

**CITY OF SPRING HILL, KANSAS**

**FINANCIAL STATEMENTS**

**Year ended December 31, 2013**

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City of Spring Hill, Kansas  
FINANCIAL STATEMENTS  
Year ended December 31, 2013

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City of Spring Hill, Kansas  
Financial Statements  
Year ending December 31, 2013

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## INDEPENDENT AUDITOR'S REPORT

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, 2013, 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, 2013, 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 43 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*

Certified Public Accountants

Lawrence, KS  
September 18, 2014

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2013  
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, 2013.

**Financial Highlights**

- The Government-wide net position totaled \$10.1 million at the end of the current fiscal year.
- Total capital assets, net of accumulated depreciation at December 31, 2013 totaled \$34.8 million.
- Government-wide activities decreased the net position of the City by \$.2 million for the year ended December 31, 2013.
- The City's total indebtedness decreased by \$30,398.
- The City's net capital assets increased \$.1 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, 2013  
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, 2013  
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, 2013:

City of Spring Hill  
Condensed Statement of Net Position  
December 31, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 6,279,142	\$ 6,492,470	\$ 2,075,993	\$ 2,543,376	\$ 8,355,135	\$ 9,035,846
Net capital assets	<u>19,354,017</u>	<u>18,904,095</u>	<u>15,430,402</u>	<u>15,735,833</u>	<u>34,784,419</u>	<u>34,639,928</u>
Total assets	<u>\$ 25,633,159</u>	<u>\$ 25,396,565</u>	<u>\$ 17,506,395</u>	<u>\$ 18,279,209</u>	<u>\$ 43,139,554</u>	<u>\$ 43,675,774</u>
Current liabilities	\$ 2,240,956	\$ 1,897,736	\$ 1,428,673	\$ 1,682,592	\$ 3,669,629	\$ 3,580,328
Noncurrent liabilities	16,618,550	16,702,580	10,727,061	11,033,913	27,345,611	27,736,493
Deferred inflows of resources	<u>2,008,575</u>	<u>2,005,993</u>	-	-	<u>2,008,575</u>	<u>2,005,993</u>
Total liabilities and deferred inflows of resources	<u>\$ 20,868,081</u>	<u>\$ 20,606,309</u>	<u>\$ 12,155,734</u>	<u>\$ 12,716,505</u>	<u>\$ 33,023,815</u>	<u>\$ 33,322,814</u>
Net Position:						
Invested in capital assets, net of debt	\$ 1,392,550	\$ 1,554,318	\$ 3,557,777	\$ 3,391,766	\$ 4,950,327	\$ 4,946,084
Restricted for:						
Debt Service	526,786	557,617	-	-	526,786	557,617
Unrestricted	<u>2,845,742</u>	<u>2,678,321</u>	<u>1,792,884</u>	<u>2,170,938</u>	<u>4,638,626</u>	<u>4,849,259</u>
Total net position	<u>\$ 4,765,078</u>	<u>\$ 4,790,256</u>	<u>\$ 5,350,661</u>	<u>\$ 5,562,704</u>	<u>\$ 10,115,739</u>	<u>\$ 10,352,960</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 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 \$2 million is due within the next fiscal year.

The City had total assets at December 31, 2013, totaling \$43.1 million. The total assets of the City exceeded the total liabilities by \$10.1 million. Net position invested in capital assets, net of related debt, totaled \$5 million, restricted net position totaled \$.5 million and unrestricted net position totaled \$4.6 million.

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2013  
Unaudited

Government-Wide Activities

The following is a condensed statement of the City's change in net position for the year ended December 31, 2013. Major items of program revenues, grants and general revenues are detailed below. 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 \$.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 \$1.4 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 \$1.1 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, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 432,027	\$ 433,241	\$ 2,659,471	\$ 2,564,413	\$ 3,091,498	\$ 2,997,654
Operating grants	1,414,273	1,098,491	-	-	1,414,273	1,098,491
General revenues:						
Taxes	4,279,298	4,975,839	-	-	4,279,298	4,975,839
Transfers [net]	70,981	29,054	[70,981]	[29,054]	-	-
Other	104,608	170,941	744	8,326	105,352	179,267
Total revenues	<u>6,301,187</u>	<u>6,707,566</u>	<u>2,589,234</u>	<u>2,543,685</u>	<u>8,890,421</u>	<u>9,251,251</u>
Program expenses:						
General government	2,839,636	2,314,880	-	-	2,839,636	2,314,880
Public safety	1,154,434	1,077,551	-	-	1,154,434	1,077,551
Public works	915,255	1,591,176	-	-	915,255	1,591,176
Culture and recreation	544,517	549,179	-	-	544,517	549,179
Infrastructure depreciation	404,934	325,497	-	-	404,934	325,497
Water utility	-	-	1,185,003	1,222,564	1,185,003	1,222,564
Sewer utility	-	-	1,303,925	1,250,073	1,303,925	1,250,073
Interest on long term debt	720,065	644,934	-	-	720,065	644,934
Total expenses	<u>6,578,841</u>	<u>6,503,217</u>	<u>2,488,928</u>	<u>2,472,637</u>	<u>9,067,769</u>	<u>8,975,854</u>
Increase [decrease] in net position	\$ <u>[277,654]</u>	\$ <u>204,349</u>	\$ <u>100,306</u>	\$ <u>71,048</u>	\$ <u>[177,348]</u>	\$ <u>275,397</u>

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2013  
Unaudited

Governmental Activities decreased the net position by \$.3. 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, 2013 for the governmental funds totaled \$3.7 million. Total unassigned fund balances at December 31, 2013 totaled \$.3 million, of which \$.3 million was attributable to the General Fund. The remainder of fund balance includes; \$3.2 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 \$.3 million, which represents all of the total fund balance. The decrease in the General Fund's fund balance was \$.4 million due legal expenses related to the golf course.

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 \$2,762, which represents all of the total fund balance. The decrease in the fund's fund balance was \$7,345.

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 \$33,379.

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, Police Facility, 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 \$.6 million. The total change in the two funds was [\$212,469] and \$312,775, 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 General Fund budget was \$3,909,895. The revenues were more than budgetary estimates by \$78,080 and the expenditures were less than budgetary estimates by \$141,418.

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2013  
Unaudited

**Fixed Assets and Debt Administration**

The City's investment in fixed assets for its governmental and business-type activities totaled \$34.8 million (net of accumulated depreciation) as of December 31, 2013.

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

The City completed the Waste Water Treatment Plant Phase I, began the Police Facility project, and purchased a dump truck

At December 31, 2013, the City had total debt outstanding of \$29.3 million, backed by the full faith and credit of the City. Total long-term debt increased for the fiscal year ended December 31, 2013, in the amount of \$30,398. This was a result of the gradual pay down of current outstanding debt and a 2013 bond issue.

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, 2013

	Primary Government		
	Total Governmental Activities	Total Business-type Activities	Total Primary Government
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,188,216	\$ 1,268,339	\$ 5,456,555
Taxes receivable	2,008,737	-	2,008,737
Accounts receivable	82,189	268,786	350,975
Due from other funds	-	511,050	511,050
Restricted assets			
Cash and cash equivalents	-	27,818	27,818
Total current assets	<u>6,279,142</u>	<u>2,075,993</u>	<u>8,355,135</u>
Noncurrent assets:			
Capital assets, nondepreciable			
Construction in progress	984,772	-	984,772
Land	320,279	36,281	356,560
Capital assets, depreciable			
Less: accumulated depreciation	5,436,180	12,848,008	18,284,188
Total noncurrent assets	<u>19,354,017</u>	<u>15,430,402</u>	<u>34,784,419</u>
Total assets	<u>\$ 25,633,159</u>	<u>\$ 17,506,395</u>	<u>\$ 43,139,554</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
Liabilities:			
Current liabilities: (payable from current assets):			
Accounts payable	\$ 510,141	\$ 105,665	\$ 615,806
Accrued interest payable	234,803	148,656	383,459
Accrued salaries	43,174	15,093	58,267
Compensated absences payable	52,482	13,695	66,177
Due to other funds	-	511,050	511,050
Current portion of leases payable	30,443	-	30,443
Current portion of temporary notes payable	322,000	-	322,000
Current portion of notes payable	-	445,288	445,288
Current portion of bonds payable	1,047,913	189,226	1,237,139
Total current liabilities (payable from current assets)	<u>2,240,956</u>	<u>1,428,673</u>	<u>3,669,629</u>
Noncurrent liabilities:			
Leases payable	172,476	-	172,476
Net other post employment benefits payable	57,439	-	57,439
Notes payable	-	3,480,737	3,480,737
Bonds payable	16,388,635	7,246,324	23,634,959
Total noncurrent liabilities	<u>16,618,550</u>	<u>10,727,061</u>	<u>27,345,611</u>
Total liabilities	<u>18,859,506</u>	<u>12,155,734</u>	<u>31,015,240</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	2,008,575	-	2,008,575
Total deferred inflows of resources	<u>2,008,575</u>	<u>-</u>	<u>2,008,575</u>
Total liabilities and deferred inflows of resources	<u>\$ 20,868,081</u>	<u>\$ 12,155,734</u>	<u>\$ 33,023,815</u>
Net Position			
Invested in fixed assets, net of related debt	\$ 1,392,550	\$ 3,557,777	\$ 4,950,327
Restricted for:			
Debt service	526,786	-	526,786
Unrestricted	2,845,742	1,792,884	4,638,626
Total net position	<u>\$ 4,765,078</u>	<u>\$ 5,350,661</u>	<u>\$ 10,115,739</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, 2013

	Program Revenues			Net [Expenses] Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	
<b>Governmental activities:</b>						
General government	\$ 2,839,636	\$ 319,318	\$ 1,049,623	\$ [1,470,695]	\$ -	\$ [1,470,695]
Public safety	1,154,434	-	-	[1,154,434]	-	[1,154,434]
Highways and streets	915,255	-	343,848	[571,407]	-	[571,407]
Culture and recreation	544,517	112,709	20,802	[411,006]	-	[411,006]
Infrastructure depreciation	404,934	-	-	[404,934]	-	[404,934]
Interest on long-term debt	720,065	-	-	[720,065]	-	[720,065]
Total governmental activities	<u>6,578,841</u>	<u>432,027</u>	<u>1,414,273</u>	<u>[4,732,541]</u>	<u>-</u>	<u>[4,732,541]</u>
<b>Business-type activities:</b>						
Water	1,185,003	1,022,259	-	-	[162,744]	[162,744]
Sewer	1,303,925	1,637,212	-	-	333,287	333,287
Total business-type activities	<u>2,488,928</u>	<u>2,659,471</u>	<u>-</u>	<u>-</u>	<u>170,543</u>	<u>170,543</u>
Total primary government	<u>\$ 9,067,769</u>	<u>\$ 3,091,498</u>	<u>\$ 1,414,273</u>	<u>[4,732,541]</u>	<u>170,543</u>	<u>[4,561,998]</u>
<b>General Revenues:</b>						
Property taxes levied for						
General purposes				4,025,479	-	4,025,479
Debt service				253,819	-	253,819
Investments earnings				76,944	744	77,688
Transfers				70,981	[70,981]	-
Miscellaneous				27,664	-	27,664
Total general revenues and transfers				<u>4,454,887</u>	<u>[70,237]</u>	<u>4,384,650</u>
Change in net position				<u>[277,654]</u>	<u>100,306</u>	<u>[177,348]</u>
Net position - beginning				4,907,613	5,562,704	10,470,317
Restatement				<u>135,119</u>	<u>[312,349]</u>	<u>[177,230]</u>
Net position - beginning, restated				<u>5,042,732</u>	<u>5,250,355</u>	<u>10,293,087</u>
Net position - ending				<u>\$ 4,765,078</u>	<u>\$ 5,350,661</u>	<u>\$ 10,115,739</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, 2013

	General	Fire Services	Special Highway	Debt Service	City Hall/ Civic Center	Aquatic Center	Police Facility	Capital Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>										
Cash and investments	\$ 523,469	\$ 2,762	\$ 1,320,445	\$ 526,786	\$ 232,896	\$ -	\$ 824,624	\$ 5,811	\$ 751,423	\$ 4,188,216
Receivables										
Accounts	50,969	-	-	-	-	-	-	31,220	-	82,189
Taxes	1,486,399	484,577	-	23,955	-	-	-	-	13,806	2,008,737
Total assets	<u>\$ 2,060,837</u>	<u>\$ 487,339</u>	<u>\$ 1,320,445</u>	<u>\$ 550,741</u>	<u>\$ 232,896</u>	<u>\$ -</u>	<u>\$ 824,624</u>	<u>\$ 37,031</u>	<u>\$ 765,229</u>	<u>\$ 6,279,142</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	\$ 210,420	\$ -	\$ 7,272	\$ -	\$ -	\$ -	\$ 237,291	\$ -	\$ 55,158	\$ 510,141
Accrued salaries payable	43,174	-	-	-	-	-	-	-	-	43,174
Total liabilities	<u>253,594</u>	<u>-</u>	<u>7,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,291</u>	<u>-</u>	<u>55,158</u>	<u>553,315</u>
Deferred inflows of resources:										
Unavailable revenue - property taxes	1,486,237	484,577	-	23,955	-	-	-	-	13,806	2,008,575
Total deferred inflows of resources	<u>1,486,237</u>	<u>484,577</u>	<u>-</u>	<u>23,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,806</u>	<u>2,008,575</u>
Total liabilities and deferred inflows of resources	<u>1,739,831</u>	<u>484,577</u>	<u>7,272</u>	<u>23,955</u>	<u>-</u>	<u>-</u>	<u>237,291</u>	<u>-</u>	<u>68,964</u>	<u>2,561,890</u>
Fund balance:										
Restricted	-	2,762	1,313,173	526,786	232,896	-	587,333	37,031	518,911	3,218,892
Committed	-	-	-	-	-	-	-	-	177,354	177,354
Unassigned	321,006	-	-	-	-	-	-	-	-	321,006
Total fund balance	<u>321,006</u>	<u>2,762</u>	<u>1,313,173</u>	<u>526,786</u>	<u>232,896</u>	<u>-</u>	<u>587,333</u>	<u>37,031</u>	<u>696,265</u>	<u>3,717,252</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,060,837</u>	<u>\$ 487,339</u>	<u>\$ 1,320,445</u>	<u>\$ 550,741</u>	<u>\$ 232,896</u>	<u>\$ -</u>	<u>\$ 824,624</u>	<u>\$ 37,031</u>	<u>\$ 765,229</u>	<u>\$ 6,279,142</u>

City of Spring Hill, Kansas

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
December 31, 2013

Total Governmental Fund Balances \$ 3,717,252

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds

The cost of capital assets is	24,790,197	
Accumulated depreciation is	<u>5,436,180</u>	19,354,017

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	17,436,548	
Temporary notes payable	322,000	
Leases payable	202,919	
Interest payable	234,803	
Net other post employment benefits payable	57,439	
Compensated absences payable	<u>52,482</u>	<u>[18,306,191]</u>

Net Position of Governmental Activities \$ 4,765,078

City of Spring Hill, Kansas

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

	General	Fire Services	Special Highway	Debt Service	City Hall/ Civic Center	Aquatic Center	Police Facility	Capital Project	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>										
Taxes	\$ 3,188,519	\$ 481,503	\$ 36,336	\$ 253,819	\$ -	\$ -	\$ -	\$ -	\$ 319,121	\$ 4,279,298
Special assessments	-	-	-	1,037,623	-	-	-	-	-	1,037,623
Intergovernmental	-	-	139,848	-	-	-	-	-	236,802	376,650
Fines and fees	432,027	-	-	-	-	-	-	-	-	432,027
Use of money and property	23,089	64	8,537	42,080	1,584	-	278	4	1,308	76,944
Miscellaneous	15,891	-	-	-	-	-	-	-	11,774	27,665
<b>Total revenues</b>	<b>3,659,526</b>	<b>481,567</b>	<b>184,721</b>	<b>1,333,522</b>	<b>1,584</b>	<b>-</b>	<b>278</b>	<b>4</b>	<b>569,005</b>	<b>6,230,207</b>
<b>EXPENDITURES:</b>										
Current										
General government	1,818,639	488,912	-	-	-	-	993,911	-	305,085	3,606,547
Law enforcement	1,039,627	-	-	-	-	-	-	-	-	1,039,627
Court services	85,042	-	-	-	-	-	-	-	-	85,042
Highways and streets	560,277	-	218,100	-	-	-	-	-	-	778,377
Culture and recreation	498,221	-	-	-	-	-	-	-	32,552	530,773
Capital outlay	-	-	-	-	9,350	2,451	-	-	286,225	298,026
Debt service										
Principal	-	-	-	946,560	-	-	-	-	-	946,560
Interest and other charges	-	-	-	713,188	-	-	-	-	-	713,188
<b>Total expenditures</b>	<b>4,001,806</b>	<b>488,912</b>	<b>218,100</b>	<b>1,659,748</b>	<b>9,350</b>	<b>2,451</b>	<b>993,911</b>	<b>-</b>	<b>623,862</b>	<b>7,998,140</b>
Excess [deficiency] of revenues over [under] expenditures	[342,280]	[7,345]	[33,379]	[326,226]	[7,766]	[2,451]	[993,633]	4	[54,857]	[1,767,933]
<b>OTHER FINANCING SOURCES [USES]</b>										
Bond proceeds	-	-	-	-	-	-	1,419,732	-	-	1,419,732
Transfers in	-	-	-	295,395	-	-	-	-	184,307	479,702
Transfers out	[22,326]	-	-	-	[75,000]	-	-	-	[311,395]	[408,721]
<b>Total other financing sources [uses]</b>	<b>[22,326]</b>	<b>-</b>	<b>-</b>	<b>295,395</b>	<b>[75,000]</b>	<b>-</b>	<b>1,419,732</b>	<b>-</b>	<b>[127,088]</b>	<b>1,490,713</b>
<b>Net change in fund balance</b>	<b>[364,606]</b>	<b>[7,345]</b>	<b>[33,379]</b>	<b>[30,831]</b>	<b>[82,766]</b>	<b>[2,451]</b>	<b>426,099</b>	<b>4</b>	<b>[181,945]</b>	<b>[277,220]</b>
Fund balance - Beginning of year	685,612	10,107	1,346,552	557,617	315,662	2,451	161,234	37,027	883,216	3,999,478
Prior period adjustment	-	-	-	-	-	-	-	-	[5,006]	[5,006]
Fund balance - Beginning of year, restated	685,612	10,107	1,346,552	557,617	315,662	2,451	161,234	37,027	878,210	3,994,472
Fund balance - End of year	\$ 321,006	\$ 2,762	\$ 1,313,173	\$ 526,786	\$ 232,896	\$ -	\$ 587,333	\$ 37,031	\$ 696,265	\$ 3,717,252

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, 2013

Total Net Change In Fund Balances - Governmental Funds \$ [277,220]

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	1,085,884	
Depreciation expense	<u>[635,964]</u>	449,920

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 increased.

[6,877]

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.

[4,831]

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.

[7,138]

Governmental funds report the effect of 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.

11,654

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.

30,010

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

[1,419,732]

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.

946,560

Changes In Net Position of Governmental Activities

\$ [277,654]

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, 2013

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 3,188,519	\$ -	\$ 3,188,519	\$ 3,119,746	\$ 3,119,746	\$ 68,773
Fines and fees	432,027	-	432,027	423,200	423,200	8,827
Use of money and property	23,089	-	23,089	5,000	5,000	18,089
Miscellaneous	15,891	-	15,891	33,500	33,500	[17,609]
Total revenues	<u>3,659,526</u>	<u>-</u>	<u>3,659,526</u>	<u>3,581,446</u>	<u>3,581,446</u>	<u>78,080</u>
Expenditures						
General government	1,818,639	[5,655]	1,812,984	1,631,395	1,631,395	[181,589]
Law enforcement	1,039,627	-	1,039,627	1,017,780	1,017,780	[21,847]
Court services	85,042	-	85,042	92,250	92,250	7,208
Highways and streets	560,277	-	560,277	590,820	590,820	30,543
Culture and recreation	498,221	-	498,221	547,550	547,550	49,329
Adjustment for qualifying budget credit	-	-	-	-	250,000	250,000
Total expenditures	<u>4,001,806</u>	<u>[5,655]</u>	<u>3,996,151</u>	<u>3,879,795</u>	<u>4,129,795</u>	<u>133,644</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[342,280]</u>	<u>5,655</u>	<u>[336,625]</u>	<u>[298,349]</u>	<u>[548,349]</u>	<u>211,724</u>
Other financing sources [uses]						
Transfers [out]	<u>[22,326]</u>	<u>-</u>	<u>[22,326]</u>	<u>[30,100]</u>	<u>[30,100]</u>	<u>7,774</u>
Total other financing sources [uses]	<u>[22,326]</u>	<u>-</u>	<u>[22,326]</u>	<u>[30,100]</u>	<u>[30,100]</u>	<u>7,774</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[364,606]</u>	<u>5,655</u>	<u>[358,951]</u>	<u>\$ [328,449]</u>	<u>\$ [578,449]</u>	<u>\$ 219,498</u>
Fund balance, January 1	<u>685,612</u>	<u>[5,655]</u>	<u>679,957</u>			
Fund balance, December 31	<u>\$ 321,006</u>	<u>\$ -</u>	<u>\$ 321,006</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, 2013

	<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	\$ 481,503	\$ -	\$ 481,503	\$ 501,333	\$ 501,333	\$ [19,830]
Use of money and property	<u>64</u>	<u>-</u>	<u>64</u>	<u>200</u>	<u>200</u>	<u>[136]</u>
Total revenues	<u>481,567</u>	<u>-</u>	<u>481,567</u>	<u>501,533</u>	<u>501,533</u>	<u>[19,966]</u>
Expenditures						
General government						
Contractual services	<u>488,912</u>	<u>-</u>	<u>488,912</u>	<u>494,135</u>	<u>494,135</u>	<u>5,223</u>
Total expenditures	<u>488,912</u>	<u>-</u>	<u>488,912</u>	<u>494,135</u>	<u>494,135</u>	<u>5,223</u>
Excess [deficiency] of revenues over [under] expenditures	[7,345]	-	[7,345]	<u>\$ 7,398</u>	<u>\$ 7,398</u>	<u>\$ [14,743]</u>
Fund balance, January 1	<u>10,107</u>	<u>-</u>	<u>10,107</u>			
Fund balance, December 31	<u>\$ 2,762</u>	<u>\$ -</u>	<u>\$ 2,762</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, 2013

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
<b>Revenues</b>						
Intergovernmental	\$ 139,848	\$ -	\$ 139,848	\$ 140,000	\$ 140,000	\$ [152]
Taxes	36,336	-	36,336	-	-	36,336
Use of money and property	8,537	-	8,537	9,000	9,000	[463]
<b>Total revenues</b>	<b>184,721</b>	<b>-</b>	<b>184,721</b>	<b>149,000</b>	<b>149,000</b>	<b>35,721</b>
<b>Expenditures</b>						
Highways and streets						
Commodities	-	-	-	41,000	41,000	41,000
Contractual services	179,459	-	179,459	160,000	160,000	[19,459]
Capital outlay	38,641	-	38,641	8,800	8,800	[29,841]
Reserve for capital projects	-	-	-	1,415,420	1,415,420	1,415,420
<b>Total expenditures</b>	<b>218,100</b>	<b>-</b>	<b>218,100</b>	<b>1,625,220</b>	<b>1,625,220</b>	<b>1,407,120</b>
Excess [deficiency] of revenues over [under] expenditures	[33,379]	-	[33,379]	\$ [1,476,220]	\$ [1,476,220]	\$ 1,442,841
Fund balance, January 1	1,346,552	-	1,346,552			
Fund balance, December 31	\$ 1,313,173	\$ -	\$ 1,313,173			

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, 2013

ASSETS	Business-Type Activities: Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Current assets:			
Cash and cash equivalents	\$ 649,057	\$ 619,282	\$ 1,268,339
Receivables	121,821	146,965	268,786
Restricted assets			
Cash and cash equivalents	27,818	-	27,818
Due from other funds	511,050	-	511,050
Total current assets	<u>1,309,746</u>	<u>766,247</u>	<u>2,075,993</u>
Noncurrent assets:			
Capital assets, nondepreciable			
Land	-	36,281	36,281
Capital assets, depreciable	10,025,519	18,216,610	28,242,129
Less: accumulated depreciation	<u>[6,975,995]</u>	<u>[5,872,013]</u>	<u>[12,848,008]</u>
Total noncurrent assets	<u>3,049,524</u>	<u>12,380,878</u>	<u>15,430,402</u>
Total assets	<u>\$ 4,359,270</u>	<u>\$ 13,147,125</u>	<u>\$ 17,506,395</u>
LIABILITIES AND NET POSITION			
Current liabilities (payable from current assets):			
Accounts payable	\$ 92,288	\$ 13,377	\$ 105,665
Accrued salaries payable	4,894	10,199	15,093
Accrued interest payable	28,742	119,914	148,656
Compensated absences payable	8,111	5,584	13,695
Due to other funds	-	511,050	511,050
Current portion of notes payable	216,349	228,939	445,288
Current portion of bonds payable	-	189,226	189,226
Total current liabilities			
(payable from current assets):	<u>350,384</u>	<u>1,078,289</u>	<u>1,428,673</u>
Noncurrent liabilities			
Notes payable	1,781,691	1,699,046	3,480,737
Bonds payable	-	7,246,324	7,246,324
Total noncurrent liabilities	<u>1,781,691</u>	<u>8,945,370</u>	<u>10,727,061</u>
Total liabilities	<u>\$ 2,132,075</u>	<u>\$ 10,023,659</u>	<u>\$ 12,155,734</u>
Net position			
Invested in capital assets, net of related debt	\$ 1,051,484	\$ 2,506,293	\$ 3,557,777
Unrestricted	<u>1,175,711</u>	<u>617,173</u>	<u>1,792,884</u>
Total net position	<u>\$ 2,227,195</u>	<u>\$ 3,123,466</u>	<u>\$ 5,350,661</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, 2013

	Business-Type Activities: Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Operating revenues			
Charges for services	\$ 1,022,259	\$ 1,637,212	\$ 2,659,471
Total operating revenues	1,022,259	1,637,212	2,659,471
Operating expenses			
Personal services	249,516	181,844	431,360
Contractual services	425,227	206,223	631,450
Commodities	54,881	25,734	80,615
Capital outlay	-	30,882	30,882
Depreciation	408,030	483,883	891,913
Total operating expenses	1,137,654	928,566	2,066,220
Operating income [loss]	[115,395]	708,646	593,251
Nonoperating revenues [expenses]			
Interest income	275	469	744
Transfer in [out]	[50,000]	[20,981]	[70,981]
Interest expense	[47,349]	[375,359]	[422,708]
Total nonoperating revenues [expenses]	[97,074]	[395,871]	[492,945]
Change in net position	[212,469]	312,775	100,306
Net position, January 1	2,445,385	3,117,319	5,562,704
Prior period adjustment	[5,721]	[306,628]	[312,349]
Net position, January 1, beginning	2,439,664	2,810,691	5,250,355
Net position, December 31	\$ 2,227,195	\$ 3,123,466	\$ 5,350,661

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, 2013

	Business-Type Activities: Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Cash flows from operating activities			
Cash received from customers	\$ 996,352	\$ 1,621,249	\$ 2,617,601
Cash paid to suppliers	[439,491]	[398,527]	[838,018]
Cash paid to employees	[248,687]	[175,657]	[424,344]
Net cash provided by [used in] operating activities	<u>308,174</u>	<u>1,047,065</u>	<u>1,355,239</u>
Cash flows from capital and related financing activities			
Capital expenditures	-	[592,655]	[592,655]
Due to other funds	212,150	[212,150]	-
Transfer in [out]	[50,000]	[20,981]	[70,981]
Interest paid on debt	[48,407]	[375,575]	[423,982]
Proceeds from issuance of debt	-	211,566	211,566
Principal payments on bonds and notes	[213,175]	[393,328]	[606,503]
Net cash provided by [used in] capital and related financing activities	<u>[99,432]</u>	<u>[1,383,123]</u>	<u>[1,482,555]</u>
Cash flows from investing activities			
Interest income	<u>275</u>	<u>469</u>	<u>744</u>
Net cash provided by investing activities	<u>275</u>	<u>469</u>	<u>744</u>
Net increase [decrease] in cash and cash equivalents	209,017	[335,589]	[126,572]
Cash and cash equivalents, January 1, restated	<u>467,858</u>	<u>954,871</u>	<u>1,422,729</u>
Cash and cash equivalents, December 31	<u>\$ 676,875</u>	<u>\$ 619,282</u>	<u>\$ 1,296,157</u>

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, 2013

	Business-Type Activities: Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Reconciliation of operating income [loss] to net cash provided by [used in] operating activities			
Operating income [loss]	\$ [115,395]	\$ 708,646	\$ 593,251
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities			
Depreciation and amortization expense	408,030	483,883	891,913
Changes in assets and liabilities			
Accounts receivable [increase] decrease	[25,907]	[15,963]	[41,870]
Accounts payable increase [decrease]	40,617	[135,688]	[95,071]
Accrued salaries increase [decrease]	343	239	582
Accrued compensated absences increase [decrease]	486	5,948	6,434
Net cash provided by [used in] operating activities	\$ 308,174	\$ 1,047,065	\$ 1,355,239

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, 2013

**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, 2013

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

The *police facility fund* is a temporary project fund used for the revenues and expenses associated with the construction of the Spring Hill Police Facility.

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.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

**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 2014.

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, 2013

**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

The City has restricted cash for system development in the Water Fund.

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, 2013

**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.

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, 2013

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									Total Governmental Funds
	General	Fire Services	Special Highway	Debt Service	City Hall/ Civic Center	Aquatic Center	Police Facility	Capital Project	Other Governmental Funds	
Fund Balances:										
Restricted for:										
Public safety	\$ -	\$ 2,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236	\$ 2,998
Public works	-	-	1,313,173	-	-	-	-	-	-	1,313,173
Debt payments	-	-	-	526,786	-	-	-	-	-	526,786
Capital improvements	-	-	-	-	232,896	-	587,333	37,031	239,621	1,096,881
Cemetery operations	-	-	-	-	-	-	-	-	202,540	202,540
Culture and recreation	-	-	-	-	-	-	-	-	76,514	76,514
Committed for:										
Capital improvements	-	-	-	-	-	-	-	-	177,354	177,354
Unassigned:	321,006	-	-	-	-	-	-	-	-	321,006
Total Fund Balances	\$ 321,006	\$ 2,762	\$ 1,313,173	\$ 526,786	\$ 232,896	\$ -	\$ 587,333	\$ 37,031	\$ 696,265	\$ 3,717,252

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, 2013

**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 budget was not amended for the year ended December 31, 2013.

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, 2013

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									
	General	Fire Services	Special Highway	Debt Service	City Hall/Civic Center	Aquatic Center	Police Facility	Capital Project	Other Governmental Funds	Total Governmental Funds
GAAP FUND BALANCE December 31, 2013	\$ 321,006	\$ 2,762	\$ 1,313,173	\$ 526,786	\$ 232,896	\$ -	\$ 587,333	\$ 37,031	\$ 696,265	\$ 3,717,252
Adjustments:										
Encumbrances outstanding	-	-	-	-	-	-	-	-	-	-
Fund balances not subject to the Kansas Budget Law:										
Civic Hall/Civic Center	-	-	-	-	[232,896]	-	-	-	-	[232,896]
Aquatic	-	-	-	-	-	-	-	-	-	-
Capital Project	-	-	-	-	-	-	[37,031]	-	-	[37,031]
Police Facility	-	-	-	-	-	[587,333]	-	-	-	[587,333]
Nonmajor governmental funds	-	-	-	-	-	-	-	-	[629,697]	[629,697]
Total deductions	-	-	-	-	[232,896]	-	[587,333]	[37,031]	[629,697]	[1,486,957]
BUDGETARY FUND BALANCE December 31, 2013	\$ 321,006	\$ 2,762	\$ 1,313,173	\$ 526,786	\$ -	\$ -	\$ -	\$ -	\$ 66,568	\$ 2,230,295

B. Restatement of Equity

The beginning governmental activities and business type activities net positions were restated as follows:

	Governmental Activities	Business Type Activities
Net Position - Beginning	\$ 4,907,613	\$ 5,562,704
Prior Period Adjustments:		
Bond issuance costs previously deferred	[1,694]	[181,644]
Accounts receivable	-	6,108
Misclassified cash	[5,006]	5,006
Misclassified bonds	141,819	[141,819]
Net Position - Beginning, Restated	\$ 5,042,732	\$ 5,250,355

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

**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	\$ 1,486,399	\$ 484,577	\$ 23,955	\$ -	\$ -	\$ -	\$ 13,806	\$ 2,008,737
Accounts	<u>50,969</u>	<u>-</u>	<u>-</u>	<u>31,220</u>	<u>121,821</u>	<u>146,965</u>	<u>-</u>	<u>350,975</u>
Total receivables	<u>\$ 1,537,368</u>	<u>\$ 484,577</u>	<u>\$ 23,955</u>	<u>\$ 31,220</u>	<u>\$ 121,821</u>	<u>\$ 146,965</u>	<u>\$ 13,806</u>	<u>\$ 2,359,712</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance <u>12/31/2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/2013</u>
City governmental activities:				
Capital assets, not being depreciated				
Land	\$ 320,279	\$ -	\$ -	\$ 320,279
Construction in progress	80,305	909,467	5,000	984,772
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	<u>23,303,727</u>	<u>181,419</u>	<u>-</u>	<u>23,485,146</u>
Total capital assets	<u>23,704,311</u>	<u>1,090,886</u>	<u>5,000</u>	<u>24,790,197</u>
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	<u>4,800,216</u>	<u>635,964</u>	<u>-</u>	<u>5,436,180</u>
Total accumulated depreciation	<u>4,800,216</u>	<u>635,964</u>	<u>-</u>	<u>5,436,180</u>
Governmental activities capital assets, net	<u>\$ 18,904,095</u>	<u>\$ 454,922</u>	<u>\$ 5,000</u>	<u>\$ 19,354,017</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 36,281	\$ -	\$ -	\$ 36,281
Construction in progress	394,472	592,655	987,127	-
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	<u>27,255,002</u>	<u>987,127</u>	<u>-</u>	<u>28,242,129</u>
Total capital assets	<u>27,685,755</u>	<u>1,579,782</u>	<u>987,127</u>	<u>28,278,410</u>
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	<u>11,949,922</u>	<u>898,086</u>	<u>-</u>	<u>12,848,008</u>
Total accumulated depreciation	<u>11,949,922</u>	<u>898,086</u>	<u>-</u>	<u>12,848,008</u>
Business-type activities capital assets, net	<u>\$ 15,735,833</u>	<u>\$ 681,696</u>	<u>\$ 987,127</u>	<u>\$ 15,430,402</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (Continued)**

The City's depreciation expense was charged as follows:

Governmental Activities:

General government	\$	149,378
Public safety		29,765
Highways and streets		38,143
Culture and recreation		13,744
Infrastructure		<u>404,934</u>

Total depreciation	\$	<u>635,964</u>
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Business-type Activities:

Water	\$	408,030
Sewer		<u>490,056</u>

Total depreciation	\$	<u>898,086</u>
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**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, 2013.

		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, 2013

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, 2013 are as follows:

Year Ending December 31,	Governmental Activities
2014	\$ 35,563
2015	35,562
2016	35,564
2017	35,562
2018	26,795
2019 - 2022	<u>54,125</u>
Total minimum lease payments	223,172
Less: amount representing interest	<u>20,253</u>
Present value of minimum lease payments	<u>\$ 202,919</u>

E. Long-term Debt

During the year ended December 31, 2013, the following changes occurred in long term liabilities:

Governmental Activities

	Restated Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Amounts Due Within One Year
General obligation bonds	\$ 16,975,029	\$ 1,419,732	\$ 958,213	\$ 17,436,548	\$ 1,047,913
Temporary notes payable	322,000	-	-	322,000	322,000
Leases payable	232,930	-	30,011	202,919	30,443
Compensated absences	<u>47,650</u>	<u>4,832</u>	<u>-</u>	<u>52,482</u>	<u>52,482</u>
	<u>\$ 17,577,609</u>	<u>\$ 1,424,564</u>	<u>\$ 988,224</u>	<u>\$ 18,013,949</u>	<u>\$ 1,452,838</u>

Business-type Activities

General obligation bonds	\$ 7,402,375	\$ 211,566	\$ 178,391	\$ 7,435,550	\$ 189,226
Loans payable	4,360,310	-	434,285	3,926,025	445,288
Compensated absences	<u>11,876</u>	<u>1,819</u>	<u>-</u>	<u>13,695</u>	<u>13,695</u>
	<u>\$ 11,774,561</u>	<u>\$ 213,385</u>	<u>\$ 612,676</u>	<u>\$ 11,375,270</u>	<u>\$ 648,209</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

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	\$ 70,000
2004-A general obligation	02/15/04	09/01/14	2.0-3.5%	651,202	115,000
2007-A general obligation	08/15/07	09/01/32	4.50%	1,986,315	1,242,347
2008-A general obligation	05/22/08	09/01/33	3.25 - 5.00%	4,087,453	3,341,840
2008-B general obligation	05/22/08	09/01/16	2.25 - 3.45%	980,907	403,903
2009-B general obligation	09/01/09	09/01/29	1.55 - 6.00%	4,985,000	4,530,000
2011-A general obligation	08/01/11	09/01/36	2.90 - 4.60%	2,070,088	1,913,079
2012-A general obligation	01/27/12	01/27/52	3.75%	338,385	334,609
2012-B general obligation	07/12/12	09/01/32	2.00 - 3.50%	4,236,617	4,066,037
2013-A general obligation	10/10/13	09/01/33	0.65 - 4.50%	1,419,732	1,419,732
<u>Business-type Activities</u>					
2007-A general obligation	08/15/07	09/01/32	4.50%	4,092,795	2,093,507
2008-A general obligation	05/22/08	09/01/33	3.25 - 5.00%	2,870,421	2,505,336
2008-B general obligation	05/22/08	09/01/16	2.25 - 3.45%	124,093	51,097
2009-B general obligation	09/01/09	09/01/19	1.55 - 5.40%	100,000	65,000
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	574,045
2013-A general obligation	10/10/13	09/01/23	0.65 - 2.80%	211,566	211,566
				<u>\$ 32,265,179</u>	<u>\$ 24,872,098</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

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

Year Ending December 31,	G.O. Bonds			
	Governmental Activities Principal	Interest	Business-type Activities Principal	Interest
2014	\$ 1,047,913	\$ 685,735	\$ 189,226	\$ 292,864
2015	922,040	657,185	215,246	288,304
2016	947,524	628,021	199,914	282,278
2017	830,660	595,791	196,936	276,274
2018	856,647	565,319	256,113	269,297
2019 - 2023	4,792,408	2,308,115	1,435,574	1,223,483
2024 - 2028	5,410,234	1,287,943	1,973,069	901,965
2029 - 2033	2,408,198	253,696	2,214,472	458,500
2034 - 2038	44,090	38,238	755,000	69,260
2039 - 2043	53,001	29,328	-	-
2044 - 2048	63,711	18,616	-	-
2049 - 2052	60,122	5,740	-	-
Totals	\$ 17,436,548	\$ 7,073,727	\$ 7,435,550	\$ 4,062,225

The City issued series 2013-A general obligation bonds in the amount of \$1,631,298 on October 10, 2013 to finance the purchase and renovations of an existing building for a new police facility, improvements to the City's wastewater facility, and costs of issuance of the Bonds. The bonds have an interest rate of 0.65% to 4.50% and a final maturity of September 1, 2023.

*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, 2013, the outstanding principal balance was \$1,927,985. 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, 2013, the outstanding principal balance was \$1,218,040.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

III. DETAILED NOTES ON ALL FUNDS (Continued)

***E. Long-term Debt (Continued)***

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

Year Ending <u>December 31,</u>	<u>Payment</u>
2014	\$ 467,195
2015	467,195
2016	467,195
2017	467,195
2018	467,195
2019 - 2023	1,604,464
2024 - 2025	<u>238,747</u>
Total payments	4,179,186
Less: Interest and fees	<u>1,033,161</u>
Total principal	<u>\$ 3,146,025</u>

*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, 2013

**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>
2014	\$ 322,000	\$ 3,955
Total	<u>\$ 322,000</u>	<u>\$ 3,955</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, 2013, the remaining balance is due as follows:

Year Ending <u>December 31,</u>	<u>Payment</u>
2014	\$ 130,000
2015	130,000
2016	130,000
2017	130,000
2018	130,000
2019	<u>130,000</u>
Total	<u>\$ 780,000</u>

This liability is recorded in the Water Fund.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

**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 8.94% for the year ended December 31, 2013. The City employer contributions to KPERS for the year ended December 31, 2013, 2012 and 2011 were \$125,323, \$100,590, and \$92,207, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2013 is 17.26%. 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, 2013, 2012 and 2011 was \$85,329, \$84,658, and \$69,684, equal to the required contribution for the year.

**E. Interfund Transfers**

A reconciliation of transfers by fund type for 2013 follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory Authority</u>
General Fund	Nonmajor Governmental Funds	\$ 22,326	K.S.A. 12-6116, 12-1,117 and 12-1,118
Nonmajor Governmental Funds	Debt Service Fund	295,395	Ord 2008-29
Sewer Fund	Nonmajor Governmental Funds	20,981	K.S.A. 12-825d
Water Fund	Nonmajor Governmental Funds	50,000	K.S.A. 12-1,118
City Hall/Civic Center Fund	Nonmajor Governmental Funds	75,000	K.S.A. 12-1,118
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>16,000</u>	K.S.A. 12-1,117 and 12-1,118
	Total	<u>\$ 479,702</u>	

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

**IV. OTHER INFORMATION (Continued)**

**F. 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.

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)	\$ 13,740
Interest on Net OPEB Obligation	2,515
Adjustment to the ARC	<u>[3,116]</u>
Annual OPEB cost (expense)	13,138
Benefit payments	<u>6,000</u>
Change in net OPEB obligation	7,138
Net OPEB obligation - beginning of year	<u>50,301</u>
Net OPEB obligation - end of year	<u>\$ 57,439</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, 2013 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	\$ 17,871	\$ 4,000	\$ 46,014
December 31, 2012	9,287	5,000	50,301
December 31, 2013	13,138	6,000	57,439

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

**IV. OTHER INFORMATION (Continued)**

**F. Postemployment Healthcare Plan (Continued)**

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.

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.

**G. Due To/From Other Funds**

A reconciliation of due to/from other funds for 2013 follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Water Fund	\$ 511,050	\$ -
Sewer Fund	<u>-</u>	<u>511,050</u>
 Total	 <u>\$ 511,050</u>	 <u>\$ 511,050</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.

City of Spring Hill, Kansas

OTHER POST-EMPLOYMENT BENEFITS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 Year ended December 31, 2013

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfund AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percent of Payroll (b-a)/(c)
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, 2013

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	\$ 197	\$ 90,878	\$ 66,371	\$ 4,665	\$ 1,234	\$ 236	\$ 3,634	\$ -	\$ 113,762	\$ 177,445	\$ 1,768
Taxes receivable	13,806	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 14,003</b>	<b>\$ 90,878</b>	<b>\$ 66,371</b>	<b>\$ 4,665</b>	<b>\$ 1,234</b>	<b>\$ 236</b>	<b>\$ 3,634</b>	<b>\$ -</b>	<b>\$ 113,762</b>	<b>\$ 177,445</b>	<b>\$ 1,768</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>											
<b>Liabilities</b>											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows of resources</b>											
Deferred revenue	13,806	-	-	-	-	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>13,806</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>13,806</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>											
Restricted	197	90,878	66,371	4,665	76	236	3,634	-	-	177,445	1,768
Committed	-	-	-	-	-	-	-	-	113,762	-	-
<b>Total fund balance</b>	<b>197</b>	<b>90,878</b>	<b>66,371</b>	<b>4,665</b>	<b>76</b>	<b>236</b>	<b>3,634</b>	<b>-</b>	<b>113,762</b>	<b>177,445</b>	<b>1,768</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,003</b>	<b>\$ 90,878</b>	<b>\$ 66,371</b>	<b>\$ 4,665</b>	<b>\$ 1,234</b>	<b>\$ 236</b>	<b>\$ 3,634</b>	<b>\$ -</b>	<b>\$ 113,762</b>	<b>\$ 177,445</b>	<b>\$ 1,768</b>

West Lake Park	Replacement Reserve	CDBG 2012	Building Demolition	Wilson Street Phase 2	CDBG 2013	Vehicle Lease	Water Tower Paint/ Maintenance	CDBG 2014	Wilson Street Phase 3	Cemetery	Mayor's Tree	Totals
\$ 20,111	\$ 44,457	\$ -	\$ 54,240	\$ 26,855	\$ 2,490	\$ -	\$ 10,973	\$ 8,327	\$ 7,725	111,465	\$ 4,590	\$ 751,423
-	-	-	-	-	-	-	-	-	-	-	-	13,806
<u>\$ 20,111</u>	<u>\$ 44,457</u>	<u>\$ -</u>	<u>\$ 54,240</u>	<u>\$ 26,855</u>	<u>\$ 2,490</u>	<u>\$ -</u>	<u>\$ 10,973</u>	<u>\$ 8,327</u>	<u>\$ 7,725</u>	<u>\$ 111,465</u>	<u>\$ 4,590</u>	<u>\$ 765,229</u>
\$ -	\$ 976	\$ -	\$ 51,914	\$ -	\$ 429	\$ -	\$ -	\$ -	\$ 681	\$ -	\$ -	\$ 55,158
-	976	-	51,914	-	429	-	-	-	681	-	-	55,158
-	-	-	-	-	-	-	-	-	-	-	-	13,806
-	-	-	-	-	-	-	-	-	-	-	-	13,806
-	976	-	51,914	-	429	-	-	-	681	-	-	68,964
-	-	-	2,326	26,855	2,061	-	10,973	8,327	7,044	111,465	4,590	518,911
20,111	43,481	-	-	-	-	-	-	-	-	-	-	177,354
<u>20,111</u>	<u>43,481</u>	<u>-</u>	<u>2,326</u>	<u>26,855</u>	<u>2,061</u>	<u>-</u>	<u>10,973</u>	<u>8,327</u>	<u>7,044</u>	<u>111,465</u>	<u>4,590</u>	<u>696,265</u>
<u>\$ 20,111</u>	<u>\$ 44,457</u>	<u>\$ -</u>	<u>\$ 54,240</u>	<u>\$ 26,855</u>	<u>\$ 2,490</u>	<u>\$ -</u>	<u>\$ 10,973</u>	<u>\$ 8,327</u>	<u>\$ 7,725</u>	<u>\$ 111,465</u>	<u>\$ 4,590</u>	<u>\$ 765,229</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, 2013

	Cemetery Taxation	Cemetery Reserve	Special Parks	Gift	Holiday Lights	Law Enforcement Reserve	Water Feature	System Development	Storm Sewer	Sales Tax	Scholarship
Revenues											
Taxes	\$ 9,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,927	\$ -
Intergovernmental	-	-	20,802	-	-	-	-	-	-	-	-
Use of money and property	-	59	40	-	-	-	-	-	77	137	-
Miscellaneous	-	-	-	87	-	1	-	-	-	-	-
Total revenues	<u>9,194</u>	<u>59</u>	<u>20,842</u>	<u>87</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>77</u>	<u>310,064</u>	<u>-</u>
Expenditures											
General government	12,000	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	29,357	-	2,026	-	-	-	-	-	-
Capital outlay	-	-	-	-	9,398	-	-	-	-	-	-
Total expenditures	<u>12,000</u>	<u>-</u>	<u>29,357</u>	<u>-</u>	<u>11,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[2,806]</u>	<u>59</u>	<u>[8,515]</u>	<u>87</u>	<u>[11,424]</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>77</u>	<u>310,064</u>	<u>-</u>
Other financing sources and [uses]											
Transfers in [out]	<u>3,000</u>	<u>[3,000]</u>	<u>11,026</u>	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[10,000]</u>	<u>[293,956]</u>	<u>-</u>
Total other financing sources and [uses]	<u>3,000</u>	<u>[3,000]</u>	<u>11,026</u>	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[10,000]</u>	<u>[293,956]</u>	<u>-</u>
Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses]	<u>194</u>	<u>[2,941]</u>	<u>2,511</u>	<u>87</u>	<u>[7,924]</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>[9,923]</u>	<u>16,108</u>	<u>-</u>
Fund balances - Beginning of year	<u>3</u>	<u>93,819</u>	<u>63,860</u>	<u>4,578</u>	<u>8,000</u>	<u>235</u>	<u>3,634</u>	<u>5,006</u>	<u>123,685</u>	<u>161,337</u>	<u>1,768</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[5,006]</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, January 1, beginning	<u>3</u>	<u>93,819</u>	<u>63,860</u>	<u>4,578</u>	<u>8,000</u>	<u>235</u>	<u>3,634</u>	<u>-</u>	<u>123,685</u>	<u>161,337</u>	<u>1,768</u>
Fund balances, December 31	<u>\$ 197</u>	<u>\$ 90,878</u>	<u>\$ 66,371</u>	<u>\$ 4,665</u>	<u>\$ 76</u>	<u>\$ 236</u>	<u>\$ 3,634</u>	<u>\$ -</u>	<u>\$ 113,762</u>	<u>\$ 177,445</u>	<u>\$ 1,768</u>

West Lake Park	Replacement Reserve	CDBG 2012	School Building Demolition	Wilson Street Phase 2	CDBG 2013	Vehicle Lease	Water Tower Paint/ Maintenance	CDBG 2014	Wilson Street Phase 3	Cemetery	Mayor's Tree	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 319,121
-	-	100,000	-	-	104,000	-	-	-	-	12,000	-	236,802
13	22	-	47	18	-	-	-	-	-	895	-	1,308
-	-	-	-	-	-	-	-	-	-	-	4,610	11,774
13	22	100,000	47	18	104,000	-	-	-	-	19,971	4,610	569,005
-	976	100,981	152,297	-	9,691	-	2,418	311	528	25,863	20	305,085
1,169	-	-	-	-	-	-	-	-	-	-	-	32,552
-	-	-	-	7,586	103,737	125,105	36,609	1,362	2,428	-	-	286,225
1,169	976	100,981	152,297	7,586	113,428	125,105	39,027	1,673	2,956	25,863	20	623,862
[1,156]	[954]	[981]	[152,250]	[7,568]	[9,428]	[125,105]	[39,027]	[1,673]	[2,956]	[5,892]	4,590	[54,857]
-	10,800	981	75,000	-	10,000	[4,439]	50,000	10,000	10,000	-	-	[127,088]
-	10,800	981	75,000	-	10,000	[4,439]	50,000	10,000	10,000	-	-	[127,088]
[1,156]	9,846	-	[77,250]	[7,568]	572	[129,544]	10,973	8,327	7,044	[5,892]	4,590	[181,945]
21,267	33,635	-	79,576	34,423	1,489	129,544	-	-	-	117,357	-	883,216
-	-	-	-	-	-	-	-	-	-	-	-	[5,006]
21,267	33,635	-	79,576	34,423	1,489	129,544	-	-	-	117,357	-	878,210
\$ 20,111	\$ 43,481	\$ -	\$ 2,326	\$ 26,855	\$ 2,061	\$ -	\$ 10,973	\$ 8,327	\$ 7,044	\$ 111,465	\$ 4,590	\$ 696,265

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, 2013

	<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	\$ 9,194	\$ -	\$ 9,194	\$ 9,117	\$ 9,117	\$ 77
Total revenues	<u>9,194</u>	<u>-</u>	<u>9,194</u>	<u>9,117</u>	<u>9,117</u>	<u>77</u>
Expenditures						
Culture and recreation						
Contractual services	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>14,000</u>	<u>14,000</u>	<u>2,000</u>
Total expenditures	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>14,000</u>	<u>14,000</u>	<u>2,000</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[2,806]</u>	<u>-</u>	<u>[2,806]</u>	<u>[4,883]</u>	<u>[4,883]</u>	<u>2,077</u>
Other financing sources [uses]						
Transfers [out]	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Total other financing sources [uses]	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>194</u>	<u>-</u>	<u>194</u>	<u>\$ [4,883]</u>	<u>\$ [4,883]</u>	<u>\$ 5,077</u>
Fund balance, January 1	<u>3</u>	<u>-</u>	<u>3</u>			
Fund balance, December 31	<u>\$ 197</u>	<u>\$ -</u>	<u>\$ 197</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, 2013

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Intergovernmental	\$ 20,802	\$ -	\$ 20,802	\$ 9,030	\$ 9,030	\$ 11,772
Use of money and property	40	-	40	-	-	40
Total revenues	<u>20,842</u>	<u>-</u>	<u>20,842</u>	<u>9,030</u>	<u>9,030</u>	<u>11,812</u>
Expenditures						
Culture and recreation						
Commodities	-	-	-	4,000	4,000	4,000
Contractual services	7,467	-	7,467	2,150	2,150	[5,317]
Capital outlay	21,890	-	21,890	55,000	55,000	33,110
Reserve for future capital projects	-	-	-	20,165	20,165	20,165
Total expenditures	<u>29,357</u>	<u>-</u>	<u>29,357</u>	<u>81,315</u>	<u>81,315</u>	<u>51,958</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[8,515]</u>	<u>-</u>	<u>[8,515]</u>	<u>[72,285]</u>	<u>[72,285]</u>	<u>63,770</u>
Other financing sources [uses]						
Transfers in	<u>11,026</u>	<u>-</u>	<u>11,026</u>	<u>8,000</u>	<u>8,000</u>	<u>3,026</u>
Total other financing sources [uses]	<u>11,026</u>	<u>-</u>	<u>11,026</u>	<u>8,000</u>	<u>8,000</u>	<u>3,026</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>2,511</u>	<u>-</u>	<u>2,511</u>	<u>\$ [64,285]</u>	<u>\$ [64,285]</u>	<u>\$ 66,796</u>
Fund balance, January 1	<u>63,860</u>	<u>-</u>	<u>63,860</u>			
Fund balance, December 31	<u>\$ 66,371</u>	<u>\$ -</u>	<u>\$ 66,371</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, 2013

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 253,819	\$ -	\$ 253,819	\$ 181,032	\$ 181,032	\$ 72,787
Special assessments	1,037,623	-	1,037,623	967,360	967,360	70,263
Miscellaneous	42,080	-	42,080	92,180	92,180	[50,100]
Total revenues	<u>1,333,522</u>	<u>-</u>	<u>1,333,522</u>	<u>1,240,572</u>	<u>1,240,572</u>	<u>92,950</u>
Expenditures						
Principal	946,560	-	946,560	1,980,740	1,980,740	1,034,180
Interest and other charges	713,188	-	713,188	-	-	[713,188]
Revenue for future projects	-	-	-	200,000	200,000	200,000
Total expenditures	<u>1,659,748</u>	<u>-</u>	<u>1,659,748</u>	<u>2,180,740</u>	<u>2,180,740</u>	<u>520,992</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[326,226]</u>	<u>-</u>	<u>[326,226]</u>	<u>[940,168]</u>	<u>[940,168]</u>	<u>613,942</u>
Other financing sources [uses]						
Transfers in	295,395	-	295,395	632,745	632,745	[337,350]
Total other financing sources [uses]	<u>295,395</u>	<u>-</u>	<u>295,395</u>	<u>632,745</u>	<u>632,745</u>	<u>[337,350]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[30,831]</u>	<u>-</u>	<u>[30,831]</u>	<u>\$ [307,423]</u>	<u>\$ [307,423]</u>	<u>\$ 276,592</u>
Fund balance, January 1	<u>557,617</u>	<u>-</u>	<u>557,617</u>			
Fund balance, December 31	<u>\$ 526,786</u>	<u>\$ -</u>	<u>\$ 526,786</u>			

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