	\$ 8,030	\$ 8,808
Use of money and property	<u>139</u>	<u>-</u>	<u>139</u>	<u>-</u>	<u>-</u>	<u>139</u>
Total revenues	<u>16,977</u>	<u>-</u>	<u>16,977</u>	<u>8,030</u>	<u>8,030</u>	<u>8,947</u>
Expenditures						
Culture and recreation						
Commodities	-	-	-	5,000	5,000	5,000
Contractual services	6,777	-	6,777	2,150	2,150	[4,627]
Capital outlay	41,382	-	41,382	42,300	42,300	918
Reserve for future capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,805</u>	<u>55,805</u>	<u>55,805</u>
Total expenditures	<u>48,159</u>	<u>-</u>	<u>48,159</u>	<u>105,255</u>	<u>105,255</u>	<u>57,096</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[31,182]</u>	<u>-</u>	<u>[31,182]</u>	<u>[97,225]</u>	<u>[97,225]</u>	<u>66,043</u>
Other financing sources [uses]						
Transfers [out]	<u>[1,203]</u>	<u>-</u>	<u>[1,203]</u>	<u>7,785</u>	<u>7,785</u>	<u>[8,988]</u>
Total other financing sources [uses]	<u>[1,203]</u>	<u>-</u>	<u>[1,203]</u>	<u>7,785</u>	<u>7,785</u>	<u>[8,988]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[32,385]</u>	<u>-</u>	<u>[32,385]</u>	<u>\$ [89,440]</u>	<u>\$ [89,440]</u>	<u>\$ 57,055</u>
Fund balance, January 1	<u>96,245</u>	<u>-</u>	<u>96,245</u>			
Fund balance, December 31	<u>\$ 63,860</u>	<u>\$ -</u>	<u>\$ 63,860</u>			

See independent auditor's report on the financial statements.

City of Spring Hill, Kansas

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ACTUAL AND BUDGET
 DEBT SERVICE FUND
 For the Year Ended December 31, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 1,141,604	\$ -	\$ 1,141,604	\$ 191,440	\$ 191,440	\$ 950,164
Special assessments	111,598	-	111,598	679,570	679,570	[567,972]
Miscellaneous	<u>93,033</u>	<u>-</u>	<u>93,033</u>	<u>93,380</u>	<u>93,380</u>	<u>[347]</u>
Total revenues	<u>1,346,235</u>	<u>-</u>	<u>1,346,235</u>	<u>964,390</u>	<u>964,390</u>	<u>381,845</u>
Expenditures						
Principal	873,833	-	873,833	1,895,240	1,895,240	1,021,407
Interest and other charges	601,993	-	601,993	-	-	[601,993]
Revenue for future projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Total expenditures	<u>1,475,826</u>	<u>-</u>	<u>1,475,826</u>	<u>1,945,240</u>	<u>1,945,240</u>	<u>469,414</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[129,591]</u>	<u>-</u>	<u>[129,591]</u>	<u>[980,850]</u>	<u>[980,850]</u>	<u>851,259</u>
Other financing sources [uses]						
Transfers in	<u>315,444</u>	<u>-</u>	<u>315,444</u>	<u>688,680</u>	<u>688,680</u>	<u>[373,236]</u>
Total other financing sources [uses]	<u>315,444</u>	<u>-</u>	<u>315,444</u>	<u>688,680</u>	<u>688,680</u>	<u>[373,236]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	185,853	-	185,853	<u>\$ [292,170]</u>	<u>\$ [292,170]</u>	<u>\$ 478,023</u>
Fund balance, January 1	<u>371,764</u>	<u>-</u>	<u>371,764</u>			
Fund balance, December 31	<u>\$ 557,617</u>	<u>\$ -</u>	<u>\$ 557,617</u>			

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