

CITY OF SPRING HILL, KANSAS
FINANCIAL STATEMENTS
Year ended December 31, 2015

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City of Spring Hill, Kansas
FINANCIAL STATEMENTS
Year ended December 31, 2015

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Financial Statements
Year ending December 31, 2015

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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, 2015, 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, 2015, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund, fire services fund, and the special highway fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note IV,G. to the financial statements, the City implemented GASB 68 during the current year. As a result of the implementation, a restatement was made to the net position for the proportionate share of the City's net pension liability at December 31, 2014. Our opinion is not modified with respect to this matter.

Prior Period Restatement

As discussed in Note IV,G. to the financial statements, certain errors resulting in amounts previously reported as bonds payable as of December 31, 2014, were discovered by management of the City during the current year. Accordingly, these amounts have been restated in the December 31, 2015, financial statements now presented, and adjustments have been made to net position to correct the error. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the schedule of funding progress on page 45, the schedule of City's proportionate share of the net pension liability on page 46, and the schedule of City contributions on page 46 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

August 2, 2016

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2015
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, 2015.

Financial Highlights

- The Government-wide net position totaled \$9 million at the end of the current fiscal year.
- Total capital assets, net of accumulated depreciation at December 31, 2015 totaled \$33.5 million.
- Government-wide activities increased the net position of the City by \$.5 million for the year ended December 31, 2015.
- The City's total indebtedness decreased by \$1.5 million.
- The City's net capital assets decreased \$.4 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, 2015
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, 2015
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, 2015:

City of Spring Hill
Condensed Statement of Net Position
December 31, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 5,908,073	\$ 5,732,246	\$ 2,212,219	\$ 2,322,093	\$ 8,120,292	\$ 8,054,339
Net capital assets	18,917,750	19,374,824	14,582,391	14,556,024	33,500,141	33,930,848
Deferred outflows of resources	<u>214,386</u>	<u>-</u>	<u>21,629</u>	<u>-</u>	<u>236,015</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 25,040,209</u>	<u>\$ 25,107,070</u>	<u>\$ 16,816,239</u>	<u>\$ 16,878,117</u>	<u>\$ 41,856,448</u>	<u>\$ 41,985,187</u>
Current liabilities	\$ 2,971,904	\$ 1,513,431	\$ 988,984	\$ 1,208,844	\$ 3,960,888	\$ 2,722,275
Noncurrent liabilities	16,869,122	16,559,546	9,674,104	10,099,827	26,543,226	26,659,373
Deferred inflows of resources	<u>2,334,191</u>	<u>2,055,999</u>	<u>27,141</u>	<u>-</u>	<u>2,361,332</u>	<u>2,055,999</u>
Total liabilities and deferred inflows of resources	<u>\$ 22,175,217</u>	<u>\$ 20,128,976</u>	<u>\$ 10,690,229</u>	<u>\$ 11,308,671</u>	<u>\$ 32,865,446</u>	<u>\$ 31,437,647</u>
Net Position:						
Invested in capital assets, net of debt	\$ 2,205,610	\$ 1,884,066	\$ 4,173,475	\$ 3,539,567	\$ 6,379,085	\$ 5,423,633
Restricted for:						
Debt Service	153,619	82,720	-	-	153,619	82,720
Unrestricted	<u>505,763</u>	<u>3,011,308</u>	<u>1,952,535</u>	<u>2,029,879</u>	<u>2,458,298</u>	<u>5,041,187</u>
Total net position	<u>\$ 2,864,992</u>	<u>\$ 4,978,094</u>	<u>\$ 6,126,010</u>	<u>\$ 5,569,446</u>	<u>\$ 8,991,002</u>	<u>\$ 10,547,540</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 \$4.2 million.

The City has \$26.8 million in long-term debt, consisting of general obligation bonds, temporary notes, loans, and capital leases payable, of which \$2.4 million is due within the next fiscal year.

The City had total assets at December 31, 2015, totaling \$41.9 million. The total assets of the City exceeded the total liabilities by \$9 million. Net position invested in capital assets, net of related debt, totaled \$6.4 million, restricted net position totaled \$.1 million and unrestricted net position totaled \$2.5 million.

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2015
Unaudited

Government-Wide Activities

The following is a condensed statement of the City's change in net position for the year ended December 31, 2015. 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 lease proceeds in the amount of \$.2 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 \$.3 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, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 429,780	\$ 471,666	\$ 2,794,875	\$ 2,833,915	\$ 3,224,655	\$ 3,305,581
Operating grants and contributions	1,388,740	1,239,824	710,832	-	2,099,572	1,239,824
General revenues:						
Taxes	4,687,158	4,427,683	-	-	4,687,158	4,427,683
Transfers [net]	[921]	64,001	921	[64,001]	-	-
Other	414,961	251,016	922	702	415,883	251,718
Total revenues	<u>6,919,718</u>	<u>6,454,190</u>	<u>3,507,550</u>	<u>2,770,616</u>	<u>10,427,268</u>	<u>9,224,806</u>
Program expenses:						
General government	2,412,044	2,458,868	-	-	2,412,044	2,458,868
Public safety	1,329,000	1,211,497	-	-	1,329,000	1,211,497
Public works	1,831,097	955,791	-	-	1,831,097	955,791
Culture and recreation	619,135	536,705	-	-	619,135	536,705
Infrastructure depreciation	404,934	404,934	-	-	404,934	404,934
Water utility	-	-	1,286,868	1,219,004	1,286,868	1,219,004
Sewer utility	-	-	1,404,276	1,332,827	1,404,276	1,332,827
Interest on long term debt	638,622	673,379	-	-	638,622	673,379
Total expenses	<u>7,234,832</u>	<u>6,241,174</u>	<u>2,691,144</u>	<u>2,551,831</u>	<u>9,925,976</u>	<u>8,793,005</u>
Increase [decrease] in net position	<u>\$ [315,114]</u>	<u>\$ 213,016</u>	<u>\$ 816,406</u>	<u>\$ 218,785</u>	<u>\$ 501,292</u>	<u>\$ 431,801</u>

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2015
Unaudited

Governmental Activities decreased the net position by \$.3 million. Business-type activities increased the net position by \$.8 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, 2015 for the governmental funds totaled \$2.7 million. Total unassigned fund balances at December 31, 2015 totaled \$.2 million, of which \$.2 million was attributable to the General Fund. The remainder of fund balance includes; \$2.5 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 \$56,338 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 \$.2 million, which represents all of the total fund balance. The decrease in the General Fund's fund balance was \$.2 million.

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 \$47,458, which represents all of the total fund balance. The increase in the fund's fund balance was \$25,497.

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 \$1.6 million, which represents all of the total fund balance. The increase in the fund's fund balance was \$.2 million.

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 Fund is 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 \$.8 million and the unrestricted net position of the Sewer Fund at the end of the year amounted to \$1.1 million. The total change in the two funds was [\$251,967] and \$1,068,373, 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 \$4,315,745. The revenues were more than budgetary estimates by \$47,228 and the expenditures were less than budgetary estimates by \$83,746.

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2015
Unaudited

Fixed Assets and Debt Administration

The City's investment in fixed assets for its governmental and business-type activities totaled \$33.5 million (net of accumulated depreciation) as of December 31, 2015.

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

The City began a sewer line improvement project and purchased an excavator, police vehicles, a public works truck, and server hardware.

At December 31, 2015, the City had total debt outstanding of \$26.8 million, backed by the full faith and credit of the City. Total long-term debt decreased for the fiscal year ended December 31, 2015, in the amount of \$1.5 million. This was a result of the gradual pay down of current outstanding debt.

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

Contacting the City

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

City of Spring Hill, Kansas

STATEMENT OF NET POSITION
December 31, 2015

	Primary Government		
	Total Governmental Activities	Total Business-type Activities	Total Primary Government
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and cash equivalents	\$ 3,408,320	\$ 1,542,059	\$ 4,950,379
Taxes receivable	2,180,391	-	2,180,391
Accounts receivable	319,362	169,167	488,529
Due from other funds	-	448,487	448,487
Restricted assets			
Cash and cash equivalents	-	52,506	52,506
Total current assets	<u>5,908,073</u>	<u>2,212,219</u>	<u>8,120,292</u>
Noncurrent assets:			
Capital assets, nondepreciable			
Construction in progress	20,670	365,117	385,787
Land	320,279	36,281	356,560
Capital assets, depreciable	25,239,023	28,667,779	53,906,802
Less: accumulated depreciation	<u>6,662,222</u>	<u>14,486,786</u>	<u>21,149,008</u>
Total noncurrent assets	<u>18,917,750</u>	<u>14,582,391</u>	<u>33,500,141</u>
Total assets	<u>24,825,823</u>	<u>16,794,610</u>	<u>41,620,433</u>
Deferred outflows of resources			
Pension - contributions subsequent to the measurement date	123,416	15,046	138,462
Pension - differences between expected and actual experience	8,196	-	8,196
Pension - changes in proportion	82,774	6,583	89,357
Total deferred outflows of resources	<u>214,386</u>	<u>21,629</u>	<u>236,015</u>
Total assets and deferred outflows of resources	<u>\$ 25,040,209</u>	<u>\$ 16,816,239</u>	<u>\$ 41,856,448</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Current liabilities: (payable from current assets):			
Accounts payable	\$ 559,939	\$ 67,704	\$ 627,643
Accrued interest payable	209,813	137,702	347,515
Accrued salaries	68,936	24,794	93,730
Compensated absences payable	66,945	10,417	77,362
Due to other funds	382,092	66,395	448,487
Temporary notes payable	630,000	-	630,000
Current portion of leases payable	106,655	13,555	120,210
Current portion of notes payable	-	468,503	468,503
Current portion of bonds payable	947,524	199,914	1,147,438
Total current liabilities	<u>2,971,904</u>	<u>988,984</u>	<u>3,960,888</u>
(payable from current assets)			
Noncurrent liabilities:			
Leases payable	508,890	45,205	554,095
Net other post employment benefits payable	65,479	-	65,479
Notes payable	-	2,555,544	2,555,544
Net pension liability	1,775,682	242,191	2,017,873
Bonds payable	<u>14,519,071</u>	<u>6,831,164</u>	<u>21,350,235</u>
Total noncurrent liabilities	<u>16,869,122</u>	<u>9,674,104</u>	<u>26,543,226</u>
Total liabilities	<u>19,841,026</u>	<u>10,663,088</u>	<u>30,504,114</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	2,180,107	-	2,180,107
Pension - difference between expected and actual experience	39,875	6,856	46,731
Pension - net difference between projected and actual earnings on pension plan investments	62,682	9,429	72,111
Pension - changes of assumptions	21,246	3,384	24,630
Pension - change in proportion	30,281	7,472	37,753
Total deferred inflows of resources	<u>2,334,191</u>	<u>27,141</u>	<u>2,361,332</u>
Total liabilities and deferred inflows of resources	<u>\$ 22,175,217</u>	<u>\$ 10,690,229</u>	<u>\$ 32,865,446</u>
Net Position			
Invested in fixed assets, net of related debt	\$ 2,205,610	\$ 4,173,475	\$ 6,379,085
Restricted for:			
Debt service	153,619	-	153,619
Unrestricted	<u>505,763</u>	<u>1,952,535</u>	<u>2,458,298</u>
Total net position	<u>\$ 2,864,992</u>	<u>\$ 6,126,010</u>	<u>\$ 8,991,002</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, 2015

	Program Revenues			Net [Expenses] Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	
Governmental activities:						
General government	\$ 2,412,044	\$ 317,071	\$ 1,110,575	\$ [984,398]	\$ -	\$ [984,398]
Public safety	1,329,000	-	8,644	[1,320,356]	-	[1,320,356]
Highways and streets	1,831,097	-	252,073	[1,579,024]	-	[1,579,024]
Culture and recreation	619,135	112,709	17,448	[488,978]	-	[488,978]
Infrastructure depreciation	404,934	-	-	[404,934]	-	[404,934]
Interest on long-term debt	<u>638,622</u>	<u>-</u>	<u>-</u>	<u>[638,622]</u>	<u>-</u>	<u>[638,622]</u>
Total governmental activities	<u>7,234,832</u>	<u>429,780</u>	<u>1,388,740</u>	<u>[5,416,312]</u>	<u>-</u>	<u>[5,416,312]</u>
Business-type activities:						
Water	1,286,868	1,034,579	-	-	[252,289]	[252,289]
Sewer	<u>1,404,276</u>	<u>1,760,296</u>	<u>710,832</u>	<u>-</u>	<u>1,066,852</u>	<u>1,066,852</u>
Total business-type activities	<u>2,691,144</u>	<u>2,794,875</u>	<u>710,832</u>	<u>-</u>	<u>814,563</u>	<u>814,563</u>
Total primary government	<u>\$ 9,925,976</u>	<u>\$ 3,224,655</u>	<u>\$ 2,099,572</u>	<u>[5,416,312]</u>	<u>814,563</u>	<u>[4,601,749]</u>
General Revenues:						
Property taxes levied for						
General purposes				4,506,853	-	4,506,853
Debt service				180,305	-	180,305
Investments earnings				30,283	922	31,205
Transfers				[921]	921	-
Miscellaneous				<u>384,678</u>	<u>-</u>	<u>384,678</u>
Total general revenues and transfers				<u>5,101,198</u>	<u>1,843</u>	<u>5,103,041</u>
Change in net position				<u>[315,114]</u>	<u>816,406</u>	<u>501,292</u>
Net position - beginning				4,978,094	5,569,446	10,547,540
Prior period adjustment				<u>[1,797,988]</u>	<u>[259,842]</u>	<u>[2,057,830]</u>
Net position - beginning, restated				<u>3,180,106</u>	<u>5,309,604</u>	<u>8,489,710</u>
Net position - ending				<u>\$ 2,864,992</u>	<u>\$ 6,126,010</u>	<u>\$ 8,991,002</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, 2015

	General	Fire Services	Special Highway	Debt Service	City Hall/ Civic Center	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 430,109	\$ 47,458	\$ 1,606,336	\$ 153,619	\$ 61,944	\$ 1,108,854	\$ 3,408,320
Receivables							
Accounts	32,197	-	-	-	-	287,165	319,362
Taxes	<u>1,665,985</u>	<u>502,921</u>	-	-	-	<u>11,485</u>	<u>2,180,391</u>
Total assets	<u>\$ 2,128,291</u>	<u>\$ 550,379</u>	<u>\$ 1,606,336</u>	<u>\$ 153,619</u>	<u>\$ 61,944</u>	<u>\$ 1,407,504</u>	<u>\$ 5,908,073</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 216,721	\$ -	\$ 2,185	\$ -	\$ -	\$ 341,033	\$ 559,939
Accrued salaries payable	68,936	-	-	-	-	-	68,936
Due to other funds	-	-	-	-	-	382,092	382,092
Total liabilities	<u>285,657</u>	<u>-</u>	<u>2,185</u>	<u>-</u>	<u>-</u>	<u>723,125</u>	<u>1,010,967</u>
Deferred inflows of resources:							
Unavailable revenue - property taxes	<u>1,665,701</u>	<u>502,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,485</u>	<u>2,180,107</u>
Total deferred inflows of resources	<u>1,665,701</u>	<u>502,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,485</u>	<u>2,180,107</u>
Total liabilities and deferred inflows of resources	<u>1,951,358</u>	<u>502,921</u>	<u>2,185</u>	<u>-</u>	<u>-</u>	<u>734,610</u>	<u>3,191,074</u>
Fund balance:							
Restricted	-	47,458	1,604,151	153,619	61,944	616,556	2,483,728
Committed	-	-	-	-	-	56,338	56,338
Unassigned	<u>176,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,933</u>
Total fund balance	<u>176,933</u>	<u>47,458</u>	<u>1,604,151</u>	<u>153,619</u>	<u>61,944</u>	<u>672,894</u>	<u>2,716,999</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,128,291</u>	<u>\$ 550,379</u>	<u>\$ 1,606,336</u>	<u>\$ 153,619</u>	<u>\$ 61,944</u>	<u>\$ 1,407,504</u>	<u>\$ 5,908,073</u>

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

City of Spring Hill, Kansas

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES

December 31, 2015

Total Governmental Fund Balances		\$ 2,716,999
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	25,579,972	
Accumulated depreciation is	<u>6,662,222</u>	18,917,750
Pension contributions are reported as an expense in the funds and as a deferred outflow of resources in the governmental activities in the statement of net position		
		214,386
Pension fundings are reported as a revenue in the funds and as a deferred inflow of resources in the governmental activities in the statement of net position		
		[1,929,766]
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	15,466,595	
Temporary notes payable	630,000	
Leases payable	615,545	
Interest payable	209,813	
Net other post employment benefits payable	65,479	
Compensated absences payable	<u>66,945</u>	<u>[17,054,377]</u>
Net Position of Governmental Activities		<u>\$ 2,864,992</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
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	<u>General</u>	<u>Fire Services</u>	<u>Special Highway</u>	<u>Debt Service</u>	<u>City Hall/ Civic Center</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:							
Taxes	\$ 3,441,703	\$ 557,035	\$ 159,112	\$ 180,305	\$ -	\$ 349,003	\$ 4,687,158
Special assessments	-	-	-	1,095,275	-	-	1,095,275
Intergovernmental	300	-	152,761	-	-	140,404	293,465
Reimbursements	-	-	-	-	-	308,005	308,005
Fines and fees	429,780	-	-	-	-	-	429,780
Use of money and property	20,262	98	8,785	379	39	720	30,283
Miscellaneous	18,362	-	-	41,138	-	17,173	76,673
Total revenues	<u>3,910,407</u>	<u>557,133</u>	<u>320,658</u>	<u>1,317,097</u>	<u>39</u>	<u>815,305</u>	<u>6,920,639</u>
EXPENDITURES:							
Current							
General government	1,603,444	531,636	-	-	-	167,622	2,302,702
Law enforcement	1,219,703	-	-	-	-	-	1,219,703
Court services	112,914	-	-	-	-	-	112,914
Highways and streets	598,480	-	70,952	-	-	-	669,432
Culture and recreation	575,458	-	-	-	-	31,851	607,309
Capital outlay	-	-	-	-	30,431	1,359,288	1,389,719
Debt service							
Principal	-	-	-	906,084	-	-	906,084
Interest and other charges	-	-	-	648,175	-	-	648,175
Total expenditures	<u>4,109,999</u>	<u>531,636</u>	<u>70,952</u>	<u>1,554,259</u>	<u>30,431</u>	<u>1,558,761</u>	<u>7,856,038</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[199,592]</u>	<u>25,497</u>	<u>249,706</u>	<u>[237,162]</u>	<u>[30,392]</u>	<u>[743,456]</u>	<u>[935,399]</u>
OTHER FINANCING SOURCES [USES]							
Lease proceeds	-	-	-	-	-	213,942	213,942
Transfers in	5,000	-	-	308,061	-	125,275	438,336
Transfers out	[42,550]	-	[8,450]	-	-	[388,257]	[439,257]
Total other financing sources [uses]	<u>[37,550]</u>	<u>-</u>	<u>[8,450]</u>	<u>308,061</u>	<u>-</u>	<u>[49,040]</u>	<u>213,021</u>
Net change in fund balance	<u>[237,142]</u>	<u>25,497</u>	<u>241,256</u>	<u>70,899</u>	<u>[30,392]</u>	<u>[792,496]</u>	<u>[722,378]</u>
Fund balance - Beginning of year	<u>414,075</u>	<u>21,961</u>	<u>1,362,895</u>	<u>82,720</u>	<u>92,336</u>	<u>1,465,390</u>	<u>3,439,377</u>
Fund balance - End of year	<u>\$ 176,933</u>	<u>\$ 47,458</u>	<u>\$ 1,604,151</u>	<u>\$ 153,619</u>	<u>\$ 61,944</u>	<u>\$ 672,894</u>	<u>\$ 2,716,999</u>

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

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, 2015

Total Net Change In Fund Balances - Governmental Funds \$ [722,378]

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	267,074	
Depreciation expense	<u>[724,148]</u>	[457,074]

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

9,553

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.

[2,310]

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

[4,131]

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.

11,890

Pension payments are reported as expenditures in the governmental funds and do not affect the statement of net activities.

86,674

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.

70,520

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

[213,942]

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.

906,084

Changes In Net Position of Governmental Activities \$ [315,114]

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, 2015

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 3,441,703	\$ -	\$ 3,441,703	\$ 3,386,379	\$ 3,386,379	\$ 55,324
Intergovernmental	300	-	300	500	-	300
Fines and fees	429,780	-	429,780	432,000	432,000	[2,220]
Use of money and property	20,262	-	20,262	22,800	22,800	[2,538]
Miscellaneous	<u>18,362</u>	<u>-</u>	<u>18,362</u>	<u>22,000</u>	<u>22,000</u>	<u>[3,638]</u>
Total revenues	<u>3,910,407</u>	<u>-</u>	<u>3,910,407</u>	<u>3,863,679</u>	<u>3,863,179</u>	<u>47,228</u>
Expenditures						
General government	1,603,444	-	1,603,444	1,733,810	1,733,810	130,366
Law enforcement	1,219,703	-	1,219,703	1,195,580	1,195,580	[24,123]
Court services	112,914	-	112,914	102,710	102,710	[10,204]
Highways and streets	598,480	-	598,480	597,975	597,975	[505]
Culture and recreation	<u>575,458</u>	<u>-</u>	<u>575,458</u>	<u>563,670</u>	<u>563,670</u>	<u>[11,788]</u>
Total expenditures	<u>4,109,999</u>	<u>-</u>	<u>4,109,999</u>	<u>4,193,745</u>	<u>4,193,745</u>	<u>83,746</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[199,592]</u>	<u>-</u>	<u>[199,592]</u>	<u>[330,066]</u>	<u>[330,566]</u>	<u>130,974</u>
Other financing sources [uses]						
Transfers in	5,000	-	5,000	-	-	5,000
Transfers [out]	<u>[42,550]</u>	<u>-</u>	<u>[42,550]</u>	<u>[122,000]</u>	<u>[122,000]</u>	<u>79,450</u>
Total other financing sources [uses]	<u>[37,550]</u>	<u>-</u>	<u>[37,550]</u>	<u>[122,000]</u>	<u>[122,000]</u>	<u>84,450</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[237,142]</u>	<u>-</u>	<u>[237,142]</u>	<u>\$ [452,066]</u>	<u>\$ [452,566]</u>	<u>\$ 215,424</u>
Fund balance, January 1	<u>414,075</u>	<u>-</u>	<u>414,075</u>			
Fund balance, December 31	<u>\$ 176,933</u>	<u>\$ -</u>	<u>\$ 176,933</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, 2015

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 557,035	\$ -	\$ 557,035	\$ 546,313	\$ 546,313	\$ 10,722
Use of money and property	<u>98</u>	<u>-</u>	<u>98</u>	<u>-</u>	<u>-</u>	<u>98</u>
Total revenues	<u>557,133</u>	<u>-</u>	<u>557,133</u>	<u>546,313</u>	<u>546,313</u>	<u>10,820</u>
Expenditures						
General government						
Contractual services	<u>531,636</u>	<u>-</u>	<u>531,636</u>	<u>536,550</u>	<u>536,550</u>	<u>4,914</u>
Total expenditures	<u>531,636</u>	<u>-</u>	<u>531,636</u>	<u>536,550</u>	<u>536,550</u>	<u>4,914</u>
Excess [deficiency] of revenues over [under] expenditures	25,497	-	25,497	<u>\$ 9,763</u>	<u>\$ 9,763</u>	<u>\$ 15,734</u>
Fund balance, January 1	<u>21,961</u>	<u>-</u>	<u>21,961</u>			
Fund balance, December 31	<u>\$ 47,458</u>	<u>\$ -</u>	<u>\$ 47,458</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, 2015

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 159,112	\$ -	\$ 159,112	\$ -	\$ -	\$ 159,112
Intergovernmental	152,761	-	152,761	140,000	140,000	12,761
Use of money and property	<u>8,785</u>	<u>-</u>	<u>8,785</u>	<u>6,000</u>	<u>6,000</u>	<u>2,785</u>
Total revenues	<u>320,658</u>	<u>-</u>	<u>320,658</u>	<u>146,000</u>	<u>146,000</u>	<u>174,658</u>
Expenditures						
Highways and streets						
Commodities	-	-	-	31,000	31,000	31,000
Contractual services	62,172	-	62,172	146,245	146,245	84,073
Capital outlay	8,780	-	8,780	28,830	28,830	20,050
Reserve for capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,195,360</u>	<u>1,195,360</u>	<u>1,195,360</u>
Total expenditures	<u>70,952</u>	<u>-</u>	<u>70,952</u>	<u>1,401,435</u>	<u>1,401,435</u>	<u>1,330,483</u>
Excess [deficiency] of revenues over [under] expenditures	<u>249,706</u>	<u>-</u>	<u>249,706</u>	<u>[1,255,435]</u>	<u>[1,255,435]</u>	<u>1,505,141</u>
Other financing sources [uses]						
Transfers [out]	<u>[8,450]</u>	<u>-</u>	<u>[8,450]</u>	<u>-</u>	<u>-</u>	<u>[8,450]</u>
Total other financing sources [uses]	<u>[8,450]</u>	<u>-</u>	<u>[8,450]</u>	<u>-</u>	<u>-</u>	<u>[8,450]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	241,256	-	241,256	<u>\$ [1,255,435]</u>	<u>\$ [1,255,435]</u>	<u>\$ 1,496,691</u>
Fund balance, January 1	<u>1,362,895</u>	<u>-</u>	<u>1,362,895</u>			
Fund balance, December 31	<u>\$ 1,604,151</u>	<u>\$ -</u>	<u>\$ 1,604,151</u>			

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

City of Spring Hill, Kansas

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Business-Type Activities: Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Current assets:			
Cash and cash equivalents	\$ 393,882	\$ 1,148,177	\$ 1,542,059
Receivables	58,568	110,599	169,167
Restricted assets			
Cash and cash equivalents	52,506	-	52,506
Due from other funds	448,487	-	448,487
Total current assets	<u>953,443</u>	<u>1,258,776</u>	<u>2,212,219</u>
Noncurrent assets:			
Capital assets, nondepreciable			
Construction in progress	-	365,117	365,117
Land	-	36,281	36,281
Capital assets, depreciable	10,092,258	18,575,521	28,667,779
Less: accumulated depreciation	[7,643,809]	[6,842,977]	[14,486,786]
Total noncurrent assets	<u>2,448,449</u>	<u>12,133,942</u>	<u>14,582,391</u>
Total assets	<u>3,401,892</u>	<u>13,392,718</u>	<u>16,794,610</u>
Deferred outflows of resources			
Pension - contributions subsequent to the measurement date	7,883	7,163	15,046
Pension - changes in proportion	3,449	3,134	6,583
Total deferred outflows of resources	<u>11,332</u>	<u>10,297</u>	<u>21,629</u>
Total assets and deferred outflows of resources	<u>\$ 3,413,224</u>	<u>\$ 13,403,015</u>	<u>\$ 16,816,239</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current liabilities (payable from current assets):			
Accounts payable	\$ 62,997	\$ 4,707	\$ 67,704
Accrued salaries payable	6,505	18,289	24,794
Accrued interest payable	26,504	111,198	137,702
Compensated absences payable	6,706	3,711	10,417
Due to other funds	-	66,395	66,395
Current portion of leases payable	11,627	1,928	13,555
Current portion of notes payable	223,064	245,439	468,503
Current portion of bonds payable	-	199,914	199,914
Total current liabilities	<u>337,403</u>	<u>651,581</u>	<u>988,984</u>
(payable from current assets):			
Noncurrent liabilities			
Leases payable	37,833	7,372	45,205
Notes payable	1,338,983	1,216,561	2,555,544
Net pension liability	126,893	115,298	242,191
Bonds payable	-	6,831,164	6,831,164
Total noncurrent liabilities	<u>1,503,709</u>	<u>8,170,395</u>	<u>9,674,104</u>
Total liabilities	<u>1,841,112</u>	<u>8,821,976</u>	<u>10,663,088</u>
Deferred inflows of resources			
Pension - difference between expected and actual experience	3,592	3,264	6,856
Pension - net difference between projected and actual earnings on pension plan investments	4,940	4,489	9,429
Pension - changes of assumptions	1,773	1,611	3,384
Pension - change in proportion	3,915	3,557	7,472
Total deferred inflows of resources	<u>14,220</u>	<u>12,921</u>	<u>27,141</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,855,332</u>	<u>\$ 8,834,897</u>	<u>\$ 10,690,229</u>
Net position			
Invested in capital assets, net of related debt	\$ 721,676	\$ 3,451,799	\$ 4,173,475
Unrestricted	836,216	1,116,319	1,952,535
Total net position	<u>\$ 1,557,892</u>	<u>\$ 4,568,118</u>	<u>\$ 6,126,010</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, 2015

	Business-Type Activities: Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Operating revenues			
Charges for services	\$ 1,034,579	\$ 1,760,296	\$ 2,794,875
Total operating revenues	<u>1,034,579</u>	<u>1,760,296</u>	<u>2,794,875</u>
Operating expenses			
Personal services	265,985	225,196	491,181
Contractual services	660,698	339,118	999,816
Commodities	61,813	47,673	109,486
Capital outlay	-	4,222	4,222
Depreciation	<u>257,573</u>	<u>447,927</u>	<u>705,500</u>
Total operating expenses	<u>1,246,069</u>	<u>1,064,136</u>	<u>2,310,205</u>
Operating income [loss]	<u>[211,490]</u>	<u>696,160</u>	<u>484,670</u>
Nonoperating revenues [expenses]			
Interest income	322	600	922
Transfer in [out]	-	921	921
Contributed capital	-	710,832	710,832
Interest expense	<u>[40,799]</u>	<u>[340,140]</u>	<u>[380,939]</u>
Total nonoperating revenues [expenses]	<u>[40,477]</u>	<u>372,213</u>	<u>331,736</u>
Change in net position	<u>[251,967]</u>	<u>1,068,373</u>	<u>816,406</u>
Net position, January 1	1,946,000	3,623,446	5,569,446
Prior period adjustment	<u>[136,141]</u>	<u>[123,701]</u>	<u>[259,842]</u>
Net position, January 1, restated	<u>1,809,859</u>	<u>3,499,745</u>	<u>5,309,604</u>
Net position, December 31	<u>\$ 1,557,892</u>	<u>\$ 4,568,118</u>	<u>\$ 6,126,010</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, 2015

	Business-Type Activities: Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Cash flows from operating activities			
Cash received from customers	\$ 1,061,657	\$ 1,799,008	\$ 2,860,665
Cash paid to suppliers	[725,391]	[389,453]	[1,114,844]
Cash paid to employees	[269,274]	[222,867]	[492,141]
Net cash provided by [used in] operating activities	66,992	1,186,688	1,253,680
Cash flows from capital and related financing activities			
Capital expenditures	[15,573]	[11,793]	[27,366]
Due to other funds	[157,556]	[221,582]	[379,138]
Transfer in [out]	-	921	921
Interest paid on debt	[41,939]	[344,921]	[386,860]
Principal payments on capital leases	[3,253]	6,479	3,226
Principal payments on bonds and notes	[219,644]	[445,963]	[665,607]
Net cash provided by [used in] capital and related financing activities	[437,965]	[1,016,859]	[1,454,824]
Cash flows from investing activities			
Interest income	322	600	922
Net cash provided by investing activities	322	600	922
Net increase [decrease] in cash and cash equivalents	[370,651]	170,429	[200,222]
Cash and cash equivalents, January 1	817,039	977,748	1,794,787
Cash and cash equivalents, December 31	\$ 446,388	\$ 1,148,177	\$ 1,594,565

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, 2015

	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]	\$ [211,490]	\$ 696,160	\$ 484,670
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities			
Depreciation and amortization expense	257,573	447,927	705,500
Changes in assets and liabilities			
Accounts receivable [increase] decrease	27,078	38,712	65,790
Deferred outflows [increase] decrease	1,012	919	1,931
Accounts payable increase [decrease]	[2,880]	1,560	[1,320]
Accrued salaries increase [decrease]	1,760	8,995	10,755
Net pension liability increase [decrease]	4,019	3,652	7,671
Deferred inflows increase [decrease]	[11,391]	[10,350]	[21,741]
Accrued compensated absences increase [decrease]	1,311	[887]	424
Net cash provided by [used in] operating activities	<u>\$ 66,992</u>	<u>\$ 1,186,688</u>	<u>\$ 1,253,680</u>

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

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

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, 2015

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 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

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 2016.

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, 2015

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

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, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

8. Fund Equity (Continued)

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

	Major Governmental Funds					Other Governmental Funds	Total Governmental Funds
	General	Fire Services	Special Highway	Debt Service	City Hall/ Civic Center		
Fund Balances:							
Restricted for:							
Public safety	\$ -	\$ 47,458	\$ -	\$ -	\$ -	\$ 3,178	\$ 50,636
Public works	-	-	1,604,151	-	-	-	1,604,151
Debt payments	-	-	-	153,619	-	-	153,619
Capital improvements	-	-	-	-	61,944	324,681	386,625
Cemetery operations	-	-	-	-	-	187,166	187,166
Culture and recreation	-	-	-	-	-	101,531	101,531
Committed for:							
Capital improvements	-	-	-	-	-	56,338	56,338
Unassigned:	176,933	-	-	-	-	-	176,933
Total Fund Balances	\$ 176,933	\$ 47,458	\$ 1,604,151	\$ 153,619	\$ 61,944	\$ 672,894	\$ 2,716,999

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. The City reports changes in the pension liability proportion and differences between expected and actual experience are reported as deferred outflows of resources in the government activities.

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 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. Differences between expected and actual experience, differences between projected and actual investment earnings, changes in assumptions, and changes in the pension liability proportion are reported as deferred inflows for governmental activities.

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.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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, 2015.

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.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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.

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

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

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

	Major Governmental Funds						Total Governmental Funds
	General	Fire Services	Special Highway	Debt Service	City Hall/ Civic Center	Other Governmental Funds	
GAAP FUND BALANCE							
December 31, 2015	\$ 176,933	\$ 47,458	\$ 1,604,151	\$ 153,619	\$ 61,944	\$ 672,894	\$ 2,716,999
Adjustments:							
Fund balances not subject to the Kansas Budget Law:							
Civic Hall/Civic Center	-	-	-	-	[61,944]	-	[61,944]
Nonmajor governmental funds	-	-	-	-	-	[579,714]	[579,714]
Total deductions	-	-	-	-	[61,944]	[579,714]	[641,658]
BUDGETARY FUND BALANCE							
December 31, 2015	\$ 176,933	\$ 47,458	\$ 1,604,151	\$ 153,619	\$ -	\$ 93,180	\$ 2,075,341

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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. All deposits were legally secured at December 31, 2015.

B. Receivables

Receivables as of year-end are as follows:

	<u>General</u>	Fire <u>Services</u>	<u>Water</u>	<u>Sewer</u>	Other <u>Governmental</u>	<u>Totals</u>
Receivables:						
Taxes	\$ 1,665,985	\$ 502,921	\$ -	\$ -	\$ 11,485	\$ 2,180,391
Accounts	<u>32,197</u>	<u>-</u>	<u>58,568</u>	<u>110,599</u>	<u>287,165</u>	<u>488,529</u>
Total receivables	<u>\$ 1,698,182</u>	<u>\$ 502,921</u>	<u>\$ 58,568</u>	<u>\$ 110,599</u>	<u>\$ 298,650</u>	<u>\$ 2,668,920</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance <u>12/31/2014</u>	Additions	Retirements	Balance <u>12/31/2015</u>
City governmental activities:				
Capital assets, not being depreciated				
Land	\$ 320,279	\$ -	\$ -	\$ 320,279
Construction in progress	8,767	29,405	17,502	20,670
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	<u>24,983,852</u>	<u>255,171</u>	<u>-</u>	<u>25,239,023</u>
Total capital assets	<u>25,312,898</u>	<u>284,576</u>	<u>17,502</u>	<u>25,579,972</u>
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	<u>5,938,074</u>	<u>724,148</u>	<u>-</u>	<u>6,662,222</u>
Total accumulated depreciation	<u>5,938,074</u>	<u>724,148</u>	<u>-</u>	<u>6,662,222</u>
Governmental activities capital assets, net	<u>\$ 19,374,824</u>	<u>\$ [439,572]</u>	<u>\$ 17,502</u>	<u>\$ 18,917,750</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 36,281	\$ -	\$ -	\$ 36,281
Construction in progress	2,923	368,070	5,876	365,117
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	<u>28,291,775</u>	<u>376,004</u>	<u>-</u>	<u>28,667,779</u>
Total capital assets	<u>28,330,979</u>	<u>744,074</u>	<u>5,876</u>	<u>29,069,177</u>
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	<u>13,774,955</u>	<u>711,831</u>	<u>-</u>	<u>14,486,786</u>
Total accumulated depreciation	<u>13,774,955</u>	<u>711,831</u>	<u>-</u>	<u>14,486,786</u>
Business-type activities capital assets, net	<u>\$ 14,556,024</u>	<u>\$ 32,243</u>	<u>\$ 5,876</u>	<u>\$ 14,582,391</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

The City's depreciation expense was charged as follows:

Governmental Activities:

General government	\$ 157,530
Public safety	61,157
Highways and streets	82,251
Culture and recreation	18,276
Infrastructure	<u>404,934</u>

Total depreciation \$ 724,148

Business-type Activities:

Water	\$ 257,573
Sewer	<u>454,257</u>

Total depreciation \$ 711,830

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, 2015.

	Governmental Activities <u>Assets</u>
Equipment	\$ <u>911,291</u>
	<u>\$ 911,291</u>

During 2015, the City entered into a lease agreement to finance the purchase of three vehicles, an excavator, server hardware and a security camera system in the amount of \$228,000. The lease has an interest rate of 2.45% and a final maturity of September 1, 2025.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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, 2015 are as follows:

Year Ending December 31,	Governmental Activities	Business Type Activities	Total
2016	\$ 119,318	\$ 14,742	\$ 134,060
2017	119,311	14,741	134,052
2018	110,546	14,742	125,288
2019	97,282	14,742	112,023
2020	74,295	2,983	77,278
2021- 2025	<u>146,534</u>	<u>-</u>	<u>146,534</u>
Total minimum lease payments	667,286	61,949	729,235
Less: amount representing interest	<u>51,740</u>	<u>3,189</u>	<u>54,930</u>
Present value of minimum lease payments	<u>\$ 615,545</u>	<u>\$ 58,760</u>	<u>\$674,306</u>

E. Long-term Debt

During the year ended December 31, 2015, the following changes occurred in long term liabilities:

Governmental Activities

	Restated Balance <u>January 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>December 31, 2015</u>	Amounts Due Within <u>One Year</u>
General obligation bonds	\$ 16,384,570	\$ -	\$ 917,975	\$ 15,466,595	\$ 947,524
Temporary notes payable	630,000	-	-	630,000	630,000
Leases payable	472,123	213,942	70,520	615,545	106,655
Compensated absences	<u>64,635</u>	<u>2,310</u>	<u>-</u>	<u>66,945</u>	<u>66,945</u>
	<u>\$ 17,551,328</u>	<u>\$ 216,252</u>	<u>\$ 988,495</u>	<u>\$ 16,779,085</u>	<u>\$ 1,751,124</u>

Business-type Activities

General obligation bonds	\$ 7,246,325	\$ -	\$ 215,247	\$ 7,031,078	\$ 199,914
Loans payable	3,480,737	-	456,690	3,024,047	468,503
Leases payable	55,534	14,060	10,834	58,760	13,555
Compensated absences	<u>9,993</u>	<u>424</u>	<u>-</u>	<u>10,417</u>	<u>10,417</u>
	<u>\$ 10,792,589</u>	<u>\$ 14,484</u>	<u>\$ 682,771</u>	<u>\$ 10,124,302</u>	<u>\$ 692,389</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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>					
2007-A general obligation	08/15/07	09/01/32	4.50%	\$ 1,986,315	\$ 1,006,576
2008-A general obligation	05/22/08	09/01/33	3.25 - 5.00%	4,087,453	2,990,594
2008-B general obligation	05/22/08	09/01/16	2.25 - 3.45%	980,907	137,594
2009-B general obligation	09/01/09	09/01/29	1.55 - 6.00%	4,985,000	4,255,000
2011-A general obligation	08/01/11	09/01/36	2.90 - 4.60%	2,070,088	1,741,070
2012-A general obligation	01/27/12	01/27/52	3.75%	338,385	326,626
2012-B general obligation	07/12/12	09/01/32	2.00 - 3.50%	4,236,617	3,704,875
2013-A general obligation	10/10/13	09/01/33	0.65 - 4.50%	1,419,732	1,304,259
<u>Business-type Activities</u>					
2007-A general obligation	08/15/07	09/01/32	4.50%	4,092,795	2,083,192
2008-A general obligation	05/22/08	09/01/33	3.25 - 5.00%	2,870,421	2,323,303
2008-B general obligation	05/22/08	09/01/16	2.25 - 3.45%	124,093	17,407
2009-B general obligation	09/01/09	09/01/19	1.55 - 5.40%	100,000	45,000
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	455,924
2013-A general obligation	10/10/13	09/01/23	0.65 - 2.80%	211,566	171,252
				<u>\$ 30,073,977</u>	<u>\$ 22,497,673</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	892,903	533,111	270,028	260,799
2020	939,438	500,497	233,670	252,578
2021 - 2025	4,966,491	1,926,105	1,686,104	1,119,361
2026 - 2030	4,831,321	805,661	2,078,069	734,210
2031 - 2035	997,356	100,643	1,845,244	274,070
2036 - 2040	47,458	34,869	265,000	12,190
2041 - 2045	57,051	25,278	-	-
2046 - 2050	68,579	13,748	-	-
2051 - 2052	31,167	1,764	-	-
Totals	<u>\$ 15,466,595</u>	<u>\$ 5,730,807</u>	<u>\$ 7,031,078</u>	<u>\$ 3,481,057</u>

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, 2015, the outstanding principal balance was \$1,462,000. 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, 2015, the outstanding principal balance was \$1,042,047.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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 December 31,	Payment
2016	\$ 467,195
2017	467,195
2018	467,195
2019	467,195
2020	467,195
2021 - 2025	<u>908,820</u>
Total payments	3,244,795
Less: Interest and fees	<u>740,748</u>
Total principal	<u>\$ 2,504,047</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.

Temporary Notes. In 2014, the City entered into a 0.6% interest rate temporary note in the amount of \$630,000. The annual debt service requirements for these notes are as follows:

Year Ending December 31,	Principal	Interest
2016	<u>\$ 630,000</u>	<u>\$ 3,780</u>
Total	<u>\$ 630,000</u>	<u>\$ 3,780</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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, 2015, the remaining balance is due as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u>
2016	\$ 130,000
2017	130,000
2018	130,000
2019	<u>130,000</u>
Total	<u>\$ 520,000</u>

This liability is recorded in the Water Fund.

C. Related Party Transaction

The City paid a company, owned by a board member \$35,973 for pump repairs.

D. 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.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

IV. OTHER INFORMATION (Continued)

E. Defined Benefit Pension Plan

Description of Pension Plan. The City participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

Public employees, which includes:

- State/School employees
- Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City are included in the Local employees group and the Kansas Police and Firemen group.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at www.kpers.org.

Benefits. Benefits are established by statute and may only be changed by the State Legislature. Members (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85. Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service.

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

IV. OTHER INFORMATION (Continued)

E. Defined Benefit Pension Plan (Continued)

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions. Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.0% of total payroll for the fiscal year ended June 30, 2015.

The actuarially determined employer contribution rates (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rates are as follows:

	Actuarial <u>Employer Rate</u>	Statutory Employer <u>Capped Rate</u>
Local government employees	9.48%	9.48%
Police and Firemen	21.36%	21.36%

Member contribution rates as a percentage of eligible compensation for the KPERS fiscal year June 30, 2015 are 5.00% or 6.00% for Local employees and 7.15% for Police and Firemen.

Employer Allocations. Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the City's share of the collective pension amounts as of December 31, 2015, are based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended December 31, 2015.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

IV. OTHER INFORMATION (Continued)

E. Defined Benefit Pension Plan (Continued)

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015, the City's proportion for the Local employees group was 0.085%, which was a decrease of .003% from its proportion measured at June 30, 2014. At June 30, 2015, the City's proportion for the Police and Firemen group was 0.124%, which was an increase of .009% from its proportion measured at June 30, 2014.

Net Pension Liability. At December 31, 2015 and 2014, the City reported a liability of \$2,017,873 and \$1,836,228, respectively, for its total proportionate share of the net pension liability for the Local and Police and Firemen groups.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015, using the following actuarial assumptions:

<u>Assumption</u>	<u>Rate</u>
Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00 to 16.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	8.00%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, with adjustments to better match actual experience. Separate tables apply for males and females as well as each group (State, School, Local, KP&F and Judges).

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2012.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47.00%	6.30%
Fixed income	13.00%	0.80%
Yield driven	8.00%	4.20%
Real return	11.00%	1.70%
Real estate	11.00%	5.40%
Alternatives	8.00%	9.40%
Short-term investments	<u>2.00%</u>	[0.50]%
Total	<u>100.00%</u>	

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

IV. OTHER INFORMATION (Continued)

E. *Defined Benefit Pension Plan (Continued)*

Discount Rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERs employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police & Firemen, and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Discount rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Local	\$ 1,589,527	\$ 1,119,738	\$ 721,449
Police and Firemen	<u>1,304,249</u>	<u>898,135</u>	<u>555,107</u>
Total	<u>\$ 2,893,776</u>	<u>\$ 2,017,873</u>	<u>\$ 1,276,556</u>

Pension Expense. For the year ended December 31, 2015, the City recognized Local pension expense of \$74,537 and Police and Firemen pension expense of \$93,122, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for Local and Police and Firemen groups from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 8,196	\$ 46,731
Changes in proportion	89,357	37,753
Net difference between projected and actual earnings on pension plan investments	-	72,111
Changes of assumptions	-	<u>24,630</u>
	<u>\$ 97,553</u>	<u>\$ 181,225</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

IV. OTHER INFORMATION (Continued)

E. Defined Benefit Pension Plan (Continued)

\$138,462 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>June 30,</u>	Local Group Deferred		Police and Firemen Group Deferred		<u>Total</u>
	[Inflows]	Outflows	[Inflows]	Outflows	
	<u>Amount</u>		<u>Amount</u>		
2016	\$	[33,188]	\$	[9,468]	\$ [42,656]
2017		[33,188]		[9,468]	[42,656]
2018		[33,188]		[9,468]	[42,656]
2019		13,524		34,395	47,919
2020		[9,010]		5,387	[3,623]
Total	\$	[95,050]	\$	11,378	\$ [83,672]

F. Interfund Transfers

A reconciliation of transfers by fund type for 2015 follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory Authority</u>
General Fund	Nonmajor Governmental Fund	\$ 44,491	K.S.A. 12-1,117 and 12-1,118
Special Highway Fund	Nonmajor Governmental Fund	8,450	K.S.A. 68-590
Nonmajor Governmental Fund	Sewer Fund	921	To close fund
Nonmajor Governmental Fund	Debt Service Fund	308,061	Ord 2008-29
Nonmajor Governmental Fund	Nonmajor Governmental Fund	74,275	K.S.A. 12-1,118
Nonmajor Governmental Fund	General Fund	5,000	K.S.A. 12-1,118
		<u>\$ 441,198</u>	

G. Restatement of Equity

The beginning net position was restated as follows:

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Net position - beginning	\$ 4,978,094	\$ 5,569,446	\$ 10,547,540
Prior period adjustment			
General obligation bonds previous paid	4,065	-	4,065
Net pension liability	[1,802,053]	[259,842]	[2,061,895]
Net position - beginning, restated	<u>\$ 3,180,106</u>	<u>\$ 5,309,604</u>	<u>\$ 8,489,710</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

IV. OTHER INFORMATION (Continued)

H. 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 \$7,486 to \$8,264 for retiree-only coverage and \$10,234 to \$11,279 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)	\$ 4,974
Interest on Net OPEB Obligation	2,761
Adjustment to the ARC	<u>[3,604]</u>
Annual OPEB cost (expense)	4,131
Benefit payments	<u>-</u>
Change in net OPEB obligation	4,131
Net OPEB obligation - beginning of year	<u>61,348</u>
Net OPEB obligation - end of year	<u>\$ 65,479</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, 2015 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation	Percentage of Annual OPEB Cost Contributed
December 31, 2012	\$ 9,287	\$ 5,000	\$ 50,301	53.84%
December 31, 2013	13,138	6,000	57,439	45.67%
December 31, 2014	3,909	-	61,348	0.00%
December 31, 2015	4,131	-	65,479	0.00%

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

IV. OTHER INFORMATION (Continued)

H. Postemployment Healthcare Plan (Continued)

Funding Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$21,690 and the actuarial value of asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,690. The covered payroll (annual payroll of active employees covered by the plan) was \$1,804,979, and the ratio of the UAAL to the covered payroll was 1.2%.

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, 2013, the most recent actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% 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 7.0% 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.

I. Due To/From Other Funds

A reconciliation of due to/from other funds for 2015 follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Water Fund	\$ 448,487	\$ -
Sewer Fund	-	66,395
Water Tower Paint/Maintenance Fund	-	382,092
 Total	 <u>\$ 448,487</u>	 <u>\$ 448,487</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.

The Water Tower Paint/Maintenance Fund advanced \$382,092 to the Water Fund for water tower upgrades and improvements in 2015. The anticipated payback of the loan will occur in 2016.

City of Spring Hill, Kansas

OTHER POST-EMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended December 31, 2015

Schedule of Employer Contributions:

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Asset
December 31, 2013	\$ 13,740	43.67%	\$ -
December 31, 2014	4,698	-	-
December 31, 2015	4,974	-	-

Schedule of Funding Progress

Actuarial Valuation Date	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)
7/1/2009	\$ -	\$ 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%
7/1/2013	-	21,690	21,690	0.00%	1,804,979	1.20%

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City of Spring Hill, Kansas

OTHER POST-EMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended December 31, 2015

Schedule of the City's Proportionate Share of the Net Pension Liability
 Last Ten Fiscal Years*

	<u>Local</u> <u>12/31/15</u>	<u>Police and</u> <u>Firemen</u> <u>12/31/15</u>
City's proportion of the net pension liability	0.085%	0.124%
City's proportionate share of the net pension liability	\$ 1,119,738	\$ 898,135
City's covered employee payroll	\$ 1,420,633	\$ 542,879
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	78.82%	165.44%
Plan fiduciary net position as a percentage of the total pension liability	71.98%	74.60%

* - The amounts presented for each fiscal year were determined as of 12/31. Data became available with the inception of GASB 68 during fiscal year 2015, therefore 10 years of data is unavailable.

Schedule of the City's Contributions
 Last Ten Fiscal Years*

	<u>Local</u> <u>12/31/15</u>	<u>Police and</u> <u>Firemen</u> <u>12/31/15</u>
Contractually required contribution	\$ 135,589	\$ 135,758
Contributions in relation to the contractually required contribution	<u>135,589</u>	<u>135,758</u>
Contribution deficiency [excess]	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,430,589	\$ 635,570
Contributions as a percentage of covered employee payroll	9.48%	21.36%

* - Data became available with the inception of GASB 68 during fiscal year 2015, therefore 10 years of data is unavailable.

City of Spring Hill, Kansas
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2015

ASSETS	Cemetery Taxation	Cemetery Reserve	Special Parks	Gift	Holiday Lights	Law Enforcement Reserve	Water Feature	Storm Sewer	Sales Tax	Scholarship	West Lake Park	Replacement Reserve	Wilson Street Phase 2
Cash and cash equivalents	\$ 5,718	\$ 90,930	\$ 87,462	\$ 4,677	\$ 3,822	\$ 3,178	\$ 3,634	\$ 39,328	\$ 215,963	\$ 1,936	\$ 13,780	\$ 7,455	\$ 26,870
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes receivable	11,485	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 17,203	\$ 90,930	\$ 87,462	\$ 4,677	\$ 3,822	\$ 3,178	\$ 3,634	\$ 39,328	\$ 215,963	\$ 1,936	\$ 13,780	\$ 7,455	\$ 26,870
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES													
Liabilities													
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,225	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-	-	4,225	-	-
Deferred inflows of resources													
Deferred revenue	11,485	-	-	-	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	11,485	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	11,485	-	-	-	-	-	-	-	-	-	4,225	-	-
Fund balances													
Restricted	5,718	90,930	87,462	4,677	3,822	3,178	3,634	-	215,963	1,936	-	-	26,870
Committed	-	-	-	-	-	-	-	39,328	-	-	9,555	7,455	-
Total fund balance	5,718	90,930	87,462	4,677	3,822	3,178	3,634	39,328	215,963	1,936	9,555	7,455	26,870
Total liabilities and fund balances	\$ 17,203	\$ 90,930	\$ 87,462	\$ 4,677	\$ 3,822	\$ 3,178	\$ 3,634	\$ 39,328	\$ 215,963	\$ 1,936	\$ 13,780	\$ 7,455	\$ 26,870

Water Tower Paint/ Maintenance	CDBG 2014	Wilson Street Phase 3	Cemetery	Mayor's Tree	Melvin Murphy Playground	Lease 2014	Estates of Wolf Creek 14A	Blackhawk Benefit District	Ridgeview Road Sidewalk	Lease 2015	BNSF Utility Adjustment	Webster Acceleration Lane	Police Facility	Totals
\$ 78	\$ -	\$ 155,136	\$ 90,518	\$ 2,809	\$ 670	\$ -	\$ 105,645	\$ -	\$ 81	\$ 835	\$ 59,552	\$ 4,225	\$ 184,552	\$ 1,108,854
-	-	-	-	-	-	-	-	-	-	-	287,165	-	-	287,165
-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,485
\$ 78	\$ -	\$ 155,136	\$ 90,518	\$ 2,809	\$ 670	\$ -	\$ 105,645	\$ -	\$ 81	\$ 835	\$ 346,717	\$ 4,225	\$ 184,552	\$ 1,407,504
\$ 78	\$ -	\$ 981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 835	\$ 330,689	\$ 4,225	\$ -	\$ 341,033
382,092	-	-	-	-	-	-	-	-	-	-	-	-	-	382,092
382,170	-	981	-	-	-	-	-	-	-	835	330,689	4,225	-	723,125
-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,485
-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,485
382,170	-	981	-	-	-	-	-	-	-	835	330,689	4,225	-	734,610
[382,092]	-	154,155	90,518	2,809	670	-	105,645	-	81	-	16,028	-	184,552	616,556
-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,338
[382,092]	-	154,155	90,518	2,809	670	-	105,645	-	81	-	16,028	-	184,552	672,894
\$ 78	\$ -	\$ 155,136	\$ 90,518	\$ 2,809	\$ 670	\$ -	\$ 105,645	\$ -	\$ 81	\$ 835	\$ 346,717	\$ 4,225	\$ 184,552	\$ 1,407,504

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, 2015

	Cemetery Taxation	Cemetery Reserve	Special Parks	Gift	Holiday Lights	Law Enforcement Reserve	Water Feature	Storm Sewer	Sales Tax	Scholarship	West Lake Park	Replacement Reserve	Wilson Street Phase 2
Revenues													
Taxes	\$ 17,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 331,046	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	17,448	-	-	8,644	-	-	-	-	-	-	-
Use of money and property	4	-	48	-	-	2	-	65	103	3	11	4	-
Reimbursements	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,301	-	-	-	-	-	-	-	-
Total revenues	17,961	-	17,496	-	1,301	8,646	-	65	331,149	3	11	4	-
Expenditures													
General government	15,000	-	-	-	-	5,906	-	288	-	-	-	2,720	-
Culture and recreation	-	-	20,756	-	517	-	-	-	-	-	10,578	-	-
Capital outlay	-	-	-	-	798	-	-	-	-	-	-	-	-
Total expenditures	15,000	-	20,756	-	1,315	5,906	-	288	-	-	10,578	2,720	-
Excess [deficiency] of revenues over [under] expenditures	2,961	-	[3,260]	-	[14]	2,740	-	[223]	331,149	3	[10,567]	[2,716]	-
Other financing sources and [uses]													
Transfers in [out]	-	-	8,918	-	-	-	-	[74,275]	[308,061]	-	-	-	-
Lease proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources and [uses]	-	-	8,918	-	-	-	-	[74,275]	[308,061]	-	-	-	-
Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses]	2,961	-	5,658	-	[14]	2,740	-	[74,498]	23,088	3	[10,567]	[2,716]	-
Fund balances - Beginning of year	2,757	90,930	81,804	4,677	3,836	438	3,634	113,826	192,875	1,933	20,122	10,171	26,870
Fund balances, December 31	\$ 5,718	\$ 90,930	\$ 87,462	\$ 4,677	\$ 3,822	\$ 3,178	\$ 3,634	\$ 39,328	\$ 215,963	\$ 1,936	\$ 9,555	\$ 7,455	\$ 26,870

Water Tower Paint/ Maintenance	CDBG 2014	Wilson Street Phase 3	Cemetery	Mayor's Tree	Melvin Murphy Playground	Lease 2014	Estates of Wolf Creek 14A	Blackhawk Benefit District	Ridgeview Road Sidewalk	Lease 2015	BNSF Utility Adjustment	Webster Acceleration Lane	Police Facility	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 349,003
-	99,312	-	15,000	-	-	-	-	-	-	-	-	-	-	140,404
-	-	-	480	-	-	-	-	-	-	-	-	-	-	720
-	-	-	-	-	-	-	-	-	-	-	308,005	-	-	308,005
-	-	-	12,575	3,127	170	-	-	-	-	-	-	-	-	17,173
-	99,312	-	28,055	3,127	170	-	-	-	-	-	308,005	-	-	815,305
2,857	99,312	2,089	34,350	5,100	-	-	-	-	-	-	-	-	-	167,622
-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,851
383,522	-	4,773	-	-	-	17,721	346,243	1,368	12,219	217,942	366,252	8,450	-	1,359,288
386,379	99,312	6,862	34,350	5,100	-	17,721	346,243	1,368	12,219	217,942	366,252	8,450	-	1,558,761
[386,379]	-	[6,862]	[6,295]	[1,973]	170	[17,721]	[346,243]	[1,368]	[12,219]	[217,942]	[58,247]	[8,450]	-	[446,598]
-	[921]	-	-	-	-	10,964	-	1,368	12,300	4,000	74,275	8,450	-	[262,982]
-	-	-	-	-	-	-	-	-	-	213,942	-	-	-	213,942
-	[921]	-	-	-	-	10,964	-	1,368	12,300	217,942	74,275	8,450	-	[49,040]
[386,379]	[921]	[6,862]	[6,295]	[1,973]	170	[6,757]	[346,243]	-	81	-	16,028	-	-	[792,496]
4,287	921	161,017	96,813	4,782	500	6,757	451,888	-	-	-	-	-	184,552	1,465,390
\$ [382,092]	\$ -	\$ 154,155	\$ 90,518	\$ 2,809	\$ 670	\$ -	\$ 105,645	\$ -	\$ 81	\$ -	\$ 16,028	\$ -	\$ 184,552	\$ 672,894

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, 2015

	<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	\$ 17,957	\$ -	\$ 17,957	\$ 17,294	\$ 17,294	\$ 663
Use of money and property	<u>4</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
Total revenues	<u>17,961</u>	<u>-</u>	<u>17,961</u>	<u>17,294</u>	<u>17,294</u>	<u>667</u>
Expenditures						
Culture and recreation						
Contractual services	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>17,000</u>	<u>17,000</u>	<u>2,000</u>
Total expenditures	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>17,000</u>	<u>17,000</u>	<u>2,000</u>
Excess [deficiency] of revenues over [under] expenditures	2,961	-	2,961	<u>\$ 294</u>	<u>\$ 294</u>	<u>\$ 2,667</u>
Fund balance, January 1	<u>2,757</u>	<u>-</u>	<u>2,757</u>			
Fund balance, December 31	<u>\$ 5,718</u>	<u>\$ -</u>	<u>\$ 5,718</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, 2015

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Intergovernmental	\$ 17,448	\$ -	\$ 17,448	\$ 9,030	\$ 9,030	\$ 8,418
Use of money and property	<u>48</u>	<u>-</u>	<u>48</u>	<u>-</u>	<u>-</u>	<u>48</u>
Total revenues	<u>17,496</u>	<u>-</u>	<u>17,496</u>	<u>9,030</u>	<u>9,030</u>	<u>8,466</u>
Expenditures						
Culture and recreation						
Commodities	-	-	-	19,000	19,000	19,000
Contractual services	20,192	-	20,192	4,650	4,650	[15,542]
Capital outlay	<u>564</u>	<u>-</u>	<u>564</u>	<u>64,210</u>	<u>64,210</u>	<u>63,646</u>
Total expenditures	<u>20,756</u>	<u>-</u>	<u>20,756</u>	<u>87,860</u>	<u>87,860</u>	<u>67,104</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[3,260]</u>	<u>-</u>	<u>[3,260]</u>	<u>[78,830]</u>	<u>[78,830]</u>	<u>75,570</u>
Other financing sources [uses]						
Transfers in	<u>8,918</u>	<u>-</u>	<u>8,918</u>	<u>8,000</u>	<u>8,000</u>	<u>918</u>
Total other financing sources [uses]	<u>8,918</u>	<u>-</u>	<u>8,918</u>	<u>8,000</u>	<u>8,000</u>	<u>918</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	5,658	-	5,658	<u>\$ [70,830]</u>	<u>\$ [70,830]</u>	<u>\$ 76,488</u>
Fund balance, January 1	<u>81,804</u>	<u>-</u>	<u>81,804</u>			
Fund balance, December 31	<u>\$ 87,462</u>	<u>\$ -</u>	<u>\$ 87,462</u>			

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, 2015

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 180,305	\$ -	\$ 180,305	\$ 179,519	\$ 179,519	\$ 786
Special assessments	1,095,275	-	1,095,275	957,096	957,096	138,179
Use of money and property	379	-	379	-	-	379
Miscellaneous	<u>41,138</u>	<u>-</u>	<u>41,138</u>	<u>85,000</u>	<u>85,000</u>	<u>[43,862]</u>
Total revenues	<u>1,317,097</u>	<u>-</u>	<u>1,317,097</u>	<u>1,221,615</u>	<u>1,221,615</u>	<u>95,482</u>
Expenditures						
Principal	906,084	-	906,084	2,146,000	2,146,000	1,239,916
Interest and other charges	648,175	-	648,175	-	-	[648,175]
Revenue for future projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
Total expenditures	<u>1,554,259</u>	<u>-</u>	<u>1,554,259</u>	<u>2,161,000</u>	<u>2,161,000</u>	<u>606,741</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[237,162]</u>	<u>-</u>	<u>[237,162]</u>	<u>[939,385]</u>	<u>[939,385]</u>	<u>702,223</u>
Other financing sources [uses]						
Transfers in	<u>308,061</u>	<u>-</u>	<u>308,061</u>	<u>804,325</u>	<u>804,325</u>	<u>[496,264]</u>
Total other financing sources [uses]	<u>308,061</u>	<u>-</u>	<u>308,061</u>	<u>804,325</u>	<u>804,325</u>	<u>[496,264]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	70,899	-	70,899	<u>\$ [135,060]</u>	<u>\$ [135,060]</u>	<u>\$ 205,959</u>
Fund balance, January 1	<u>82,720</u>	<u>-</u>	<u>82,720</u>			
Fund balance, December 31	<u>\$ 153,619</u>	<u>\$ -</u>	<u>\$ 153,619</u>			

See independent auditor's report on the financial statements.