

CITY OF SPRING HILL, KANSAS
FINANCIAL STATEMENTS
Year ended December 31, 2017

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City of Spring Hill, Kansas
FINANCIAL STATEMENTS
Year ended December 31, 2017

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City of Spring Hill, Kansas
Financial Statements
Year ending December 31, 2017

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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, 2017, 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Hill, Kansas, as of December 31, 2017, 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, special highway fund, and the excise tax fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the schedule of funding progress on page 47, the schedule of City's proportionate share of the net pension liability on page 48, and the schedule of City contributions on page 48 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

November 28, 2018

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017
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, 2017.

Financial Highlights

- The Government-wide net position totaled \$11.8 million at the end of the current fiscal year.
- Total capital assets, net of accumulated depreciation at December 31, 2017 totaled \$35.1 million.
- Government-wide activities increased the net position of the City by \$1.5 million for the year ended December 31, 2017.
- The City's total indebtedness increased by \$3.1 million.
- The City's net capital assets increased \$1.3 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, 2017
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, 2017
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, 2017:

City of Spring Hill
Condensed Statement of Net Position
December 31, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 9,535,515	\$ 5,989,814	\$ 3,508,469	\$ 2,504,583	\$ 13,043,984	\$ 8,494,397
Net capital assets	21,610,573	19,873,905	13,449,257	13,883,417	35,059,830	33,757,322
Deferred outflows of resources	<u>517,578</u>	<u>643,348</u>	<u>38,519</u>	<u>51,674</u>	<u>556,097</u>	<u>695,022</u>
Total assets and deferred outflows of resources	<u>\$ 31,663,666</u>	<u>\$ 26,507,067</u>	<u>\$ 16,996,245</u>	<u>\$ 16,439,674</u>	<u>\$ 48,659,911</u>	<u>\$ 42,946,741</u>
Current liabilities	\$ 2,156,939	\$ 1,527,426	\$ 1,151,732	\$ 882,378	\$ 3,308,671	\$ 2,409,804
Noncurrent liabilities	21,640,022	18,174,951	9,210,400	9,655,840	30,850,422	27,830,791
Deferred inflows of resources	<u>2,727,761</u>	<u>2,435,826</u>	<u>18,017</u>	<u>11,560</u>	<u>2,745,778</u>	<u>2,447,386</u>
Total liabilities and deferred inflows of resources	<u>\$ 26,524,722</u>	<u>\$ 22,138,203</u>	<u>\$ 10,380,149</u>	<u>\$ 10,549,778</u>	<u>\$ 36,904,871</u>	<u>\$ 32,687,981</u>
Net Position:						
Invested in capital assets, net of debt	\$ 1,110,523	\$ 3,039,970	\$ 3,368,996	\$ 3,473,906	\$ 4,479,519	\$ 6,513,876
Restricted for:						
Debt Service	143,866	139,989	-	-	143,866	139,989
Unrestricted	<u>3,884,555</u>	<u>1,188,905</u>	<u>3,247,100</u>	<u>2,415,990</u>	<u>7,131,655</u>	<u>3,604,895</u>
Total net position	<u>\$ 5,138,944</u>	<u>\$ 4,368,864</u>	<u>\$ 6,616,096</u>	<u>\$ 5,889,896</u>	<u>\$ 11,755,040</u>	<u>\$ 10,258,760</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 \$9.7 million.

The City has \$30.4 million in long-term debt, consisting of general obligation bonds, temporary notes, contractual obligations, loans, and capital leases payable, of which \$2.1 million is due within the next fiscal year.

The City had total assets at December 31, 2017, totaling \$48.7 million. The total assets of the City exceeded the total liabilities by \$11.8 million. Net position invested in capital assets, net of related debt, totaled \$4.5 million, restricted net position totaled \$.2 million and unrestricted net position totaled \$7.1 million.

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017
Unaudited

Government-Wide Activities

The following is a condensed statement of the City's change in net position for the year ended December 31, 2017. Major items of program revenues, grants and general revenues are detailed below. A reconciliation of the total change in fund balances for the governmental funds to the Statement of Activities is located on page 14 of the basic financial statements. Major differences in the Statement of Activities and changes in the fund balances of governmental funds as expenditures in the funds statements include the repayment of bonds, temporary notes, and leases in the current fiscal year of \$.9 million which are treated as an expenditure in the fund statements and a reduction of long term debt payable in the Government wide financial statements. Also bond and lease proceeds in the amount of \$4.8 million are treated as revenues in the fund statements and an increase in long term debt in the Government wide financial statements. In addition, the capital outlays of \$2.6 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, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 646,207	\$ 481,131	\$ 3,311,033	\$ 2,922,228	\$ 3,957,240	\$ 3,403,359
Operating grants and contributions	1,099,540	1,986,783	4,832	21,441	1,104,372	2,008,224
General revenues:						
Taxes	5,577,661	5,115,501	-	-	5,577,661	5,115,501
Transfers [net]	-	446,473	-	[446,473]	-	-
Other	<u>274,034</u>	<u>313,137</u>	<u>1,577</u>	<u>1,169</u>	<u>275,611</u>	<u>314,306</u>
Total revenues	<u>7,597,442</u>	<u>8,343,025</u>	<u>3,317,442</u>	<u>2,498,365</u>	<u>10,914,884</u>	<u>10,841,390</u>
Program expenses:						
General government	2,627,057	2,435,615	-	-	2,627,057	2,435,615
Public safety	1,547,200	1,453,104	-	-	1,547,200	1,453,104
Public works	964,732	1,141,424	-	-	964,732	1,141,424
Culture and recreation	605,214	638,652	-	-	605,214	638,652
Infrastructure depreciation	431,028	405,064	-	-	431,028	405,064
Water utility	-	-	1,160,492	1,147,106	1,160,492	1,147,106
Sewer utility	-	-	1,430,750	1,607,329	1,430,750	1,607,329
Interest on long term debt	<u>652,131</u>	<u>797,304</u>	<u>-</u>	<u>-</u>	<u>652,131</u>	<u>797,304</u>
Total expenses	<u>6,827,362</u>	<u>6,871,163</u>	<u>2,591,242</u>	<u>2,754,435</u>	<u>9,418,604</u>	<u>9,625,598</u>
Increase [decrease] in net position	<u>\$ 770,080</u>	<u>\$ 1,471,862</u>	<u>\$ 726,200</u>	<u>\$ [256,070]</u>	<u>\$ 1,496,280</u>	<u>\$ 1,215,792</u>

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017
Unaudited

Governmental Activities increased the net position by \$.8 million. Business-type activities increased the net position by \$.7 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, 2017 for the governmental funds totaled \$6.2 million. Total unassigned fund balances at December 31, 2017 totaled \$1.3 million, of which \$1.3 million was attributable to the General Fund. The remainder of fund balance includes; \$4.9 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 \$3,047 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 \$1.3 million, which represents all of the total fund balance. The increase in the General Fund's fund balance was \$.8 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 \$53,449, which represents all of the total fund balance. The decrease in the fund's fund balance was \$243.

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 \$.8 million, which represents all of the total fund balance. The decrease in the fund's fund balance was \$1.2 million.

The Excise Tax Fund is used to account for funds levied on the platting of real property and is a general revenue of the City.

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 Capital Projects 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 \$.9 million and the unrestricted net position of the Sewer Fund at the end of the year amounted to \$2.3 million. The total change in the two funds was \$118,446 and \$607,754, respectively.

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017
Unaudited

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 budgeted expenditures were \$5,352,290. The revenues were more than budgetary estimates by \$340,386 and the expenditures were less than budgetary estimates by \$740,205.

Fixed Assets and Debt Administration

The City's investment in fixed assets for its governmental and business-type activities totaled \$35.1 million (net of accumulated depreciation) as of December 31, 2017.

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

The City completed the Webster acceleration lane, Nichols/Race Street Stormwater improvements, and Veteran's Lane improvement projects. The City also began Dayton Creek and City Hall renovation projects during the fiscal year. During 2017, the City also purchased several vehicles and various pieces of equipment.

At December 31, 2017, the City had total debt outstanding of \$30.4 million, backed by the full faith and credit of the City. Total long-term debt increased for the fiscal year ended December 31, 2017, in the amount of \$3.1 million. This was a result of the issuance of temporary notes discussed in Note III, E.

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, 2017

	Primary Government		
	Total Governmental Activities	Total Business-type Activities	Total Primary Government
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and cash equivalents	\$ 6,831,930	\$ 2,306,832	\$ 9,138,762
Taxes receivable	2,595,665	-	2,595,665
Accounts receivable	107,920	139,186	247,106
Due from other funds	-	258,032	258,032
Restricted assets			
Cash and cash equivalents	-	804,419	804,419
Total current assets	9,535,515	3,508,469	13,043,984
Noncurrent assets:			
Capital assets, nondepreciable			
Construction in progress	2,468,536	-	2,468,536
Land	320,279	36,281	356,560
Capital assets, depreciable			
Less: accumulated depreciation	27,071,349	29,360,964	56,432,313
	8,249,591	15,947,988	24,197,579
Total noncurrent assets	21,610,573	13,449,257	35,059,830
Total assets	31,146,088	16,957,726	48,103,814
Deferred outflows of resources			
Pension - contributions subsequent to the measurement date	125,055	11,838	136,893
Pension - differences between expected and actual experience	63,208	1,088	64,296
Pension - net difference between projected and actual earnings on pension plan investments	76,346	7,054	83,400
Pension - changes of assumptions	138,586	12,111	150,697
Pension - changes in proportion	114,383	6,428	120,811
Total deferred outflows of resources	517,578	38,519	556,097
Total assets and deferred outflows of resources	\$ 31,663,666	\$ 16,996,245	\$ 48,659,911
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Current liabilities: (payable from current assets):			
Accounts payable	\$ 397,611	\$ 95,107	\$ 492,718
Accrued interest payable	197,264	98,748	296,012
Accrued salaries	75,400	16,075	91,475
Due to other funds	258,032	-	258,032
Compensated absences payable	72,731	10,339	83,070
Current portion of contractual obligation payable	-	61,602	61,602
Current portion of leases payable	186,520	49,475	235,995
Current portion of notes payable	-	493,430	493,430
Current portion of bonds payable	969,381	326,956	1,296,337
Total current liabilities (payable from current assets)	2,156,939	1,151,732	3,308,671
Noncurrent liabilities:			
Leases payable	665,450	239,993	905,443
Net other post employment benefits payable	80,407	-	80,407
Notes payable	-	1,581,370	1,581,370
Net pension liability	2,215,466	224,879	2,440,345
Contractual obligation	-	184,802	184,802
Temporary notes payable	4,507,317	-	4,507,317
Bonds payable	14,171,382	6,979,356	21,150,738
Total noncurrent liabilities	21,640,022	9,210,400	30,850,422
Total liabilities	23,796,961	10,362,132	34,159,093
Deferred inflows of resources:			
Unavailable revenue - property taxes	2,595,665	-	2,595,665
Pension - difference between expected and actual experience	43,910	7,776	51,686
Pension - changes of assumptions	12,769	1,645	14,414
Pension - change in proportion	75,417	8,596	84,013
Total deferred inflows of resources	2,727,761	18,017	2,745,778
Total liabilities and deferred inflows of resources	\$ 26,524,722	\$ 10,380,149	\$ 36,904,871
Net Position			
Invested in capital assets, net of related debt	\$ 1,110,523	\$ 3,368,996	\$ 4,479,519
Restricted for:			
Debt service	143,866	-	143,866
Unrestricted	3,884,555	3,247,100	7,131,655
Total net position	\$ 5,138,944	\$ 6,616,096	\$ 11,755,040

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, 2017

	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	\$ 2,627,057	\$ 493,128	\$ 848,127	\$ [1,285,802]	\$ -	\$ [1,285,802]
Public safety	1,547,200	-	-	[1,547,200]	-	[1,547,200]
Highways and streets	964,732	-	218,886	[745,846]	-	[745,846]
Culture and recreation	605,214	153,079	32,527	[419,608]	-	[419,608]
Infrastructure depreciation	431,028	-	-	[431,028]	-	[431,028]
Interest on long-term debt	652,131	-	-	[652,131]	-	[652,131]
Total governmental activities	<u>6,827,362</u>	<u>646,207</u>	<u>1,099,540</u>	<u>[5,081,615]</u>	<u>-</u>	<u>[5,081,615]</u>
Business-type activities:						
Water	1,160,492	1,278,434	-	-	117,942	117,942
Sewer	1,430,750	2,032,599	4,832	-	606,681	606,681
Total business-type activities	<u>2,591,242</u>	<u>3,311,033</u>	<u>4,832</u>	<u>-</u>	<u>724,623</u>	<u>724,623</u>
Total primary government	<u>\$ 9,418,604</u>	<u>\$ 3,957,240</u>	<u>\$ 1,104,372</u>	<u>[5,081,615]</u>	<u>724,623</u>	<u>[4,356,992]</u>
General Revenues:						
Property taxes levied for						
General purposes				5,407,275	-	5,407,275
Debt service				170,386	-	170,386
Investments earnings				29,039	1,577	30,616
Miscellaneous				244,995	-	244,995
Total general revenues and transfers				<u>5,851,695</u>	<u>1,577</u>	<u>5,853,272</u>
Change in net position				770,080	726,200	1,496,280
Net position - beginning				<u>4,368,864</u>	<u>5,889,896</u>	<u>10,258,760</u>
Net position - ending				<u>\$ 5,138,944</u>	<u>\$ 6,616,096</u>	<u>\$ 11,755,040</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, 2017

	General	Fire Services	Special Highway	Excise Tax	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and investments	\$ 1,565,060	\$ 54,577	\$ 767,219	882,890	\$ 65,657	\$ 2,461,090	\$ 1,035,437	\$ 6,831,930
Receivables								
Accounts	29,711	-	-	-	78,209	-	-	107,920
Taxes	<u>1,846,394</u>	<u>603,534</u>	<u>-</u>	<u>-</u>	<u>119,304</u>	<u>-</u>	<u>26,433</u>	<u>2,595,665</u>
Total assets	<u>\$ 3,441,165</u>	<u>\$ 658,111</u>	<u>\$ 767,219</u>	<u>\$ 882,890</u>	<u>\$ 263,170</u>	<u>\$ 2,461,090</u>	<u>\$ 1,061,870</u>	<u>\$ 9,535,515</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 255,826	\$ 1,128	\$ 10,742	\$ -	\$ -	\$ 105,080	\$ 24,835	\$ 397,611
Accrued salaries payable	75,400	-	-	-	-	-	-	75,400
Due to other funds	-	-	-	-	-	-	258,032	258,032
Total liabilities	<u>331,226</u>	<u>1,128</u>	<u>10,742</u>	<u>-</u>	<u>-</u>	<u>105,080</u>	<u>282,867</u>	<u>731,043</u>
Deferred inflows of resources:								
Unavailable revenue - property taxes	<u>1,846,394</u>	<u>603,534</u>	<u>-</u>	<u>-</u>	<u>119,304</u>	<u>-</u>	<u>26,433</u>	<u>2,595,665</u>
Total deferred inflows of resources	<u>1,846,394</u>	<u>603,534</u>	<u>-</u>	<u>-</u>	<u>119,304</u>	<u>-</u>	<u>26,433</u>	<u>2,595,665</u>
Total liabilities and deferred inflows of resources	<u>2,177,620</u>	<u>604,662</u>	<u>10,742</u>	<u>-</u>	<u>119,304</u>	<u>105,080</u>	<u>309,300</u>	<u>3,326,708</u>
Fund balance:								
Restricted	-	53,449	756,477	882,890	143,866	2,356,010	749,523	4,942,215
Committed	-	-	-	-	-	-	3,047	3,047
Unassigned	<u>1,263,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,545</u>
Total fund balance	<u>1,263,545</u>	<u>53,449</u>	<u>756,477</u>	<u>882,890</u>	<u>143,866</u>	<u>2,356,010</u>	<u>752,570</u>	<u>6,208,807</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,441,165</u>	<u>\$ 658,111</u>	<u>\$ 767,219</u>	<u>\$ 882,890</u>	<u>\$ 263,170</u>	<u>\$ 2,461,090</u>	<u>\$ 1,061,870</u>	<u>\$ 9,535,515</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, 2017

Total Governmental Fund Balances		\$ 6,208,807
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	29,860,164	
Accumulated depreciation is	<u>8,249,591</u>	21,610,573
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		
		517,578
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		
		[2,347,562]
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	15,140,763	
Temporary notes payable	4,507,317	
Leases payable	851,970	
Interest payable	197,264	
Net other post employment benefits payable	80,407	
Compensated absences payable	<u>72,731</u>	<u>[20,850,452]</u>
Net Position of Governmental Activities		<u>\$ 5,138,944</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, 2017

	<u>General</u>	<u>Fire Services</u>	<u>Special Highway</u>	<u>Excise Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:								
Taxes	\$ 3,999,111	\$ 583,768	\$ -	\$ 353,830	\$ 170,386	\$ -	\$ 470,566	\$ 5,577,661
Special assessments	-	-	-	-	828,544	-	-	828,544
Intergovernmental	2,083	-	218,886	-	-	-	50,027	270,996
Reimbursements	-	-	-	-	-	23,381	5,918	29,299
Fines and fees	646,207	-	-	-	-	-	-	646,207
Use of money and property	18,902	130	462	8,779	18	150	598	29,039
Miscellaneous	37,058	-	-	-	78,208	41,249	59,183	215,698
Total revenues	4,703,361	583,898	219,348	362,609	1,077,156	64,780	586,292	7,597,444
EXPENDITURES:								
Current								
General government	1,876,289	584,141	-	-	-	-	57,517	2,517,947
Law enforcement	1,350,253	-	-	-	-	-	-	1,350,253
Court services	114,442	-	-	-	-	-	-	114,442
Highways and streets	699,253	-	112,555	-	-	-	-	811,808
Culture and recreation	542,751	-	-	-	-	-	22,903	565,654
Capital outlay	-	-	-	-	-	2,434,055	271,455	2,705,510
Debt service								
Principal	-	-	-	-	918,770	-	-	918,770
Interest and other charges	-	-	-	-	578,222	43,605	-	621,827
Total expenditures	4,582,988	584,141	112,555	-	1,496,992	2,477,660	351,875	9,606,211
Excess [deficiency] of revenues over [under] expenditures	120,373	[243]	106,793	362,609	[419,836]	[2,412,880]	234,417	[2,008,767]
OTHER FINANCING SOURCES [USES]								
Lease proceeds	-	-	-	-	-	-	278,568	278,568
Temporary note proceeds	-	-	-	-	-	4,505,000	-	4,505,000
Temporary note premium	-	-	-	-	-	2,317	-	2,317
Transfers in	750,000	-	-	1,365,063	423,713	200,000	36,435	2,775,211
Transfers out	[29,097]	-	[1,339,632]	[844,782]	-	[34,659]	[527,041]	[2,775,211]
Total other financing sources [uses]	720,903	-	[1,339,632]	520,281	423,713	4,672,658	[212,038]	4,785,885
Net change in fund balance	841,276	[243]	[1,232,839]	882,890	3,877	2,259,778	22,379	2,777,118
Fund balance - Beginning of year	422,269	53,692	1,989,316	-	139,989	96,232	730,191	3,431,689
Fund balance - End of year	\$ 1,263,545	\$ 53,449	\$ 756,477	\$ 882,890	\$ 143,866	\$ 2,356,010	\$ 752,570	\$ 6,208,807

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, 2017

Total Net Change In Fund Balances - Governmental Funds		\$ 2,777,118
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	2,558,836	
Depreciation expense	<u>[822,168]</u>	1,736,668
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which interest increased.		
		[30,304]
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.		
		[498]
Some expenses reported in the statement of activities, such as net other post employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		[7,550]
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.		
		26,787
Pension payments are reported as expenditures in the governmental funds and do not affect the statement of net activities.		
		[39,239]
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.		
		174,213
Lease and bond proceeds are other financing sources in the governmental funds, but increase long-term liabilities in the statement of net position and do not affect the statement of activities		
		[4,785,885]
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.		
		<u>918,770</u>
Changes In Net Position of Governmental Activities		<u>\$ 770,080</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
GENERAL FUND
For the Year Ended December 31, 2017

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 3,999,111	\$ -	\$ 3,999,111	\$ 3,883,740	\$ 3,843,525	\$ 155,586
Intergovernmental	2,083	-	2,083	-	-	2,083
Fines and fees	646,207	-	646,207	501,000	501,000	145,207
Use of money and property	18,902	-	18,902	500	500	18,402
Miscellaneous	37,058	-	37,058	17,950	17,950	19,108
Total revenues	<u>4,703,361</u>	<u>-</u>	<u>4,703,361</u>	<u>4,403,190</u>	<u>4,362,975</u>	<u>340,386</u>
Expenditures						
General government	1,876,289	-	1,876,289	1,883,435	1,883,435	7,146
Law enforcement	1,350,253	-	1,350,253	1,307,870	1,307,870	[42,383]
Court services	114,442	-	114,442	118,925	118,925	4,483
Highways and streets	699,253	-	699,253	683,025	1,433,025	733,772
Culture and recreation	542,751	-	542,751	599,035	599,035	56,284
Total expenditures	<u>4,582,988</u>	<u>-</u>	<u>4,582,988</u>	<u>4,592,290</u>	<u>5,342,290</u>	<u>759,302</u>
Excess [deficiency] of revenues over [under] expenditures	<u>120,373</u>	<u>-</u>	<u>120,373</u>	<u>[189,100]</u>	<u>[979,315]</u>	<u>1,099,688</u>
Other financing sources [uses]						
Transfers in	750,000	-	750,000	-	750,000	-
Transfers [out]	[29,097]	-	[29,097]	[10,000]	[10,000]	[19,097]
Total other financing sources [uses]	<u>720,903</u>	<u>-</u>	<u>720,903</u>	<u>[10,000]</u>	<u>740,000</u>	<u>[19,097]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>841,276</u>	<u>-</u>	<u>841,276</u>	<u>\$ [199,100]</u>	<u>\$ [239,315]</u>	<u>\$ 1,080,591</u>
Fund balance, January 1	<u>422,269</u>	<u>-</u>	<u>422,269</u>			
Fund balance, December 31	<u>\$ 1,263,545</u>	<u>\$ -</u>	<u>\$ 1,263,545</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, 2017

	<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	\$ 583,768	\$ -	\$ 583,768	\$ 576,241	\$ 564,635	\$ 19,133
Use of money and property	<u>130</u>	<u>-</u>	<u>130</u>	<u>15</u>	<u>-</u>	<u>130</u>
Total revenues	<u>583,898</u>	<u>-</u>	<u>583,898</u>	<u>576,256</u>	<u>564,635</u>	<u>19,263</u>
Expenditures						
General government						
Contractual services	<u>584,141</u>	<u>-</u>	<u>584,141</u>	<u>589,985</u>	<u>609,635</u>	<u>25,494</u>
Total expenditures	<u>584,141</u>	<u>-</u>	<u>584,141</u>	<u>589,985</u>	<u>609,635</u>	<u>25,494</u>
Excess [deficiency] of revenues over [under] expenditures	[243]	-	[243]	\$ [13,729]	\$ [45,000]	\$ 44,757
Fund balance, January 1	<u>53,692</u>	<u>-</u>	<u>53,692</u>			
Fund balance, December 31	<u>\$ 53,449</u>	<u>\$ -</u>	<u>\$ 53,449</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, 2017

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Intergovernmental	\$ 218,886	\$ -	\$ 218,886	\$ 153,000	\$ 153,000	\$ 65,886
Reimbursements	-	-	-	-	56,340	[56,340]
Use of money and property	462	-	462	4,500	150	312
Total revenues	219,348	-	219,348	157,500	209,490	9,858
Expenditures						
Highways and streets						
Commodities	-	-	-	66,000	71,000	71,000
Contractual services	88,859	-	88,859	211,000	210,000	121,141
Capital outlay	23,696	-	23,696	310,000	8,800	[14,896]
Total expenditures	112,555	-	112,555	587,000	289,800	177,245
Excess [deficiency] of revenues over [under] expenditures	106,793	-	106,793	[429,500]	[80,310]	187,103
Other financing sources [uses]						
Transfers in	-	-	-	78,450	-	-
Transfers [out]	[1,339,632]	-	[1,339,632]	[1,021,920]	[1,906,025]	566,393
Total other financing sources [uses]	[1,339,632]	-	[1,339,632]	[943,470]	[1,906,025]	566,393
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	[1,232,839]	-	[1,232,839]	\$ [1,372,970]	\$ [1,986,335]	\$ 753,496
Fund balance, January 1	1,989,316	-	1,989,316			
Fund balance, December 31	\$ 756,477	\$ -	\$ 756,477			

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
EXCISE TAX FUND
For the Year Ended December 31, 2017

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 353,830	\$ -	\$ 353,830	\$ -	\$ 175,000	\$ 178,830
Use of money and property	8,779	-	8,779	-	-	8,779
Total revenues	<u>362,609</u>	<u>-</u>	<u>362,609</u>	<u>-</u>	<u>175,000</u>	<u>187,609</u>
Expenditures						
Highways and streets						
Capital outlay	-	-	-	-	736,905	736,905
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>736,905</u>	<u>736,905</u>
Excess [deficiency] of revenues over [under] expenditures	<u>362,609</u>	<u>-</u>	<u>362,609</u>	<u>-</u>	<u>[561,905]</u>	<u>924,514</u>
Other financing sources [uses]						
Transfers in	1,365,063	-	1,365,063	-	1,411,405	[46,342]
Transfers [out]	[844,782]	-	[844,782]	-	[849,500]	4,718
Total other financing sources [uses]	<u>520,281</u>	<u>-</u>	<u>520,281</u>	<u>-</u>	<u>561,905</u>	<u>[41,624]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	882,890	-	882,890	\$ -	\$ -	\$ 882,890
Fund balance, January 1	<u>-</u>	<u>-</u>	<u>-</u>			
Fund balance, December 31	<u>\$ 882,890</u>	<u>\$ -</u>	<u>\$ 882,890</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, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Business-Type Activities: Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Current assets:			
Cash and cash equivalents	\$ 741,694	\$ 1,565,138	\$ 2,306,832
Receivables	59,756	79,430	139,186
Restricted assets:			
Cash and cash equivalents	168,141	636,278	804,419
Due from other funds	80,023	178,009	258,032
Total current assets	<u>1,049,614</u>	<u>2,458,855</u>	<u>3,508,469</u>
Noncurrent assets:			
Capital assets, nondepreciable:			
Land	-	36,281	36,281
Capital assets, depreciable	10,240,101	19,120,863	29,360,964
Less: accumulated depreciation	[8,163,569]	[7,784,419]	[15,947,988]
Total noncurrent assets	<u>2,076,532</u>	<u>11,372,725</u>	<u>13,449,257</u>
Total assets	<u>3,126,146</u>	<u>13,831,580</u>	<u>16,957,726</u>
Deferred outflows of resources:			
Pension - contributions subsequent to the measurement date	4,093	7,745	11,838
Pension - differences between expected and actual experience	376	712	1,088
Pension - net difference between projected and actual earnings on pension plan investments	2,439	4,615	7,054
Pension - changes of assumptions	4,187	7,924	12,111
Pension - changes in proportion	2,223	4,205	6,428
Total deferred outflows of resources	<u>13,318</u>	<u>25,201</u>	<u>38,519</u>
Total assets and deferred outflows of resources	<u>\$ 3,139,464</u>	<u>\$ 13,856,781</u>	<u>\$ 16,996,245</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current liabilities (payable from current assets):			
Accounts payable	\$ 55,970	\$ 39,137	\$ 95,107
Accrued salaries payable	5,279	10,796	16,075
Accrued interest payable	15,449	83,299	98,748
Compensated absences payable	4,875	5,464	10,339
Current portion of contractual obligation payable	29,569	32,033	61,602
Current portion of leases payable	25,109	24,366	49,475
Current portion of notes payable	230,302	263,128	493,430
Current portion of bonds payable	49,000	277,956	326,956
Total current liabilities	<u>415,553</u>	<u>736,179</u>	<u>1,151,732</u>
(payable from current assets):			
Noncurrent liabilities:			
Leases payable	80,901	159,092	239,993
Notes payable	882,066	699,304	1,581,370
Net pension liability	77,747	147,132	224,879
Contractual obligation	88,705	96,097	184,802
Bonds payable	389,000	6,590,356	6,979,356
Total noncurrent liabilities	<u>1,518,419</u>	<u>7,691,981</u>	<u>9,210,400</u>
Total liabilities	<u>1,933,972</u>	<u>8,428,160</u>	<u>10,362,132</u>
Deferred inflows of resources:			
Pension - difference between expected and actual experience	2,688	5,088	7,776
Pension - changes of assumptions	569	1,076	1,645
Pension - change in proportion	2,972	5,624	8,596
Total deferred inflows of resources	<u>6,229</u>	<u>11,788</u>	<u>18,017</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,940,201</u>	<u>\$ 8,439,948</u>	<u>\$ 10,380,149</u>
Net position:			
Invested in capital assets, net of related debt	\$ 253,702	\$ 3,115,294	\$ 3,368,996
Unrestricted	945,561	2,301,539	3,247,100
Total net position	<u>\$ 1,199,263</u>	<u>\$ 5,416,833</u>	<u>\$ 6,616,096</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, 2017

	Business-Type Activities: Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Operating revenues			
Charges for services	\$ 1,276,741	\$ 2,032,599	\$ 3,309,340
Total operating revenues	1,276,741	2,032,599	3,309,340
Operating expenses			
Personal services	204,506	261,959	466,465
Contractual services	544,936	409,782	954,718
Commodities	99,791	40,959	140,750
Capital outlay	-	1,745	1,745
Depreciation	261,376	459,237	720,613
Total operating expenses	1,110,609	1,173,682	2,284,291
Operating income [loss]	166,132	858,917	1,025,049
Nonoperating revenues [expenses]			
Interest income	504	1,073	1,577
Contributed capital	1,693	4,832	6,525
Interest expense	[49,883]	[257,068]	[306,951]
Total nonoperating revenues [expenses]	[47,686]	[251,163]	[298,849]
Change in net position	118,446	607,754	726,200
Net position, January 1	1,080,817	4,809,079	5,889,896
Net position, December 31	\$ 1,199,263	\$ 5,416,833	\$ 6,616,096

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, 2017

	Business-Type Activities: Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Cash flows from operating activities			
Cash received from customers	\$ 1,253,061	\$ 2,025,950	\$ 3,279,011
Cash paid to suppliers	[623,989]	[415,221]	[1,039,210]
Cash paid to employees	[214,170]	[241,409]	[455,579]
Net cash provided by [used in] operating activities	414,902	1,369,320	1,784,222
Cash flows from capital and related financing activities			
Capital expenditures	[146,150]	[155,331]	[301,481]
Due from other funds	[80,023]	[178,009]	[258,032]
Interest paid on debt	[51,651]	[231,427]	[283,078]
Principal payments on capital leases	68,178	176,086	244,264
Principal payments on contractual obligations	118,274	128,130	246,404
Principal payments on bonds	[47,000]	[190,606]	[237,606]
Principal payments on notes	[226,615]	[254,130]	[480,745]
Net cash provided by [used in] capital and related financing activities	[364,987]	[705,287]	[1,070,274]
Cash flows from investing activities			
Interest income	504	1,073	1,577
Net cash provided by investing activities	504	1,073	1,577
Net increase [decrease] in cash and cash equivalents	50,419	665,106	715,525
Cash and cash equivalents, January 1	859,416	1,536,310	2,395,726
Cash and cash equivalents, December 31	\$ 909,835	\$ 2,201,416	\$ 3,111,251

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, 2017

	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]	\$ 166,132	\$ 858,917	\$ 1,025,049
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities			
Depreciation and amortization expense	261,376	459,237	720,613
Changes in assets and liabilities			
Accounts receivable [increase] decrease	[23,680]	[6,649]	[30,329]
Deferred outflows [increase] decrease	7,140	6,015	13,155
Accounts payable increase [decrease]	20,738	37,265	58,003
Accrued salaries increase [decrease]	671	7,889	8,560
Net pension liability increase [decrease]	[18,587]	175	[18,412]
Deferred inflows increase [decrease]	1,653	4,804	6,457
Accrued compensated absences increase [decrease]	[541]	1,667	1,126
Net cash provided by [used in] operating activities	<u>\$ 414,902</u>	<u>\$ 1,369,320</u>	<u>\$ 1,784,222</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, 2017

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, 2017

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 *excise tax fund* is used to account for funds levied on the platting of real property and is a general revenue of the City.

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 *capital projects fund* is used to account for the improvement of city hall, civic center, police facility, Dayton Creek, West Lake Park, Webster Acceleration Lane, and other capital projects in the City.

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, 2017

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 2018.

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 December 1 and become a lien on the property as of that date. Payments are due December 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, 2017

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 and Sewer Funds.

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, 2017

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, 2017

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	Total
	General	Fire Services	Special Highway	Excise Tax	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Fund Balances:								
Restricted for:								
Public safety	\$ -	\$ 53,449	\$ -	\$ -	\$ -	\$ -	\$ 2,599	\$ 56,048
Public works	-	-	756,477	-	-	2,101,483	-	2,857,960
Debt payments	-	-	-	-	143,866	-	-	143,866
Capital improvements	-	-	-	882,890	-	254,527	449,482	1,586,899
Cemetery operations	-	-	-	-	-	-	282,711	282,711
Culture and recreation	-	-	-	-	-	-	14,731	14,731
Committed for:								
Capital improvements	-	-	-	-	-	-	3,047	3,047
Unassigned:	<u>1,263,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,545</u>
Total Fund Balances	<u>\$ 1,263,545</u>	<u>\$ 53,449</u>	<u>\$ 756,477</u>	<u>\$ 882,890</u>	<u>\$ 143,866</u>	<u>\$ 2,356,010</u>	<u>\$ 752,570</u>	<u>\$ 6,208,807</u>

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports changes in the pension liability proportion, changes in assumptions, differences between expected and actual experience and the net difference between projected and actual earnings on pension plan investments 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, 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, 2017

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

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 amended for the General Fund, Fire Services Fund, Debt Service Fund, Special Highway Fund, Excise Tax Fund, Cemetery Taxation Fund, and the County Special Sales Tax Fund for the year ended December 31, 2017.

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, 2017

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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	Excise Tax	Debt Service	Capital Projects	Other Governmental Funds	
GAAP FUND BALANCE								
December 31, 2017	\$ 1,263,545	\$ 53,449	\$ 756,477	\$ 882,890	\$ 143,866	\$ 2,356,010	\$ 752,570	\$ 6,208,807
Adjustments:								
Fund balances not subject to the Kansas Budget Law:								
Capital projects	-	-	-	-	-	[2,356,010]	-	[2,356,010]
Nonmajor governmental funds	-	-	-	-	-	-	[499,599]	[499,599]
Total deductions	-	-	-	-	-	[2,356,010]	[499,599]	[2,855,609]
BUDGETARY FUND BALANCE								
December 31, 2017	\$ 1,263,545	\$ 53,449	\$ 756,477	\$ 882,890	\$ 143,866	\$ -	\$ 252,971	\$ 3,353,198

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

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, 2017.

B. Receivables

Receivables as of year-end are as follows:

	General	Fire Services	Debt Service	Water	Sewer	Other Governmental	Totals
Receivables:							
Taxes	\$ 1,846,394	\$ 603,534	\$ 119,304	\$ -	\$ -	\$ 26,433	\$ 2,595,665
Accounts	<u>29,711</u>	<u>-</u>	<u>78,209</u>	<u>59,756</u>	<u>79,430</u>	<u>-</u>	<u>247,106</u>
Total receivables	<u>\$ 1,876,105</u>	<u>\$ 603,534</u>	<u>\$ 197,513</u>	<u>\$ 59,756</u>	<u>\$ 79,430</u>	<u>\$ 26,433</u>	<u>\$ 2,842,771</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance <u>12/31/2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/2017</u>
City governmental activities:				
Capital assets, not being depreciated				
Land	\$ 320,279	\$ -	\$ -	\$ 320,279
Construction in progress	1,402,177	2,522,372	1,456,013	2,468,536
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	<u>25,588,456</u>	<u>1,514,838</u>	<u>31,945</u>	<u>27,071,349</u>
Total capital assets	<u>27,310,912</u>	<u>4,037,210</u>	<u>1,487,958</u>	<u>29,860,164</u>
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	<u>7,437,007</u>	<u>822,168</u>	<u>9,584</u>	<u>8,249,591</u>
Total accumulated depreciation	<u>7,437,007</u>	<u>822,168</u>	<u>9,584</u>	<u>8,249,591</u>
Governmental activities capital assets, net	<u>\$ 19,873,905</u>	<u>\$ 3,215,042</u>	<u>\$ 1,478,374</u>	<u>\$ 21,610,573</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 36,281	\$ -	\$ -	\$ 36,281
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	<u>29,052,958</u>	<u>308,006</u>	<u>-</u>	<u>29,360,964</u>
Total capital assets	<u>29,089,239</u>	<u>308,006</u>	<u>-</u>	<u>29,397,245</u>
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	<u>15,205,822</u>	<u>742,166</u>	<u>-</u>	<u>15,947,988</u>
Total accumulated depreciation	<u>15,205,822</u>	<u>742,166</u>	<u>-</u>	<u>15,947,988</u>
Business-type activities capital assets, net	<u>\$ 13,883,417</u>	<u>\$ [434,160]</u>	<u>\$ -</u>	<u>\$ 13,449,257</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

The City's depreciation expense was charged as follows:

Governmental Activities:

General government	\$	160,299
Public safety		83,720
Highways and streets		121,697
Culture and recreation		25,424
Infrastructure		<u>431,028</u>

Total depreciation \$ 822,168

Business-type Activities:

Water	\$	261,376
Sewer		<u>480,790</u>

Total depreciation \$ 742,166

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, 2017.

	Governmental Activities <u>Assets</u>	Business Type Activities <u>Assets</u>
Equipment	\$ <u>1,358,993</u>	\$ <u>327,623</u>
	\$ <u>1,358,993</u>	\$ <u>327,623</u>

During 2017, the City entered into a lease agreement to finance the purchase of ERP software in the amount of \$213,200. The lease has an interest rate of 3.00% and a final maturity of September 1, 2022.

During 2017, the City entered into a lease agreement to finance the purchase of various equipment in the amount of \$323,400. The lease has an interest rate of 2.49% and a final maturity of September 1, 2027.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

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, 2017 are as follows:

Year Ending December 31,	Governmental Activities	Business Type Activities	Total
2018	\$ 204,642	\$ 54,726	\$ 259,368
2019	191,375	54,724	246,099
2020	168,390	42,966	211,356
2021	135,795	39,983	175,778
2022	105,910	39,984	145,894
2023 - 2027	<u>107,968</u>	<u>85,361</u>	<u>193,329</u>
Total minimum lease payments	914,080	317,744	1,231,824
Less: amount representing interest	<u>62,110</u>	<u>28,276</u>	<u>90,386</u>
Present value of minimum lease payments	<u>\$ 851,970</u>	<u>\$ 289,468</u>	<u>\$ 1,141,438</u>

E. Long-term Debt

During the year ended December 31, 2017, the following changes occurred in long term liabilities:

Governmental Activities

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Amounts Due Within One Year
General obligation bonds	\$ 16,086,320	\$ -	\$ 945,557	\$ 15,140,763	\$ 969,381
Temporary notes payable	-	4,507,317	-	4,507,317	-
Leases payable	747,615	278,568	174,213	851,970	186,520
Compensated absences	<u>72,233</u>	<u>498</u>	<u>-</u>	<u>72,731</u>	<u>72,731</u>
	<u>\$ 16,906,168</u>	<u>\$ 4,786,383</u>	<u>\$ 1,119,770</u>	<u>\$ 20,572,781</u>	<u>\$ 1,228,632</u>

Business-type Activities

General obligation bonds	\$ 7,565,471	\$ -	\$ 259,159	\$ 7,306,312	\$ 326,956
Loans payable	2,555,545	-	480,745	2,074,800	493,430
Leases payable	45,204	258,032	13,768	289,468	49,475
Compensated absences	<u>9,213</u>	<u>1,126</u>	<u>-</u>	<u>10,339</u>	<u>10,339</u>
	<u>\$ 10,175,433</u>	<u>\$ 259,158</u>	<u>\$ 753,672</u>	<u>\$ 9,680,919</u>	<u>\$ 880,200</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

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>					
2008-A general obligation	05/22/08	09/01/33	3.25 - 5.00%	\$ 4,087,453	\$ 188,123
2009-B general obligation	09/01/09	09/01/29	1.55 - 6.00%	4,985,000	3,930,000
2011-A general obligation	08/01/11	09/01/36	2.90 - 4.60%	2,070,088	1,564,061
2012-A general obligation	01/27/12	01/27/52	3.75%	338,385	318,034
2012-B general obligation	07/12/12	09/01/32	2.00 - 3.50%	4,236,617	3,333,714
2013-A general obligation	10/10/13	09/01/33	0.65 - 4.50%	1,419,732	1,183,786
2016-B general obligation	12/05/16	09/01/36	3.00%	4,737,942	4,623,045
<u>Business-type Activities</u>					
2008-A general obligation	05/22/08	09/01/33	3.25 - 5.00%	2,870,421	96,017
2009-B general obligation	09/01/09	09/01/19	1.55 - 5.40%	100,000	25,000
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	332,802
2013-A general obligation	10/10/13	09/01/23	0.65 - 2.80%	211,566	130,939
2016-A general obligation	2/18/2016	9/1/2025	3.44%	539,000	438,000
2016-B general obligation	12/05/16	09/01/33	3.00%	4,363,776	4,348,554
				<u>\$ 32,530,585</u>	<u>\$ 22,447,075</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

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
2018	\$ 969,381	\$ 564,201	\$ 326,956	\$ 231,182
2019	1,016,429	531,028	351,939	220,839
2020	1,056,605	499,072	318,939	211,389
2021	1,111,788	463,924	355,939	202,750
2022	1,156,979	426,667	367,939	192,990
2023 - 2027	5,673,003	1,513,840	2,213,267	776,408
2028 - 2032	3,672,944	424,074	2,191,111	451,708
2033 - 2037	297,321	51,607	1,180,222	118,190
2038 - 2042	51,085	31,243	-	-
2043 - 2047	61,409	20,919	-	-
2048 - 2052	73,819	8,508	-	-
Totals	<u>\$ 15,140,763</u>	<u>\$ 4,535,083</u>	<u>\$ 7,306,312</u>	<u>\$ 2,405,456</u>

At December 31, 2017, the remaining principal balance of outstanding debt issues previously defeased is \$4,415,000. The principal and interest payments for these bonds will be paid by the trustee for the related escrow securities on the scheduled payment dates. This amount is not recorded in these financial statements.

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, 2017, the outstanding principal balance was \$962,432. 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, 2017, the outstanding principal balance was \$852,368.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

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

Year Ending <u>December 31,</u>	<u>Payment</u>
2018	\$ 426,203
2019	426,203
2020	426,203
2021	283,930
2022	131,582
2023 - 2025	<u>329,336</u>
Total payments	2,023,457
Less: Interest and fees	<u>208,657</u>
Total principal	<u>\$ 1,814,800</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. On March 28, 2017, the City issued Series 2017A temporary notes in the amount of \$1,555,000 with an interest rate of 1.5%. On December 5, 2017, the City issued series 2017B temporary notes in the amount of \$2,950,000 with an interest rate of 1.4%. The temporary notes were issued to fund various improvement projects for the City.

Annual debt service requirements to maturity for the temporary notes are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ -	\$ 64,166
2019	2,950,000	64,625
2020	<u>1,557,317</u>	<u>11,663</u>
Total	<u>\$ 4,507,317</u>	<u>\$ 140,454</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Conduit Debt Obligations. From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity serviced by the bond issuance. Neither the City, the State of Kansas nor any political subdivision thereof is obligated in any manner for replacement of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2017, there was one series of Industrial Revenues Bonds outstanding, with an aggregate original principal amount payable of \$11,960,000

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. This liability is recorded in the Water Fund.

At December 31, 2017, the remaining balance is due as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u>
2018	\$ 130,000
2019	<u>130,000</u>
Total	<u>\$ 260,000</u>

C. Contractual obligation

During 2017, the City entered into a five-year agreement to repay \$308,005 to the BNSF railway for the design and construction of City owned utilities. The liability is recorded in the Water and Sewer Funds.

At December 31, 2017, the remaining balance is due as follows:

<u>Year Ending</u> <u>December 31,</u>	Water	Sewer	Total
2018	\$ 29,569	\$ 32,033	\$ 61,602
2019	29,569	32,033	61,602
2020	29,568	32,032	61,600
2021	<u>29,568</u>	<u>32,032</u>	<u>61,600</u>
Total	<u>\$ 118,274</u>	<u>\$ 128,130</u>	<u>\$ 246,404</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

IV. OTHER INFORMATION (Continued)

D. 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, 2017

IV. OTHER INFORMATION (Continued)

D. 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 1.2% of total payroll for the fiscal year ended June 30, 2017.

The actuarially determined employer contribution rates (not including the 1.00% 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	8.46%	8.46%
Police and Firemen	19.03%	19.03%

Member contribution rates as a percentage of eligible compensation for the KPERS fiscal year June 30, 2016 are 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, 2017, 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, 2017.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

IV. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plan (Continued)

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2017, 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, 2016. At June 30, 2017, the City's proportion for the Police and Firemen group was 0.129%, which was a decrease of .005% from its proportion measured at June 30, 2016.

Net Pension Liability. At December 31, 2017 and 2016, the City reported a liability of \$2,440,345 and \$2,601,655, 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, 2016, which was rolled forward to June 30, 2017, using the following actuarial assumptions:

<u>Assumption</u>	<u>Rate</u>
Price inflation	2.75%
Wage inflation	3.50%
Salary increases, including wage increases	3.5 to 12.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	7.75%

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted for the period of January 1, 2013, through December 31, 2015. The experience study is dated November 18, 2016.

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, 2017 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%	6.80%
Fixed income	13.00%	1.25%
Yield driven	8.00%	6.55%
Real return	11.00%	1.71%
Real estate	11.00%	5.05%
Alternatives	8.00%	9.85%
Short-term investments	<u>2.00%</u>	[0.25]%
Total	<u>100.00%</u>	

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

IV. OTHER INFORMATION (Continued)

D. *Defined Benefit Pension Plan (Continued)*

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. 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 7.75%, 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 (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Local	\$ 1,776,850	\$ 1,233,737	\$ 775,913
Police and Firemen	<u>1,711,747</u>	<u>1,206,608</u>	<u>783,734</u>
Total	<u>\$ 3,488,597</u>	<u>\$ 2,440,345</u>	<u>\$ 1,559,647</u>

Pension Expense. For the year ended December 31, 2016, the City recognized Local pension expense of \$117,882 and Police and Firemen pension expense of \$183,524, 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, 2017, 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	\$ 64,296	\$ 51,686
Changes in proportion	120,811	84,013
Net difference between projected and actual earnings on pension plan investment:	83,400	-
Changes of assumptions	<u>150,697</u>	<u>14,414</u>
	<u>\$ 419,204</u>	<u>\$ 150,113</u>

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

IV. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plan (Continued)

\$136,893 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, 2018. 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 June 30,	Local Group Deferred		Police and Firemen Group Deferred		Total
	[Inflows]	Outflows	[Inflows]	Outflows	
	Amount		Amount		
2018	\$	[2,518]	\$	49,610	\$ 47,092
2019		44,136		95,230	139,366
2020		21,624		65,164	86,788
2021		[16,901]		5,964	[10,937]
2022		1,185		5,597	6,782
Total	\$	<u>47,526</u>	\$	<u>221,565</u>	<u>\$ 269,091</u>

E. Interfund Transfers

A reconciliation of transfers by fund type for 2017 follows:

From	To	Amount	Regulatory Authority
General Fund	Nonmajor Governmental Fund	\$ 29,097	K.S.A. 12-1,118
Special Highway Fund	Excise Tax Fund	1,330,404	K.S.A. 12-1,117
Special Highway Fund	Bond and Interest Fund	4,614	K.S.A. 12-1,117
Special Highway Fund	Nonmajor Governmental Fund	4,614	K.S.A. 12-1,118
Excise Tax Fund	General Fund	750,000	K.S.A. 12-631A
Excise Tax Fund	Bond and Interest Fund	94,782	K.S.A. 12-631A
Capital Project Fund	Excise Tax Fund	34,659	K.S.A. 12-631A
Nonmajor Governmental Fund	Bond and Interest Fund	324,317	Ord 2008-29
Nonmajor Governmental Fund	Capital Project Fund	200,000	K.S.A. 12-1,118
Nonmajor Governmental Fund	Nonmajor Governmental Fund	2,724	K.S.A. 12-1,118
		<u>\$ 2,775,211</u>	

F. 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.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

IV. OTHER INFORMATION (Continued)

G. *Postemployment Healthcare Plan*

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

Funding Policy. The contribution requirements of plan participants and the City are established and amended by the City. The required contribution is based on projected pay-as-you-go financing requirements. Plan participants contributed approximately 100% of the total premiums to the Plan, through their required annual contribution of \$6,177 to \$9,030 for retiree-only coverage and \$8,154 to \$12,196 for spouses of covered retirees 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)	\$ 9,551
Interest on Net OPEB Obligation	3,279
Adjustment to the ARC	<u>[4,280]</u>
Annual OPEB cost (expense)	8,550
Benefit payments	<u>[1,000]</u>
Change in net OPEB obligation	7,550
Net OPEB obligation - beginning of year	<u>72,857</u>
Net OPEB obligation - end of year	<u>\$ 80,407</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, 2017 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation	Percentage of Annual OPEB Cost Contributed
December 31, 2014	\$ 3,909	\$ -	\$ 61,348	0.00%
December 31, 2015	4,131	-	65,479	0.00%
December 31, 2016	8,378	1,000	72,857	11.94%
December 31, 2017	8,550	1,000	80,407	11.70%

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

IV. OTHER INFORMATION (Continued)

G. Postemployment Healthcare Plan (Continued)

Funding Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$49,412 and the actuarial value of asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$49,412. The covered payroll (annual payroll of active employees covered by the plan) was \$1,870,166, and the ratio of the UAAL to the covered payroll was 2.64%.

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, 2015, 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 six years. The UAAL is being amortized as a level dollar over an open thirty-year period.

H. Due To/From Other Funds

A reconciliation of due to/from other funds for 2017 follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Water Fund	\$ 80,023	\$ -
Sewer Fund	178,009	-
Nonmajor Governmental Funds	<u>-</u>	<u>258,032</u>
Total	<u>\$ 258,032</u>	<u>\$ 258,032</u>

I. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. Specifically, the City combined the City Hall/Civic Center, Police Facility, Dayton Creek, West Lake Park, and Webster Acceleration Lane funds in the current year to form the Capital Projects Fund.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

IV. OTHER INFORMATION (Continued)

J. Tax Abatements

In 2017, the City of Spring Hill participated in real property tax abatements for one local company. Property tax abatements are authorized under Kansas state statutes K.S.A. 12-1740 et seq. and K.S.A. 79-201a and subject to City policy.

The City provides property tax abatements to encourage existing industry to expand, assist new business start-ups, recruit new companies from out-of-state or internationally, encourage high technology and research based businesses, encourage training and development of Spring Hill area employees, and encourage location and retention of businesses which are good "corporate citizens" that will add to the quality of life in the community through leadership and support of civic and philanthropic organizations. Property tax abatements reduce ad valorem property taxes. The percentage of reduction ranges from 49% - 81% with a maximum duration for ten years as per state statute. To receive an abatement, applicants must submit an application, which undergoes due diligence and analysis before being considered by the City. If the abatement is authorized, the applicant must sign a performance agreement that specifies annual compliance measures. Each year, the applicant submits a renewal application, along with compliance information, which is reviewed by City staff for conformance with agreement provisions. If compliance is not met, appeals can be made to the City to determine the amount of incentives, if any, to be received by the property owner. The City of Spring Hill negotiates property tax abatements on an individual basis.

Ad Valorem Property Tax Abatements				
	Abatement			
Company	Start	End	%	2017 Tax Abated
Blackhawk Apartment Homes, LLC	2017	2026	49% - 81%	\$ -
Total				\$ -

City of Spring Hill, Kansas

OTHER POST-EMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended December 31, 2017

Schedule of Employer Contributions:

Fiscal Year <u>Ended</u>	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Asset
December 31, 2015	\$ 4,974	-	\$ -
December 31, 2016	9,551	10.47%	-
December 31, 2017	9,551	10.47%	-

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfund AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percent of Payroll (b-a)/(c)
7/1/2011	\$ -	\$ 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%
7/1/2015	-	49,412	49,412	0.00%	1,870,166	2.64%

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City of Spring Hill, Kansas

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
Year ended December 31, 2017

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

	Local <u>12/31/2017</u>	Police and Firemen <u>12/31/2017</u>	Local <u>12/31/2016</u>	Police and Firemen <u>12/31/2016</u>	Local <u>12/31/2015</u>	Police and Firemen <u>12/31/2015</u>
City's proportion of the net pension liability	0.0852%	0.1287%	0.0876%	0.1343%	0.0853%	0.1237%
City's proportionate share of the net pension liability	\$ 1,233,737	\$ 1,206,608	\$ 1,354,641	\$ 1,247,014	\$ 1,119,738	\$ 898,135
City's covered employee payroll	\$ 1,599,089	\$ 598,210	\$ 1,407,563	\$ 638,813	\$ 1,420,633	\$ 542,879
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	77.15%	201.70%	96.24%	195.21%	78.82%	165.44%
Plan fiduciary net position as a percentage of the total pension liability	72.15%	70.99%	68.55%	69.30%	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*

	Local <u>12/31/2017</u>	Police and Firemen <u>12/31/2017</u>	Local <u>12/31/2016</u>	Police and Firemen <u>12/31/2016</u>	Local <u>12/31/2015</u>	Police and Firemen <u>12/31/2015</u>
Contractually required contribution	\$ 127,414	\$ 126,959	\$ 140,240	\$ 130,602	\$ 135,589	\$ 135,758
Contributions in relation to the contractually required contribution	<u>127,414</u>	<u>126,959</u>	<u>140,240</u>	<u>130,602</u>	<u>135,589</u>	<u>135,758</u>
Contribution deficiency [excess]	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,506,074	\$ 667,151	\$ 1,527,671	\$ 639,580	\$ 1,430,589	\$ 635,570
Contributions as a percentage of covered employee payroll	8.46%	19.03%	9.18%	20.42%	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, 2017

ASSETS	Cemetery Taxation	Cemetery Reserve	Special Parks	Gift	Holiday Lights	Law Enforcement Reserve	Water Feature	Sales Tax	County Special Sales Tax	Scholarship	Replacement Reserve
Cash and cash equivalents	\$ 706	\$ 90,930	\$ 115,356	\$ 5,121	\$ 610	\$ 2,599	\$ 3,525	\$ 84,341	\$ 52,568	\$ 1,942	\$ 3,047
Taxes receivable	<u>26,433</u>	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 27,139	\$ 90,930	\$ 115,356	\$ 5,121	\$ 610	\$ 2,599	\$ 3,525	\$ 84,341	\$ 52,568	\$ 1,942	\$ 3,047
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES											
Liabilities											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-	-	-
Deferred inflows of resources											
Deferred revenue	<u>26,433</u>	-	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>26,433</u>	-	-	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	<u>26,433</u>	-	-	-	-	-	-	-	-	-	-
Fund balances											
Restricted	706	90,930	115,356	5,121	610	2,599	3,525	84,341	52,568	1,942	-
Committed	-	-	-	-	-	-	-	-	-	-	3,047
Total fund balance	<u>706</u>	<u>90,930</u>	<u>115,356</u>	<u>5,121</u>	<u>610</u>	<u>2,599</u>	<u>3,525</u>	<u>84,341</u>	<u>52,568</u>	<u>1,942</u>	<u>3,047</u>
Total liabilities and fund balances	\$ 27,139	\$ 90,930	\$ 115,356	\$ 5,121	\$ 610	\$ 2,599	\$ 3,525	\$ 84,341	\$ 52,568	\$ 1,942	\$ 3,047

Cemetery	Mayor's Tree	Melvin Murry Playground	Blackhawk IRB	Ridgeview Road Sidewalk	Lease 2016	Veterans Lane	Oak Woods	GO Bonds Refunding & Improvement	Special Project	Dayton Creek Phase 2	Lease 2017	Lone Elm Road RCB	Totals
\$ 75,719	\$ 2,863	\$ 670	\$ -	\$ -	\$ -	\$ 59,601	\$ 13	\$ 18	\$ -	\$ 7,500	\$ 528,308	\$ -	\$ 1,035,437
-	-	-	-	-	-	-	-	-	-	-	-	-	26,433
<u>\$ 75,719</u>	<u>\$ 2,863</u>	<u>\$ 670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,601</u>	<u>\$ 13</u>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ 528,308</u>	<u>\$ -</u>	<u>\$ 1,061,870</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145	\$ 15,075	\$ 9,615	\$ 24,835
-	-	-	-	-	-	-	-	-	-	-	258,032	-	258,032
-	-	-	-	-	-	-	-	-	-	145	273,107	9,615	282,867
-	-	-	-	-	-	-	-	-	-	-	-	-	26,433
-	-	-	-	-	-	-	-	-	-	-	-	-	26,433
-	-	-	-	-	-	-	-	-	-	145	273,107	9,615	309,300
75,719	2,863	670	-	-	-	59,601	13	18	-	7,355	255,201	[9,615]	749,523
-	-	-	-	-	-	-	-	-	-	-	-	-	3,047
<u>75,719</u>	<u>2,863</u>	<u>670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,601</u>	<u>13</u>	<u>18</u>	<u>-</u>	<u>7,355</u>	<u>255,201</u>	<u>[9,615]</u>	<u>752,570</u>
<u>\$ 75,719</u>	<u>\$ 2,863</u>	<u>\$ 670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,601</u>	<u>\$ 13</u>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ 528,308</u>	<u>\$ -</u>	<u>\$ 1,061,870</u>

City of Spring Hill, Kansas

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2017

	Cemetery Taxation	Cemetery Reserve	Special Parks	Gift	Holiday Lights	Law Enforcement Reserve	Water Feature	Sales Tax	County Special Sales Tax	Scholarship	Replacement Reserve
Revenues											
Taxes	\$ 14,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 403,788	\$ 52,568	\$ -	\$ -
Intergovernmental	-	-	32,527	-	-	-	-	-	-	-	-
Use of money and property	5	-	53	-	-	1	-	114	-	3	2
Reimbursements	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	8,281	683	-	-	-	-	-	-	769
Total revenues	<u>14,215</u>	<u>-</u>	<u>40,861</u>	<u>683</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>403,902</u>	<u>52,568</u>	<u>3</u>	<u>771</u>
Expenditures											
General government	17,781	-	-	142	-	-	67	-	-	-	-
Culture and recreation	-	-	22,335	-	568	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>17,781</u>	<u>-</u>	<u>22,335</u>	<u>142</u>	<u>568</u>	<u>-</u>	<u>67</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[3,566]</u>	<u>-</u>	<u>18,526</u>	<u>541</u>	<u>[568]</u>	<u>1</u>	<u>[67]</u>	<u>403,902</u>	<u>52,568</u>	<u>3</u>	<u>771</u>
Other financing sources and [uses]											
Transfers in	-	-	18,897	-	-	-	-	-	-	-	-
Transfers [out]	-	-	-	-	-	-	-	[524,317]	-	-	[2,724]
Lease proceeds	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources and [uses]	<u>-</u>	<u>-</u>	<u>18,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[524,317]</u>	<u>-</u>	<u>-</u>	<u>[2,724]</u>
Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses]	<u>[3,566]</u>	<u>-</u>	<u>37,423</u>	<u>541</u>	<u>[568]</u>	<u>1</u>	<u>[67]</u>	<u>[120,415]</u>	<u>52,568</u>	<u>3</u>	<u>[1,953]</u>
Fund balances, January 1	<u>4,272</u>	<u>90,930</u>	<u>77,933</u>	<u>4,580</u>	<u>1,178</u>	<u>2,598</u>	<u>3,592</u>	<u>204,756</u>	<u>-</u>	<u>1,939</u>	<u>5,000</u>
Fund balances, December 31	<u>\$ 706</u>	<u>\$ 90,930</u>	<u>\$ 115,356</u>	<u>\$ 5,121</u>	<u>\$ 610</u>	<u>\$ 2,599</u>	<u>\$ 3,525</u>	<u>\$ 84,341</u>	<u>\$ 52,568</u>	<u>\$ 1,942</u>	<u>\$ 3,047</u>

Cemetery	Mayor's Tree	Melvin Murry Playground	Blackhawk IRB	Ridgeview Road Sidewalk	Lease 2016	Veterans Lane	Oak Woods	GO Bonds Refunding & Improvement	Special Project	Dayton Creek Phase 2	Lease 2017	Lone Elm Road RCB	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 470,566
17,500	-	-	-	-	-	-	-	-	-	-	-	-	50,027
402	-	-	-	-	-	-	-	18	-	-	-	-	598
-	-	-	5,918	-	-	-	-	-	-	-	-	-	5,918
11,595	2,855	-	-	-	27,500	-	-	-	-	7,500	-	-	59,183
29,497	2,855	-	5,918	-	27,500	-	-	18	-	7,500	-	-	586,292
27,101	4,400	-	-	-	-	-	-	-	8,026	-	-	-	57,517
-	-	-	-	-	-	-	-	-	-	-	-	-	22,903
-	-	-	2,967	4,614	72,905	157,842	-	-	-	145	23,367	9,615	271,455
27,101	4,400	-	2,967	4,614	72,905	157,842	-	-	8,026	145	23,367	9,615	351,875
2,396	[1,545]	-	2,951	[4,614]	[45,405]	[157,842]	-	18	[8,026]	7,355	[23,367]	[9,615]	234,417
-	-	-	2,174	4,614	2,724	-	-	-	8,026	-	-	-	36,435
-	-	-	-	-	-	-	-	-	-	-	-	-	[527,041]
-	-	-	-	-	-	-	-	-	-	-	278,568	-	278,568
-	-	-	2,174	4,614	2,724	-	-	-	8,026	-	278,568	-	[212,038]
2,396	[1,545]	-	5,125	-	[42,681]	[157,842]	-	18	-	7,355	255,201	[9,615]	22,379
73,323	4,408	670	[5,125]	-	42,681	217,443	13	-	-	-	-	-	730,191
\$ 75,719	\$ 2,863	\$ 670	\$ -	\$ -	\$ -	\$ 59,601	\$ 13	\$ 18	\$ -	\$ 7,355	\$ 255,201	\$ [9,615]	\$ 752,570

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, 2017

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 14,210	\$ -	\$ 14,210	\$ 14,258	\$ 14,230	\$ [20]
Use of money and property	<u>5</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
Total revenues	<u>14,215</u>	<u>-</u>	<u>14,215</u>	<u>14,258</u>	<u>14,230</u>	<u>[15]</u>
Expenditures						
Culture and recreation						
Contractual services	<u>17,781</u>	<u>-</u>	<u>17,781</u>	<u>17,000</u>	<u>21,000</u>	<u>3,219</u>
Total expenditures	<u>17,781</u>	<u>-</u>	<u>17,781</u>	<u>17,000</u>	<u>21,000</u>	<u>3,219</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[3,566]</u>	<u>-</u>	<u>[3,566]</u>	<u>[2,742]</u>	<u>[6,770]</u>	<u>3,204</u>
Other financing sources [uses]						
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>[2,500]</u>
Total other financing sources [uses]	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>[2,500]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[3,566]</u>	<u>-</u>	<u>[3,566]</u>	<u>\$ [2,742]</u>	<u>\$ [4,270]</u>	<u>\$ 704</u>
Fund balance, January 1	<u>4,272</u>	<u>-</u>	<u>4,272</u>			
Fund balance, December 31	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ 706</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, 2017

	<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						
Intergovernmental	\$ 32,527	\$ -	\$ 32,527	\$ 16,030	\$ 16,030	\$ 16,497
Miscellaneous	8,281	-	8,281	-	-	8,281
Use of money and property	<u>53</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>-</u>	<u>53</u>
Total revenues	<u>40,861</u>	<u>-</u>	<u>40,861</u>	<u>16,030</u>	<u>16,030</u>	<u>24,831</u>
Expenditures						
Culture and recreation						
Commodities	-	-	-	4,000	4,000	4,000
Contractual services	53	-	53	2,150	2,150	2,097
Capital outlay	<u>22,282</u>	<u>-</u>	<u>22,282</u>	<u>122,730</u>	<u>122,730</u>	<u>100,448</u>
Total expenditures	<u>22,335</u>	<u>-</u>	<u>22,335</u>	<u>128,880</u>	<u>128,880</u>	<u>106,545</u>
Excess [deficiency] of revenues over [under] expenditures	<u>18,526</u>	<u>-</u>	<u>18,526</u>	<u>[112,850]</u>	<u>[112,850]</u>	<u>131,376</u>
Other financing sources [uses]						
Transfers in	<u>18,897</u>	<u>-</u>	<u>18,897</u>	<u>10,000</u>	<u>10,000</u>	<u>8,897</u>
Total other financing sources [uses]	<u>18,897</u>	<u>-</u>	<u>18,897</u>	<u>10,000</u>	<u>10,000</u>	<u>8,897</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>37,423</u>	<u>-</u>	<u>37,423</u>	<u>\$ [102,850]</u>	<u>\$ [102,850]</u>	<u>\$ 140,273</u>
Fund balance, January 1	<u>77,933</u>	<u>-</u>	<u>77,933</u>			
Fund balance, December 31	<u>\$ 115,356</u>	<u>\$ -</u>	<u>\$ 115,356</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
SALES TAX FUND

For the Year Ended December 31, 2017

	<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	\$ 403,788	\$ -	\$ 403,788	\$ 385,000	\$ 385,000	\$ 18,788
Use of money and property	<u>114</u>	<u>-</u>	<u>114</u>	<u>100</u>	<u>100</u>	<u>14</u>
Total revenues	<u>403,902</u>	<u>-</u>	<u>403,902</u>	<u>385,100</u>	<u>385,100</u>	<u>18,802</u>
Expenditures						
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	<u>403,902</u>	<u>-</u>	<u>403,902</u>	<u>385,100</u>	<u>385,100</u>	<u>18,802</u>
Other financing sources [uses]						
Transfers [out]	<u>[524,317]</u>	<u>-</u>	<u>[524,317]</u>	<u>[697,060]</u>	<u>[697,060]</u>	<u>172,743</u>
Total other financing sources [uses]	<u>[524,317]</u>	<u>-</u>	<u>[524,317]</u>	<u>[697,060]</u>	<u>[697,060]</u>	<u>172,743</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[120,415]</u>	<u>-</u>	<u>[120,415]</u>	<u>\$ [311,960]</u>	<u>\$ [311,960]</u>	<u>\$ 191,545</u>
Fund balance, January 1	<u>204,756</u>	<u>-</u>	<u>204,756</u>			
Fund balance, December 31	<u>\$ 84,341</u>	<u>\$ -</u>	<u>\$ 84,341</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
 COUNTY SPECIAL SALES TAX FUND
 For the Year Ended December 31, 2017

	<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	\$ 52,568	\$ -	\$ 52,568	\$ -	\$ 50,000	\$ 2,568
Total revenues	<u>52,568</u>	<u>-</u>	<u>52,568</u>	<u>-</u>	<u>50,000</u>	<u>2,568</u>
Expenditures						
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	<u>52,568</u>	<u>-</u>	<u>52,568</u>	<u>-</u>	<u>50,000</u>	<u>2,568</u>
Other financing sources [uses]						
Transfers [out]	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[50,000]</u>	<u>50,000</u>
Total other financing sources [uses]	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[50,000]</u>	<u>50,000</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>52,568</u>	<u>-</u>	<u>52,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,568</u>
Fund balance, January 1	<u>-</u>	<u>-</u>	<u>-</u>			
Fund balance, December 31	<u>\$ 52,568</u>	<u>\$ -</u>	<u>\$ 52,568</u>			

See independent auditor's report on the financial statements.

City of Spring Hill, Kansas

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ACTUAL AND BUDGET
DEBT SERVICE FUND
For the Year Ended December 31, 2017

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Original Budget	Final Budget	Variance Positive [Negative]
Revenues						
Taxes	\$ 170,386	\$ -	\$ 170,386	\$ 168,889	\$ 170,375	\$ 11
Special assessments	828,544	-	828,544	845,000	828,545	[1]
Use of money and property	18	-	18	-	-	18
Miscellaneous	<u>78,208</u>	<u>-</u>	<u>78,208</u>	<u>80,000</u>	<u>80,000</u>	<u>[1,792]</u>
Total revenues	<u>1,077,156</u>	<u>-</u>	<u>1,077,156</u>	<u>1,093,889</u>	<u>1,078,920</u>	<u>[1,764]</u>
Expenditures						
Principal	918,770	-	918,770	918,770	918,770	-
Interest and other charges	<u>578,222</u>	<u>-</u>	<u>578,222</u>	<u>1,004,930</u>	<u>1,388,925</u>	<u>810,703</u>
Total expenditures	<u>1,496,992</u>	<u>-</u>	<u>1,496,992</u>	<u>1,923,700</u>	<u>2,307,695</u>	<u>810,703</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[419,836]</u>	<u>-</u>	<u>[419,836]</u>	<u>[829,811]</u>	<u>[1,228,775]</u>	<u>808,939</u>
Other financing sources [uses]						
Transfers in	<u>423,713</u>	<u>-</u>	<u>423,713</u>	<u>781,545</u>	<u>1,088,785</u>	<u>[665,072]</u>
Total other financing sources [uses]	<u>423,713</u>	<u>-</u>	<u>423,713</u>	<u>781,545</u>	<u>1,088,785</u>	<u>[665,072]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	3,877	-	3,877	<u>\$ [48,266]</u>	<u>\$ [139,990]</u>	<u>\$ 143,867</u>
Fund balance, January 1	<u>139,989</u>	<u>-</u>	<u>139,989</u>			
Fund balance, December 31	<u>\$ 143,866</u>	<u>\$ -</u>	<u>\$ 143,866</u>			

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