

CITY OF SPRING HILL, KANSAS

FINANCIAL STATEMENTS

Year ended December 31, 2019

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City of Spring Hill, Kansas

FINANCIAL STATEMENTS
Year ended December 31, 2019

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City of Spring Hill, Kansas

Financial Statements
Year ended December 31, 2019

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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, 2019, 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, 2019, 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.

Emphasis of Matter

Prior Period Adjustment

As discussed in Note II.B. to the financial statements, certain reclassifications and adjustments in amounts previously reported as of December 31, 2018, were discovered by management of the City during the current year. Accordingly, these amounts have been restated in the December 31, 2019, financial statements now presented, and adjustments have been made to net position to correct the error. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the other post-employment benefit schedules on pages 50-51, the schedule of the City's proportionate share of the net pension liability on page 52, and the schedule of the City's contributions on page 52 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.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

November 3, 2020

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2019
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, 2019.

Financial Highlights

- The Government-wide net position totaled \$15.4 million at the end of the current fiscal year.
- Total capital assets, net of accumulated depreciation at December 31, 2019 totaled \$39.5 million.
- Government-wide activities increased the net position of the City by \$.9 million for the year ended December 31, 2019.
- The City's total indebtedness increased by \$2.9 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, 2019
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, 2019
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, 2019:

City of Spring Hill
Condensed Statement of Net Position
December 31, 2019 and 2018

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Current assets | \$ 9,615,132 | \$ 6,648,473 | \$ 4,753,593 | \$ 4,321,491 | \$ 14,368,725 | \$ 10,969,964 |
| Net capital assets | 27,179,693 | 25,398,626 | 12,352,566 | 12,833,423 | 39,532,259 | 38,232,049 |
| Deferred outflows of resources | <u>661,155</u> | <u>562,128</u> | <u>45,877</u> | <u>24,229</u> | <u>707,032</u> | <u>586,357</u> |
| Total assets and deferred outflows of resources | <u>\$ 37,455,980</u> | <u>\$ 32,609,227</u> | <u>\$ 17,152,036</u> | <u>\$ 17,179,143</u> | <u>\$ 54,608,016</u> | <u>\$ 49,788,370</u> |
| Current liabilities | \$ 2,428,313 | \$ 4,860,587 | \$ 1,247,920 | \$ 1,164,783 | \$ 3,676,233 | \$ 6,025,370 |
| Noncurrent liabilities | 24,639,019 | 17,835,636 | 7,428,952 | 8,216,529 | 32,067,971 | 26,052,165 |
| Deferred inflows of resources | <u>3,423,225</u> | <u>3,064,154</u> | <u>8,968</u> | <u>11,724</u> | <u>3,432,193</u> | <u>3,075,878</u> |
| Total liabilities and deferred inflows of resources | <u>\$ 30,490,557</u> | <u>\$ 25,760,377</u> | <u>\$ 8,685,840</u> | <u>\$ 9,393,036</u> | <u>\$ 39,176,397</u> | <u>\$ 35,153,413</u> |
| Net Position: | | | | | | |
| Net investment in capital assets | \$ 3,820,851 | \$ 5,862,676 | \$ 4,161,608 | \$ 3,694,670 | \$ 7,982,459 | \$ 9,557,346 |
| Restricted for: | | | | | | |
| Debt Service | 375,648 | 235,468 | - | - | 375,648 | 235,468 |
| Unrestricted | <u>2,768,924</u> | <u>750,706</u> | <u>4,304,588</u> | <u>4,091,437</u> | <u>7,073,512</u> | <u>4,842,143</u> |
| Total net position | <u>\$ 6,965,423</u> | <u>\$ 6,848,850</u> | <u>\$ 8,466,196</u> | <u>\$ 7,786,107</u> | <u>\$ 15,431,619</u> | <u>\$ 14,634,957</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 \$10.7 million.

The City has \$31.3 million in long-term debt, consisting of general obligation bonds, temporary notes, loans, and capital leases payable, of which \$2.3 million is due within the next fiscal year.

The City had total assets and deferred outflows at December 31, 2019, totaling \$54.6 million. The total assets and deferred outflows of the City exceeded the total liabilities and deferred inflows by \$15.4 million. Net investment in capital assets totaled \$8 million, restricted net position totaled \$.4 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, 2019
Unaudited

Government-Wide Activities

The following is a condensed statement of the City's change in net position for the year ended December 31, 2019. Major items of program revenues, grants and general revenues are detailed below. A reconciliation of the total change in fund balances for the governmental funds to the Statement of Activities is located on page 14 of the basic financial statements. Major differences in the Statement of Activities and changes in the fund balances of governmental funds as expenditures in the funds statements include the repayment of bonds, temporary notes, and leases in the current fiscal year of \$9 million which are treated as an expenditure in the fund statements and a reduction of long-term debt payable in the Government wide financial statements. Also, lease, bond and temporary note proceeds in the amount of \$13.1 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 \$2.8 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, 2019 and 2018

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|-------------------|---------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 704,001 | \$ 611,612 | \$ 3,770,204 | \$ 4,007,506 | \$ 4,474,205 | \$ 4,619,118 |
| Operating grants and contributions | 378,686 | 1,496,770 | 4,384 | 41,917 | 383,070 | 1,538,687 |
| Capital grants and contributions* | 844,090 | - | - | - | 844,090 | - |
| General revenues: | | | | | | |
| Taxes | 6,417,618 | 6,077,149 | - | - | 6,417,618 | 6,077,149 |
| Other | 246,061 | 299,627 | 6,854 | 1,991 | 252,915 | 301,618 |
| Total revenues | 8,590,456 | 8,485,158 | 3,781,442 | 4,051,414 | 12,371,898 | 12,536,572 |
| Program expenses: | | | | | | |
| General government | 3,365,361 | 2,918,992 | - | - | 3,365,361 | 2,918,992 |
| Public safety | 1,685,059 | 1,513,458 | - | - | 1,685,059 | 1,513,458 |
| Public works | 1,543,320 | 1,023,496 | - | - | 1,543,320 | 1,023,496 |
| Culture and recreation | 771,483 | 618,941 | - | - | 771,483 | 618,941 |
| Infrastructure depreciation** | - | 443,131 | - | - | - | 443,131 |
| Water utility | - | - | 1,688,858 | 1,241,109 | 1,688,858 | 1,241,109 |
| Sewer utility | - | - | 1,542,501 | 1,398,604 | 1,542,501 | 1,398,604 |
| Interest on long term debt | 917,208 | 617,387 | - | - | 917,208 | 617,387 |
| Total expenses | 8,282,431 | 7,135,405 | 3,231,359 | 2,639,713 | 11,513,790 | 9,775,118 |
| Increase [decrease] in net position | \$ 308,025 | \$ 1,349,753 | \$ 550,083 | \$ 1,411,701 | \$ 858,108 | \$ 2,761,454 |

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2019
Unaudited

Governmental Activities increased the net position by \$.3 million. Business-type activities increased the net position by \$.6 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, 2019 for the governmental funds totaled \$5.7 million. Total unassigned fund balances at December 31, 2019 totaled \$2 million, of which \$1.2 million was attributable to the General Fund. The remainder of fund balance includes: \$3.4 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 million of committed fund balance to indicate amounts that are constrained by the City governing body to be used for specific purposes.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1.2 million, which represents all of the total fund balance. The decrease in the General Fund's fund balance was \$.2 million.

The Fire Services Fund is used to account for fire services provided in a designated area within the Spring Hill city limits. At the end of the current fiscal year, restricted fund balance of the fund was \$92,756, which represents all of the total fund balance. The increase in the fund's fund balance was \$18,288.

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 increase in the fund's fund balance was \$111,090.

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 short and long-term debt.

The Capital Projects Infrastructure and the Capital Projects Facilities Funds are used to account for capital improvement projects throughout the City.

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

Unrestricted net position of the Water Fund at the end of the year amounted to \$.7 million and the unrestricted net position of the Sewer Fund at the end of the year amounted to \$3.6 million. The total change in the two funds was \$[310,671] and \$860,754, respectively.

City of Spring Hill, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2019
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 \$6,323,725. The revenues were more than budgetary estimates by \$86,224 and the expenditures were less than budgetary estimates by \$804,329.

Fixed Assets and Debt Administration

The City's investment in fixed assets for its governmental and business-type activities totaled \$40.8 million (net of accumulated depreciation) as of December 31, 2019.

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

The City completed the Dayton Creek Subdivision Phases 1 and 2, Webster acceleration lane, the Civic Center renovation, and Lincoln Street improvement projects. The City also continued construction on Dayton Creek Subdivision Phase 3 and Veteran's Park projects during the fiscal year. During 2019, the City also purchased several vehicles and various pieces of equipment.

At December 31, 2019, the City had total debt outstanding of \$31.3 million, backed by the full faith and credit of the City. Total long-term debt increased for the fiscal year ended December 31, 2019, in the amount of \$2.9 million. This was a result of general obligation bonds, temporary notes and capital lease agreements issued during the year.

Additional information on the City's general long-term debt can be found in Note III.D and III.E 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 Assistant City Administrator at 401 N. Madison, Spring Hill, Kansas 66083 or (913) 592-3664.

City of Spring Hill, Kansas

STATEMENT OF NET POSITION
December 31, 2019

| | Primary Government | | |
|--|-------------------------------------|--------------------------------------|--------------------------------|
| | Total Governmental Activities | Total Business-type Activities | Total Primary Government |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 6,348,320 | \$ 4,578,921 | \$ 10,927,241 |
| Taxes receivable | 3,153,359 | - | 3,153,359 |
| Accounts receivable | 113,453 | 174,672 | 288,125 |
| Total current assets | <u>9,615,132</u> | <u>4,753,593</u> | <u>14,368,725</u> |
| Noncurrent assets: | | | |
| Capital assets, nondepreciable | | | |
| Construction in progress | 2,651,373 | - | 2,651,373 |
| Land | 320,279 | 36,281 | 356,560 |
| Capital assets, depreciable | 34,009,065 | 29,873,049 | 63,882,114 |
| Less: accumulated depreciation | 9,801,024 | 17,556,764 | 27,357,788 |
| Total noncurrent assets | <u>27,179,693</u> | <u>12,352,566</u> | <u>39,532,259</u> |
| Total assets | <u>36,794,825</u> | <u>17,106,159</u> | <u>53,900,984</u> |
| Deferred outflows of resources | | | |
| Pension related | 623,363 | 40,090 | 663,453 |
| OPEB related | 32,815 | 1,238 | 34,053 |
| KPERS OPEB related | 4,977 | 4,549 | 9,526 |
| Total deferred outflows of resources | <u>661,155</u> | <u>45,877</u> | <u>707,032</u> |
| Total assets and deferred outflows of resources | <u>\$ 37,455,980</u> | <u>\$ 17,152,036</u> | <u>\$ 54,608,016</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | |
| Liabilities: | | | |
| Current liabilities: (payable from current assets): | | | |
| Accounts payable | \$ 466,998 | \$ 316,084 | \$ 783,082 |
| Accrued interest payable | 269,723 | 85,662 | 355,385 |
| Accrued salaries | 194,756 | 13,000 | 207,756 |
| Compensated absences payable | 101,316 | 9,568 | 110,884 |
| Current portion of contractual obligation payable | - | 61,600 | 61,600 |
| Current portion of leases payable | 235,634 | 52,873 | 288,507 |
| Current portion of temporary notes payable | - | 390,194 | 390,194 |
| Current portion of bonds payable | <u>1,159,886</u> | <u>318,939</u> | <u>1,478,825</u> |
| Total current liabilities | <u>2,428,313</u> | <u>1,247,920</u> | <u>3,676,233</u> |
| (payable from current assets) | | | |
| Noncurrent liabilities: | | | |
| Leases payable | 619,501 | 200,808 | 820,309 |
| OPEB liability | 104,252 | 16,074 | 120,326 |
| KPERS OPEB liability | 33,700 | 5,035 | 38,735 |
| Notes payable | - | 684,602 | 684,602 |
| Net pension liability | 2,537,745 | 152,352 | 2,690,097 |
| Contractual obligation | - | 61,603 | 61,603 |
| Temporary notes payable | 1,600,000 | - | 1,600,000 |
| Bonds payable | <u>19,743,821</u> | <u>6,308,478</u> | <u>26,052,299</u> |
| Total noncurrent liabilities | <u>24,639,019</u> | <u>7,428,952</u> | <u>32,067,971</u> |
| Total liabilities | <u>27,067,332</u> | <u>8,676,872</u> | <u>35,744,204</u> |
| Deferred inflows of resources: | | | |
| Unavailable revenue - property taxes | 3,230,036 | - | 3,230,036 |
| Pension related | 172,887 | 5,867 | 178,754 |
| KPERS OPEB related | 6,431 | 961 | 7,392 |
| OPEB related | <u>13,871</u> | <u>2,140</u> | <u>16,011</u> |
| Total deferred inflows of resources | <u>3,423,225</u> | <u>8,968</u> | <u>3,432,193</u> |
| Total liabilities and deferred inflows of resources | <u>\$ 30,490,557</u> | <u>\$ 8,685,840</u> | <u>\$ 39,176,397</u> |
| Net Position | | | |
| Net investment in capital assets | \$ 3,820,851 | \$ 4,161,608 | \$ 7,982,459 |
| Restricted for: | | | |
| Debt service | 375,648 | - | 375,648 |
| Unrestricted | <u>2,768,924</u> | <u>4,304,588</u> | <u>7,073,512</u> |
| Total net position | <u>\$ 6,965,423</u> | <u>\$ 8,466,196</u> | <u>\$ 15,431,619</u> |

City of Spring Hill, Kansas

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

| | Net [Expenses] Revenue and Changes in Net Assets | | | | | |
|--|---|----------------------|------------------------------------|----------------------------------|-------------------------|----------------------------|
| | Program Revenues | | | Primary Government | | |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business Type Activities |
| Governmental activities: | | | | | | |
| General government | \$ 3,365,361 | \$ 370,641 | \$ 33,324 | - | \$ [2,961,396] | \$ - [2,961,396] |
| Public safety | 1,685,059 | 189,631 | 833 | - | [1,494,595] | - [1,494,595] |
| Public works | 1,543,320 | - | 306,791 | 844,090 | [392,439] | - [392,439] |
| Culture and recreation | 771,483 | 143,729 | 37,738 | - | [590,016] | - [590,016] |
| Interest on long-term debt | 917,208 | - | - | - | [917,208] | - [917,208] |
| Total governmental activities | <u>8,282,431</u> | <u>704,001</u> | <u>378,686</u> | <u>844,090</u> | <u>[6,355,654]</u> | <u>- [6,355,654]</u> |
| Business-type activities: | | | | | | |
| Water | 1,688,858 | 1,372,441 | 2,955 | - | - | [313,462] [313,462] |
| Sewer | 1,542,501 | 2,397,763 | 1,429 | - | - | 856,691 856,691 |
| Total business-type activities | <u>3,231,359</u> | <u>3,770,204</u> | <u>4,384</u> | <u>-</u> | <u>-</u> | <u>543,229 543,229</u> |
| Total primary government | <u>\$ 11,513,790</u> | <u>\$ 4,474,205</u> | <u>\$ 383,070</u> | <u>\$ 844,090</u> | <u>[6,355,654]</u> | <u>543,229 [5,812,425]</u> |
| General Revenues: | | | | | | |
| Property taxes levied for General purposes | | | | 6,105,649 | - | 6,105,649 |
| Debt service | | | | 311,969 | - | 311,969 |
| Investments earnings | | | | 12,966 | 6,854 | 19,820 |
| Miscellaneous | | | | 233,095 | - | 233,095 |
| Total general revenues and transfers | | | | <u>6,663,679</u> | <u>6,854</u> | <u>6,670,533</u> |
| Change in net position | | | | <u>308,025</u> | <u>550,083</u> | <u>858,108</u> |
| Net position - beginning | | | | <u>6,848,850</u> | <u>7,786,107</u> | <u>14,634,957</u> |
| Prior period adjustment | | | | <u>[191,452]</u> | <u>130,006</u> | <u>[61,446]</u> |
| Net position - beginning, restated | | | | <u>6,657,398</u> | <u>7,916,113</u> | <u>14,573,511</u> |
| Net position - ending | | | | <u>\$ 6,965,423</u> | <u>\$ 8,466,196</u> | <u>\$ 15,431,619</u> |

City of Spring Hill, Kansas

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

| | General | Fire Services | Special Highway | Excise Tax | Debt Service | Capital Projects Infrastructure | Capital Projects Facilities | Other Governmental Funds | Total Governmental Funds |
|---|----------------------------|--------------------------|--------------------------|----------------------------|--------------------------|---------------------------------|-----------------------------|----------------------------|----------------------------|
| ASSETS | | | | | | | | | |
| Cash and investments | \$ 1,610,462 | \$ 92,756 | \$ 780,512 | \$ 1,101,025 | \$ 375,648 | \$ 939,526 | \$ 274,129 | \$ 1,174,262 | \$ 6,348,320 |
| Receivables | | | | | | | | | |
| Accounts | 35,244 | - | - | - | 78,209 | - | - | - | 113,453 |
| Taxes | <u>2,385,453</u> | <u>675,230</u> | <u>-</u> | <u>-</u> | <u>59,759</u> | <u>-</u> | <u>-</u> | <u>32,917</u> | <u>3,153,359</u> |
| Total assets | <u>\$ 4,031,159</u> | <u>\$ 767,986</u> | <u>\$ 780,512</u> | <u>\$ 1,101,025</u> | <u>\$ 513,616</u> | <u>\$ 939,526</u> | <u>\$ 274,129</u> | <u>\$ 1,207,179</u> | <u>\$ 9,615,132</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ 207,183 | \$ - | \$ 77 | \$ 21,367 | \$ - | \$ 196,574 | \$ - | \$ 41,797 | \$ 466,998 |
| Accrued salaries payable | <u>194,756</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>194,756</u> |
| Total liabilities | <u>\$ 401,939</u> | <u>-</u> | <u>77</u> | <u>21,367</u> | <u>-</u> | <u>196,574</u> | <u>-</u> | <u>41,797</u> | <u>661,754</u> |
| Deferred inflows of resources: | | | | | | | | | |
| Unavailable revenue - property taxes | <u>2,385,453</u> | <u>675,230</u> | <u>-</u> | <u>-</u> | <u>137,968</u> | <u>-</u> | <u>-</u> | <u>31,385</u> | <u>3,230,036</u> |
| Total deferred inflows of resources | <u><u>2,385,453</u></u> | <u><u>675,230</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>137,968</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>31,385</u></u> | <u><u>3,230,036</u></u> |
| Total liabilities and deferred inflows of resources | <u><u>\$ 2,787,392</u></u> | <u><u>675,230</u></u> | <u><u>77</u></u> | <u><u>21,367</u></u> | <u><u>137,968</u></u> | <u><u>196,574</u></u> | <u><u>-</u></u> | <u><u>73,182</u></u> | <u><u>3,891,790</u></u> |
| Fund balance: | | | | | | | | | |
| Restricted | - | 92,756 | 780,435 | 1,079,658 | 375,648 | - | 274,129 | 819,305 | 3,421,931 |
| Committed | - | - | - | - | - | - | - | 314,692 | 314,692 |
| Unassigned | <u>1,243,767</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>742,952</u> | <u>-</u> | <u>-</u> | <u>1,986,719</u> |
| Total fund balance | <u><u>1,243,767</u></u> | <u><u>92,756</u></u> | <u><u>780,435</u></u> | <u><u>1,079,658</u></u> | <u><u>375,648</u></u> | <u><u>742,952</u></u> | <u><u>274,129</u></u> | <u><u>1,133,997</u></u> | <u><u>5,723,342</u></u> |
| Total liabilities, deferred inflows of resources and fund balances | <u><u>\$ 4,031,159</u></u> | <u><u>\$ 767,986</u></u> | <u><u>\$ 780,512</u></u> | <u><u>\$ 1,101,025</u></u> | <u><u>\$ 513,616</u></u> | <u><u>\$ 939,526</u></u> | <u><u>\$ 274,129</u></u> | <u><u>\$ 1,207,179</u></u> | <u><u>\$ 9,615,132</u></u> |

City of Spring Hill, Kansas

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO
 NET POSITION OF GOVERNMENTAL ACTIVITIES
 December 31, 2019

Total Governmental Fund Balances \$ 5,723,342

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 | 36,980,717 |
| Accumulated depreciation is | <u>9,801,024</u> |
| | 27,179,693 |

| | |
|---|---------|
| Pension and OPEB 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 | 661,155 |
|---|---------|

| | |
|--|-------------|
| Pension and OPEB 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 | [2,730,934] |
|--|-------------|

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 | 20,903,707 |
| Temporary notes payable | 1,600,000 |
| Leases payable | 855,135 |
| Interest payable | 269,723 |
| OPEB liability | 137,952 |
| Compensated absences payable | <u>101,316</u> |
| | [23,867,833] |

| | |
|---|---------------------|
| Net Position of Governmental Activities | \$ <u>6,965,423</u> |
|---|---------------------|

City of Spring Hill, Kansas

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

| | <u>General</u> | <u>Fire Services</u> | <u>Special Highway</u> | <u>Excise Tax</u> | <u>Debt Service</u> | <u>Capital Projects Infrastructure</u> | <u>Capital Projects Facilities</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------|------------------------|---------------------|---------------------|--|------------------------------------|---------------------------------|---------------------------------|
| REVENUES: | | | | | | | | | |
| Taxes | \$ 4,599,959 | \$ 738,377 | \$ - | \$ 159,010 | \$ 311,969 | \$ - | \$ - | \$ 608,303 | \$ 6,417,618 |
| Special assessments | | | | | | | | | 844,090 |
| Intergovernmental | 5,324 | - | 186,282 | - | - | 120,509 | - | 66,571 | 378,686 |
| Fines and fees | 704,001 | - | - | - | - | - | - | - | 704,001 |
| Use of money and property | 695 | 69 | 328 | 8,988 | 998 | 876 | 142 | 871 | 12,967 |
| Miscellaneous | 15,766 | - | - | - | 73,656 | 42,500 | - | 79,450 | 211,372 |
| Total revenues | 5,325,745 | 738,446 | 186,610 | 167,998 | 1,230,713 | 163,885 | 142 | 755,195 | 8,568,734 |
| EXPENDITURES: | | | | | | | | | |
| Current | | | | | | | | | |
| General government | 2,172,355 | 720,158 | - | - | - | - | - | 219,845 | 3,112,358 |
| Law enforcement | 1,444,139 | - | - | - | - | - | - | - | 1,444,139 |
| Court services | 132,229 | - | - | - | - | - | - | - | 132,229 |
| Highways and streets | 876,502 | - | 75,520 | 24,806 | - | - | - | - | 976,828 |
| Culture and recreation | 715,531 | - | - | - | - | - | - | 55,783 | 771,314 |
| Capital outlay | - | - | - | - | - | 1,053,370 | 31,310 | 1,817,592 | 2,902,272 |
| Debt service | | | | | | | | | |
| Principal | - | - | - | - | 9,006,834 | - | - | - | 9,006,834 |
| Interest and other charges | - | - | - | - | 777,328 | 56,440 | - | - | 833,768 |
| Total expenditures | 5,340,756 | 720,158 | 75,520 | 24,806 | 9,784,162 | 1,109,810 | 31,310 | 2,093,220 | 19,179,742 |
| Excess [deficiency] of revenues over [under] expenditures | [15,011] | 18,288 | 111,090 | 143,192 | [8,553,449] | [945,925] | [31,168] | [1,338,025] | [10,611,008] |
| OTHER FINANCING SOURCES [USES] | | | | | | | | | |
| Lease proceeds | - | - | - | - | - | - | - | 210,805 | 210,805 |
| Temporary note proceeds | - | - | - | - | - | - | - | 1,600,000 | 1,600,000 |
| Bond proceeds | - | - | - | - | 8,194,805 | 3,083,949 | - | - | 11,278,754 |
| Transfers in | - | - | - | - | 498,824 | 95,790 | 6,000 | 272,640 | 873,254 |
| Transfers out | [178,640] | - | - | [101,450] | - | - | - | [593,164] | [873,254] |
| Total other financing sources [uses] | [178,640] | - | - | [101,450] | 8,693,629 | 3,179,739 | 6,000 | 1,490,281 | 13,089,559 |
| Net change in fund balance | [193,651] | 18,288 | 111,090 | 41,742 | 140,180 | 2,233,814 | [25,168] | 152,256 | 2,478,551 |
| Fund balance - Beginning of year | 1,498,866 | 74,468 | 669,345 | 1,037,916 | 235,468 | [1,490,862] | 299,297 | 981,741 | 3,306,239 |
| Prior period adjustment | [61,448] | - | - | - | - | - | - | - | [61,448] |
| Fund balance - Beginning of year, restated | 1,437,418 | 74,468 | 669,345 | 1,037,916 | 235,468 | [1,490,862] | 299,297 | 981,741 | 3,244,791 |
| Fund balance - End of year | \$ 1,243,767 | \$ 92,756 | \$ 780,435 | \$ 1,079,658 | \$ 375,648 | \$ 742,952 | \$ 274,129 | \$ 1,133,997 | \$ 5,723,342 |

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, 2019

| | |
|---|----------------------------|
| Total Net Change In Fund Balances - Governmental Funds | \$ 2,478,551 |
| 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 | 2,800,510 |
| Loss on sale of assets | [22,428] |
| Depreciation expense | <u>[867,011]</u> 1,911,071 |
| 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. | |
| | |
| | [83,440] |
| 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. | [10,605] |
| Some expenses reported in the statement of activities, such as other post employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | |
| | |
| | [45,914] |
| 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. | 21,719 |
| Pension payments are reported as expenditures in the governmental funds and do not affect the statement of net activities. | |
| | |
| | [118,645] |
| 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. | 212,920 |
| Lease, bond and temporary note 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 | |
| | |
| | [13,089,559] |
| 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>9,031,927</u> |
| Changes In Net Position of Governmental Activities | |
| | |
| | <u>\$ 308,025</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, 2019

| | GAAP <u>Basis</u> | Adjustments to Budgetary <u>Basis</u> | Budgetary <u>Basis</u> | Original <u>Budget</u> | Final <u>Budget</u> | Variance Positive [Negative] |
|--|----------------------|---|---------------------------|---------------------------|------------------------|------------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 4,599,959 | \$ - | \$ 4,599,958 | \$ 4,417,160 | \$ 4,546,420 | \$ 53,538 |
| Intergovernmental | 5,324 | - | 5,324 | - | - | 5,324 |
| Fines and fees | 704,001 | - | 704,001 | 558,575 | 674,850 | 29,151 |
| Use of money and property | 695 | - | 695 | - | - | 695 |
| Miscellaneous | 15,766 | - | 15,766 | 16,700 | 18,250 | [2,484] |
| Total revenues | <u>5,325,745</u> | <u>-</u> | <u>5,325,744</u> | <u>4,992,435</u> | <u>5,239,520</u> | <u>86,224</u> |
| Expenditures | | | | | | |
| General government | 2,172,355 | - | 2,172,355 | 2,888,490 | 3,030,660 | 858,305 |
| Law enforcement | 1,444,139 | - | 1,444,139 | 1,452,000 | 1,464,550 | 20,411 |
| Court services | 132,229 | - | 132,229 | 142,500 | 137,500 | 5,271 |
| Highways and streets | 876,502 | - | 876,502 | 934,670 | 901,020 | 24,518 |
| Culture and recreation | 715,531 | - | 715,531 | 728,945 | 753,495 | 37,964 |
| Total expenditures | <u>5,340,756</u> | <u>-</u> | <u>5,340,756</u> | <u>6,146,605</u> | <u>6,287,225</u> | <u>946,469</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>[15,011]</u> | <u>-</u> | <u>[15,012]</u> | <u>[1,154,170]</u> | <u>[1,047,705]</u> | <u>1,032,693</u> |
| Other financing sources [uses] | | | | | | |
| Transfers [out] | <u>[178,640]</u> | <u>-</u> | <u>[178,640]</u> | <u>[8,000]</u> | <u>[36,500]</u> | <u>[142,140]</u> |
| Total other financing sources [uses] | <u>[178,640]</u> | <u>-</u> | <u>[178,640]</u> | <u>[8,000]</u> | <u>[36,500]</u> | <u>[142,140]</u> |
| Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses] | <u>[193,651]</u> | <u>-</u> | <u>[193,652]</u> | <u>\$ [1,162,170]</u> | <u>\$ [1,084,205]</u> | <u>\$ 890,553</u> |
| Fund balance, January 1 | 1,498,866 | - | 1,498,866 | | | |
| Prior period adjustment | <u>[61,448]</u> | <u>-</u> | <u>[61,448]</u> | | | |
| Fund balance, January 1, restated | <u>1,437,418</u> | <u>-</u> | <u>1,437,418</u> | | | |
| Fund balance, December 31 | <u>\$ 1,243,767</u> | <u>\$ -</u> | <u>\$ 1,243,766</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, 2019

| | GAAP <u>Basis</u> | Adjustments to Budgetary <u>Basis</u> | Budgetary <u>Basis</u> | Original Budget | Final Budget | Variance Positive [Negative] |
|--|----------------------|---|---------------------------|--------------------|--------------------|------------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 738,377 | \$ - | \$ 738,377 | \$ 715,435 | \$ 715,435 | \$ 22,942 |
| Use of money and property | <u>69</u> | <u>-</u> | <u>69</u> | <u>130</u> | <u>130</u> | <u>[61]</u> |
| Total revenues | <u>738,446</u> | <u>-</u> | <u>738,446</u> | <u>715,565</u> | <u>715,565</u> | <u>22,881</u> |
| Expenditures | | | | | | |
| General government | | | | | | |
| Contractual services | 720,158 | - | 720,158 | 768,000 | 768,000 | 47,842 |
| Total expenditures | <u>720,158</u> | <u>-</u> | <u>720,158</u> | <u>768,000</u> | <u>768,000</u> | <u>47,842</u> |
| Excess [deficiency] of revenues over [under] expenditures | 18,288 | - | 18,288 | \$ <u>[52,435]</u> | \$ <u>[52,435]</u> | \$ <u>70,723</u> |
| Fund balance, January 1 | <u>74,468</u> | <u>-</u> | <u>74,468</u> | | | |
| Fund balance, December 31 | <u>\$ 92,756</u> | <u>\$ -</u> | <u>\$ 92,756</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, 2019

| | GAAP Basis | Adjustments to Budgetary Basis | Budgetary Basis | Original Budget | Final Budget | Variance Positive [Negative] |
|--|-------------------|--------------------------------------|--------------------|--------------------|-----------------|------------------------------------|
| Revenues | | | | | | |
| Intergovernmental | \$ 186,282 | \$ - | \$ 186,282 | \$ 216,300 | \$ 216,300 | \$ [30,018] |
| Use of money and property | <u>328</u> | <u>-</u> | <u>328</u> | <u>200</u> | <u>200</u> | <u>128</u> |
| Total revenues | <u>186,610</u> | <u>-</u> | <u>186,610</u> | <u>216,500</u> | <u>216,500</u> | <u>[29,890]</u> |
| Expenditures | | | | | | |
| Highways and streets | - | - | - | 66,000 | 66,000 | 66,000 |
| Commodities | 75,520 | - | 75,520 | 260,000 | 260,000 | 184,480 |
| Contractual services | <u>-</u> | <u>-</u> | <u>-</u> | <u>385,200</u> | <u>385,200</u> | <u>385,200</u> |
| Total expenditures | <u>75,520</u> | <u>-</u> | <u>75,520</u> | <u>711,200</u> | <u>711,200</u> | <u>635,680</u> |
| Excess [deficiency] of revenues over [under] expenditures | 111,090 | - | 111,090 | \$ [494,700] | \$ [494,700] | \$ 605,790 |
| Fund balance, January 1 | <u>669,345</u> | <u>-</u> | <u>669,345</u> | | | |
| Fund balance, December 31 | <u>\$ 780,435</u> | <u>\$ -</u> | <u>\$ 780,435</u> | | | |

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, 2019

| | GAAP Basis | Adjustments to Budgetary Basis | Budgetary Basis | Original Budget | Final Budget | Variance Positive [Negative] |
|--|---------------------|--------------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 159,010 | \$ - | \$ 159,010 | \$ - | \$ - | \$ 159,010 |
| Use of money and property | <u>8,988</u> | <u>-</u> | <u>8,988</u> | <u>4,300</u> | <u>4,300</u> | <u>4,688</u> |
| Total revenues | <u>167,998</u> | <u>-</u> | <u>167,998</u> | <u>4,300</u> | <u>4,300</u> | <u>163,698</u> |
| Expenditures | | | | | | |
| Highways and streets | | | | | | |
| Capital outlay | <u>24,806</u> | <u>-</u> | <u>24,806</u> | <u>681,780</u> | <u>681,780</u> | <u>656,974</u> |
| Total expenditures | <u>24,806</u> | <u>-</u> | <u>24,806</u> | <u>681,780</u> | <u>681,780</u> | <u>656,974</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>143,192</u> | <u>-</u> | <u>143,192</u> | <u>[677,480]</u> | <u>[677,480]</u> | <u>820,672</u> |
| Other financing sources [uses] | | | | | | |
| Transfers [out] | <u>[101,450]</u> | <u>-</u> | <u>[101,450]</u> | <u>[101,450]</u> | <u>[101,450]</u> | <u>-</u> |
| Total other financing sources [uses] | <u>[101,450]</u> | <u>-</u> | <u>[101,450]</u> | <u>[101,450]</u> | <u>[101,450]</u> | <u>-</u> |
| Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses] | <u>41,742</u> | <u>-</u> | <u>41,742</u> | <u>\$ [778,930]</u> | <u>\$ [778,930]</u> | <u>\$ 820,672</u> |
| Fund balance, January 1 | <u>1,037,916</u> | <u>-</u> | <u>1,037,916</u> | | | |
| Fund balance, December 31 | <u>\$ 1,079,658</u> | <u>\$ -</u> | <u>\$ 1,079,658</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, 2019

| Business-Type Activities: Enterprise Funds | | | |
|--|---------------------|----------------------|------------------------------|
| | Water | Sewer | Total Enterprise Funds |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 890,285 | \$ 3,688,636 | \$ 4,578,921 |
| Receivables | 69,521 | 105,151 | 174,672 |
| Total current assets | <u>959,806</u> | <u>3,793,787</u> | <u>4,753,593</u> |
| Noncurrent assets: | | | |
| Capital assets, nondepreciable | | | |
| Land | - | 36,281 | 36,281 |
| Capital assets, depreciable | 10,309,752 | 19,563,297 | 29,873,049 |
| Less: accumulated depreciation | [8,817,560] | [8,739,204] | [17,556,764] |
| Total noncurrent assets | <u>1,492,192</u> | <u>10,860,374</u> | <u>12,352,566</u> |
| Total assets | <u>2,451,998</u> | <u>14,654,161</u> | <u>17,106,159</u> |
| Deferred outflows of resources | | | |
| Pension related | 15,620 | 24,470 | 40,090 |
| KPERS OPEB related | 381 | 857 | 1,238 |
| OPEB related | 1,399 | 3,150 | 4,549 |
| Total deferred outflows of resources | <u>17,400</u> | <u>28,477</u> | <u>45,877</u> |
| Total assets and deferred outflows of resources | <u>\$ 2,469,398</u> | <u>\$ 14,682,638</u> | <u>\$ 17,152,036</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | | | |
| Current liabilities (payable from current assets): | | | |
| Accounts payable | \$ 240,280 | \$ 75,804 | \$ 316,084 |
| Accrued salaries payable | 6,350 | 6,650 | 13,000 |
| Accrued interest payable | 14,092 | 71,570 | 85,662 |
| Compensated absences payable | 3,541 | 6,027 | 9,568 |
| Current portion of contractual obligation payable | 29,568 | 32,032 | 61,600 |
| Current portion of leases payable | 21,877 | 30,996 | 52,873 |
| Current portion of notes payable | 108,103 | 282,091 | 390,194 |
| Current portion of bonds payable | 52,000 | 266,939 | 318,939 |
| Total current liabilities | <u>475,811</u> | <u>772,109</u> | <u>1,247,920</u> |
| (payable from current assets): | | | |
| Noncurrent liabilities | | | |
| Leases payable | 65,123 | 135,685 | 200,808 |
| Notes payable | 539,833 | 144,769 | 684,602 |
| Net pension liability | 53,639 | 98,713 | 152,352 |
| OPEB liability | 4,943 | 11,131 | 16,074 |
| KPERS OPEB liability | 1,549 | 3,486 | 5,035 |
| Contractual obligation | 29,569 | 32,034 | 61,603 |
| Bonds payable | 287,000 | 6,021,478 | 6,308,478 |
| Total noncurrent liabilities | <u>981,656</u> | <u>6,447,296</u> | <u>7,428,952</u> |
| Total liabilities | <u>1,457,467</u> | <u>7,219,405</u> | <u>8,676,872</u> |
| Deferred inflows of resources | | | |
| Pension related | 1,665 | 4,202 | 5,867 |
| KPERS OPEB related | 296 | 665 | 961 |
| OPEB related | 658 | 1,482 | 2,140 |
| Total deferred inflows of resources | <u>2,619</u> | <u>6,349</u> | <u>8,968</u> |
| Total liabilities and deferred inflows of resources | <u>\$ 1,460,086</u> | <u>\$ 7,225,754</u> | <u>\$ 8,685,840</u> |
| Net position | | | |
| Net investment in capital assets | \$ 328,556 | \$ 3,833,052 | \$ 4,161,608 |
| Unrestricted | 680,756 | 3,623,832 | 4,304,588 |
| Total net position | <u>\$ 1,009,312</u> | <u>\$ 7,456,884</u> | <u>\$ 8,466,196</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, 2019

| | Business-Type Activities: Enterprise Funds | | |
|--|---|---------------------|------------------------------|
| | | | Total Enterprise Funds |
| | Water | Sewer | |
| Operating revenues | | | |
| Charges for services | \$ 1,372,441 | \$ 2,397,763 | \$ 3,770,204 |
| Total operating revenues | <u>1,372,441</u> | <u>2,397,763</u> | <u>3,770,204</u> |
| Operating expenses | | | |
| Personal services | 312,539 | 339,892 | 652,431 |
| Contractual services | 415,409 | 283,658 | 699,067 |
| Commodities | 530,504 | 194,666 | 725,170 |
| Capital outlay | - | 10,632 | 10,632 |
| Depreciation | <u>389,090</u> | <u>489,277</u> | <u>878,367</u> |
| Total operating expenses | <u>1,647,542</u> | <u>1,318,125</u> | <u>2,965,667</u> |
| Operating income [loss] | <u>[275,101]</u> | <u>1,079,638</u> | <u>804,537</u> |
| Nonoperating revenues [expenses] | | | |
| Interest income | 2,791 | 4,063 | 6,854 |
| Contributed capital | 2,955 | 1,429 | 4,384 |
| Interest expense | <u>[41,316]</u> | <u>[224,376]</u> | <u>[265,692]</u> |
| Total nonoperating revenues [expenses] | <u>[35,570]</u> | <u>[218,884]</u> | <u>[254,454]</u> |
| Change in net position | <u>[310,671]</u> | <u>860,754</u> | <u>550,083</u> |
| Net position, January 1 | 1,297,041 | 6,489,066 | 7,786,107 |
| Prior period adjustment | <u>22,942</u> | <u>107,064</u> | <u>130,006</u> |
| Net position, January 1, restated | <u>1,319,983</u> | <u>6,596,130</u> | <u>7,916,113</u> |
| Net position, December 31 | <u>\$ 1,009,312</u> | <u>\$ 7,456,884</u> | <u>\$ 8,466,196</u> |

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

City of Spring Hill, Kansas

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

| Business-Type Activities: Enterprise Funds | | | |
|--|-------------------|---------------------|------------------------------|
| | Water | Sewer | Total Enterprise Funds |
| Cash flows from operating activities | | | |
| Cash received from customers | \$ 1,364,871 | \$ 2,396,473 | \$ 3,761,344 |
| Cash paid to suppliers | [748,211] | [437,041] | [1,185,252] |
| Cash paid to employees | <u>[314,355]</u> | <u>[328,215]</u> | <u>[642,570]</u> |
| Net cash provided by [used in] operating activities | <u>302,305</u> | <u>1,631,217</u> | <u>1,933,522</u> |
| Cash flows from capital and related financing activities | | | |
| Capital contributions/expenditures | 2,955 | [283,014] | [280,059] |
| Interest paid on debt | [40,836] | [229,350] | [270,186] |
| Principal payments on capital leases | [32,602] | [31,111] | [63,713] |
| Principal payments on contractual obligations | [29,569] | [32,032] | [61,601] |
| Principal payments on bonds | [50,000] | [285,000] | [335,000] |
| Principal payments on notes | <u>[234,130]</u> | <u>[272,445]</u> | <u>[506,575]</u> |
| Net cash provided by [used in] capital and related financing activities | <u>384,182</u> | <u>[1,132,952]</u> | <u>[1,517,134]</u> |
| Cash flows from investing activities | | | |
| Interest income | <u>2,791</u> | <u>4,063</u> | <u>6,854</u> |
| Net cash provided by investing activities | <u>2,791</u> | <u>4,063</u> | <u>6,854</u> |
| Net increase [decrease] in cash and cash equivalents | <u>[79,086]</u> | <u>502,328</u> | <u>423,242</u> |
| Cash and cash equivalents, January 1 | <u>969,371</u> | <u>3,186,308</u> | <u>4,155,679</u> |
| Cash and cash equivalents, December 31 | <u>\$ 890,285</u> | <u>\$ 3,688,636</u> | <u>\$ 4,578,921</u> |

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

City of Spring Hill, Kansas

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

| | 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] | \$ [275,101] | \$ 1,079,638 | \$ 804,537 |
| Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities | | | |
| Depreciation and amortization expense | 389,090 | 489,277 | 878,367 |
| Changes in assets and liabilities | | | |
| Accounts receivable [increase] decrease | [7,570] | [1,290] | [8,860] |
| Deferred outflows [increase] decrease | [8,950] | [12,698] | [21,648] |
| Accounts payable increase [decrease] | 197,702 | 51,915 | 249,617 |
| Accrued salaries increase [decrease] | [840] | [339] | [1,179] |
| Net pension liability increase [decrease] | 12,441 | 13,921 | 26,362 |
| OPEB liability increase [decrease] | 469 | 9,150 | 9,619 |
| KPERS OPEB liability increase [decrease] | [1,878] | 1,928 | 50 |
| Deferred inflows increase [decrease] | [2,696] | [60] | [2,756] |
| Accrued compensated absences increase [decrease] | [362] | [225] | [587] |
| Net cash provided by [used in] operating activities | \$ 302,305 | \$ 1,631,217 | \$ 1,933,522 |

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, 2019

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 Spring Hill Cemetery Association is considered a blended component unit of the City. The Association is a separate legal entity governed by an eight-member board, which is appointed by the City Council. The City provides a significant portion of the Association's support. The Association does not issue separate financial statements.

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, 2019

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 in a designated area within Spring Hill city limits.

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 infrastructure fund* is used to account for the public infrastructure projects that are general projects of the city with various funding sources.

The *capital projects facilities fund* is used to account for general projects related to city facilities with various funding sources.

The City reports the following major proprietary funds:

The *water fund* is used to account for the activities of the City's water operations.

The *sewer fund* is used to account for the activities of the City's sewer operations.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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 2019.

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, 2019

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. Capital Assets

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

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

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

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

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

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

5. 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.

6. 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.

7. 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, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Equity (Continued)

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

| | Major Governmental Funds | | | | | | | Other Governmental Funds | Total Governmental Funds |
|------------------------|--------------------------|------------------|--------------------|---------------------|-------------------|---------------------------------------|-----------------------------------|--------------------------------|--------------------------------|
| | General | Fire Services | Special Highway | Excise Tax | Debt Service | Capital Projects Infrastructure | Capital Projects Facilities | | |
| Fund Balances: | | | | | | | | | |
| Restricted for: | | | | | | | | | |
| Public safety | \$ - | \$ 92,756 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,433 | \$ 99,189 |
| Economic development | - | - | - | - | - | - | - | 30,111 | 30,111 |
| Public works | - | - | 780,435 | - | - | - | - | - | 780,435 |
| Debt payments | - | - | - | - | 375,648 | - | - | 236,465 | 612,113 |
| Capital improvements | - | - | - | 1,079,658 | - | - | 274,129 | 118,976 | 1,472,763 |
| Cemetery operations | - | - | - | - | - | - | - | 200,636 | 200,636 |
| Culture and recreation | - | - | - | - | - | - | - | 226,684 | 226,684 |
| Committed for: | | | | | | | | | |
| Capital improvements | - | - | - | - | - | - | - | 314,692 | 314,692 |
| Unassigned: | <u>1,243,767</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>742,952</u> | <u>-</u> | <u>-</u> | <u>1,986,719</u> |
| Total Fund Balances | <u>\$ 1,243,767</u> | <u>\$ 92,756</u> | <u>\$ 780,435</u> | <u>\$ 1,079,658</u> | <u>\$ 375,648</u> | <u>\$ 742,952</u> | <u>\$ 274,129</u> | <u>\$ 1,133,997</u> | <u>\$ 5,723,342</u> |

8. 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, OPEB liability and KPERS OPEB 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, OPEB liability and KPERS OPEB liability proportion are reported as deferred inflows for governmental activities.

9. Use of Estimates

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

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

10. Net Position

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The General Fund budget was amended for the year ended December 31, 2019.

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, 2019

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information

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 | | | | | | | | |
|---|--------------------------|---------------|-----------------|--------------|--------------|---------------------------------|-----------------------------|--------------------------|--------------------------|
| | General | Fire Services | Special Highway | Excise Tax | Debt Service | Capital Projects Infrastructure | Capital Projects Facilities | Other Governmental Funds | Total Governmental Funds |
| GAAP FUND BALANCE December 31, 2019 | \$ 1,243,767 | \$ 92,756 | \$ 780,435 | \$ 1,079,658 | \$ 375,648 | \$ 742,952 | \$ 274,129 | \$ 1,133,997 | \$ 5,723,342 |
| Adjustments: | | | | | | | | | |
| Fund balances not subject to the Kansas Budget Law: | | | | | | | | | |
| Capital projects | - | - | - | - | - | [742,952] | [274,129] | - | [1,017,081] |
| Nonmajor governmental funds | - | - | - | - | - | - | - | [698,768] | [698,768] |
| Total deductions | - | - | - | - | - | [742,952] | [274,129] | [698,768] | [1,715,849] |
| BUDGETARY FUND BALANCE December 31, 2019 | \$ 1,243,767 | \$ 92,756 | \$ 780,435 | \$ 1,079,658 | \$ 375,648 | \$ - | \$ - | \$ 435,229 | \$ 4,007,493 |

B. Restatement of Equity

Management discovered certain reclassifications and adjustments that occurred in the prior year. The effects of these items caused a restatement to net position as follows:

| | Governmental Activities | Business-type Activities |
|------------------------------------|-------------------------|--------------------------|
| Net position - beginning | \$ 6,848,850 | \$ 7,786,107 |
| Prior period adjustment | | |
| Capital assets | [130,006] | 130,006 |
| Miscellaneous reclassification | [61,446] | - |
| Net position - beginning, restated | \$ 6,657,398 | \$ 7,916,113 |

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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, 2019.

B. Receivables

Receivables as of year-end are as follows:

| | Fire General | Debt Services | Debt Service | Water | Sewer | Other Governmental | Totals |
|-------------------|---------------------|-------------------|-------------------|------------------|-------------------|-----------------------|---------------------|
| Receivables: | | | | | | | |
| Taxes | \$ 2,385,453 | \$ 675,230 | \$ 59,759 | \$ - | \$ - | \$ 32,917 | \$ 3,153,359 |
| Accounts | <u>35,244</u> | <u>-</u> | <u>78,209</u> | <u>69,521</u> | <u>105,151</u> | <u>-</u> | <u>288,125</u> |
| Total receivables | <u>\$ 2,420,697</u> | <u>\$ 675,230</u> | <u>\$ 137,968</u> | <u>\$ 69,521</u> | <u>\$ 105,151</u> | <u>\$ 32,917</u> | <u>\$ 3,441,484</u> |

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

| | Balance 12/31/2018 | Restatement | Restated balance 12/31/2018 | Additions | Retirements | Balance 12/31/2019 |
|---|-----------------------|---------------------|--------------------------------|---------------------|---------------------|-----------------------|
| City governmental activities: | | | | | | |
| Capital assets, not being depreciated | | | | | | |
| Land | \$ 320,279 | \$ - | \$ 320,279 | \$ - | \$ - | \$ 320,279 |
| Construction in progress | 6,614,468 | - | 6,614,468 | 2,446,059 | 6,409,155 | 2,651,372 |
| Capital assets, being depreciated | | | | | | |
| Buildings, improvements, vehicles, and equipment | <u>27,527,522</u> | <u>[140,546]</u> | <u>27,386,976</u> | <u>6,739,928</u> | <u>117,838</u> | <u>34,009,066</u> |
| Total capital assets | <u>34,462,269</u> | <u>[140,546]</u> | <u>34,321,723</u> | <u>9,185,987</u> | <u>6,526,993</u> | <u>36,980,717</u> |
| Less accumulated depreciation for: | | | | | | |
| Buildings, improvements, vehicles, and equipment | <u>9,063,643</u> | <u>[10,541]</u> | <u>9,053,102</u> | <u>865,557</u> | <u>117,635</u> | <u>9,801,024</u> |
| Total accumulated depreciation | <u>9,063,643</u> | <u>[10,541]</u> | <u>9,053,102</u> | <u>865,557</u> | <u>117,635</u> | <u>9,801,024</u> |
| Governmental activities capital assets, net | <u>\$ 25,398,626</u> | <u>\$ [130,005]</u> | <u>\$ 25,268,621</u> | <u>\$ 8,320,430</u> | <u>\$ 6,409,358</u> | <u>\$ 27,179,693</u> |
| Business-type activities: | | | | | | |
| Capital assets, not being depreciated | | | | | | |
| Land | \$ 36,281 | \$ - | \$ 36,281 | \$ - | \$ - | \$ 36,281 |
| Capital assets, being depreciated | | | | | | |
| Buildings, improvements, vehicles, and equipment | <u>29,491,182</u> | <u>140,547</u> | <u>29,631,729</u> | <u>286,318</u> | <u>44,998</u> | <u>29,873,049</u> |
| Total capital assets | <u>29,527,463</u> | <u>140,547</u> | <u>29,668,010</u> | <u>286,318</u> | <u>44,998</u> | <u>29,909,330</u> |
| Less accumulated depreciation for: | | | | | | |
| Buildings, improvements, vehicles, and equipment | <u>16,694,040</u> | <u>10,541</u> | <u>16,704,581</u> | <u>895,306</u> | <u>43,122</u> | <u>17,556,765</u> |
| Total accumulated depreciation | <u>16,694,040</u> | <u>10,541</u> | <u>16,704,581</u> | <u>895,306</u> | <u>43,122</u> | <u>17,556,765</u> |
| Business-type activities capital assets, net | <u>\$ 12,833,423</u> | <u>\$ 130,006</u> | <u>\$ 12,963,429</u> | <u>\$ [608,988]</u> | <u>\$ 1,876</u> | <u>\$ 12,352,565</u> |

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

The City's depreciation expense was charged as follows:

Governmental Activities:

| | |
|------------------------|-----------------------|
| General government | \$ 184,413 |
| Public safety | 80,032 |
| Highways and streets | 583,233 |
| Culture and recreation | <u>17,879</u> |
| Total depreciation | <u>\$ 865,557</u> |

Business-type Activities:

| | |
|------------------------|-----------------------|
| Water | \$ 389,090 |
| Sewer | <u>506,216</u> |
| Total depreciation | <u>\$ 895,306</u> |

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, 2019.

| | Governmental Activities | Business-type Activities |
|-----------|----------------------------|-----------------------------|
| | <u>Assets</u> | <u>Assets</u> |
| Equipment | <u>\$ 1,625,987</u> | <u>\$ 405,023</u> |

During 2019, the City entered into a lease agreement to finance the purchase of various equipment in the amount of \$210,805. The lease has an interest rate of 2.25% and a final maturity of September 1, 2024.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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, 2019 are as follows:

| <u>Year Ending December 31.</u> | Governmental Activities | Business Type Activities | <u>Total</u> |
|---|----------------------------|--------------------------------|---------------------|
| 2020 | \$ 255,529 | \$ 59,878 | \$ 315,407 |
| 2021 | 223,421 | 56,894 | 280,315 |
| 2022 | 192,585 | 56,895 | 249,480 |
| 2023 | 124,354 | 33,984 | 158,338 |
| 2024 | 81,499 | 17,072 | 98,571 |
| 2025 - 2027 | <u>30,713</u> | <u>51,217</u> | <u>81,930</u> |
| Total minimum lease payments | 908,101 | 275,940 | 1,184,041 |
| Less: amount representing interest | <u>52,966</u> | <u>22,259</u> | <u>75,225</u> |
| Present value of minimum lease payments | <u>\$ 855,135</u> | <u>\$ 253,681</u> | <u>\$ 1,108,816</u> |

E. Long-term Debt

During the year ended December 31, 2019, the following changes occurred in long term liabilities:

Governmental Activities

| | Balance <u>January 1, 2019</u> | Additions | Reductions | Balance <u>December 31, 2019</u> | Amounts Due Within <u>One Year</u> |
|--------------------------|-----------------------------------|----------------------|---------------------|-------------------------------------|--|
| General obligation bonds | \$ 14,171,383 | \$ 11,278,755 | \$ 4,546,429 | \$ 20,903,709 | \$ 1,159,886 |
| Temporary notes payable | 4,507,317 | 1,600,000 | 4,507,317 | 1,600,000 | - |
| Leases payable | 857,250 | 210,805 | 212,920 | 855,135 | 235,634 |
| Compensated absences | <u>90,711</u> | <u>101,316</u> | <u>90,711</u> | <u>101,316</u> | <u>101,316</u> |
| | <u>\$ 19,626,661</u> | <u>\$ 13,190,876</u> | <u>\$ 9,357,377</u> | <u>\$ 23,460,160</u> | <u>\$ 1,496,836</u> |

Business-type Activities

| | | | | | |
|--------------------------|---------------------|-----------------|-------------------|---------------------|-------------------|
| General obligation bonds | \$ 6,979,356 | \$ - | \$ 351,939 | \$ 6,627,417 | \$ 318,939 |
| Loans payable | 1,581,371 | - | 506,574 | 1,074,797 | 390,194 |
| Leases payable | 317,394 | - | 63,713 | 253,681 | 52,873 |
| Compensated absences | <u>10,155</u> | <u>9,568</u> | <u>10,155</u> | <u>9,568</u> | <u>9,568</u> |
| | <u>\$ 8,888,276</u> | <u>\$ 9,568</u> | <u>\$ 932,381</u> | <u>\$ 7,965,463</u> | <u>\$ 771,574</u> |

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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> | | | | | |
| 2011-A general obligation | 08/01/11 | 09/01/36 | 2.90 - 4.60% | \$ 2,070,088 | \$ 1,392,053 |
| 2012-A general obligation | 01/27/12 | 01/27/52 | 3.75% | 338,385 | 308,785 |
| 2012-B general obligation | 07/12/12 | 09/01/32 | 2.00 - 3.50% | 4,236,617 | 2,952,552 |
| 2013-A general obligation | 10/10/13 | 09/01/33 | 0.65 - 4.50% | 1,419,732 | 1,063,313 |
| 2016-B general obligation | 12/05/16 | 09/01/36 | 3.00% | 4,737,942 | 3,908,251 |
| 2019-B general obligation and refunding | 07/23/19 | 09/01/39 | 3.00 - 5.00% | 11,278,755 | 11,278,755 |
| <u>Business-type Activities</u> | | | | | |
| 2011-A general obligation | 08/01/11 | 09/01/36 | 2.90 - 4.60% | 1,935,000 | 1,825,000 |
| 2012-B general obligation | 07/12/12 | 09/01/22 | 2.00 - 2.50% | 635,605 | 204,682 |
| 2013-A general obligation | 10/10/13 | 09/01/23 | 0.65 - 2.80% | 211,566 | 90,626 |
| 2016-A general obligation | 02/18/16 | 09/01/25 | 3.44% | 539,000 | 339,000 |
| 2016-B general obligation | 12/05/16 | 09/01/33 | 3.00% | 4,363,776 | 4,168,109 |
| | | | | <u>\$ 31,766,466</u> | <u>\$ 27,531,126</u> |

On July 23, 2019, the City issued General Obligation Refunding and Improvement Bonds, Series 2019-B in the amount of \$11,278,755. Proceeds from the bonds will be used to provide permanent financing of the City's 2017-A Temporary Notes, provide permanent financing for the City's 2017-B Temporary Notes, provide financing for certain public improvements, paying the costs of refunding the City's General Obligation Bonds, Series 2009-B, and paying the costs of issuance of the Series 2019-B bonds. The City will make the first payment on the bonds on September 1, 2020 and the last payment on September 1, 2039. The interest rate on the bonds ranges from 3.00% to 5.00%.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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 |
| 2020 | \$ 1,237,293 | \$ 751,996 | | \$ 318,939 | \$ 211,389 |
| 2021 | 1,382,476 | 668,009 | | 355,939 | 202,750 |
| 2022 | 1,437,667 | 621,252 | | 367,939 | 192,990 |
| 2023 | 1,327,864 | 571,435 | | 462,379 | 182,614 |
| 2024 | 1,403,068 | 523,588 | | 454,222 | 168,756 |
| 2025 - 2029 | 7,438,690 | 1,794,605 | | 2,132,111 | 645,058 |
| 2030 - 2034 | 4,125,675 | 641,990 | | 2,020,888 | 314,373 |
| 2035 - 2039 | 2,383,976 | 220,935 | | 515,000 | 35,505 |
| 2040 - 2044 | 54,989 | 27,340 | | - | - |
| 2045 - 2049 | 66,100 | 16,227 | | - | - |
| 2050 - 2052 | 45,911 | 3,486 | | - | - |
| Totals | \$ 20,903,709 | \$ 5,840,863 | | \$ 6,627,417 | \$ 1,953,435 |

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, 2019, the outstanding principal balance was \$426,860.

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, 2019, the outstanding principal balance was \$647,937.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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:

| <u>Year Ending</u> <u>December 31,</u> | <u>Payment</u> |
|---|---------------------|
| 2020 | \$ 426,203 |
| 2021 | 283,930 |
| 2022 | 131,582 |
| 2023 | 131,582 |
| 2024 | 131,582 |
| 2025 | <u>66,171</u> |
| Total payments | 1,171,050 |
| Less: Interest and fees | <u>96,253</u> |
| Total principal | <u>\$ 1,074,797</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 2017-A temporary notes in the amount of \$1,555,000 with an interest rate of 1.5%. On December 5, 2017, the City issued series 2017-B 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. Both temporary notes were retired by the City during 2019 with proceeds from the Series 2019-B General Obligation Refunding and Improvement Bonds.

On March 4, 2019, the City issued Series 2019-A Temporary Notes in the amount of \$1,600,000. Proceeds from the notes will be used to finance certain public improvements within the City. The maturity date of the temporary notes is March 1, 2021, and the interest rate on the notes is 1.65%.

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

| <u>Year Ending</u> <u>December 31,</u> | <u>Principal</u> | <u>Interest</u> |
|---|---------------------|------------------|
| 2020 | \$ - | \$ 26,400 |
| 2021 | <u>1,600,000</u> | <u>13,200</u> |
| Total | <u>\$ 1,600,000</u> | <u>\$ 39,600</u> |

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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, 2019, 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. Contractual obligation

During 2018, 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, 2019, the remaining balance is due as follows:

| December 31, | Year Ending | | |
|--------------|------------------|------------------|-------------------|
| | Water | Sewer | Total |
| 2020 | \$ 29,568 | \$ 32,032 | \$ 61,600 |
| 2021 | 29,569 | 32,033 | 61,602 |
| Total | <u>\$ 59,137</u> | <u>\$ 64,065</u> | <u>\$ 123,202</u> |

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

IV. OTHER INFORMATION (Continued)

C. 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, 2019

IV. OTHER INFORMATION (Continued)

C. *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, 2019.

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 | Statutory Employer <u>Employer Rate</u> | <u>Caped Rate</u> |
|----------------------------|-----------|---|-------------------|
| Local government employees | 8.89% | 8.89% | |
| Police and Firemen | 22.13% | 22.13% | |

Member contribution rates as a percentage of eligible compensation for the KPERS fiscal year June 30, 2019 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, 2019, 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, 2019.

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

IV. OTHER INFORMATION (Continued)

C. *Defined Benefit Pension Plan (Continued)*

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2019, the City's proportion for the Local employees group was 0.104%, which was an increase of .015% from its proportion measured at June 30, 2018. At June 30, 2019, the City's proportion for the Police and Firemen group was 0.122%, which was a decrease of .014% from its proportion measured at June 30, 2018.

Net Pension Liability. At December 31, 2019 and 2018, the City reported a liability of \$1,456,970 and \$1,233,127, 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, 2018, which was rolled forward to June 30, 2019, 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, 2018 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, 2019 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% | 6.85% |
| 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> | <u>[0.25]%</u> |
| Total | <u>100.00%</u> | |

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

IV. OTHER INFORMATION (Continued)

C. 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 | \$ 2,176,016 | \$ 1,456,970 | \$ 855,502 |
| Police and Firemen | 1,749,897 | 1,233,127 | 800,492 |
| Total | \$ 3,925,913 | \$ 2,690,097 | \$ 1,655,994 |

Pension Expense. For the year ended December 31, 2019, the City recognized Local pension expense of \$231,170 and Police and Firemen pension expense of \$225,600, 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, 2019, 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 | \$ 72,853 | \$ 38,978 |
| Changes in proportion | 275,874 | 135,459 |
| Net difference between projected and actual earnings on pension plan investments | 59,097 | - |
| Changes of assumptions | 88,212 | 4,318 |
| | \$ 496,036 | \$ 178,755 |

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

IV. OTHER INFORMATION (Continued)

C. *Defined Benefit Pension Plan (Continued)*

\$167,417 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, 2020. 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 Deferred | | Police and Firemen Deferred | | <u>Total</u> |
|------------------------|-------------------|----------|--------------------------------|----------|-------------------|
| | [Inflows] | Outflows | [Inflows] | Outflows | |
| | <u>Amount</u> | | <u>Amount</u> | | |
| 2020 | \$ 82,131 | | \$ 69,623 | | \$ 151,754 |
| 2021 | 34,365 | | 12,736 | | 47,101 |
| 2022 | 56,425 | | 12,211 | | 68,636 |
| 2023 | 52,646 | | [4,858] | | 47,788 |
| 2024 | 3,822 | | [1,820] | | 2,002 |
| Total | \$ 229,389 | | \$ 87,892 | | \$ 317,281 |

D. *Interfund Transfers*

A reconciliation of transfers by fund type for 2019 follows:

| <u>From</u> | <u>To</u> | <u>Amount</u> |
|-------------------|-----------------------|-------------------|
| General Fund | Leases | \$ 360 |
| General Fund | Special Parks | 22,280 |
| General Fund | Capital Projects Fund | 6,000 |
| General Fund | Capital Equipment | 150,000 |
| Excise Tax Fund | Debt Service Fund | 101,450 |
| Sales Tax Fund | Debt Service Fund | 355,562 |
| Sales Tax Fund | Capital Projects Fund | 95,789 |
| Sales Tax Fund | Capital Equipment | 100,000 |
| Debt Service Fund | Debt Service Fund | 41,812 |
| | | \$ 873,253 |

E. *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, 2019

IV. OTHER INFORMATION (Continued)

F. Other Postemployment Healthcare Plan Benefits

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 current plan is financed on a pay as you go basis. The retirees pay the same premium established for active employees. The City did not contribute to the plan.

At December 31, 2019, the following employees were covered by the benefit terms:

| | |
|------------------------------|-----------|
| Active employees | 42 |
| Retirees and covered spouses | <u>-</u> |
| Total | <u>42</u> |

The total OPEB liability of \$120,326 was measured as of July 1, 2017 and was determined by an actuarial valuation as of that date.

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Valuation date | July 1, 2017 |
| Actuarial cost method | Entry age normal as a level percentage of payroll |
| Salary increases | 3.00% |
| Discount rate | 3.00% |
| Healthcare cost trend rates | Medical & Pharmacy: 6.50 for 2019, decreasing 0.50% in 2020, decreasing 0.25% per year to an ultimate rate of 5.00% for 2024 and later years |

The discount rate was based on an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the RPH-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-2018.

Changes in the total OPEB liability are as follows:

| | Total OPEB Liability |
|---------------------------------|----------------------|
| Balance 1/1/2019 | \$ 40,944 |
| Service cost | 3,446 |
| Interest | 1,642 |
| Changes in benefit terms | 37,621 |
| Diff. between expected & actual | 26,482 |
| Changes in assumptions | <u>10,191</u> |
| Balance 12/31/2019 | <u>\$ 120,326</u> |

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

IV. OTHER INFORMATION (Continued)

F. Other Postemployment Healthcare Plan Benefits (Continued)

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.00%) or one percentage point higher (4.00%) than the current discount rate:

| | 1% Decrease <u>(2.00%)</u> | Discount Rate <u>(3.00%)</u> | 1% Increase <u>(4.00%)</u> |
|----------------------|-------------------------------|---------------------------------|-------------------------------|
| Total OPEB Liability | <u>\$ 133,206</u> | <u>\$ 120,326</u> | <u>\$ 108,763</u> |

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

| | Healthcare Cost Trend Rates | |
|----------------------|--|--------------------|
| | <u>1% Decrease</u> <u>(6.50% decreasing to 5.00%)</u> | <u>1% Increase</u> |
| Total OPEB Liability | <u>\$ 102,855</u> | <u>\$ 120,326</u> |

For the year ended December 31, 2019, the City recognized OPEB expense of \$43,995.

Deferred Outflows of Resources and Deferred Inflows of Resources. At December 31, 2019, the City reported deferred inflows related to other postemployment benefits from the following sources:

| | Deferred outflows <u>of resources</u> | Deferred inflows <u>of resources</u> |
|--|--|---|
| Changes of assumptions | \$ 9,463 | \$ [16,010] |
| Difference between expected and actual experience | <u>24,590</u> | <u>-</u> |
| Total | <u>\$ 34,053</u> | <u>\$ [16,010]</u> |

Amounts reported as deferred outflows of resources will be recognized in OPEB expense as follows:

| Year ended <u>June 30,</u> | Deferred [Inflows] Outflows | |
|-------------------------------|--------------------------------|------------------|
| | <u>Amount</u> | |
| 2020 | \$ 1,286 | |
| 2021 | 1,286 | |
| 2022 | 1,286 | |
| 2023 | 1,286 | |
| 2024 | 1,286 | |
| 2025+ Total | <u>11,613</u> | <u>\$ 18,043</u> |

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

IV. OTHER INFORMATION (Continued)

G. Other Postemployment Benefits - KPERS

Plan Description. The City participates in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits. Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Employees covered by benefit terms. At June 30, 2019, the valuation date, the following employees were covered by the benefit terms:

| | |
|------------------------------|-----------|
| Active employees | 36 |
| Retirees and covered spouses | - |
| Total | <u>36</u> |

Total OPEB Liability. The City's total KPERS OPEB liability of \$38,736 reported as of December 31, 2019, was measured as of June 30, 2019, and was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019, using the following actuarial assumptions:

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

IV. OTHER INFORMATION (Continued)

G. Other Postemployment Benefits - KPERS (Continued)

| | |
|---|-------------------|
| Valuation date | December 31, 2018 |
| Actuarial cost method | Entry age normal |
| Inflation | 2.75% |
| Salary increases | 3.00% |
| Discount rate (based on 20 year municipal bond rate with an average rating of AA/Aa or better, obtained through the Bond Buyer General Obligation 20-Bond Municipal Index) | 3.50% |

The discount rate was based on the bond buyer general obligation 20-bond municipal index.

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-2019.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period of January 1, 2013 through December 31, 2015. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2018 KPERS pension valuation.

The changes in the total OPEB liability are as follows:

| | Total OPEB Liability |
|-------------------------|----------------------|
| Balance 1/1/2019 | \$ 31,151 |
| Service cost | 5,600 |
| Interest | 1,423 |
| Changes in demographics | [31] |
| Changes in assumptions | 593 |
| Balance 12/31/2019 | <u>\$ 38,736</u> |

Sensitivity of the total KPERS OPEB liability to changes in the discount rate. The following presented the total KPERS OPEB liability of the City, as well as what the City's total KPERS OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

| | 1% Decrease | Discount Rate | 1% Increase |
|----------------------|------------------|------------------|------------------|
| | <u>(2.50%)</u> | <u>(3.50%)</u> | <u>(4.50%)</u> |
| Total OPEB Liability | <u>\$ 40,228</u> | <u>\$ 38,736</u> | <u>\$ 37,078</u> |

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

IV. OTHER INFORMATION (Continued)

G. Other Postemployment Benefits - KPERS (Continued)

Sensitivity of the total KPERS OPEB liability to changes in the healthcare cost trend rates. The following presented the total KPERS OPEB liability of the City calculated using the current healthcare cost trend rates as well as what the City's total KPERS OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates. The reader should note that healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS, but this exhibit is provided as it is a required disclosure under GASB 75.

| | Healthcare Cost | | |
|----------------------|--------------------|--------------------|--------------------|
| | <u>1% Decrease</u> | <u>Trend Rates</u> | <u>1% Increase</u> |
| Total OPEB Liability | <u>\$ 38,736</u> | <u>\$ 38,736</u> | <u>\$ 38,736</u> |

For the year ended June 30, 2018, the City recognized OPEB expense of \$6,111.

Deferred Outflows of Resources and Deferred Inflows of Resources. At December 31, 2019, the City reported deferred outflows related to other postemployment benefits from the following sources:

| | <u>Deferred outflows</u> | <u>Deferred inflows</u> |
|--|--------------------------|--------------------------|
| | <u>of resources</u> | <u>of resources</u> |
| Changes of assumptions | \$ 532 | \$ [876] |
| Differences between expected and actual experience | - | [6,516] |
| Total | <u>\$ 532</u> | <u>\$ [7,392]</u> |

\$8,994 reported as deferred outflows of resources related to OPEB 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, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the KPERS will be recognized in pension expense as follows:

| Year ended | Deferred | |
|--------------|------------------|---------------------------|
| | <u>June 30,</u> | <u>[Inflows] Outflows</u> |
| 2020 | \$ | [912] |
| 2021 | | [912] |
| 2022 | | [912] |
| 2023 | | [912] |
| 2024 | | [912] |
| 2025+ | | [2,300] |
| Total | <u>\$</u> | <u>[6,860]</u> |

City of Spring Hill, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

IV. OTHER INFORMATION (Continued)

H. Tax Abatements

During 2019, the City of Spring Hill participated in real property tax abatements for two local companies. 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.

| Abatement | | | | |
|--------------------------------|-------|------|-----------|------------------|
| Company | Start | End | % | 2019 Tax Abated |
| Blackhawk Apartment Homes, LLC | 2017 | 2026 | 49% - 81% | \$ 9,887 |
| Seats, Inc | 2018 | 2023 | 50% | \$ 28,477 |
| Total | | | | \$ 38,364 |

I. Subsequent Events

On October 15, 2020, the City issued Series 2020-A General Obligation Temporary Notes in the amount of \$3,090,000. Proceeds from the notes will be used to pay a portion of the costs of certain street, sanitary sewer, storm drainage, water and related improvements. The City will repay the temporary notes on September 1, 2022. The interest rate on the notes is 1.00%.

Also on October 15, 2020, the City issued Series 2020-B General Obligation Bonds in the amount of \$6,195,000. Proceeds from the bonds will be used to refund certain outstanding general obligation bonds of the City in advance of their stated maturities. The City will make the first payment on the bonds on September 1, 2022 and the last payment on September 1, 2036. The interest rates on the bonds range from .83% to 3.00%.

On January 30, 2020, the World Health Organization declared the Coronavirus outbreak as a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions were taken to help mitigate the spread of the virus, including social-distancing, quarantines and forced closures of certain types of public places and businesses. Management is unable to quantify the financial and other impacts to the City's financial position but believes a material impact is reasonable possible.

City of Spring Hill, Kansas

OTHER POSTEMPLOYMENT BENEFITS
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years*

| | <u>2019</u> | <u>2018</u> |
|--|-------------------------|-------------------------|
| Total OPEB liability | | |
| Service cost | \$ 3,446 | \$ 7,899 |
| Interest | 1,642 | 2,818 |
| Changes in benefit terms | 37,621 | [31,252] |
| Differences between expected & actual experience | 26,482 | - |
| Changes in assumptions | <u>10,191</u> | <u>[18,678]</u> |
| Net change in total OPEB liability | 79,382 | [39,213] |
| Total OPEB liability - beginning | <u>40,944</u> | <u>80,157</u> |
| Total OPEB liability - ending | <u>\$ 120,326</u> | <u>\$ 40,944</u> |
| Covered payroll | <u>\$ 2,090,079</u> | <u>\$ 2,090,079</u> |
| Total OPEB liability as a percentage of covered-employee payroll | 5.76% | 1.96% |
| Actuarially determined contribution | <u>\$ -</u> | <u>\$ 31,252</u> |
| Actual contribution | <u>\$ -</u> | <u>\$ 31,252</u> |
| Contributions as a percentage of covered payroll | 0.00% | 1.50% |

* - Data became available with the inception of GASB 75 during fiscal year 2017, therefore 10 years of data is unavailable.

City of Spring Hill, Kansas

OTHER POSTEMPLOYMENT BENEFITS - KPERS
 Schedule of Changes in the City's Total OPEB Liability and Related Ratios
 Last Ten Fiscal Years*

| | <u>2019</u> | <u>2018</u> |
|--|-------------------------|-------------------------|
| Total OPEB liability | | |
| Service cost | \$ 5,600 | \$ 5,561 |
| Interest | 1,422 | 1,372 |
| Changes in demographics | [31] | [8,176] |
| Changes in assumptions | <u>593</u> | <u>[376]</u> |
| Net change in total OPEB liability | 7,584 | [1,619] |
| Total OPEB liability - beginning | <u>31,152</u> | <u>32,771</u> |
| Total OPEB liability - ending | <u>\$ 38,736</u> | <u>\$ 31,152</u> |
| Covered payroll | <u>\$ 1,813,813</u> | <u>\$ 1,478,382</u> |
| Total OPEB liability as a percentage of covered-employee payroll | 2.14% | 2.11% |
| Actuarially determined contribution | <u>\$ 31</u> | <u>\$ 8,176</u> |
| Actual contribution | <u>\$ 31</u> | <u>\$ 8,176</u> |
| Contributions as a percentage of covered payroll | 0.00% | 0.55% |

* - Data became available with the inception of GASB 75 during fiscal year 2018, therefore 10 years of data is unavailable.

City of Spring Hill, Kansas

REQUIRED SUPPLEMENTARY INFORMATION
Year ended December 31, 2019

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

| | Police and | | Police and | | Police and | | Police and | | Police and | | Police and | |
|---|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Local 12/31/2019 | Firemen 12/31/2019 | Local 12/31/2018 | Firemen 12/31/2018 | Local 12/31/2017 | Firemen 12/31/2017 | Local 12/31/2016 | Firemen 12/31/2016 | Local 12/31/2015 | Firemen 12/31/2015 | Local 12/31/2014 | Firemen 12/31/2014 |
| City's proportion of the net pension liability | 0.1043% | 0.1218% | 0.0886% | 0.1361% | 0.0852% | 0.1287% | 0.0876% | 0.1343% | 0.0853% | 0.1237% | | |
| City's proportionate share of the net pension liability | \$ 1,456,970 | \$ 1,233,127 | \$ 1,234,591 | \$ 1,309,778 | \$ 1,233,737 | \$ 1,206,608 | \$ 1,354,641 | \$ 1,247,014 | \$ 1,119,738 | \$ 898,135 | | |
| City's covered employee payroll | \$ 1,723,890 | \$ 656,876 | \$ 1,506,074 | \$ 667,151 | \$ 1,527,671 | \$ 639,580 | \$ 1,430,589 | \$ 635,570 | \$ 1,420,633 | \$ 542,879 | | |
| City's proportionate share of the net pension liability as a percentage of its covered employee payroll | 84.52% | 187.73% | 81.97% | 196.32% | 80.76% | 188.66% | 94.69% | 196.20% | 78.82% | 165.44% | | |
| Plan fiduciary net position as a percentage of the total pension liability | 75.02% | 71.22% | 72.15% | 70.99% | 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***

| | Police and | | Police and | | Police and | | Police and | | Police and | | Police and | |
|--|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Local 12/31/2019 | Firemen 12/31/2019 | Local 12/31/2018 | Firemen 12/31/2018 | Local 12/31/2017 | Firemen 12/31/2017 | Local 12/31/2016 | Firemen 12/31/2016 | Local 12/31/2015 | Firemen 12/31/2015 | Local 12/31/2014 | Firemen 12/31/2014 |
| Contractually required contribution | \$ 163,791 | \$ 163,410 | \$ 144,634 | \$ 131,966 | \$ 127,414 | \$ 126,959 | \$ 140,240 | \$ 130,602 | \$ 135,589 | \$ 135,758 | | |
| Contributions in relation to the contractually required contribution | 163,791 | 163,410 | 144,634 | 131,966 | 127,414 | 126,959 | 140,240 | 130,602 | 135,589 | 135,758 | | |
| Contribution deficiency [excess] | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| City's covered-employee payroll | \$ 1,842,423 | \$ 738,407 | \$ 1,723,890 | \$ 656,876 | \$ 1,506,074 | \$ 667,151 | \$ 1,527,671 | \$ 639,580 | \$ 1,430,589 | \$ 635,570 | | |
| Contributions as a percentage of covered-employee payroll | 8.89% | 22.13% | 8.39% | 20.09% | 8.46% | 19.03% | 9.18% | 20.42% | 9.48% | 21.36% | | |

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

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City of Spring Hill, Kansas

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2019

| | Cemetery Taxation | Cemetery Reserve | Special Parks | Gift | Law Enforcement Reserve | Water Feature | Sales Tax | County Special Sales Tax | Special Alcohol |
|---|-------------------------|-------------------------|--------------------------|------------------------|-------------------------------|------------------------|--------------------------|--------------------------------|-------------------------|
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | \$ 1,983 | \$ 90,960 | \$ 201,177 | \$ 5,121 | \$ 6,433 | \$ 2,425 | \$ 179,427 | \$ 57,038 | \$ 18,709 |
| Taxes receivable | <u>32,917</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u><u>\$ 34,900</u></u> | <u><u>\$ 90,960</u></u> | <u><u>\$ 201,177</u></u> | <u><u>\$ 5,121</u></u> | <u><u>\$ 6,433</u></u> | <u><u>\$ 2,425</u></u> | <u><u>\$ 179,427</u></u> | <u><u>\$ 57,038</u></u> | <u><u>\$ 18,709</u></u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 5,928 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>5,928</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred inflows of resources | | | | | | | | | |
| Deferred revenue | 31,385 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>31,385</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities and deferred inflows of resources | <u>31,385</u> | <u>-</u> | <u>5,928</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances | | | | | | | | | |
| Restricted | 3,515 | 90,960 | 195,249 | 5,121 | 6,433 | 2,425 | 179,427 | 57,038 | 18,709 |
| Committed | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balance | <u>3,515</u> | <u>90,960</u> | <u>195,249</u> | <u>5,121</u> | <u>6,433</u> | <u>2,425</u> | <u>179,427</u> | <u>57,038</u> | <u>18,709</u> |
| Total liabilities and fund balances | <u><u>\$ 34,900</u></u> | <u><u>\$ 90,960</u></u> | <u><u>\$ 201,177</u></u> | <u><u>\$ 5,121</u></u> | <u><u>\$ 6,433</u></u> | <u><u>\$ 2,425</u></u> | <u><u>\$ 179,427</u></u> | <u><u>\$ 57,038</u></u> | <u><u>\$ 18,709</u></u> |

| Scholarship | Replacement Reserve | Cemetery | Mayor's Tree | Melvin Murry Playground | Economic Development | GO 2016B | Lease 2017 | GO 2019A TN | GO 2020 TN | Totals |
|-------------|---------------------|------------|--------------|-------------------------|----------------------|-----------|------------|-------------|------------|--------------------|
| \$ 1,950 | \$ 314,692 | \$ 106,161 | \$ 2,560 | \$ 670 | \$ 30,111 | \$ 18,595 | \$ 48,513 | \$ 79,502 | \$ 8,235 | \$ 1,174,262 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 1,950 | \$ 314,692 | \$ 106,161 | \$ 2,560 | \$ 670 | \$ 30,111 | \$ 18,595 | \$ 48,513 | \$ 79,502 | \$ 8,235 | \$ 1,207,179 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 31,531 | \$ 551 | \$ 3,787 \$ 41,797 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 31,385 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 31,531 | \$ 551 | \$ 3,787 \$ 73,182 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 1,950 | - | 106,161 | 2,560 | 670 | 30,111 | 18,595 | 16,982 | 78,951 | 4,448 | 819,305 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 1,950 | 314,692 | 106,161 | 2,560 | 670 | 30,111 | 18,595 | 16,982 | 78,951 | 4,448 | 1,133,997 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 1,950 | \$ 314,692 | \$ 106,161 | \$ 2,560 | \$ 670 | \$ 30,111 | \$ 18,595 | \$ 48,513 | \$ 79,502 | \$ 8,235 | \$ 1,207,179 |

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, 2019

| | Cemetery Taxation | Cemetery Reserve | Special Parks | Gift | Law Enforcement Reserve | Water Feature | Sales Tax | County Special Sales Tax | Special Alcohol |
|---|----------------------|---------------------|-------------------|-----------------|-------------------------------|------------------|-------------------|--------------------------------|--------------------|
| Revenues | | | | | | | | | |
| Taxes | \$ 31,403 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 445,634 | \$ 108,945 | \$ 22,321 |
| Intergovernmental | - | - | 37,738 | - | 833 | - | - | - | - |
| Use of money and property | 1 | 30 | 80 | - | 3 | - | 110 | 28 | 3 |
| Miscellaneous | - | - | 32,500 | - | - | - | - | - | - |
| Total revenues | 31,404 | 30 | 70,318 | - | 836 | - | 445,744 | 108,973 | 22,324 |
| Expenditures | | | | | | | | | |
| General government | 28,085 | - | - | - | - | 676 | - | - | 3,615 |
| Culture and recreation | - | - | 55,783 | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - | - | - |
| Total expenditures | 28,085 | - | 55,783 | - | - | 676 | - | - | 3,615 |
| Excess [deficiency] of revenues over [under] expenditures | 3,319 | 30 | 14,535 | - | 836 | [676] | 445,744 | 108,973 | 18,709 |
| Other financing sources and [uses] | | | | | | | | | |
| Transfers in | - | - | 22,280 | - | - | - | - | - | - |
| Transfers [out] | - | - | - | - | - | - | [451,352] | [100,000] | - |
| Temporary note proceeds | - | - | - | - | - | - | - | - | - |
| Lease proceeds | - | - | - | - | - | - | - | - | - |
| Total other financing sources and [uses] | - | - | 22,280 | - | - | - | [451,352] | [100,000] | - |
| Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses] | 3,319 | 30 | 36,815 | - | 836 | [676] | [5,608] | 8,973 | 18,709 |
| Fund balances, January 1 | 196 | 90,930 | 158,434 | 5,121 | 5,597 | 3,101 | 185,035 | 48,065 | - |
| Fund balances, December 31 | \$ 3,515 | \$ 90,960 | \$ 195,249 | \$ 5,121 | \$ 6,433 | \$ 2,425 | \$ 179,427 | \$ 57,038 | \$ 18,709 |

| Scholarship | Replacement Reserve | Cemetery | Mayor's Tree | Melvin Murry Playground | Economic Development | GO 2016B | Lease 2017 | GO 2019A | GO 2020 | Totals |
|-------------|---------------------|------------|--------------|-------------------------|----------------------|-----------|------------|-------------|----------|--------------|
| | | | | | | | | TN | TN | |
| \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ 608,303 |
| - | - | 28,000 | - | - | - | - | - | - | - | 66,571 |
| 5 | 58 | 476 | - | - | 11 | 16 | 4 | 45 | 1 | 871 |
| - | 750 | 22,606 | 4,244 | - | 9,350 | - | - | - | 10,000 | 79,450 |
| 5 | 808 | 51,082 | 4,244 | - | 9,361 | 16 | 4 | 45 | 10,001 | 755,195 |
| - | 83,665 | 35,606 | 5,940 | - | 17,776 | - | 5,000 | 39,482 | - | 219,845 |
| - | - | - | - | - | - | - | - | - | - | 55,783 |
| - | - | - | - | - | - | - | 338,270 | 1,473,769 | 5,553 | 1,817,592 |
| - | 83,665 | 35,606 | 5,940 | - | 17,776 | - | 343,270 | 1,513,251 | 5,553 | 2,093,220 |
| 5 | [82,857] | 15,476 | [1,696] | - | [8,415] | 16 | [343,266] | [1,513,206] | 4,448 | [1,338,025] |
| - | 250,000 | - | - | - | - | - | 360 | - | - | 272,640 |
| - | - | - | - | - | - | [41,812] | - | - | - | [593,164] |
| - | - | - | - | - | - | - | - | 1,600,000 | - | 1,600,000 |
| - | - | - | - | - | - | - | 210,805 | - | - | 210,805 |
| - | 250,000 | - | - | - | - | [41,812] | 211,165 | 1,600,000 | - | 1,490,281 |
| 5 | 167,143 | 15,476 | [1,696] | - | [8,415] | [41,796] | [132,101] | 86,794 | 4,448 | 152,256 |
| 1,945 | 147,549 | 90,685 | 4,256 | 670 | 38,526 | 60,391 | 149,083 | [7,843] | - | 981,741 |
| \$ 1,950 | \$ 314,692 | \$ 106,161 | \$ 2,560 | \$ 670 | \$ 30,111 | \$ 18,595 | \$ 16,982 | \$ 78,951 | \$ 4,448 | \$ 1,133,997 |

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, 2019

| | GAAP <u>Basis</u> | Adjustments to Budgetary <u>Basis</u> | Budgetary <u>Basis</u> | Original Budget | Final Budget | Variance Positive [Negative] |
|--|----------------------|---|---------------------------|--------------------|-----------------|------------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 31,403 | \$ - | \$ 31,403 | \$ 29,961 | \$ 29,961 | \$ 1,442 |
| Use of money and property | <u>1</u> | <u>-</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>1</u> |
| Total revenues | <u>31,404</u> | <u>-</u> | <u>31,404</u> | <u>29,961</u> | <u>29,961</u> | <u>1,443</u> |
| Expenditures | | | | | | |
| Culture and recreation | 28,085 | - | 28,085 | 29,500 | 29,500 | 1,415 |
| Contractual services | | | | | | |
| Total expenditures | <u>28,085</u> | <u>-</u> | <u>28,085</u> | <u>29,500</u> | <u>29,500</u> | <u>1,415</u> |
| Excess [deficiency] of revenues over [under] expenditures | 3,319 | - | 3,319 | \$ 461 | \$ 461 | \$ 2,858 |
| Fund balance, January 1 | <u>196</u> | <u>-</u> | <u>196</u> | | | |
| Fund balance, December 31 | <u>\$ 3,515</u> | <u>\$ -</u> | <u>\$ 3,515</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, 2019

| | GAAP <u>Basis</u> | Adjustments to Budgetary <u>Basis</u> | Budgetary <u>Basis</u> | Original <u>Budget</u> | Final <u>Budget</u> | Variance Positive [Negative] |
|--|----------------------|---|---------------------------|---------------------------|------------------------|------------------------------------|
| Revenues | | | | | | |
| Intergovernmental | \$ 37,738 | \$ - | \$ 37,738 | \$ 12,030 | \$ 12,030 | \$ 25,708 |
| Use of money and property | <u>80</u> | <u>-</u> | <u>80</u> | <u>60</u> | <u>60</u> | <u>20</u> |
| Total revenues | <u>70,318</u> | <u>-</u> | <u>70,318</u> | <u>12,090</u> | <u>12,090</u> | <u>58,228</u> |
| Expenditures | | | | | | |
| Culture and recreation | - | - | - | 7,320 | 7,320 | 7,320 |
| Commodities | | | | | | |
| Contractual services | 55,783 | - | 55,783 | 2,150 | 2,150 | [53,633] |
| Capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>127,300</u> | <u>127,300</u> | <u>127,300</u> |
| Total expenditures | <u>55,783</u> | <u>-</u> | <u>55,783</u> | <u>136,770</u> | <u>136,770</u> | <u>80,987</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>14,535</u> | <u>-</u> | <u>14,535</u> | <u>[124,680]</u> | <u>[124,680]</u> | <u>139,215</u> |
| Other financing sources [uses] | | | | | | |
| Transfers in | <u>22,280</u> | <u>-</u> | <u>22,280</u> | <u>8,000</u> | <u>8,000</u> | <u>14,280</u> |
| Total other financing sources [uses] | <u>22,280</u> | <u>-</u> | <u>22,280</u> | <u>8,000</u> | <u>8,000</u> | <u>14,280</u> |
| Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses] | 36,815 | - | 36,815 | <u>\$ [116,680]</u> | <u>\$ [116,680]</u> | <u>\$ 153,495</u> |
| Fund balance, January 1 | <u>158,434</u> | <u>-</u> | <u>158,434</u> | | | |
| Fund balance, December 31 | <u>\$ 195,249</u> | <u>\$ -</u> | <u>\$ 195,249</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, 2019

| | GAAP <u>Basis</u> | Adjustments to Budgetary <u>Basis</u> | Budgetary <u>Basis</u> | Original <u>Budget</u> | Final <u>Budget</u> | Variance Positive [Negative] |
|--|----------------------|---|---------------------------|---------------------------|------------------------|------------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 445,634 | \$ - | \$ 445,634 | \$ 439,265 | \$ 439,265 | \$ 6,369 |
| Use of money and property | <u>110</u> | <u>-</u> | <u>110</u> | <u>50</u> | <u>50</u> | <u>60</u> |
| Total revenues | <u>445,744</u> | <u>-</u> | <u>445,744</u> | <u>439,315</u> | <u>439,315</u> | <u>6,429</u> |
| Expenditures | | | | | | |
| Capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,020</u> | <u>7,020</u> | <u>7,020</u> |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,020</u> | <u>7,020</u> | <u>7,020</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>445,744</u> | <u>-</u> | <u>445,744</u> | <u>432,295</u> | <u>432,295</u> | <u>13,449</u> |
| Other financing sources [uses] | | | | | | |
| Transfers [out] | <u>[451,352]</u> | <u>-</u> | <u>[451,352]</u> | <u>[452,310]</u> | <u>[452,310]</u> | <u>958</u> |
| Total other financing sources [uses] | <u>[451,352]</u> | <u>-</u> | <u>[451,352]</u> | <u>[452,310]</u> | <u>[452,310]</u> | <u>958</u> |
| Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses] | <u>[5,608]</u> | <u>-</u> | <u>[5,608]</u> | <u>\$ [20,015]</u> | <u>\$ [20,015]</u> | <u>\$ 14,407</u> |
| Fund balance, January 1 | <u>185,035</u> | <u>-</u> | <u>185,035</u> | | | |
| Fund balance, December 31 | <u>\$ 179,427</u> | <u>\$ -</u> | <u>\$ 179,427</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, 2019

| | GAAP <u>Basis</u> | Adjustments to Budgetary <u>Basis</u> | Budgetary <u>Basis</u> | Original <u>Budget</u> | Final <u>Budget</u> | Variance Positive [Negative] |
|--|----------------------|---|---------------------------|---------------------------|------------------------|------------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 108,945 | \$ - | \$ 108,945 | \$ 95,685 | \$ 95,685 | \$ 13,260 |
| Use of money and property | <u>28</u> | <u>-</u> | <u>28</u> | <u>50</u> | <u>50</u> | <u>[22]</u> |
| Total revenues | <u>108,973</u> | <u>-</u> | <u>108,973</u> | <u>95,735</u> | <u>95,735</u> | <u>13,238</u> |
| Expenditures | | | | | | |
| Capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>41,630</u> | <u>41,630</u> | <u>41,630</u> |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>41,630</u> | <u>41,630</u> | <u>41,630</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>108,973</u> | <u>-</u> | <u>108,973</u> | <u>54,105</u> | <u>54,105</u> | <u>54,868</u> |
| Other financing sources [uses] | | | | | | |
| Transfers [out] | <u>[100,000]</u> | <u>-</u> | <u>[100,000]</u> | <u>[100,000]</u> | <u>[100,000]</u> | <u>-</u> |
| Total other financing sources [uses] | <u>[100,000]</u> | <u>-</u> | <u>[100,000]</u> | <u>[100,000]</u> | <u>[100,000]</u> | <u>-</u> |
| Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses] | 8,973 | - | 8,973 | \$ <u>[45,895]</u> | \$ <u>[45,895]</u> | \$ <u>54,868</u> |
| Fund balance, January 1 | <u>48,065</u> | <u>-</u> | <u>48,065</u> | | | |
| Fund balance, December 31 | <u>\$ 57,038</u> | <u>\$ -</u> | <u>\$ 57,038</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, 2019

| | GAAP <u>Basis</u> | Adjustments to Budgetary <u>Basis</u> | Budgetary <u>Basis</u> | Original <u>Budget</u> | Final <u>Budget</u> | Variance Positive [Negative] |
|--|----------------------|---|---------------------------|---------------------------|------------------------|------------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 311,969 | \$ - | \$ 311,969 | \$ 135,844 | \$ 135,844 | \$ 176,125 |
| Special assessments | 844,090 | - | 844,090 | 835,000 | 835,000 | 9,090 |
| Use of money and property | 998 | - | 998 | 10 | 10 | 988 |
| Miscellaneous | <u>73,656</u> | <u>-</u> | <u>73,656</u> | <u>80,000</u> | <u>80,000</u> | <u>[6,344]</u> |
| Total revenues | <u>1,230,713</u> | <u>-</u> | <u>1,230,713</u> | <u>1,050,854</u> | <u>1,050,854</u> | <u>179,859</u> |
| Expenditures | | | | | | |
| Principal | 9,006,834 | - | 9,006,834 | 2,265,000 | 2,265,000 | [6,741,834] |
| Interest and other charges | <u>777,328</u> | <u>-</u> | <u>777,328</u> | <u>-</u> | <u>-</u> | <u>[777,328]</u> |
| Total expenditures | <u>9,784,162</u> | <u>-</u> | <u>9,784,162</u> | <u>2,265,000</u> | <u>2,265,000</u> | <u>[7,519,162]</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>[8,553,449]</u> | <u>-</u> | <u>[8,553,449]</u> | <u>[1,214,146]</u> | <u>[1,214,146]</u> | <u>[7,339,303]</u> |
| Other financing sources [uses] | | | | | | |
| Bond proceeds | 8,194,805 | - | 8,194,805 | - | - | 8,194,805 |
| Transfers in | <u>498,824</u> | <u>-</u> | <u>498,824</u> | <u>1,041,355</u> | <u>1,041,355</u> | <u>[542,531]</u> |
| Total other financing sources [uses] | <u>8,693,629</u> | <u>-</u> | <u>8,693,629</u> | <u>1,041,355</u> | <u>1,041,355</u> | <u>7,652,274</u> |
| Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses] | 140,180 | - | 140,180 | \$ [172,791] | \$ [172,791] | \$ 312,971 |
| Fund balance, January 1 | <u>235,468</u> | <u>-</u> | <u>235,468</u> | | | |
| Fund balance, December 31 | <u>\$ 375,648</u> | <u>\$ -</u> | <u>\$ 375,648</u> | | | |

See independent auditor's report on the financial statements.