

**RESOLUTION 17-67**

**A RESOLUTION TO ACCEPT THE AUDIT REPORT FOR CITY OF  
SPRING HILL FINANCIAL RECORDS FOR FISCAL YEAR 2015-2016  
PREPARED AND PRESENTED BY  
CROSSLIN CERTIFIED PUBLIC ACCOUNTANTS**

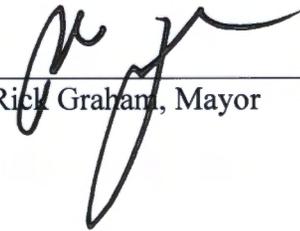
**WHEREAS**, pursuant to T.C.A. § 6-56-105, the governing body of each municipality shall cause an annual audit to be made of the accounts and records of all departments, boards, and agencies under its jurisdiction that receive and disburse funds at the close of each fiscal year; and

**WHEREAS**, the Board of Mayor and Aldermen of the City of Spring Hill has contracted with Crosslin Certified Public Accountants, to perform this Audit Report for Fiscal Year 2015-2016; and

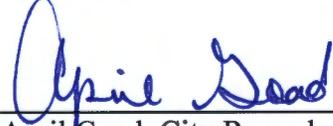
**WHEREAS**, the Board of Mayor and Aldermen of the City of Spring Hill has been presented the Audit Report for Fiscal Year 2015-2016 by Accountants with the firm of Crosslin Certified Public Accountants, on July 17, 2017; and

**NOW, THEREFORE BE IT RESOLVED**, by the Board of Mayor and Aldermen of the City of Spring Hill, the Spring Hill Board of Mayor and Aldermen do hereby accept the Audit Report of the financial records of the City of Spring Hill for the fiscal year 2015-2016.

Passed and adopted the 17<sup>th</sup> day of July, 2017.

  
\_\_\_\_\_  
Rick Graham, Mayor

WITNESS:

  
\_\_\_\_\_  
April Goad, City Recorder

LEGAL FORM APPROVED:

  
\_\_\_\_\_  
Patrick Carter, City Attorney

**CITY OF SPRING HILL, TENNESSEE**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

CITY OF SPRING HILL, TENNESSEE  
 FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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CITY OF SPRING HILL, TENNESSEE  
 FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**INTRODUCTORY SECTION**



CITY OF SPRING HILL, TENNESSEE  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2016

**BOARD OF MAYOR AND ALDERMAN**

Mayor	Rick Graham
Vice Mayor and Alderman	Bruce Hull
Alderman	Jonathan Duda
Alderman	Keith Hudson
Alderman	Matt Fitterer
Alderman	Chad Wittenburg
Alderman	Kayce Williams
Alderman	Amy Wurth
Alderman	Susan Zemek

**CITY OFFICIALS**

City Administrator	Victor Lay
Finance Director	James Smith
Chief of Police	Don Brite
Codes Director	Chris Brooks
Parks & Recreation Director	Kevin Fischer
City Recorder	April Goad
GIS/IT	John Pewitt
Dispatch Director	Brandi Smith
Fire Chief	Terry Hood
Human Resources Director	Shelley Taylor
Infrastructure Director	Dan Allen
Public Works Director	Jeff Foster
Water Treatment Plant Director	Caryl Giles
Communications Officer	Jamie Page
Waste Water Treatment Plan Director	Travis Massey
City Planner	Dara Sanders

**FINANCIAL SECTION**





## Independent Auditor's Report

The Board of Mayor and Aldermen  
City of Spring Hill, Tennessee

### **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, Tennessee, (the "City") as of for the year ended June 30, 2016, 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, Tennessee, as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Adequate Facilities / Development Fund and Sanitation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note A to the financial statements, the beginning net position for the governmental activities on the statement of activities has been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 14, the schedule of changes in the net pension liability and related ratios - pension plan, the schedule of employer contributions - pension plan, and the notes to required supplemental information on pages 60 through 62, 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 of Spring Hill, Tennessee's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements and schedules on pages 63 through 69, and the supplemental schedules on pages 71 through 78, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance on page 70 is presented for purposes of additional analysis as required by the State of Tennessee, and is also not a required part of the basic financial statements.



The combining and individual nonmajor fund financial statements and schedules, the other schedules on pages 71 through 73, and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, the other schedules on pages 71 through 73, and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, as listed in the table of contents, and the other schedules on pages 74 through 78 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2017 on our consideration of the City of Spring Hill, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Spring Hill, Tennessee's internal control over financial reporting and compliance.

*Crosslin, PLLC*

Nashville, Tennessee  
June 21, 2017

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016

As management of the City of Spring Hill, Tennessee (the "City" or the "City of Spring Hill"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the City's financial statements (beginning on page 15).

Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided for prior years, when prior year information is available, a comparative analysis of government-wide data will be presented.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Spring Hill exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$78,046,741 (total net position).
- The government's total net position increased by \$14,035,568.
- As of the close of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$13,071,956, an increase of \$2,099,111 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance in the general fund was 30.0% of total general fund expenditures for the year.
- During fiscal year 2016, the City issued \$3,000,000 in capital outlay notes for \$1,645,000 in anticipated General Fund projects and \$1,355,000 for Water and Sewer Fund and Sanitation Fund projects.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Spring Hill's basic financial statements. The City of Spring Hill's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Spring Hill's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Spring Hill's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over periods of time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Spring Hill is improving or deteriorating.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Spring Hill that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Spring Hill include general government, public safety, roads and streets, parks and recreation and culture. The business-type activities include water and sewer related funds and a storm water fund.

The government-wide financial statements can be found on pages 15 - 16 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Spring Hill, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Spring Hill can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances on spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Spring Hill maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Adequate Facilities / Development Fund and the Sanitation Fund, which are considered to be major funds. Data for the other non-major governmental funds is provided in the form of combining statements starting on page 63 of this report.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016

The City of Spring Hill adopts an annual appropriated budget for its General Fund and Major Special Revenue Funds - Adequate Facilities / Development Fund and Sanitation Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 17 - 29 of this report.

*Proprietary funds.* The City of Spring Hill maintains three proprietary funds, which include the Water and Sewer Fund, the Storm Water Fund, and the Sewer Expansion Fund. A proprietary fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Spring Hill uses enterprise funds to account for activities in its Water and Sewer Fund, Storm Water Fund, and Sewer Expansion Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among a City's various functions. The City of Spring Hill does not use internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, Storm Water Fund, and Sewer Expansion Fund. The basic proprietary fund financial statements can be found on pages 30 - 32 of this report.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support a City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Spring Hill does not have any fiduciary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 - 59 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this reports also presents certain required supplementary information. The City of Spring Hill's progress in funding its obligation to provide pension benefits to its employees is presented.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and budgetary comparison statements can be found on pages 63 - 69 of this report.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Spring Hill, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$78,046,741.

**Net Position - Primary Government  
June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 19,467,140	\$ 17,030,997	\$ 20,237,319	\$ 17,464,428	\$ 39,704,459	\$ 34,495,425
Capital assets	19,442,976	15,221,498	59,911,891	54,217,180	79,354,867	69,438,678
Total assets	<u>38,910,116</u>	<u>32,252,495</u>	<u>80,149,210</u>	<u>71,681,608</u>	<u>119,059,326</u>	<u>103,934,103</u>
Deferred outflows of resources	<u>562,701</u>	<u>333,266</u>	<u>179,649</u>	<u>101,970</u>	<u>742,350</u>	<u>435,236</u>
Other liabilities	3,987,713	2,846,107	2,194,475	1,674,211	6,182,188	4,520,318
Long-term liabilities outstanding	<u>13,338,121</u>	<u>12,973,915</u>	<u>17,294,401</u>	<u>17,330,782</u>	<u>30,632,522</u>	<u>30,304,697</u>
Total liabilities	<u>17,325,834</u>	<u>15,820,022</u>	<u>19,488,876</u>	<u>19,004,993</u>	<u>36,814,710</u>	<u>34,825,015</u>
Deferred inflows of resources	<u>4,915,785</u>	<u>5,533,151</u>	<u>24,440</u>	<u>-</u>	<u>4,940,225</u>	<u>5,533,151</u>
Net position:						
Net investment in capital assets	8,418,892	1,231,448	42,641,140	35,819,310	51,060,032	37,050,758
Restricted	752,898	2,459,462	6,578,653	-	7,331,551	2,459,462
Unrestricted	<u>8,059,408</u>	<u>7,541,678</u> (1)	<u>11,595,750</u>	<u>16,959,275</u>	<u>19,655,158</u>	<u>24,500,953</u>
Total net position	<u>\$ 17,231,198</u>	<u>\$ 11,232,588</u>	<u>\$ 60,815,543</u>	<u>\$ 52,778,585</u>	<u>\$ 78,046,741</u>	<u>\$ 64,011,173</u>

(1) As restated, see Note A to the financial statements.

By far the largest portion of the City of Spring Hill's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Spring Hill uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although City of Spring Hill's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position represents resources that are subject to restrictions as to how they are used. These restrictions include use for capital projects or other items as required by State law.

**CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Changes in Net Position  
For the Years Ended June 30, 2016 and 2015**

	Governmental Activities (2)		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for service	\$ 5,458,247	\$ 3,480,789	\$ 9,320,055	\$ 7,399,211	\$ 14,778,302	\$ 10,880,000
Operating grants and contributions	1,245,995	2,127,179	-	-	1,245,995	2,127,179
Capital grants and contributions	4,014,422	367,579	7,702,376	2,994,881	11,716,798	3,362,460
General revenues:						
Taxes	12,646,607	11,369,413	-	-	12,646,607	11,369,413
Intergovernmental revenues	3,131,532	4,587,766	-	-	3,131,532	4,587,766
Unrestricted investment earnings	11,510	8,832	18,873	16,219	30,383	25,051
Rent	-	-	92,919	81,931	92,919	81,931
Sales of materials	36,667	45,879	167,255	194,705	203,922	240,584
Miscellaneous	70,210	5,788	46,838	17,630	117,048	23,418
Total revenues	<u>26,615,190</u>	<u>21,993,225</u>	<u>17,348,316</u>	<u>10,704,577</u>	<u>43,963,506</u>	<u>32,697,802</u>
Expenses:						
General government	2,664,007	2,770,517	-	-	2,664,007	2,770,517
Public safety	9,359,981	10,650,129	-	-	9,359,981	10,650,129
Public works	6,439,552	1,094,976	-	-	6,439,552	1,094,976
Culture and recreation	1,812,638	5,272,654	-	-	1,812,638	5,272,654
Interest	492,425	-	-	-	492,425	-
Business-type activities	-	-	9,159,334	7,511,476	9,159,334	7,511,476
Total expenses	<u>20,768,604</u>	<u>19,788,276</u>	<u>9,159,334</u>	<u>7,511,476</u>	<u>29,927,938</u>	<u>27,299,752</u>
Change in net position before transfers	5,846,586	2,204,949	8,188,982	3,193,101	14,035,568	5,398,050
Transfers	<u>152,024</u>	<u>271,525</u>	<u>(152,024)</u>	<u>(271,525)</u>	<u>-</u>	<u>-</u>
Change in net position	5,998,610	2,476,474	8,036,958	2,921,576	14,035,568	5,398,050
Net position - beginning of year	11,926,781	9,897,400	52,778,585	49,857,009	64,705,366	59,754,409
Prior period adjustment	<u>(694,193) (3)</u>	<u>(447,093) (4)</u>	<u>-</u>	<u>-</u>	<u>(694,193)</u>	<u>(447,093)</u>
Net position - end of year	<u>\$ 17,231,198</u>	<u>\$ 11,926,781</u>	<u>\$ 60,815,543</u>	<u>\$ 52,778,585</u>	<u>\$ 78,046,741</u>	<u>\$ 64,705,366</u>

(2) Certain classification changes were made in 2016 that were not practical to reclassify for 2015.

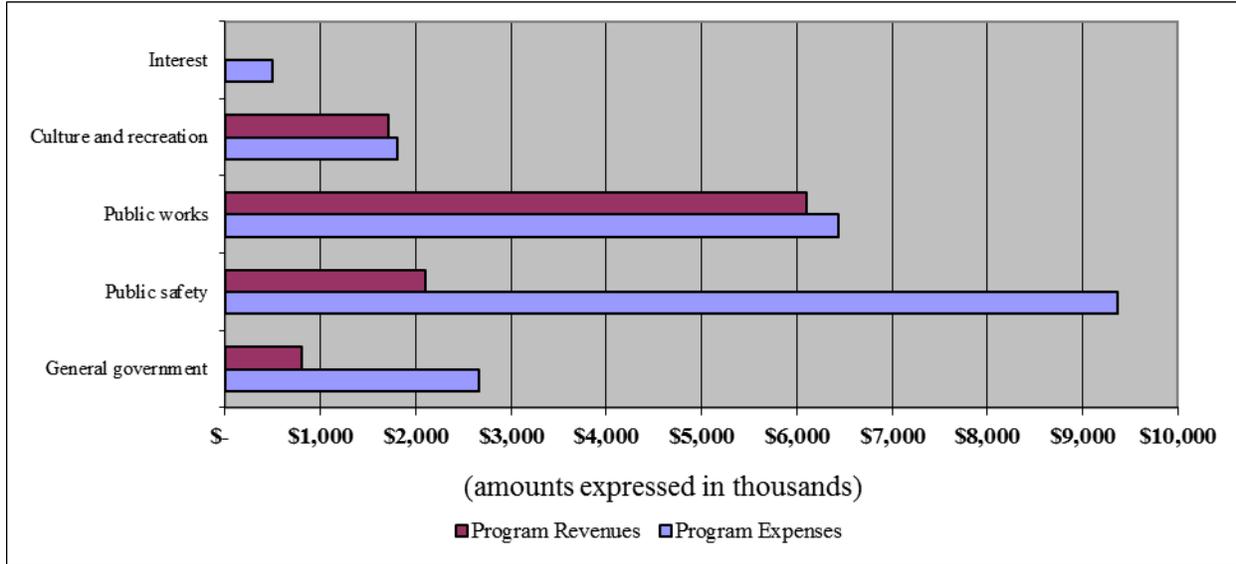
(3) See Note A to the financial statements.

(4) Restated for the adoption of GASB Statement No. 68.

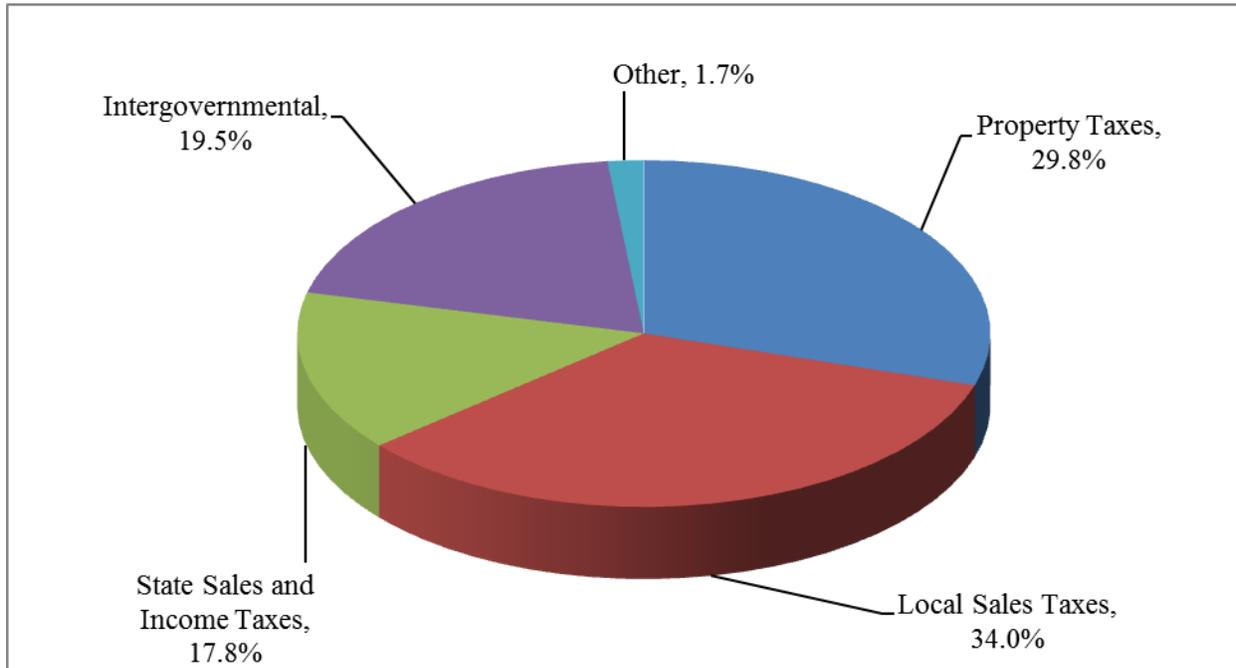
CITY OF SPRING HILL, TENNESSEE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED JUNE 30, 2016

Expenses and Program Revenues - Governmental Activities

As the graph below shows, Public safety expenses represent one of the largest activities, reflecting the City of Spring Hill's commitment to a safe community. Public works expenses were also a substantial activity. For the most part, expenses closely paralleled inflation and growth in the demand for services.



General Revenues - Governmental Activities



CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds.* The focus of the City of Spring Hill's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Spring Hill's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent a portion of fund balance that has not yet been limited to use for a particular purpose.

**Balance Sheet  
Total Governmental Funds  
June 30, 2016 and 2015**

	2016	2015
<b>Total assets</b>	<b>\$ 19,616,140</b>	<b>\$ 18,431,606</b>
Total liabilities	1,692,526	2,496,211
Deferred inflows of resources	4,851,658	4,962,550
Fund balances:		
Nonspendable	254,031	-
Restricted	4,402,729	2,459,462
Committed	3,062,757	3,034,761
Unassigned	5,352,439	5,478,622
Total fund balances	13,071,956	10,972,845
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 19,616,140</b>	<b>\$ 18,431,606</b>

As of the end of current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$13,071,956 an increase of \$2,099,111 in comparison with prior year.

The general fund is the chief operating fund of the City of Spring Hill. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,352,439.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016

**Changes in Fund Balances of Governmental Funds  
For the Years Ended June 30, 2016 and 2015**

	2016	2015 (5)
<b>Revenues:</b>		
Taxes	\$ 12,634,183	\$ 12,735,548
Licenses, permits and fees	1,051,918	1,002,081
Intergovernmental	5,192,836	3,772,909
Impact fees	1,677,616	1,436,921
Charges for services	1,937,111	1,905,589
Contributions	35,636	37,891
Fines and forfeitures	284,887	431,558
Recycling fees	506,714	478,609
Interest revenue	11,510	8,832
Sale of property	36,667	45,879
Miscellaneous	70,210	137,408
<b>Total revenues</b>	23,439,288	21,993,225
<b>Expenditures:</b>		
General government	2,315,658	2,462,714
Public safety	8,654,983	13,039,887
Public works	5,783,467	5,155,100
Culture and recreation	1,230,911	6,262,610
Debt service	1,454,771	-
Capital outlay	3,697,411	-
<b>Total expenditures</b>	23,137,201	26,920,311
Excess (deficiency) of revenues over (under) expenditures	302,087	(4,927,086)
Other financing sources (uses)		
Issuance of new debt	1,645,000	9,305,259
Transfers in	152,024	271,525
Total other financing sources (uses)	1,797,024	9,576,784
Net change in fund balances	2,099,111	4,649,698
Fund balance - beginning	10,972,845	6,323,147
Fund balance - ending	\$ 13,071,956	\$ 10,972,845

(5) Certain classification changes were made in 2016 that were not practical to reclassify for 2015.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016

The fund balances of the City of Spring Hill's governmental funds increased by \$2,099,111 during the current fiscal year. This increase was primarily the result of increase of various taxes and licenses and permits.

*Proprietary funds.* The City of Spring Hill'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 and Sewer Fund, Storm Water Fund, and Sewer Expansion Fund at the end of the year amounted to \$11,595,750. Restricted net position in these funds at the end of the year amounted to \$6,578,653. Net investment on capital assets at the end of year amounted to \$42,641,141. The total increase in net position for the proprietary funds was \$8,036,958. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Spring Hill's business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### ***Original and Final Budgeted Amounts***

The amount of budgeted revenue increased by \$330,800. The amount of budgeted expenditures decreased by \$1,509,050.

### ***Final Budgeted and Actual Amounts***

Actual revenues and other financing sources were higher than final budgeted amounts by \$884,528 primarily due to increased tax revenue and capital improvement revenue.

Actual expenditures and other financing uses were lower than final budgeted amounts by \$595,865 primarily due to lower than expected salaries due to vacant positions, repairs and maintenance, and capital outlay.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

The City's net investment in capital assets for its governmental and business-type activities as June 30, 2016 amounts to \$51,060,032 (net of accumulated depreciation). Depreciation charges for the fiscal year totaled \$3,320,571. This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, and park facilities.

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

- Police, Dispatch and Court System software
- Police Vehicles
- Completion of new water tank
- Various sewer line projects

**Capital Assets  
June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 449,829	\$ 449,829	\$ 685,955	\$ 685,955	\$ 1,135,784	\$ 1,135,784
Building and improvements	7,803,493	7,686,420	-	-	7,803,493	7,686,420
Plant and equipment	12,476,202	11,195,741	72,558,203	65,167,604	85,034,405	76,363,345
Infrastructure	13,169,624	8,718,338	-	-	13,169,624	8,718,338
Easements	-	-	211,755	173,655	211,755	173,655
Construction in progress	24,439	-	3,238,010	3,352,562	3,262,449	3,352,562
Total capital assets	33,923,587	28,050,328	76,693,923	69,379,776	110,617,510	97,430,104
Less: Accumulated depreciation	(14,480,611)	(12,828,830)	(16,782,032)	(15,162,592)	(31,262,643)	(27,991,422)
Capital assets, net	<u>\$ 19,442,976</u>	<u>\$ 15,221,498</u>	<u>\$ 59,911,891</u>	<u>\$ 54,217,184</u>	<u>\$ 79,354,867</u>	<u>\$ 69,438,682</u>

Additional information on the City of Spring Hill's capital assets can be found in Note G of this report.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016

***Long-term Debt***

At the end of the current fiscal year, the City of Spring Hill's governmental funds had total long-term debt outstanding of \$14,673,915. The proprietary funds had total long-term debt of \$18,625,751.

**Outstanding Debt, General Obligation, and Revenue Bonds  
June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Notes payable	\$ 4,698,915	\$ 5,340,050	\$ -	\$ -	\$ 4,698,915	\$ 5,340,050
Capital outlay note	1,645,000	-	1,355,000	-	3,000,000	-
Public improvement bonds	8,330,000	8,650,000	3,535,000	3,772,000	11,865,000	12,422,000
Clean water state loan program	-	-	12,558,800	13,201,515	12,558,800	13,201,515
State of Tennessee loan program	-	-	1,176,951	1,424,355	1,176,951	1,424,355
<b>Total</b>	<b>\$ 14,673,915</b>	<b>\$ 13,990,050</b>	<b>\$ 18,625,751</b>	<b>\$ 18,397,870</b>	<b>\$ 33,299,666</b>	<b>\$ 32,387,920</b>

The City of Spring Hill's total long-term debt increased by \$911,746 during the current fiscal year. Additional information on the City of Spring Hill's long-term debt can be found in Note F of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The City of Spring Hill continues to see rapid growth. This growth serves to increase the sales tax collections, building permits and impact fees. However, it also increases the need for police, fire, sanitation and water and sewer services.
- The City of Spring Hill purchased equipment, trucks, police vehicles, sewer lines and finished the completion of a new water tank.

These factors were considered in preparing the 2017 fiscal year budget for the City of Spring Hill.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Spring Hill's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Spring Hill  
Attn: City Administrator  
P.O. Box 789  
Spring Hill, Tennessee 37174

## **BASIC FINANCIAL STATEMENTS**

**City of Spring Hill, Tennessee**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total Primary Government</b>
<b>Assets:</b>			
Cash	\$ 8,646,164	\$ 10,635,871	\$ 19,282,035
Taxes receivable - property tax	4,915,954	-	4,915,954
Accounts and other receivables, net	406,209	1,167,145	1,573,354
Due from other governments	979,254	350	979,604
Internal balances	(107,401)	107,401	-
Inventory of supplies, at cost	-	309,572	309,572
Prepaid expenses and other assets	254,031	83,327	337,358
Restricted assets:			
Cash	4,372,929	7,933,653	12,306,582
Capital assets:			
Capital assets not being depreciated	474,268	4,135,720	4,609,988
Capital assets net of accumulated depreciation	18,968,708	55,776,171	74,744,879
<b>Total assets</b>	<b>38,910,116</b>	<b>80,149,210</b>	<b>119,059,326</b>
<b>Deferred Outflows of Resources:</b>			
Pensions	562,701	179,649	742,350
<b>Liabilities:</b>			
Accounts payable and other current liabilities	1,672,495	678,060	2,350,555
Due to other governments	-	58,009	58,009
Net pension liability	397,968	127,056	525,024
Accrued compensated absences	581,456	-	581,456
Long-term liabilities:			
Due within one year	1,335,794	1,331,350	2,667,144
Due in more than one year	13,338,121	17,294,401	30,632,522
<b>Total liabilities</b>	<b>17,325,834</b>	<b>19,488,876</b>	<b>36,814,710</b>
<b>Deferred Inflows of Resources:</b>			
Pensions	76,551	24,440	100,991
Property taxes	4,839,234	-	4,839,234
<b>Total deferred inflows of resources</b>	<b>4,915,785</b>	<b>24,440</b>	<b>4,940,225</b>
<b>Net Position:</b>			
Net investment in capital assets	8,418,892	42,641,140	51,060,032
Restricted for:			
Roads and streets	671,315	-	671,315
Drug enforcement and education	81,583	-	81,583
Capital projects	-	6,578,653	6,578,653
Unrestricted	8,059,408	11,595,750	19,655,158
<b>Total net position</b>	<b>\$ 17,231,198</b>	<b>\$ 60,815,543</b>	<b>\$ 78,046,741</b>

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

**City of Spring Hill, Tennessee**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Fees, Fines, and</u>	<u>Operating</u>	<u>Capital</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
		<u>Charges for</u>	<u>Grants and</u>	<u>Grants and</u>			
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>	<u>Activities</u>	
Primary Government:							
Governmental activities:							
General government	\$ 2,664,007	\$ 242,136	\$ 165,132	\$ 392,307	\$ (1,864,432)	\$ -	\$ (1,864,432)
Public safety	9,359,982	1,053,652	1,047,107	-	(7,259,223)	-	(7,259,223)
Public works	6,439,552	2,484,842	-	3,622,115	(332,595)	-	(332,595)
Culture and recreation	1,812,638	1,677,617	33,756	-	(101,265)	-	(101,265)
Interest	492,425	-	-	-	(492,425)	-	(492,425)
Total governmental activities	<u>20,768,604</u>	<u>5,458,247</u>	<u>1,245,995</u>	<u>4,014,422</u>	<u>(10,049,940)</u>	<u>-</u>	<u>(10,049,940)</u>
Business-type activities:							
Water and Sewer	8,126,625	8,465,170	-	7,702,376	-	8,040,921	8,040,921
Storm Water	718,266	854,885	-	-	-	136,619	136,619
Sewer Expansion	314,443	-	-	-	-	(314,443)	(314,443)
Total business-type activities	<u>9,159,334</u>	<u>9,320,055</u>	<u>-</u>	<u>7,702,376</u>	<u>-</u>	<u>7,863,097</u>	<u>7,863,097</u>
<b>Total primary government</b>	<u>\$ 29,927,938</u>	<u>\$ 14,778,302</u>	<u>\$ 1,245,995</u>	<u>\$ 11,716,798</u>	<u>(10,049,940)</u>	<u>7,863,097</u>	<u>(2,186,843)</u>
General revenues:							
Taxes:							
Property taxes					4,788,901	-	4,788,901
Local sales taxes					5,451,824	-	5,451,824
Wholesale beer and liquor taxes					904,567	-	904,567
Business and privilege tax					607,147	-	607,147
Franchise tax					459,132	-	459,132
Mixed drink tax					176,313	-	176,313
Payment in lieu of taxes					258,723	-	258,723
Intergovernmental:							
State taxes					2,746,618	-	2,746,618
Payment in lieu of taxes					376,142	-	376,142
Other					8,772	-	8,772
Unrestricted investment earnings					11,510	18,873	30,383
Rent					-	92,919	92,919
Sales of materials					36,667	167,255	203,922
Miscellaneous					70,210	46,838	117,048
Transfers					152,024	(152,024)	-
Total general revenues and transfers					<u>16,048,550</u>	<u>173,861</u>	<u>16,222,411</u>
Change in net position					5,998,610	8,036,958	14,035,568
Net position - beginning					11,926,781	52,778,585	64,705,366
Restatement (Note A)					(694,193)	-	(694,193)
Net position - ending					<u>\$ 17,231,198</u>	<u>\$ 60,815,543</u>	<u>\$ 78,046,741</u>

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

**City of Spring Hill, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	<u>General Fund</u>	<u>Adequate Facilities/ Development</u>	<u>Sanitation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash	\$ 5,558,375	\$ 2,585,856	\$ 305,566	\$ 196,367	\$ 8,646,164
Receivables (net, where applicable, allowances for uncollectible):					
Taxes	4,915,954	-	-	-	4,915,954
Accounts and grants	92,392	-	313,817	-	406,209
Due from other governments	843,711	37,202	-	98,341	979,254
Due from other funds	23,649	-	17,950	-	41,599
Prepaid expenses and other assets	254,031	-	-	-	254,031
Restricted assets:					
Cash	3,649,831	-	-	723,098	4,372,929
<b>Total assets</b>	<u>\$ 15,337,943</u>	<u>\$ 2,623,058</u>	<u>\$ 637,333</u>	<u>\$ 1,017,806</u>	<u>\$ 19,616,140</u>
<b>Liabilities:</b>					
Accounts payable	\$ 733,623	\$ 29,164	\$ 211,893	\$ 72,485	\$ 1,047,165
Accrued liabilities	496,361	-	-	-	496,361
Due to other funds	-	149,000	-	-	149,000
<b>Total liabilities</b>	<u>1,229,984</u>	<u>178,164</u>	<u>211,893</u>	<u>72,485</u>	<u>1,692,526</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - taxes	4,851,658	-	-	-	4,851,658
<b>Total deferred inflows of resources</b>	<u>4,851,658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,851,658</u>
<b>Fund Balances:</b>					
Nonspendable	254,031	-	-	-	254,031
Restricted:					
Unspent debt proceeds	3,649,831	-	-	-	3,649,831
Special revenue funds	-	-	-	752,898	752,898
Committed	-	2,444,894	425,440	192,423	3,062,757
Unassigned	5,352,439	-	-	-	5,352,439
<b>Total fund balances</b>	<u>9,256,301</u>	<u>2,444,894</u>	<u>425,440</u>	<u>945,321</u>	<u>13,071,956</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 15,337,943</u>	<u>\$ 2,623,058</u>	<u>\$ 637,333</u>	<u>\$ 1,017,806</u>	<u>\$ 19,616,140</u>

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

**City of Spring Hill, Tennessee**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**June 30, 2016**

<b>Total fund balances of governmental funds</b>	<b>\$ 13,071,956</b>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	19,442,976
Receivables not available to pay for current expenditures, and therefore, are unavailable in the governmental funds.	12,424
Deferred inflows and outflows of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.	
Deferred inflows	(76,551)
Deferred outflows	562,701
Long-term liabilities, including notes payable, bonds payable, and net pension liability, are not due and payable in the current period, and therefore, are not reported in the governmental funds.	
Long-term debt	(14,673,915)
Net pension liability	(397,968)
Compensated absences	(581,456)
Interest on outstanding long-term debt is accrued in the statement of net position, whereas in governmental funds, interest expenditures are reported when due.	(128,969)
<b>Net position of governmental activities</b>	<b>\$ 17,231,198</b>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<b>General Fund</b>	<b>Adequate Facilities/ Development</b>	<b>Sanitation</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Taxes	\$ 12,634,183	\$ -	\$ -	\$ -	\$ 12,634,183
Licenses, permits and fees	1,051,918	-	-	-	1,051,918
Intergovernmental	3,317,584	392,307	-	1,482,945	5,192,836
Impact fees	-	1,521,776	-	155,840	1,677,616
Charges for services	3,025	-	1,934,086	-	1,937,111
Contributions	1,880	-	-	33,756	35,636
Fines and forfeitures	192,332	-	44,042	48,513	284,887
Recycling fees	-	-	506,714	-	506,714
Interest revenue	9,024	1,932	204	350	11,510
Sale of property	31,416	-	-	5,251	36,667
Miscellaneous	66,266	-	-	3,944	70,210
<b>Total revenues</b>	<b>17,307,628</b>	<b>1,916,015</b>	<b>2,485,046</b>	<b>1,730,599</b>	<b>23,439,288</b>
<b>Expenditures:</b>					
Current:					
General government:					
Legislative, executive, and general	1,116,095	-	-	3,944	1,120,039
Judicial	54,459	-	-	-	54,459
Financial administration	456,295	-	-	-	456,295
Information management system	453,952	-	-	-	453,952
General government building	230,913	-	-	-	230,913
Public safety:					
Police	4,175,281	-	-	29,921	4,205,202
Fire	3,890,922	-	-	-	3,890,922
Building inspection	558,859	-	-	-	558,859
Public works:					
Streets	2,405,071	-	-	1,021,817	3,426,888
Sanitation	-	-	2,356,579	-	2,356,579
Culture and recreation:					
Parks and recreation	471,453	-	-	-	471,453
Library	739,593	-	-	19,865	759,458
Debt service	556,545	815,616	-	82,610	1,454,771
Capital outlay	2,676,997	941,301	-	79,113	3,697,411
<b>Total expenditures</b>	<b>17,786,435</b>	<b>1,756,917</b>	<b>2,356,579</b>	<b>1,237,270</b>	<b>23,137,201</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(478,807)</b>	<b>159,098</b>	<b>128,467</b>	<b>493,329</b>	<b>302,087</b>
<b>Other Financing Sources (Uses):</b>					
Issuance of debt	1,645,000	-	-	-	1,645,000
Transfers in	152,024	-	-	-	152,024
<b>Total other financing sources (uses)</b>	<b>1,797,024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,797,024</b>
<b>Net change in fund balances</b>	<b>1,318,217</b>	<b>159,098</b>	<b>128,467</b>	<b>493,329</b>	<b>2,099,111</b>
<b>Fund balance - beginning</b>	<b>7,938,084</b>	<b>2,285,796</b>	<b>296,973</b>	<b>451,992</b>	<b>10,972,845</b>
<b>Fund balance - ending</b>	<b>\$ 9,256,301</b>	<b>\$ 2,444,894</b>	<b>\$ 425,440</b>	<b>\$ 945,321</b>	<b>\$ 13,071,956</b>

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

**City of Spring Hill, Tennessee**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 2,099,111</b>
Amounts reported for the governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Specifically these items are as follows:	
Capital assets added	5,947,609
Depreciation expense	(1,701,131)
Net carrying value of disposals and adjustments of capital assets	(25,000)
Revenues in the statement of activities that do not provide for current financial resources are not reported as revenues in the funds	12,424
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Specifically, these items are as follows:	
Issuance of capital outlay note	(1,645,000)
Payments on debt principal	961,135
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds for:	
Accrued interest	1,212
Changes in the net pension liability and related deferred outflows and inflows of resources	365,694
Compensated absences	(17,444)
<b>Change in net position of governmental activities</b>	<b><u>\$ 5,998,610</u></b>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>REVENUES:</b>				
Taxes:				
Real and personal property	\$ 4,515,000	\$ 4,699,100	\$ 4,768,179	\$ 69,079
Utility taxes	50,000	50,000	-	(50,000)
Interest and penalty on taxes	4,000	4,000	8,298	4,298
Payments in lieu of electric	7,000	7,000	8,723	1,723
Payments in lieu of property taxes	250,000	250,000	250,000	-
Local sales tax	5,435,000	5,435,000	5,451,824	16,824
Wholesale beer tax	480,000	525,000	623,671	98,671
Wholesale liquor tax	180,000	230,000	280,896	50,896
Business tax	345,500	345,500	607,147	261,647
Franchise tax	425,000	425,000	459,132	34,132
Mixed drink taxes	135,000	135,000	176,313	41,313
Total taxes	<u>11,826,500</u>	<u>12,105,600</u>	<u>12,634,183</u>	<u>528,583</u>
Licenses and Permits:				
Beer permit applications	16,000	16,000	18,500	2,500
Alarm registrations	12,000	12,000	12,790	790
Building permits	800,000	900,000	1,005,139	105,139
Sign permits	12,000	12,000	13,789	1,789
Other permits	1,000	1,000	1,700	700
Total licenses and permits	<u>841,000</u>	<u>941,000</u>	<u>1,051,918</u>	<u>110,918</u>
Intergovernmental:				
Grants	67,100	74,600	117,087	42,487
TVA payments in lieu of taxes	367,000	367,000	376,142	9,142
Police dispatcher training	11,000	11,000	8,772	(2,228)
Fire department incentive pay	21,000	21,000	22,800	1,800
State sales tax	2,420,000	2,500,000	2,581,682	81,682
State income tax	100,000	114,200	118,519	4,319
State beer tax	16,000	16,000	15,651	(349)
Other state revenue allocations	2,500	2,500	30,766	28,266
Library revenue	56,200	56,200	46,165	(10,035)
Total intergovernmental	<u>3,060,800</u>	<u>3,162,500</u>	<u>3,317,584</u>	<u>155,084</u>
Charges for Services:				
Other charges for services	2,500	2,500	3,025	525
Total charges for services	<u>2,500</u>	<u>2,500</u>	<u>3,025</u>	<u>525</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>Fines and Forfeitures:</b>				
City court fines and costs	300,000	150,000	141,280	(8,720)
County court fines and costs	35,000	35,000	50,212	15,212
Public safety	1,000	1,000	840	(160)
Total fines and forfeitures	<u>336,000</u>	<u>186,000</u>	<u>192,332</u>	<u>6,332</u>
<b>Interest Revenue:</b>				
General	5,000	5,000	9,024	4,024
Total interest revenue	<u>5,000</u>	<u>5,000</u>	<u>9,024</u>	<u>4,024</u>
<b>Other Revenues:</b>				
Contributions	3,000	3,000	1,880	(1,120)
Insurance recoveries	-	-	51,874	51,874
Sale of surplus property	10,000	10,000	31,416	21,416
Miscellaneous revenues	7,500	7,500	14,392	6,892
Total other	<u>20,500</u>	<u>20,500</u>	<u>99,562</u>	<u>79,062</u>
Total revenues	<u>16,092,300</u>	<u>16,423,100</u>	<u>17,307,628</u>	<u>884,528</u>
<b>EXPENDITURES:</b>				
<b>General Government:</b>				
<b>Legislative, Executive, and General:</b>				
Salaries	271,300	271,300	262,133	(9,167)
Employee benefits	168,300	195,400	205,393	9,993
Board expense	10,000	10,000	7,157	(2,843)
Insurance and bonds	49,000	49,000	51,079	2,079
Advertising and publications	-	-	16,106	16,106
Community development	217,750	217,800	196,272	(21,528)
Memberships and subscriptions	26,300	34,400	31,255	(3,145)
Office supplies	2,700	2,700	1,612	(1,088)
Telephone	6,800	6,800	10,030	3,230
Auditing services	38,000	38,000	37,350	(650)
Engineering services	25,000	25,000	43,886	18,886
Other professional services	60,000	160,000	186,317	26,317
Other contractual services	55,000	55,000	36,603	(18,397)
Travel	16,500	16,500	9,641	(6,859)
Donations	16,500	16,500	12,000	(4,500)
Capital outlay	154,500	194,500	169,172	(25,328)
Miscellaneous	3,300	3,300	9,261	5,961
Total legislative, executive, and general	<u>1,120,950</u>	<u>1,296,200</u>	<u>1,285,267</u>	<u>(10,933)</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>Judicial:</b>				
Salaries	38,000	38,000	28,007	(9,993)
Employee benefits	2,000	2,000	2,142	142
Fines remitted to State	42,500	42,500	23,929	(18,571)
Miscellaneous	900	900	381	(519)
Total judicial	<u>83,400</u>	<u>83,400</u>	<u>54,459</u>	<u>(28,941)</u>
<b>Financial Administration:</b>				
Salaries	176,000	181,800	170,111	(11,689)
Employee benefits	62,000	62,500	55,617	(6,883)
Insurance and bonds	2,000	2,000	2,311	311
Business taxes	58,400	81,500	88,151	6,651
Advertising and publications	46,000	46,000	45,088	(912)
Property Assessment	12,000	12,000	8,747	(3,253)
Memberships and subscriptions	6,500	6,500	7,642	1,142
Other professional services	20,000	20,000	12,000	(8,000)
Other contractual services	28,000	28,000	28,658	658
Telephone	800	800	1,003	203
Postage	30,000	30,000	22,082	(7,918)
Printing	2,000	2,000	1,623	(377)
Travel	6,500	6,500	2,426	(4,074)
Office supplies	10,000	10,000	10,031	31
Capital outlay	1,000	71,000	69,241	(1,759)
Debt service	59,100	59,100	29,550	(29,550)
Interest	3,500	3,500	1,656	(1,844)
Miscellaneous	2,000	2,000	805	(1,195)
Total financial administration	<u>525,800</u>	<u>625,200</u>	<u>556,742</u>	<u>(68,458)</u>
<b>Information Management System:</b>				
Salaries	120,000	120,000	106,532	(13,468)
Employee benefits	49,600	49,600	43,717	(5,883)
Insurance and bonds	1,900	1,900	2,448	548
GIS and GPS	15,000	15,000	14,934	(66)
Data processing services	80,000	125,000	140,202	15,202
Engineering services	2,500	2,500	-	(2,500)
Other professional services	20,000	20,000	156	(19,844)
Other contractual services	26,000	26,000	109,179	83,179
Telephone	10,600	10,600	12,589	1,989
Capital outlay	93,000	93,000	19,849	(73,151)
Travel	2,700	2,700	1,182	(1,518)
Computer supplies	20,000	20,000	17,221	(2,779)
Office supplies	3,000	3,000	1,929	(1,071)

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
Information Management System - (Continued):				
Miscellaneous	4,000	4,000	3,863	(137)
Total information management system	<u>448,300</u>	<u>493,300</u>	<u>473,801</u>	<u>(19,499)</u>
General Government Building - City Hall Building:				
Salaries	57,700	57,700	57,254	(446)
Employee benefits	17,500	17,500	17,311	(189)
Insurance and bonds	2,800	2,800	2,810	10
Stormwater fees	1,100	1,100	1,080	(20)
Other contractual services	3,000	3,000	1,289	(1,711)
Electric and gas	28,000	28,000	23,268	(4,732)
Repairs and maintenance	37,000	37,000	26,480	(10,520)
Telephone	70,000	85,000	93,510	8,510
Operating supplies	9,000	9,000	6,786	(2,214)
Miscellaneous	1,000	1,000	1,125	125
Total general government building	<u>227,100</u>	<u>242,100</u>	<u>230,913</u>	<u>(11,187)</u>
Total general government	<u>2,405,550</u>	<u>2,740,200</u>	<u>2,601,182</u>	<u>(139,018)</u>
Public Safety:				
Police Department:				
Salaries	2,208,500	2,208,500	2,441,879	233,379
Employee benefits	1,175,400	1,175,400	1,041,556	(133,844)
Insurance and bonds	137,000	137,000	142,674	5,674
Stormwater fees	1,000	1,000	1,812	812
Postage	700	700	373	(327)
Printing	4,000	4,000	3,287	(713)
Utilities	18,500	18,500	18,771	271
Telephone	64,500	68,500	61,159	(7,341)
Travel	25,000	26,000	21,010	(4,990)
Office supplies	15,000	15,000	12,810	(2,190)
Operating supplies	124,000	137,000	107,486	(29,514)
Gas, oil, and vehicle supplies	154,000	154,000	114,056	(39,944)
Lease and related expenses	60,200	60,200	58,437	(1,763)
Advertising and publications	11,500	11,500	5,488	(6,012)
Memberships and subscriptions	4,500	4,500	3,839	(661)
Repairs and maintenance	79,000	79,000	69,711	(9,289)
Other professional services	6,500	6,500	6,463	(37)
Other contractual services	45,000	45,000	50,824	5,824
Debt service	95,300	95,300	94,472	(828)
Interest	23,600	12,700	6,113	(6,587)
Capital outlay	1,161,600	1,161,600	1,161,611	11
Miscellaneous	9,300	9,300	13,646	4,346
Total police department	<u>5,424,100</u>	<u>5,431,200</u>	<u>5,437,477</u>	<u>6,277</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
Fire:				
Salaries	2,380,900	2,347,900	2,301,679	(46,221)
Employee benefits	1,124,100	1,124,100	1,018,638	(105,462)
Fire protection and control	77,100	60,100	-	(60,100)
Insurance and bonds	90,000	97,700	99,041	1,341
Operating supplies	171,500	171,500	152,868	(18,632)
Memberships and subscriptions	5,000	5,000	2,021	(2,979)
Engineering services	10,000	20,000	17,881	(2,119)
Repairs and maintenance	120,000	120,000	119,940	(60)
Postage	100	100	72	(28)
Utilities	43,000	43,000	30,760	(12,240)
Telephone	49,800	49,800	60,634	10,834
Travel	58,700	58,700	56,518	(2,182)
Office supplies	3,000	3,000	3,587	587
Other contractual services	34,000	34,000	11,821	(22,179)
Stormwater fees	800	800	633	(167)
Debt service	309,300	309,300	366,789	57,489
Interest	17,500	17,500	18,186	686
Capital outlay	51,000	161,000	152,108	(8,892)
Miscellaneous	16,000	16,000	14,829	(1,171)
Total fire	<u>4,561,800</u>	<u>4,639,500</u>	<u>4,428,005</u>	<u>(211,495)</u>
Building Inspection:				
Salaries	367,700	367,700	354,844	(12,856)
Employee benefits	140,400	140,400	136,453	(3,947)
Insurance and bonds	18,000	18,000	21,517	3,517
Membership and subscriptions	9,000	9,000	3,991	(5,009)
Repairs and maintenance	2,000	6,000	761	(5,239)
Travel	5,500	5,500	1,181	(4,319)
Office supplies	8,500	8,500	9,260	760
Operating supplies	21,700	21,700	6,573	(15,127)
Other contractual services	138,600	13,600	22,895	9,295
Capital outlay	-	10,000	3,312	(6,688)
Miscellaneous	1,000	1,000	1,384	384
Total building inspection	<u>712,400</u>	<u>601,400</u>	<u>562,171</u>	<u>(39,229)</u>
Total public safety	<u>10,698,300</u>	<u>10,672,100</u>	<u>10,427,653</u>	<u>(244,447)</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>Public Works:</b>				
<b>Streets and Highways:</b>				
Salaries	1,103,400	1,103,400	1,001,065	(102,335)
Employee benefits	524,100	483,100	465,047	(18,053)
Insurance and bonds	55,600	60,000	55,670	(4,330)
Membership and subscriptions	4,700	4,700	1,863	(2,837)
Repairs and maintenance	327,500	137,500	631,077	493,577
Utilities	16,500	16,500	10,534	(5,966)
Telephone	40,500	40,500	43,218	2,718
Travel	13,700	13,700	3,212	(10,488)
Office supplies	6,500	6,500	6,490	(10)
Operating supplies	85,500	88,700	107,511	18,811
Printing	1,000	1,000	462	(538)
Postage	70,000	70,000	56,880	(13,120)
Other contractual services	30,000	30,000	14,959	(15,041)
Debt service	56,800	56,800	37,150	(19,650)
Interest	3,100	3,100	2,629	(471)
Capital outlay	3,264,000	1,311,300	785,242	(526,058)
Miscellaneous	13,600	13,600	7,083	(6,517)
Total streets and highways	5,616,500	3,440,400	3,230,092	(210,308)
Total public works	5,616,500	3,440,400	3,230,092	(210,308)
<b>Culture and Recreation:</b>				
<b>Parks and Recreation:</b>				
Salaries	202,400	202,400	199,439	(2,961)
Employee benefits	66,100	66,100	60,938	(5,162)
Memberships and subscriptions	500	500	-	(500)
Utilities	33,500	33,500	34,347	847
Telephone	16,700	16,700	19,577	2,877
Stormwater fees	3,600	3,600	5,789	2,189
Engineering services	10,000	65,000	67,908	2,908
Repairs and maintenance	23,500	23,500	19,306	(4,194)
Travel	3,000	3,000	2,699	(301)
Operating supplies	20,900	20,900	22,523	1,623
Gas, oil, and vehicle supplies	10,000	10,000	3,801	(6,199)
Insurance and bonds	9,000	9,000	14,976	5,976
Other contractual services	3,800	3,800	4,283	483
Capital outlay	25,000	264,700	270,323	5,623
Miscellaneous	16,000	16,000	15,867	(133)
Total parks and recreation	444,000	738,700	741,776	3,076

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
Library:				
Salaries	382,000	423,600	385,115	(38,485)
Employee benefits	148,100	166,400	123,687	(42,713)
Educational supplies	86,800	86,800	129,835	43,035
Memberships and subscriptions	4,000	4,000	5,062	1,062
Postage	1,000	1,000	1,016	16
Utilities	29,500	29,500	24,376	(5,124)
Telephone	16,300	16,300	19,900	3,600
Travel	3,000	3,000	1,328	(1,672)
Stormwater fees	1,100	1,100	1,005	(95)
Repairs and maintenance	8,500	8,500	8,075	(425)
Office supplies	1,400	1,400	1,377	(23)
Operating supplies	14,800	14,800	17,897	3,097
Insurance and bonds	4,500	4,500	4,395	(105)
Other contractual services	25,000	25,000	14,506	(10,494)
Capital outlay	-	4,000	46,139	42,139
Miscellaneous	1,000	1,000	2,019	1,019
Total library	<u>727,000</u>	<u>790,900</u>	<u>785,732</u>	<u>(5,168)</u>
Total culture and recreation	<u>1,171,000</u>	<u>1,529,600</u>	<u>1,527,508</u>	<u>(2,092)</u>
Total expenditures	<u>19,891,350</u>	<u>18,382,300</u>	<u>17,786,435</u>	<u>(595,865)</u>
Other financing sources (uses)				
Capital improvements	2,403,000	1,263,000	1,645,000	382,000
Transfers in	152,000	152,000	152,024	24
Total other financing sources	<u>2,555,000</u>	<u>1,415,000</u>	<u>1,797,024</u>	<u>382,024</u>
Net change in fund balance	(1,244,050)	(544,200)	1,318,217	1,862,417
Fund balance - beginning	<u>7,938,084</u>	<u>7,938,084</u>	<u>7,938,084</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,694,034</u>	<u>\$ 7,393,884</u>	<u>\$ 9,256,301</u>	<u>\$ 1,862,417</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Adequate Facilities/Development Fund**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>REVENUES:</b>				
Intergovernmental:				
Capital improvements	\$ 250,000	\$ 250,000	\$ 392,307	\$ 142,307
Total intergovernmental	<u>250,000</u>	<u>250,000</u>	<u>392,307</u>	<u>142,307</u>
Impact fees:				
Roads	300,000	300,000	337,053	37,053
Other	750,000	750,000	1,184,723	434,723
Total impact fees	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,521,776</u>	<u>471,776</u>
Interest	<u>1,000</u>	<u>1,000</u>	<u>1,932</u>	<u>932</u>
Total revenues	<u>1,301,000</u>	<u>1,301,000</u>	<u>1,916,015</u>	<u>615,015</u>
<b>EXPENDITURES:</b>				
Culture and Recreation:				
Parks and Recreation:				
Debt service	512,400	512,400	512,400	-
Interest	353,100	353,100	303,216	(49,884)
Capital outlay	918,100	1,299,600	941,301	(358,299)
Total expenditures	<u>1,783,600</u>	<u>2,165,100</u>	<u>1,756,917</u>	<u>(408,183)</u>
Net change in fund balance	(482,600)	(864,100)	159,098	1,023,198
Fund balance - beginning	<u>2,285,796</u>	<u>2,285,796</u>	<u>2,285,796</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,803,196</u>	<u>\$ 1,421,696</u>	<u>\$ 2,444,894</u>	<u>\$ 1,023,198</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Sanitation Fund**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>REVENUES:</b>				
Charges for services	\$ 1,740,000	\$1,740,000	\$ 1,934,086	\$ 194,086
Fines and forfeitures	26,000	26,000	44,042	18,042
Recycling fees	490,000	490,000	506,714	16,714
Interest	400	400	204	(196)
Total revenues	<u>2,256,400</u>	<u>2,256,400</u>	<u>2,485,046</u>	<u>228,646</u>
<b>EXPENDITURES:</b>				
Sanitation:				
Refuse collection and disposal service	<u>2,230,000</u>	<u>2,230,000</u>	<u>2,356,579</u>	<u>126,579</u>
Total expenditures	<u>2,230,000</u>	<u>2,230,000</u>	<u>2,356,579</u>	<u>126,579</u>
Net change in fund balance	26,400	26,400	128,467	102,067
Fund balance - beginning	<u>296,973</u>	<u>296,973</u>	<u>296,973</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 323,373</u></u>	<u><u>\$ 323,373</u></u>	<u><u>\$ 425,440</u></u>	<u><u>\$ 102,067</u></u>

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

**City of Spring Hill, Tennessee**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<u>Water and Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Sewer Expansion Fund</u>	<u>Total</u>
<b>Assets:</b>				
Current assets:				
Cash	\$ 7,801,479	\$ 1,091,577	\$ 1,742,815	\$ 10,635,871
Accounts receivable, net of allowances	1,061,554	105,591	-	1,167,145
Due from other funds	3,166,283	4,565	-	3,170,848
Due from other governments	350	-	-	350
Inventory of supplies, at cost	309,572	-	-	309,572
Prepaid expenses and other assets	83,327	-	-	83,327
Total current assets	<u>12,422,565</u>	<u>1,201,733</u>	<u>1,742,815</u>	<u>15,367,113</u>
Restricted assets:				
Cash	7,578,653	355,000	-	7,933,653
Total restricted assets	<u>7,578,653</u>	<u>355,000</u>	<u>-</u>	<u>7,933,653</u>
Utility, plant and equipment:				
Utility plant, at cost	54,912,155	-	15,879,431	70,791,586
Equipment, at cost	2,343,037	321,290	-	2,664,327
Less accumulated depreciation	(15,594,817)	(252,164)	(935,051)	(16,782,032)
Utility, plant, and equipment, net	<u>41,660,375</u>	<u>69,126</u>	<u>14,944,380</u>	<u>56,673,881</u>
Construction in progress	3,238,010	-	-	3,238,010
<b>Total assets</b>	<u>64,899,603</u>	<u>1,625,859</u>	<u>16,687,195</u>	<u>83,212,657</u>
<b>Deferred Outflows of Resources:</b>				
Pensions	162,649	17,000	-	179,649
<b>Current Liabilities:</b>				
Accounts payable and accrued expenses	619,455	58,605	-	678,060
Current portion of long term debt	672,908	60,350	598,092	1,331,350
Due to other funds	-	-	3,063,447	3,063,447
Due to other governments	58,009	-	-	58,009
Total current liabilities	<u>1,350,372</u>	<u>118,955</u>	<u>3,661,539</u>	<u>5,130,866</u>
<b>Noncurrent Liabilities:</b>				
Net pension liability	115,033	12,023	-	127,056
Long-term debt, net of current portion	5,039,043	294,650	11,960,708	17,294,401
Total noncurrent liabilities	<u>5,154,076</u>	<u>306,673</u>	<u>11,960,708</u>	<u>17,421,457</u>
Total liabilities	<u>6,504,448</u>	<u>425,628</u>	<u>15,622,247</u>	<u>22,552,323</u>
<b>Deferred Inflows of Resources:</b>				
Pensions	22,127	2,313	-	24,440
<b>Net Position:</b>				
Net investment in capital assets	40,186,434	69,126	2,385,580	42,641,140
Restricted	6,578,653	-	-	6,578,653
Unrestricted	11,770,590	1,145,792	(1,320,632)	11,595,750
Total net position	<u>\$ 58,535,677</u>	<u>\$ 1,214,918</u>	<u>\$ 1,064,948</u>	<u>\$ 60,815,543</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Revenues, Expenses and Changes**  
**in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<b>Water and Sewer Fund</b>	<b>Storm Water Fund</b>	<b>Sewer Expansion Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Water sales	\$ 4,160,600	\$ -	\$ -	\$ 4,160,600
Sewer	4,155,638	-	-	4,155,638
Stormwater fees	-	854,885	-	854,885
Penalties and service charges	148,932	-	-	148,932
Insurance recoveries	30,000	-	-	30,000
Rent	92,919	-	-	92,919
Sale of materials	167,255	-	-	167,255
Miscellaneous	13,966	-	-	13,966
Total operating revenues	<u>8,769,310</u>	<u>854,885</u>	<u>-</u>	<u>9,624,195</u>
<b>Operating Expenses:</b>				
Salaries	2,041,421	212,499	-	2,253,920
Employee benefits	895,359	93,345	-	988,704
Postage	66,975	-	-	66,975
Dues and subscriptions	72,767	1,815	-	74,582
Utility services	702,756	-	-	702,756
Professional fees	401,209	188,024	-	589,233
Repairs and maintenance	730,946	48,032	-	778,978
Telephone	43,645	3,476	-	47,121
Travel	1,388	672	-	2,060
Other contractual services	137,579	50,741	-	188,320
Office supplies and materials	6,341	3,234	-	9,575
Operating supplies	829,335	4,132	-	833,467
Uniforms	13,067	1,949	-	15,016
Automobile expenses	46,741	7,589	-	54,330
Insurance	50,981	9,228	-	60,209
State fees	16,846	-	-	16,846
Miscellaneous expense	271,012	39,790	-	310,802
Depreciation	1,251,257	53,740	314,443	1,619,440
Total operating expenses	<u>7,579,625</u>	<u>718,266</u>	<u>314,443</u>	<u>8,612,334</u>
Operating income (loss)	<u>1,189,685</u>	<u>136,619</u>	<u>(314,443)</u>	<u>1,011,861</u>
<b>Non-operating Income (Expense):</b>				
Interest income	18,129	744	-	18,873
Interest expense	(547,000)	-	-	(547,000)
Gain on sale of property	2,200	672	-	2,872
Total non-operating income (expense)	<u>(526,671)</u>	<u>1,416</u>	<u>-</u>	<u>(525,255)</u>
<b>Capital Contributions:</b>				
Tap and development fees	3,510,319	-	-	3,510,319
Contributed infrastructure	4,192,057	-	-	4,192,057
Total capital contributions	<u>7,702,376</u>	<u>-</u>	<u>-</u>	<u>7,702,376</u>
<b>Transfer in (out)</b>	<u>(152,024)</u>	<u>-</u>	<u>-</u>	<u>(152,024)</u>
Change in net position	8,213,366	138,035	(314,443)	8,036,958
<b>Net position, beginning of year</b>	<u>50,322,311</u>	<u>1,076,883</u>	<u>1,379,391</u>	<u>52,778,585</u>
<b>Net position, end of year</b>	<u>\$ 58,535,677</u>	<u>\$ 1,214,918</u>	<u>\$ 1,064,948</u>	<u>\$ 60,815,543</u>

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

**City of Spring Hill, Tennessee**  
**Statements of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<b>Water and Sewer Fund</b>	<b>Storm Water Fund</b>	<b>Sewer Expansion Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$ 8,249,886	\$ 813,531	\$ -	\$ 9,063,417
Payments to or on behalf of employees	(2,879,459)	(300,163)	-	(3,179,622)
Other operating receipts	453,072	-	-	453,072
Other operating expenses	(3,391,807)	(311,629)	-	(3,703,436)
Net cash provided by operating activities	<u>2,431,692</u>	<u>201,739</u>	<u>-</u>	<u>2,633,431</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers to other funds	(152,024)	-	-	(152,024)
Net receipts (payments) on interfund borrowings	(420,911)	37,477	401,384	17,950
Net cash provided by (used in) noncapital financing activities	<u>(572,935)</u>	<u>37,477</u>	<u>401,384</u>	<u>(134,074)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Principal payments on long term debt	(484,404)	-	(642,715)	(1,127,119)
Proceeds from capital outlay note	1,000,000	355,000	-	1,355,000
Interest paid on debt	(547,000)	-	-	(547,000)
Proceeds from sale of capital assets	2,200	672	-	2,872
Tap and development fees	3,510,319	-	-	3,510,319
Cash payments for the purchase of plant assets	(2,921,846)	(42,954)	(157,294)	(3,122,094)
Net cash provided by (used in) capital and related financing activities	<u>559,269</u>	<u>312,718</u>	<u>(800,009)</u>	<u>71,978</u>
<b>Cash Flows from Investing Activities:</b>				
Interest income from cash deposits	18,129	744	-	18,873
Net cash provided by investing activities	<u>18,129</u>	<u>744</u>	<u>-</u>	<u>18,873</u>
Net increase (decrease) in cash	2,436,155	552,678	(398,625)	2,590,208
<b>Cash, Beginning of Year</b>	<u>12,943,977</u>	<u>893,899</u>	<u>2,141,440</u>	<u>15,979,316</u>
<b>Cash, End of Year</b>	<u>\$ 15,380,132</u>	<u>\$ 1,446,577</u>	<u>\$ 1,742,815</u>	<u>\$ 18,569,524</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ 1,189,685	\$ 136,619	\$ (314,443)	\$ 1,011,861
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,251,257	53,740	314,443	1,619,440
Net pension liability and related accounts	68,136	5,681	-	73,817
Changes in assets and liabilities				
(Increase) decrease in receivables	(66,352)	(41,354)	-	(107,706)
(Increase) decrease in inventories	(9,600)	-	-	(9,600)
(Increase) decrease in prepaids	(83,327)	-	-	(83,327)
Increase (decrease) in accounts payable	57,994	47,053	-	105,047
Increase (decrease) in due to others	23,899	-	-	23,899
Total adjustments	<u>1,242,007</u>	<u>65,120</u>	<u>314,443</u>	<u>1,621,570</u>
Net cash provided by operating activities	<u>\$ 2,431,692</u>	<u>\$ 201,739</u>	<u>\$ -</u>	<u>\$ 2,633,431</u>

**Supplemental Disclosure of Non-Cash Items:**

During fiscal year 2016, the contributions of water and sewer infrastructure totaled \$4,192,057.

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Spring Hill, Tennessee (the “City”) have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units, as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the more significant policies:

Reporting Entity

The City operates under a mayor-alderman form of government. The City provides the following services: public safety, streets, sanitation, parks, planning, codes, and water and sewer services. As required by U.S. generally accepted accounting principles, these financial statements present all funds, which comprise the City.

The accompanying financial statements present the government and component units, if any. Component units are entities for which the government is considered financially accountable. Component units, although legally separate entities, are required to be presented in the government’s financial statements using either a “blended” or “discrete” presentation. Based on the City’s analysis as of June 30, 2016, the City had no component units that were required to be included in these financial statements.

Basic Financial Statements

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Basis of Presentation

*Government-wide Financial Statements*

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, those transactions between governmental and business-type activities have generally been eliminated. Exceptions to this general rule are charges between the City’s Water and Sewer Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government (including general administration support services), public safety (police and fire), public works / improvements, library, culture and recreation. The business-type activities of the City include water and sewer, sewer expansion and storm water.

The Statement of Net Position presents the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Debt that was issued for capital purposes is not a part of the calculation of net investment in capital assets, until the proceeds have been used to acquire capital assets.
- *Restricted net position* results from restriction placed on net position by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* consists of net position which does not meet the definition of the two preceding categories.

The Statement of Activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements*

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary - enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are combined and reported in a single column.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.
- Adequate Facilities / Development Fund is a Special Revenue Fund used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.
- Sanitation Fund is a Special Revenue Fund used to account for revenue from sources that are to be used for specific financial activities.

The City's non-major governmental funds consist of Special Revenue Funds, which are funds used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. These funds include the Library Fund, Drug Fund, Impact Fees Fund, Fire Belle Restoration Fund, and the State Street Aid Fund.

The City reports the following major proprietary - enterprise funds:

- The Water and Sewer Fund accounts for the activities of providing water and sewer service to the citizens of the City.
- The Sewer Expansion Fund accounts for waste water treatment plant expansion to the citizens of the City. It is anticipated that this fund will be closed into the Water and Sewer Fund in fiscal year 2017.
- The Storm Water Fund accounts for storm water fees to the citizens of the City.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e. the governmental funds) are eliminated so that only the net amount, when applicable, is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the fund included in governmental activities are eliminated so only the net amount is included as transfers in the governmental activities column.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied and has legal title to the money. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. The City in general considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the City considers available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, pension liability, and claims and judgments, which are recognized when payment is due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the Enterprise 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 revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports no proprietary - internal service funds at June 30, 2016.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Information

The City is required by its charter to adopt an annual budget on or before June 30 for the ensuing fiscal year. The general fund, and special revenue funds, governmental fund types have legally adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures/expenses become appropriations to the various City departments. Throughout the fiscal year, the budget may be amended to add supplemental appropriations. All amendments to the budget, which change the total appropriation amount for any department, require approval of the Board of Mayor and Alderman and all increases in appropriations must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget. The City Administrator has the authority to change individual budget line items within a department as long as the total department's appropriation amount is not changed.

GASB Statement No. 34 requires that budgetary comparison statements for the general fund and major special revenue funds be presented in the basic financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis).

Budgeted revenue amounts represent the original budget modified by Board of Mayor and Alderman authorized adjustments during the year, which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Budgets are prepared in conformity with GAAP using the modified accrual basis of accounting.

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The City Administrator and Finance Director prepare a proposed budget in May.
2. The budget is adopted by the Board of Aldermen and Mayor prior to June 30.
3. The budget is amended by the Board of Alderman and Mayor as required.

The budget amounts reflected in the financial statements are as amended. The budgets are presented on a modified accrual basis. All annual appropriations lapse at year end.

Encumbrances

The City does not record encumbrances within the accounting records. However, outstanding purchase orders totaled \$295,758 as of June 30, 2016.

Cash and Cash Equivalents

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

Accounts receivable, including trade receivables and property tax receivables, are presented net of any allowance for uncollectible accounts.

Inventory

The Water and Sewer Enterprise Fund's inventory of supplies is stated at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased, since they are not of a material nature, and as expenses in the enterprise fund when used.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is 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 activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2016.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5 to 50
Improvements other than buildings	5 to 50
Infrastructure	15 to 75
Utility systems	10 to 50
Machinery and equipment	5 to 30

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Utility, plant, and equipment of the enterprise funds are stated at cost less accumulated depreciation. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets as follows: equipment - 10 years; sewer pumping station - 25 years; other utility plants in service 40 to 50 years; and structures and improvements - 20 to 50 years.

Grants

The City receives grant revenues from various federal and state agencies. Grant revenues are recognized as earned, generally in the period a liability is incurred for the related expenditures. Grants in aid of construction received by the Water and Sewer Fund are credited to contributed capital as such grants are earned.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Water and Sewer Fund, the Sewer Expansion Fund and the Storm Water Fund consider all highly liquid investments (including restricted position) with a maturity of three months or less when purchased to be cash equivalents.

Compensated Absences

City policy provides for the accumulation of unused vacation days equal to those earned in the current year. No amounts of sick leave are vested in the event of employee termination; however, the employee is entitled to payment for unused vacation leave upon the completion of one year from their hire date.

All annual leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if amounts are actually due employees as a result of termination and / or retirement.

The liability for accrued compensated absences will generally be liquidated from the employer's respective fund, including General Fund, Water and Sewer Fund, and Sanitation Fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element 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.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City has the following types of deferred outflows of resources: the implementation of GASB Statement No. 68 related to reporting of the Tennessee Consolidated Retirement System (“TCRS”) pension plan. Deferred outflows of resources related to pension may result from actuarial losses related to the differences between expected and actual experience for the pension plan’s adopted economic and demographic assumptions, differences between expected and actual investment earnings, as well as employer contributions made subsequent to the measurement date.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element 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 then.

The City has the following types of deferred inflows of resources: the unavailable revenue reported in the governmental funds balance sheet, which arises under a modified accrual basis of accounting, represents amounts that are deferred and recognized as an inflow of resources in the periods that the amounts become available. These amounts relate primarily to unavailable property taxes and other receivables not within the collection period. The deferred inflows of resources reported in the statement of net position, arises from imposed nonexchange revenues (property taxes) which are assessed prior to the end of the fiscal year, but levied in the subsequent year. TCRS pension related deferred outflows of resources may result from actuarial gains related to the difference between expected and actual experience for the plan’s adopted economic and demographic assumptions and differences between expected and actual earnings on plan investments.

Property Tax

The City levies property taxes annually based upon assessed valuations provided by both the Williamson County and Maury County Tax Assessors. The various types of property are assessed at a percentage of estimated actual value on January 1 of each year. Taxes on real estate are considered to be a lien on such realty as of January 1 of the year the assessment is made. Taxes levied by the City against real property are payable October 1 through February 28, and are delinquent on March 1. Total property tax, including delinquent taxes from prior years, collected during the fiscal year was \$4,716,336 and included \$4,631,188 collected from current year levy, which was approximately 98.76%.

The property tax levy is without legal limit. The rate, as permitted by the Tennessee state law and City charter, is set annually by the Mayor and Board of Alderman and collected by the Finance Department. The property tax rate for the year ended June 30, 2016 (2015 levy), was \$0.5767 and \$0.5903 per \$100 of assessed value for Maury County and Williamson County, respectively.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. When applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Balances

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Based on the requirements of GASB No. 54, fund balances are reported in the following categories:

- *Non-spendable fund balance* - amounts that cannot currently be spent, such as inventories.
- *Restricted fund balance* - fund balances that can be spent only for specific purposes stipulated by external parties, constitutional provisions, or enabling legislation.
- *Committed fund balance* - amounts that can be used only for the specific purposes determined by a formal action of the City's Board of Mayor and Aldermen.
- *Assigned fund balance* - amounts the City intends to use for a specific purpose but do not meet the definition of being restricted or committed. The City's Budget Committee is authorized to make assignments.
- *Unassigned fund balance* - represents the residual classification and includes all spendable amounts not included in other classifications within the General Fund.

It is the City's policy to use any available non-spendable, restricted, committed, or assigned resources, in this hierarchical order, prior to expending unassigned resources.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Postemployment Benefits

The City participates in the Political Subdivision Pension Plan administered by TCRS. Postemployment pension benefits are accounted for under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27*, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, note disclosures, and required supplementary information. See additional information regarding the City’s pension benefits in Note H.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan’s fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Other Significant Accounting Policies

Other significant accounting policies are described throughout the notes section of this audit report or disclosed in the financial statements themselves.

Restatement

The City had not recorded accrued compensated absences or accrued interest as of June 30, 2015. The impact on the financial statements is a restatement of beginning net position as follows:

	<u>Statement of Activities</u> <u>Governmental Activities</u>
Net position, June 30, 2015, as previously reported	\$ 11,926,781
Adjustment to record compensated absences	( 564,012)
Adjustment to record accrued interest	<u>( 130,181)</u>
Net position, June 30, 2015, as restated	<u>\$ 11,232,588</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

B. CASH AND CASH EQUIVALENTS

At June 30, 2016, the cash deposits consisted of the following:

	<u>Weighted Average Maturity</u>	<u>Fair Value or Carrying Amount</u>
Unrestricted		\$19,282,035
Restricted for:		
Capital projects, including unspent debt proceeds		11,583,484
Special revenue funds		<u>723,098</u>
Total cash deposits	N/A	<u>\$31,588,617</u>

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from interest rate risks, the City generally limits investments to those with maturities of one year or less. The City's investment portfolio did not experience a significant fluctuation in fair value during the year.

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws as described below. Statutes authorize the City to invest in: (1) U.S. Government securities and obligations guaranteed by the U.S. Government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. During the current fiscal year, the City invested funds that were not immediately needed in savings accounts and certificate of deposits. Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral securities required to be pledged by the participating banks to protect their public funds are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure. As of June 30, 2016, all bank deposits were fully collateralized or insured.

Credit Risk

The City is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

C. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, consist of the following:

Fund	Other Governments	Property Taxes	Customer and Other Accounts	Total
General Fund	\$ 843,711	\$ 4,921,060	\$ 92,392	\$ 5,857,163
Adequate Facilities Fund	37,202	-	-	37,202
Sanitation Fund	-	-	313,817	313,817
State Street Aid Fund	83,092	-	-	83,092
Drug Enforcement Fund	15,249	-	-	15,249
Water and Sewer Fund	350	-	1,379,728	1,380,078
Storm Water Fund	-	-	105,591	105,591
Less: Allowance for Doubtful Accounts	-	(5,106)	(318,174)	(323,280)
Total	<u>\$ 979,604</u>	<u>\$ 4,915,954</u>	<u>\$ 1,573,354</u>	<u>\$ 7,468,912</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the deferred inflows of resources reported in the governmental funds related to property taxes totaling \$4,851,685.

D. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2016 are attributable to unsettled balances at year end primary for internal billings and transfers between funds.

Balances at June 30, 2016 are as follows:

DUE FROM	DUE TO					
	General Fund	Adequate Facilities Fund	Sanitation Fund	Water and Sewer Fund	Sewer Expansion Fund	Storm Water Fund
General Fund	\$ -	\$ 181,667	\$ -	\$ -	\$ -	\$ -
Adequate Facilities Fund	-	-	-	330,667	-	-
Water and Sewer Fund	205,316	-	17,950	-	17,096	4,565
Sewer Expansion Fund	-	-	-	3,080,543	-	-
Total	<u>\$ 205,316</u>	<u>\$ 181,667</u>	<u>\$ 17,950</u>	<u>\$ 3,411,210</u>	<u>\$ 17,096</u>	<u>\$ 4,565</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

D. INTERFUND TRANSACTIONS - Continued

All of the interfund payables are expected to be repaid within one year except for the amount payable to the Sewer Expansion Fund by the Water and Sewer Fund. Principal on the loan for the Sewer Expansion Fund is being paid by Water and Sewer Fund, thus increasing the interfund balance each month. It is expected that the Sewer Expansion Fund will be closed into the Water and Sewer Fund in fiscal year 2017.

Interfund transfers are attributable to the budgeted allocation of resources from one fund to another. Transfers for the year ended June 30, 2016 included \$152,024 from the Water and Sewer Fund to the General Fund. The purpose of the transfer from the Water and Sewer Fund to the General Fund is to make payments in lieu of property taxes on the water and sewer plant.

E. RESTRICTED ASSETS

Restricted assets consist primarily of cash on deposit in savings accounts and include funds for construction projects and other purposes. Restricted assets as of June 30, 2016, are as follows:

General Fund:	
Unspent debt proceeds	\$ 3,589,831
Escrow agreement	60,000
Special Revenue Funds:	
Drug enforcement and education	68,593
Roads and streets	654,505
Water and Sewer Fund:	
Unspent debt proceeds	1,000,000
Capital projects - development fees	6,578,653
Storm Water Fund:	
Unspent debt proceeds	<u>355,000</u>
	<u>\$12,306,582</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

F. LONG-TERM LIABILITIES

During the year ended June 30, 2016, the changes in long-term liabilities were as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within one year
Governmental Activities					
Capital outlay note payable	\$ -	\$ 1,645,000	\$ -	\$ 1,645,000	\$ 279,650
Public improvement bond	8,650,000	-	320,000	8,330,000	335,000
Notes payable	5,340,050	-	641,135	4,698,915	721,144
<hr/>					
Total Governmental Activities					
Long-term Liabilities	<u>\$ 13,990,050</u>	<u>\$ 1,645,000</u>	<u>\$ 961,135</u>	<u>\$ 14,673,915</u>	<u>\$ 1,335,794</u>
Business-type Activities					
Public improvement bond	\$ 3,772,000	\$ -	\$ 237,000	\$ 3,535,000	\$ 249,000
State of Tennessee loan					
program	1,424,355	-	247,404	1,176,951	253,908
Capital outlay note payable	-	1,355,000	-	1,355,000	230,350
Clean Water State					
Revolving Fund	13,201,515	-	642,715	12,558,800	598,092
<hr/>					
Total Business-type Activities					
Long-term Liabilities	<u>\$ 18,397,870</u>	<u>\$ 1,355,000</u>	<u>\$ 1,127,119</u>	<u>\$ 18,625,751</u>	<u>\$ 1,331,350</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

F. LONG-TERM LIABILITIES - Continued

Amounts payable at June 30, 2016 consist of the following:

Governmental Activities:

Capital outlay note payable:

The City issued a Capital Outlay Note in the amount of \$3,000,000, of which \$1,645,000 is to be used for general fund transportation. The note bears a fixed interest rate of 1.76%. The note requires annual payments of principal and interest through April 2025. \$ 1,645,000

Notes payable:

The City obtained a loan from E-One, Inc. for the purchase of equipment. The note is payable in annual installments of \$105,429 including interest through February 8, 2017 at the rate of 5.25%. 100,170

The City obtained a loan from SunTrust Equipment Financing for the purchase of police vehicles, rescue truck and dump truck. The note is payable in yearly installments of \$109,544 through September 2018, at a rate of 1.68%. 534,185

The City entered into an interlocal agreement with Williamson County for one half the cost of the Community Recreation Center located in Williamson County in the amount of \$5,385,000. The related notes bear interest between 2.50% and 5.00% and mature in 2027. The City does not have an asset recorded related to this agreement as the property is owned and maintained by Williamson County. 3,760,000

The City obtained a loan from SunTrust Bank for the purchase of a Tyler Technologies ERP System and Police Dispatch equipment. The note is payable in semi-annual installments of \$52,128 through February 2019, at a rate of 1.53%. 304,560

Public improvement bonds:

The City issued a Public Improvement Bonds in the amount of \$8,650,000. The bonds bear interest fixed at rates of 2.50% to 3.30% and require annual payments of principal and interest through September 2034. 8,330,000

Total governmental activities debt \$14,673,915

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

F. LONG-TERM LIABILITIES - Continued

Business-type Activities:

Public improvement bonds:

The City obtained a loan from the Tennessee Municipal Bond Fund for the construction of a water treatment plant in the amount of \$6,000,000. The note bears a variable interest rate. The interest rate at June 30, 2016 was 0.58%. The bond requires monthly payments of interest and an annual payment of principal each year through 2027. \$ 3,535,000

State of Tennessee loan program:

The City obtained a loan through the State of Tennessee loan program for the construction of a sewer plant in the amount of \$4,406,838. The note bears an interest rate of 2.58% and matures in 2021, with monthly payments of \$23,481 1,176,951

Clean Water State Revolving Fund:

The City obtained a loan from the State of Tennessee for the construction of waste water treatment plant in the amount of \$10,000,000, of which \$2,000,000 was forgiven. The note bears an interest rate of 2.62% and matures in 2032, with monthly payments of \$42,861 including interest. 6,656,317

The City obtained a loan from the State of Tennessee for the construction of waste water treatment plant in the amount of \$7,200,000. The note bears an interest rate of 2.62% and matures in 2034, with monthly payments of \$33,936 including interest. 5,902,483

Capital outlay note payable:

The City issued a Capital Outlay Note in the amount of \$3,000,000 of which \$1,000,000 is to be used for the construction of Hardins Landing Tank. The note bears a fixed interest rate of 1.76%. The note requires annual payments of principal and interest through April 2025. 1,000,000

The City issued a Capital Outlay Note in the amount of \$3,000,000 of which \$355,000 is to be used for stormwater projects. The note bears a fixed interest rate of 1.76%. The note requires annual payments of principal and interest through April 2025. 355,000

Total business-type activities debt \$18,625,751

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

F. LONG-TERM LIABILITIES - Continued

General obligation bonds and notes payable are direct obligations of the City for which full faith and credit are pledged. The obligations are payable generally from the assessment of taxes in the General Fund as well as certain funds of the State Street Aid Fund and Adequate Facilities / Development Fund.

All bonds of the Water and Sewer Fund are collateralized by the revenues of the department.

Debt Service Requirements

The annual debt service requirements to maturity for all long-term obligations outstanding as of June 30, 2016, are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,335,794	\$ 459,377	\$ 1,331,350	\$ 514,557	\$ 2,667,144	\$ 973,934
2018	1,255,718	425,250	1,365,838	478,055	2,621,556	903,305
2019	1,179,095	392,176	1,404,173	440,465	2,583,268	832,641
2020	992,875	361,210	1,446,389	401,658	2,439,264	762,868
2021	823,700	331,959	1,168,259	364,861	1,991,959	696,820
2022-2026	4,486,733	1,196,169	5,693,494	1,324,313	10,180,227	2,520,482
2027-2031	2,450,000	564,900	4,501,692	527,328	6,951,692	1,092,228
2032-2035	2,150,000	180,345	1,714,556	63,401	3,864,556	243,746
Totals	<u>\$ 14,673,915</u>	<u>\$ 3,911,386</u>	<u>\$ 18,625,751</u>	<u>\$ 4,114,638</u>	<u>\$ 33,299,666</u>	<u>\$ 8,026,024</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

G. CAPITAL ASSETS

A summary of changes in governmental activities capital assets for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
<i>Capital assets, not being depreciated -</i>				
Land	\$ 449,829	\$ -	\$ -	\$ 449,829
Construction in process	-	24,439	-	24,439
Subtotal	<u>449,829</u>	<u>24,439</u>	<u>-</u>	<u>474,268</u>
<i>Capital assets, being depreciated -</i>				
Building and improvements	7,686,420	117,073	-	7,803,493
Equipment	11,195,741	1,354,811	74,350	12,476,202
Infrastructure	8,718,338	4,451,286	-	13,169,624
Subtotal	<u>27,600,499</u>	<u>5,923,170</u>	<u>74,350</u>	<u>33,449,319</u>
<i>Accumulated depreciation -</i>				
Building and improvements	2,386,932	196,114	-	2,583,046
Equipment	8,530,913	1,063,688	49,350	9,545,251
Infrastructure	1,910,985	441,329	-	2,352,314
Subtotal	<u>12,828,830</u>	<u>1,701,131</u>	<u>49,350</u>	<u>14,480,611</u>
Capital assets, being depreciated, net	<u>14,771,669</u>	<u>4,222,039</u>	<u>25,000</u>	<u>18,968,708</u>
Capital assets, net	<u>\$ 15,221,498</u>	<u>\$ 4,246,478</u>	<u>\$ 25,000</u>	<u>\$ 19,442,976</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

G. CAPITAL ASSETS - Continued

A summary of changes in business-type activities capital assets for the year ended June 30, 2016 is presented below:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Utility plant				
<i>Capital assets, not being depreciated -</i>				
Land	\$ 685,955	\$ -	\$ -	\$ 685,955
Easements	173,655	38,100	-	211,755
Construction in progress	3,352,562	1,832,222	1,946,774	3,238,010
Subtotal	<u>4,212,172</u>	<u>1,870,322</u>	<u>1,946,774</u>	<u>4,135,720</u>
<i>Capital assets, being depreciated -</i>				
Utility system in operation	62,927,214	6,966,662	-	69,893,876
Equipment	2,240,390	423,937	-	2,664,327
Subtotal	<u>65,167,604</u>	<u>7,390,599</u>	<u>-</u>	<u>72,558,203</u>
<i>Accumulated depreciation -</i>				
Utility system in operation	13,278,068	1,415,177	-	14,693,245
Equipment	1,884,524	204,263	-	2,088,787
Subtotal	<u>15,162,592</u>	<u>1,619,440</u>	<u>-</u>	<u>16,782,032</u>
Utility plant, being depreciated, net	<u>50,005,012</u>	<u>5,771,159</u>	<u>-</u>	<u>55,776,171</u>
Total utility plant, net	<u>\$ 54,217,184</u>	<u>\$ 7,641,481</u>	<u>\$ 1,946,774</u>	<u>\$ 59,911,891</u>

Depreciation expense was charged to function/programs for the year ended June 30, 2016 as follows:

*Governmental Activities:*

General government and administration	\$133,824
Public safety	899,817
Public works	370,734
Culture	296,756
Total	<u>\$1,701,131</u>

*Business-Type Activities:*

Water and sewer	\$ 1,251,257
Storm water	53,740
Sewer expansion	314,443
Total	<u>\$ 1,619,440</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

H. RETIREMENT SYSTEM AND PENSION PLAN

General Information about the Pension Plan:

Plan Description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34 - 37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34 - 37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	162
Active employees	<u>189</u>

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CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ending June 30, 2015, the actuarially determined contribution (“ADC”) employer contributions for the City was \$431,925 based on a rate of 5.46% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability:

The City’s net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as 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. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

Changes in the Net Pension Liability (Asset):

	Increase (Decrease)		Net Pension Liability (Asset) (a) - (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balance at June 30, 2014 (measurement date)	\$ 9,088,738	\$ 9,048,561	\$ 40,177
Changes for the year:			
Service cost	581,698	-	581,698
Interest	715,535	-	715,535
Differences between expected and actual experience	292,587	-	292,587
Contributions-employer	-	431,925	(431,925)
Contributions-employees	-	395,537	(395,537)
Net investment income	-	287,276	(287,276)
Benefit payments, including refunds of employee contributions	( 259,939)	( 259,939)	-
Administrative expense	-	( 9,765)	9,765
Net changes	<u>1,329,881</u>	<u>845,034</u>	<u>484,847</u>
Balance at June 30, 2015 (measurement date)	<u>\$ 10,418,619</u>	<u>\$ 9,893,595</u>	<u>\$ 525,024</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability (asset)	\$2,426,510	\$525,024	\$(980,435)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred  
Inflows of Resources Related to Pensions:

Pension Expense

For the year ended June 30, 2016, the City recognized pension expense of \$183,834.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$263,328	\$ 18,345
Net difference between projected and actual earnings on pension plan investments	-	82,646
Contributions subsequent to the measurement date of June 30, 2015	<u>479,022</u>	<u>-</u>
Total	<u>\$742,350</u>	<u>\$100,991</u>

The amount shown above for “contributions subsequent to the measurement date of June 30, 2015,” will be recognized as a reduction of the pension liability in the following measurement period.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30

2017	\$( 28,069)
2018	( 28,069)
2019	( 28,069)
2020	109,422
2021	26,966
Thereafter	110,156

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Allocation of Pension Related Activity to Funds of the Primary Government:

The pension related activity has been allocated to the individual funds of the primary government by use of an allocation ratio of the fiscal year 2016 pension contributions by fund. This ratio dictates that 75.80% of the pension related activity belongs to the General Government, 21.91% is attributed to the Water and Sewer Funds, and the remaining 2.29% is attributed to the Storm Water Fund.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

A summary of the pension related activity by fund follows:

	<u>General Government</u>	<u>Water and Sewer Fund</u>	<u>Storm Water Fund</u>
Net Pension Liability	\$397,968	\$115,033	\$12,023
Deferred Inflows	76,551	22,127	2,313
Deferred Outflows	562,701	162,649	17,000

Payable to the Pension Plan:

At June 30, 2016, the City did not have a payable relating to contributions to the Plan required for the year ended June 30, 2016.

I. COMMITMENTS AND CONTINGENCIES

Litigation

The City, in the normal course of governmental operations, is a party to various lawsuits. The ultimate outcome of the actions is not determinable; however, the City officials and legal counsel believe that the ultimate outcome, either singularly or in the aggregate, will not have a material adverse effect on the City's financial condition or a operations.

Commitments

The general government and the Water and Sewer Fund have contractual commitments for various construction projects at June 30, 2016. The value of these commitments was approximately \$1 million.

J. RISK MANAGEMENT

The City of Spring Hill is exposed to various risks related to general liability and property and casualty losses. The City is a member of the Tennessee Municipal League Risk Management Pool (TML Pool), which is a nonprofit, risk sharing pool of Tennessee municipalities and local public agencies established by the Tennessee Municipal League, an association of cities and towns in Tennessee. Participating members contribute premiums to the TML Pool based on that member's exposure and underwriting standards.

Reinsurance is purchased by the Pool to cover losses that exceed the Pool's loss fund. Members can be assessed to cover losses exceeding the reinsurance. The City contributes an annual premium to the TML for its general liability, errors and omissions liability, automobile physical damage, and workers' compensation

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

J. RISK MANAGEMENT - Continued

The City carries commercial insurance for other risks of loss, including property coverage, boiler and machinery, excess liability, and employee health insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

K. ECONOMIC DEPENDENCE

The City is party to an agreement with General Motors Corporation, providing in lieu of tax payments in the amount of \$250,000 annually for a 40 year period, extending through the fiscal year ending June 30, 2025.

L. DEFICIT FUND BALANCES

For the fiscal year ended June 30, 2016, there were no instances of deficit fund balance in any funds.

M. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 21, 2017, which is the date the financial statements were available to be issued. There have been no significant changes in City's operations.

N. RECENT ACCOUNTING PRONOUNCEMENTS

The following are recent accounting pronouncements which, to the extent applicable, pose consideration for the City. Management is currently in the process of determining the impact of these Statements to the City's financial statements.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for fiscal year 2017 for the City. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

N. RECENT ACCOUNTING PRONOUNCEMENTS - Continued

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal year 2018 for the City. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, which is effective for fiscal year 2017 for the City. This Statement improved financial reporting by giving users of financial statements essential information regarding tax abatements that is not currently reported consistently or comprehensively.

The GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, required for fiscal periods beginning after December 15, 2015, fiscal year 2017 for the City. This Statement amends the scope and applicability of GASB Statement No. 68 regarding pensions provided to employees of state and local governmental employers through certain cost-sharing multiple- employer defined benefit pension plans.

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*, which is effective for fiscal periods beginning after June 15, 2016, fiscal year 2017 for the City. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, required for fiscal periods beginning after December 15, 2016, fiscal year 2018 for the City. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is the beneficiary of the agreement.

The GASB issued Statement No. 82, *Pension Issues*, which is effective for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal period beginning after June 15, 2017, fiscal years 2017 and 2018, respectively for the City. This Statement improves financial reporting by enhancing consistency in the application of financial reporting requirements for certain pension issues.

**REQUIRED SUPPLEMENTARY INFORMATION**



CITY OF SPRING HILL, TENNESSEE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
 AND RELATED RATIOS - PENSION PLAN  
 JUNE 30, 2016  
 (UNAUDITED)

	2016 Financial Statement Date 2015 Measurement <u>Date</u>	2015 Financial Statement Date 2014 Measurement <u>Date</u>
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ 581,698	\$ 575,095
Interest	715,535	643,726
Differences between actual and expected experience	292,587	( 22,931)
Benefit payments, including refunds of employee contributions	<u>( 259,939)</u>	<u>( 230,149)</u>
Net change in total pension liability	1,329,881	965,741
Total pension liability-beginning	<u>9,088,738</u>	<u>8,122,997</u>
Total pension liability-ending (a)	<u>\$ 10,418,619</u>	<u>\$ 9,088,738</u>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions-employer	\$ 431,925	\$ 385,342
Contributions-employee	395,537	356,139
Net investment income	287,276	1,253,177
Benefit payments, including refunds of employee contributions	( 259,939)	( 230,149)
Administrative expense	<u>( 9,765)</u>	<u>( 6,509)</u>
Net change in plan fiduciary net position	845,034	1,758,000
Plan fiduciary net position-beginning	<u>9,048,561</u>	<u>7,290,561</u>
Plan fiduciary net position-ending (b)	<u>\$ 9,893,595</u>	<u>\$ 9,048,561</u>
Net pension liability (a) - (b)	<u>\$ 525,024</u>	<u>\$ 40,177</u>
Plan fiduciary net position as a percentage of total pension liability	94.96%	99.56%
Covered payroll	7,909,506	\$ 7,122,761
Net pension liability as a percentage of covered payroll	6.64%	0.56%

*This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.*

CITY OF SPRING HILL, TENNESSEE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLAN  
 JUNE 30, 2016  
 (UNAUDITED)

<u>Fiscal Year Ended</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution in Relation to the Actuarially Determined Contributions</u>	<u>Contribution (Excess) Deficiency</u>	<u>Covered Payroll</u>	<u>Contribution as a Percent of Covered Payroll</u>
June 30, 2016	\$479,022	\$479,022	\$ -	\$8,773,296	5.46%
June 30, 2015	\$431,925	\$431,925	\$ -	\$7,909,506	5.46%
June 30, 2014	\$385,342	\$385,342	\$ -	\$7,122,761	5.41%

*This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.*

CITY OF SPRING HILL, TENNESSEE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN  
JUNE 30, 2016  
(UNAUDITED)

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions:

The actuarially determined contribution rates for the fiscal year ended June 30, 2016 were calculated as the result of an actuarial valuation performed on July 1, 2013. The following assumptions were used to determine contribution rates as reported in the Schedule of Employer Contributions:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	8 years
Asset valuation	10 year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5%

Information regarding the Plan's annual money-weighted rate of return can be obtained in the separate TCRS report at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



**SPECIAL REVENUE FUNDS**

Special Revenue Funds are governmental funds used to account for certain tax and nontax revenues which are legally restricted or committed to finance functions or activities of government and which, therefore, cannot be diverted to other uses.

**City of Spring Hill, Tennessee**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	<b>Special Revenue Funds</b>					<b>Total</b>
	<b>Library Fund</b>	<b>Drug Fund</b>	<b>Impact Fees Fund</b>	<b>Fire Belle Restoration Fund</b>	<b>State Street Aid Fund</b>	
<b>Assets</b>						
Cash and cash equivalents	\$ 36,582	\$ -	\$ 155,840	\$ 3,945	\$ -	\$ 196,367
Due from other governments	-	15,249	-	-	83,092	98,341
Restricted assets:						
Cash and cash equivalents	-	68,593	-	-	654,505	723,098
Total assets	<u>\$ 36,582</u>	<u>\$ 83,842</u>	<u>\$ 155,840</u>	<u>\$ 3,945</u>	<u>\$ 737,597</u>	<u>\$ 1,017,806</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 2,259	\$ -	\$ 3,944	\$ 66,282	\$ 72,485
Total liabilities	<u>-</u>	<u>2,259</u>	<u>-</u>	<u>3,944</u>	<u>66,282</u>	<u>72,485</u>
<b>Fund Balances</b>						
Restricted	-	81,583	-	-	671,315	752,898
Committed	36,582	-	155,840	1	-	192,423
Total fund balances	<u>36,582</u>	<u>81,583</u>	<u>155,840</u>	<u>1</u>	<u>671,315</u>	<u>945,321</u>
 Total liabilities and fund balances	 <u>\$ 36,582</u>	 <u>\$ 83,842</u>	 <u>\$ 155,840</u>	 <u>\$ 3,945</u>	 <u>\$ 737,597</u>	 <u>\$ 1,017,806</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2016**

	<b>Special Revenue Funds</b>					<b>Total</b>
	<b>Library Fund</b>	<b>Drug Fund</b>	<b>Impact Fees Fund</b>	<b>Fire Belle Restoration Fund</b>	<b>State Street Aid Fund</b>	
<b>Revenues</b>						
Intergovernmental:						
Gasoline and motor fuel tax	\$ -	\$ -	\$ -	\$ -	\$ 608,861	\$ 608,861
Three cent tax	-	-	-	-	179,504	179,504
Gas 1989 tax	-	-	-	-	96,715	96,715
Petroleum special	-	-	-	-	65,251	65,251
Other	-	-	-	-	532,614	532,614
Impact fees	-	-	155,840	-	-	155,840
Contributions	33,756	-	-	-	-	33,756
Fines and forfeitures	-	48,513	-	-	-	48,513
Interest revenue	-	17	-	1	332	350
Sale of property	-	5,251	-	-	-	5,251
Other	-	-	-	3,944	-	3,944
Total revenues	<u>33,756</u>	<u>53,781</u>	<u>155,840</u>	<u>3,945</u>	<u>1,483,277</u>	<u>1,730,599</u>
<b>Expenditures</b>						
Current:						
General Government	-	-	-	3,944	-	3,944
Public Safety:						
Police	-	29,921	-	-	-	29,921
Public Works:						
Streets	-	-	-	-	1,021,817	1,021,817
Culture:						
Library	19,865	-	-	-	-	19,865
Debt Service	-	-	-	-	82,610	82,610
Capital Outlay	-	-	-	-	79,113	79,113
Total expenditures	<u>19,865</u>	<u>29,921</u>	<u>-</u>	<u>3,944</u>	<u>1,183,540</u>	<u>1,237,270</u>
Net change in fund balance	13,891	23,860	155,840	1	299,737	493,329
<b>Fund Balance - Beginning</b>	<u>22,691</u>	<u>57,723</u>	<u>-</u>	<u>-</u>	<u>371,578</u>	<u>451,992</u>
<b>Fund Balance - Ending</b>	<u>\$ 36,582</u>	<u>\$ 81,583</u>	<u>\$ 155,840</u>	<u>\$ 1</u>	<u>\$ 671,315</u>	<u>\$ 945,321</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Library Fund**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES:</b>				
Contributions	\$ 25,000	\$ 25,000	\$ 33,756	\$ 8,756
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>33,756</u>	<u>8,756</u>
<b>EXPENDITURES:</b>				
Culture:				
Library:				
Programs	-	16,100	10,471	(5,629)
Travel	500	-	-	-
Operating supplies	5,000	1,550	1,000	(550)
Educational supplies	1,000	1,300	170	(1,130)
Other contractual services	3,500	1,000	904	(96)
Capital outlay	4,000	500	3,943	3,443
Miscellaneous	1,000	2,700	3,377	677
Total expenditures	<u>15,000</u>	<u>23,150</u>	<u>19,865</u>	<u>(3,285)</u>
Change in fund balance	10,000	1,850	13,891	12,041
Fund balance - beginning	<u>22,691</u>	<u>22,691</u>	<u>22,691</u>	<u>-</u>
Fund balance - ending	<u>\$ 32,691</u>	<u>\$ 24,541</u>	<u>\$ 36,582</u>	<u>\$ 12,041</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Drug Fund**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES:</b>				
Fines and Forfeitures	\$ 25,000	\$ 25,000	\$ 48,513	\$ 23,513
Sale of property	5,000	5,000	5,251	251
Contributions	300	300	-	(300)
Interest	100	100	17	(83)
Total revenues	<u>30,400</u>	<u>30,400</u>	<u>53,781</u>	<u>23,381</u>
<b>EXPENDITURES:</b>				
Public Safety:				
Police Department:				
Operating supplies	25,000	25,000	29,921	4,921
Travel	500	500	-	(500)
Total expenditures	<u>25,500</u>	<u>25,500</u>	<u>29,921</u>	<u>4,421</u>
Change in fund balance	4,900	4,900	23,860	18,960
Fund balance - beginning	<u>57,723</u>	<u>57,723</u>	<u>57,723</u>	<u>-</u>
Fund balance - ending	<u>\$ 62,623</u>	<u>\$ 62,623</u>	<u>\$ 81,583</u>	<u>\$ 18,960</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Impact Fees Fund**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES:</b>				
Impact Fees	\$ -	\$ -	\$ 155,840	\$ 155,840
Change in fund balance	-	-	155,840	155,840
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,840</u>	<u>\$ 155,840</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Fire Belle Restoration Fund**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES:</b>	\$ -	\$ -	\$ 3,945	\$ 3,945
<b>EXPENDITURES:</b>			3,944	3,944
Change in fund balance	-	-	1	1
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - State Street Aid Fund**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,157,200	\$ 1,157,200	\$ 1,482,945	\$ 325,745
Interest	200	200	332	132
Total revenues	<u>1,157,400</u>	<u>1,157,400</u>	<u>1,483,277</u>	<u>325,877</u>
<b>EXPENDITURES:</b>				
Public Safety:				
Streets:				
Contractual services	312,500	312,500	571,286	258,786
Postage	-	-	190	190
Professional services	170,000	170,000	108,146	(61,854)
Repairs and maintenance	400,000	500,000	341,979	(158,021)
Operating supplies	-	-	216	216
Debt service	84,300	84,300	82,610	(1,690)
Capital outlay	132,500	132,500	79,113	(53,387)
Total expenditures	<u>1,099,300</u>	<u>1,199,300</u>	<u>1,183,540</u>	<u>(15,760)</u>
Change in fund balance	58,100	(41,900)	299,737	341,637
Fund balance - beginning	<u>371,578</u>	<u>371,578</u>	<u>371,578</u>	<u>-</u>
Fund balance - ending	<u>\$ 429,678</u>	<u>\$ 329,678</u>	<u>\$ 671,315</u>	<u>\$ 341,637</u>

See independent auditor's report.

**SUPPLEMENTAL INFORMATION**



**CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>Federal Grantor/ Pass-Through Grantor</b>	<b>CFDA Number</b>	<b>Contract Number</b>	<b>Expenditures</b>
<b><u>Federal Awards</u></b>			
U.S. DEPARTMENT OF JUSTICE	16.607	N/A	<u>\$ 4,511</u>
U.S. DEPARTMENT OF JUSTICE/ TN DEPT. OF FINANCE AND ADMINISTRATION*	16.588	26697	<u>37,728</u>
U.S. DEPARTMENT OF TRANSPORTATION**	20.616	15GHS334	<u>519</u>
U.S. DEPARTMENT OF TRANSPORTATION/ TN STATE DEPT. OF TRANSPORTATION**	20.205	120149	40,158
U.S. DEPARTMENT OF TRANSPORTATION/ TN STATE DEPT. OF TRANSPORTATION**	20.205	80167	458,638
U.S. DEPARTMENT OF TRANSPORTATION/ TN STATE DEPT. OF TRANSPORTATION**	20.205	110314	<u>7,444</u>
Total Program 20.205			<u>506,240</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 548,998</u>
<b><u>State Financial Assistance</u></b>			
TN STATE DEPT. OF ENVIRONMENT AND CONSERVATION	N/A	N/A	<u>\$ 1,527</u>
<b>TOTAL STATE AWARDS</b>			<u>1,527</u>
<b>TOTAL FEDERAL &amp; STATE AWARDS</b>			<u>\$ 550,525</u>

\*This grant was passed from the TN State Dept. of Finance and Administration

\*\*This grant was passed from the TN State Dept. of Transportation

Basis of Presentation:

Note 1: The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of Spring Hill under programs of the federal and state governments for the year ended June 30, 2016. The schedule is presented using the modified accrual basis of accounting.

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Tax Year	Balance July 1, 2015	Levy and Changes in Assessment	Collections	Balance June 30, 2016
2015	\$ -	\$ 4,689,056	(4,631,188)	\$ 57,868
2014	51,272	32,972	(77,276)	6,968
2013	11,894	-	(6,932)	4,962
2012	3,519	-	(940)	2,579
2011	1,884	-	-	1,884
2010	2,212	-	-	2,212
2009	2,816	-	-	2,816
2008	2,537	-	-	2,537
Total	<u>\$ 76,134</u>	<u>\$ 4,722,028</u>	<u>\$ (4,716,336)</u>	81,826
Estimated 2016 Tax Levy				4,839,234
Less allowance for estimated uncollectible				<u>(5,106)</u>
Total Taxes Receivable, net				<u>\$ 4,915,954</u>

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2016**

**Governmental Activities**

Year	Williamson County Notes		Capital Outlay Note		Equipment Financing Notes		Public Improvement Bonds, 2014		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 310,000	\$ 166,206	\$ 279,650	\$ 26,491	\$ 411,144	\$ 17,630	\$ 335,000	\$ 249,050	\$ 1,335,794	\$ 459,377
2018	315,000	157,406	279,650	21,569	316,068	7,275	345,000	239,000	1,255,718	425,250
2019	330,000	144,806	282,392	16,623	211,703	2,097	355,000	228,650	1,179,095	392,176
2020	340,000	131,606	287,875	11,604	-	-	365,000	218,000	992,875	361,210
2021	350,000	116,706	98,700	8,203	-	-	375,000	207,050	823,700	331,959
2022	365,000	101,256	101,442	6,441	-	-	385,000	195,800	851,442	303,497
2023	385,000	83,750	104,183	4,632	-	-	400,000	184,250	889,183	272,632
2024	400,000	65,288	104,183	2,798	-	-	410,000	172,250	914,183	240,336
2025	425,000	46,075	106,925	941	-	-	425,000	159,950	956,925	206,966
2026	440,000	25,538	-	-	-	-	435,000	147,200	875,000	172,738
2027	100,000	4,250	-	-	-	-	445,000	136,325	545,000	140,575
2028	-	-	-	-	-	-	460,000	125,200	460,000	125,200
2029	-	-	-	-	-	-	470,000	113,125	470,000	113,125
2030	-	-	-	-	-	-	480,000	100,200	480,000	100,200
2031	-	-	-	-	-	-	495,000	85,800	495,000	85,800
2032	-	-	-	-	-	-	510,000	70,950	510,000	70,950
2033	-	-	-	-	-	-	530,000	54,120	530,000	54,120
2034	-	-	-	-	-	-	545,000	36,630	545,000	36,630
2035	-	-	-	-	-	-	565,000	18,645	565,000	18,645
	<u>\$ 3,760,000</u>	<u>\$ 1,042,887</u>	<u>\$ 1,645,000</u>	<u>\$ 99,302</u>	<u>\$ 938,915</u>	<u>\$ 27,002</u>	<u>\$ 8,330,000</u>	<u>\$ 2,742,195</u>	<u>\$ 14,673,915</u>	<u>\$ 3,911,386</u>

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2016**

**Business-Type Activities**

Year	Public Improvement Bonds		State of Tennessee Loan		Clean Water Revolving Fund		Clean Water Revolving Fund		Capital Outlay Notes		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 249,000	\$ 141,400	\$ 253,908	\$ 27,864	\$ 342,456	\$ 171,876	\$ 255,636	\$ 151,596	\$ 230,350	\$ 21,821	\$ 1,331,350	\$ 514,557
2018	261,000	131,440	260,532	21,240	351,540	162,792	262,416	144,816	230,350	17,767	1,365,838	478,055
2019	274,000	121,000	267,336	14,436	360,852	153,480	269,376	137,856	232,609	13,693	1,404,173	440,465
2020	288,000	110,040	274,308	7,452	370,428	143,904	276,528	130,704	237,125	9,558	1,446,389	401,658
2021	302,000	98,520	120,867	2,112	380,244	134,088	283,848	123,384	81,300	6,757	1,168,259	364,861
2022	318,000	86,440	-	-	390,336	123,996	291,384	115,848	83,559	5,306	1,083,279	331,590
2023	334,000	73,720	-	-	400,680	113,652	299,112	108,120	85,816	3,815	1,119,608	299,307
2024	350,000	60,360	-	-	411,312	103,020	307,044	100,188	85,816	2,305	1,154,172	265,873
2025	368,000	46,360	-	-	422,220	92,112	315,180	92,052	88,075	775	1,193,475	231,299
2026	386,000	31,640	-	-	433,416	80,916	323,544	83,688	-	-	1,142,960	196,244
2027	405,000	16,200	-	-	444,900	69,432	332,124	75,108	-	-	1,182,024	160,740
2028	-	-	-	-	456,696	57,636	340,932	66,300	-	-	797,628	123,936
2029	-	-	-	-	468,816	45,516	349,968	57,264	-	-	818,784	102,780
2030	-	-	-	-	481,236	33,096	359,244	47,988	-	-	840,480	81,084
2031	-	-	-	-	494,004	20,328	368,772	38,460	-	-	862,776	58,788
2032	-	-	-	-	447,181	7,227	378,552	28,680	-	-	825,733	35,907
2033	-	-	-	-	-	-	388,584	18,648	-	-	388,584	18,648
2034	-	-	-	-	-	-	398,892	8,340	-	-	398,892	8,340
2035	-	-	-	-	-	-	101,347	506	-	-	101,347	506
	<u>\$ 3,535,000</u>	<u>\$ 917,120</u>	<u>\$ 1,176,951</u>	<u>\$ 73,104</u>	<u>\$ 6,656,317</u>	<u>\$ 1,513,071</u>	<u>\$ 5,902,483</u>	<u>\$ 1,529,546</u>	<u>\$ 1,355,000</u>	<u>\$ 81,797</u>	<u>\$ 18,625,751</u>	<u>\$ 4,114,638</u>

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF INSURANCE COVERAGE  
JUNE 30, 2016  
(UNAUDITED)**

Type of Coverage	Limits of Liability
Municipal Liability and Auto Policy	
Liability	
General	\$300,000/700,000/100,000
Automobile	\$300,000/700,000/100,000
Other losses not covered by tort liability act	\$2,000,000
Automobile physical coverage	
Comprehensive	ACV/\$1,000 Deductible
Collision	ACV/\$1,000 Deductible
Public officials errors and omissions liability	\$2,000,000
Workers' compensation	Statutory
Commercial Property Policy	
Building and Equipment	\$42,023,194
Water/waste water treatment facility	\$40,127,468
Public Employees Blanket Bond	\$150,000
Employee bonds	
City Recorder	\$400,000

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS**  
**TEN YEAR SUMMARY**  
**(UNAUDITED)**

Fiscal Year	Tax Year	County	Tax Rate*	Assessed Value
2016	2015	Maury	0.5767	\$ 285,228,701
		Williamson	0.5903	674,308,155
2015	2014	Maury	0.59	261,565,296
		Williamson	0.59	538,817,290
2014	2013	Maury	0.59	242,932,640
		Williamson	0.59	511,464,115
2013	2012	Maury	0.59	228,823,286
		Williamson	0.59	487,062,781
2012	2011	Maury	0.59	207,961,965
		Williamson	0.59	458,312,983
2011	2010	Maury	0.57	202,551,970
		Williamson	0.6	457,439,932
2010	2009	Maury	0.6	196,199,392
		Williamson	0.6	446,203,175
2009	2008	Maury	0.6	172,794,346
		Williamson	0.6	431,132,201
2008	2007	Maury	-	-
		Williamson	-	-
2007	2006	Maury	-	-
		Williamson	-	-

The City of Spring Hill is located in two counties, Maury and Williamson. Reassessments of property in the two counties occurred on different dates. In order to equalize the effective tax rates, the City set a separate rate for each county.

\* Per \$100 of assessed valuation

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF UTILITY RATES**  
**JUNE 30, 2016**  
**(UNAUDITED)**

WATER RATES

	<u>Gallons Per Month</u>		<u>Rate Per 1,000 Gallons</u>
Inside City	First 2,000	Minimum	\$9.80
	Over 2,000		3.69
Maury County Water System	First 2,000	Minimum	\$18.47
	Over 2,000		3.69

Number of customers at June 30, 2016 - 12,916

SEWER RATES

Based on actual number of gallons used during the month	First 2,000	Minimum	\$12.07
	Over 2,000		4.52

Number of customers at June 30, 2016 - 12,916

See independent auditor's report.

CITY OF SPRING HILL, TENNESSEE  
 AWWA REPORTING WORKSHEET  
 JUNE 30, 2016  
 (UNAUDITED)

**AWWA Free Water Audit Software:  
Reporting Worksheet**

WAS v10  
 American Water Works Association  
 Copyright © 2014, All Rights Reserved

[Click to access definition](#)

[Click to add a comment](#)

Water Audit Report for: **City of Spring Hill (0000667)**

Reporting Year: **2016**    7/2015 - 6/2016

Please enter data in the white cells below. Where available, metered values should be used. If metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

---

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below

----- Enter grading in column 'E' and 'J' ----->

**WATER SUPPLIED**

Volume from own sources:	+ ? 9	1,197.709	MG/yr
Water imported:	+ ? 9	12.412	MG/yr
Water exported:	+ ? 9	12.863	MG/yr
<b>WATER SUPPLIED:</b>		<b>1,197.258</b>	MG/yr

**AUTHORIZED CONSUMPTION**

Billed metered:	+ ? 10	1,034.837	MG/yr
Billed unmetered:	+ ? 9	0.059	MG/yr
Unbilled metered:	+ ? 9	1.370	MG/yr
Unbilled unmetered:	+ ? 9	4.183	MG/yr
<b>AUTHORIZED CONSUMPTION:</b>		<b>1,040.449</b>	MG/yr

**WATER LOSSES (Water Supplied - Authorized Consumption)**

**156.809** MG/yr

**Apparent Losses**

Unauthorized consumption:	+ ? 9	2.993	MG/yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed			
Customer metering inaccuracies:	+ ? 9	15.780	MG/yr
Systematic data handling errors:	+ ? 10	0.001	MG/yr
<b>Apparent Losses:</b>		<b>18.774</b>	MG/yr

**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses:

**138.035** MG/yr

**WATER LOSSES:**

**156.809** MG/yr

**Master Meter and Supply Error Adjustments**

Pcnt:  Value:  MG/yr

Pcnt:  Value:  MG/yr

Pcnt:  Value:  MG/yr

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

---

Click here: [?](#) for helping option buttons below

Pcnt:  Value:  MG/yr

Use buttons to select percentage of water supplied OR value

Pcnt:  Value:  MG/yr

0.25%    MG/yr

1.50%    MG/yr

0.001 MG/yr

---

**NON-REVENUE WATER**

**NON-REVENUE WATER:** 162.362 MG/yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

---

**SYSTEM DATA**

Length of mains:	+ ? 10	211.0	miles
Number of active AND inactive service connections:	+ ? 9	14,158	
Service connection density:	?	67	conn./mile main
Are customer meters typically located at the curbside or property line? <input type="text"/> Yes			
Average length of customer service line: <input type="text"/> (length of service line, beyond the property boundary, that is the responsibility of the utility)			
Average length of customer service line has been set to zero and a data grading score of 10 has been applied			
Average operating pressure:	+ ? 9	75.0	psi

---

**COST DATA**

Total annual cost of operating water system:	+ ? 9	\$5,490,267	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ? 9	\$5.31	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ? 9	\$864.73	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value mallosses

---

**WATER AUDIT DATA VALIDITY SCORE:**

\*\*\* YOUR SCORE IS: 90 out of 100 \*\*\*

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

**PRIORITY AREAS FOR ATTENTION:**

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Unauthorized consumption

3: Billed unmetered

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CITY OF SPRING HILL, TENNESSEE  
 AWWA REPORTING WORKSHEET  
 JUNE 30, 2016  
 (UNAUDITED)

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v8.0 American Water Works Association Copyright ©2009, All Rights Reserved
Water Audit Report for: <span style="border: 1px solid black; padding: 2px;">City of Spring Hill (0000667)</span>		
Reporting Year: <span style="border: 1px solid black; padding: 2px;">2016</span> <span style="border: 1px solid black; padding: 2px;">7/2015 - 6/2016</span>		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 90 out of 100 ***		
<b>System Attributes:</b>		
	Apparent Losses:	<span style="border: 1px solid black; padding: 2px;">18,774</span> MG/yr
	+ Real Losses:	<span style="border: 1px solid black; padding: 2px;">138,035</span> MG/yr
	= <b>Water Losses:</b>	<span style="border: 1px solid black; padding: 2px;">156,809</span> MG/yr
	? Unavoidable Annual Real Losses (UARL):	<span style="border: 1px solid black; padding: 2px;">89,39</span> MG/yr
	Annual cost of Apparent Losses:	<span style="border: 1px solid black; padding: 2px;">\$99,690</span>
	Annual cost of Real Losses:	<span style="border: 1px solid black; padding: 2px;">\$119,363</span> Valued at <b>Variable Production Cost</b>
		Return to Reporting Worksheet to change this assumption
<b>Performance Indicators:</b>		
<b>Financial:</b>	Non-revenue water as percent by volume of Water Supplied:	<span style="border: 1px solid black; padding: 2px;">13.6%</span>
	Non-revenue water as percent by cost of operating system:	<span style="border: 1px solid black; padding: 2px;">4.1%</span> Real Losses valued at Variable Production Cost
<b>Operational Efficiency:</b>	Apparent Losses per service connection per day:	<span style="border: 1px solid black; padding: 2px;">3.63</span> gallons/connection/day
	Real Losses per service connection per day:	<span style="border: 1px solid black; padding: 2px;">26.71</span> gallons/connection/day
	Real Losses per length of main per day*:	<span style="border: 1px solid black; padding: 2px;">N/A</span>
	Real Losses per service connection per day per psi pressure:	<span style="border: 1px solid black; padding: 2px;">0.36</span> gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	<span style="border: 1px solid black; padding: 2px;">138.04</span> million gallons/year
	? Infrastructure Leakage Index (ILI) [CARL/UARL]:	<span style="border: 1px solid black; padding: 2px;">1.54</span>
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

**COMPLIANCE AND INTERNAL CONTROL**





INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Mayor and Aldermen  
City of Spring Hill, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, Tennessee (the “City”) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 21, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2016-001, 2016-002, 2016-003, and 2016-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2016-005, 2016-006, and 2016-007 to be significant deficiencies.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described as item 2016-003 in the accompanying schedule of findings and responses.

### **The City's Response to Findings**

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Crosslin, PLLC*

Nashville, Tennessee  
June 21, 2017

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**FINANCIAL STATEMENT FINDINGS**

**2016-001 – Accounting System, Fiscal Management, and Accounting Discipline**

Condition, Criteria, Cause, and Effect: In general, an accounting and information system should provide management with accurate and timely financial information to enable well-informed business decisions to be made. Based on discussions with management, the City implemented a new system during FY 2015, but it was still not functioning effectively during FY 2016. Therefore, the system did not meet these expectations. Additionally, certain accounting functions, such as proper maintenance and review of the general ledger and reconciliations of certain major asset and liability accounts, were not consistently performed during the year, weakening internal controls and making interim financial information unavailable or possibly inaccurate. Problems in receiving timely and accurate financial information can significantly impact management's ability to effectively guide an organization. Critical areas such as financial analysis, budgetary control, and cash flow can all be impacted. Government funding, the obtaining of grants, contributions and other financing relationships can also be jeopardized by the lack of timely and accurate financial information and the lack of communication. During FY 2016, there was a lack of consistent review and reconciliation in many areas of the accounting and finance functions. We noted instances where accounting tasks such as certain monthly reconciliations of accounts and subsidiary ledgers to the general ledger, preparation of supporting schedules and journal entries, period end closings, cross checks, and reviews which play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements were not performed or were not performed in a timely manner. We encountered instances in which audit schedules and support did not reconcile with what was recorded in the general ledger. A lack of training and full understanding of certain processes and the functionality of the City's accounting software (Tyler) has been a contributing factor to these deficiencies. These instances affected many major asset, liability, and fund balance/net position accounts such as:

- Accounts receivables (including adjusting the allowance)
- Property tax receivables (removing the prior year and recording the current year along with any allowance or write offs of delinquent amounts)
- Recording property, plant, and equipment including construction in progress and depreciation expense, and donated infrastructure
- Proper cutoff of accounts payables and reconciliations of accrued expenses
- Reconciliations of due to/due from accounts
- Adjustments to fund balance/net position accounts, with appropriate detailed supporting schedules
- Proper reconciliations of grant revenues and expenses

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2016-001 – Accounting System, Fiscal Management, and Accounting Discipline - Continued**

Recommendations: Recommendations to City management are summarized as follows:

- We recommend that the City monitor and improve the accounting and information systems, implement proper accounting procedures, and assure personnel are in place that will facilitate the production of accurate financial information, and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended in a timely manner in order to allow management to guide and direct the City into the future.
- The following are recommendations, which if implemented, can help move the City toward these goals:
  - Continual training of accounting staff in the use of the various accounting software functions (Tyler), including accounts receivable, accounts payables, and fixed asset modules.
  - Continual work on the accounting policies and procedures manual to ensure that it is well structured and that it defines proper procedures and documentation for the various accounting processes, reconciliations and review (i.e. assignment of preparation and review of various account reconciliations and analysis).
  - Properly trained and supervised accounting staff and a fiscal management team with the authority to assure that the proper procedures and internal controls are in place and are consistently followed.
  - Continue to improve communication and exchange of financial information including grants between departments in a timely manner.
  - Assess staffing levels to ensure that they are at an appropriate level to perform critical accounting procedures in a timely manner.

Views of Responsible Officials and Planned Corrective Actions:

*City staff concurs with the finding. City staff is seeking supplemental training from Tyler Technologies, the City's accounting software vendor. City staff have also identified several software issues to be resolved and are working diligently with Tyler that has created an internal team to work with City staff to address these and other items that may arise from time to time in a timely manner. The City has an Internal Control Policy and will review and update/refine the policy further as needed. During the 2015-2016 fiscal year, the City added an accountant with audit experience to professional staff, to identify opportunities to improve accounting practices.*

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2016-002 – Capital Assets**

Condition, Criteria, Cause, and Effect: During the audit, we noted that detailed capital asset records were not being maintained by the City. After bringing this to the attention of City management, the City manually prepared a spreadsheet that detailed the capital asset records based on the prior year audit, accounted for current year additions based on the capitalization policy, and removed capital assets that had been disposed of during the year. This spreadsheet was also used to calculate depreciation expense for the year after the closing process for year end. This is a time-consuming and costly process and errors could be easily made and not detected. The City noted that their accounting system has a capital asset module; however, it is not currently being used.

Recommendations: As part of our audit, we made several recommendations to City management, which are summarized as follows:

- We recommend that the City perform a physical capital asset inventory and designate one individual to maintain the detailed fixed asset records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for assets. Independent review of the employee's work should also be performed. Specifically, capital asset records should include the following data:
  - Description of the asset;
  - Cost, voucher number, and vendor name;
  - Date placed in service;
  - Grant source, if applicable;
  - Estimated useful life;
  - Depreciation method (for both accounting and tax purposes);
  - Depreciation expense and accumulated depreciation for the year (for both accounting and tax purposes); and
  - Date asset retired and selling price if applicable.

Complete information such as the above on all capital assets would provide appropriate control for the safeguarding of these assets, which are significant in cost. Better assessment and evaluation could also be made regarding the reliability of certain capital assets and the need for replacements, etc.

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2016-002 – Fixed Assets - Continued**

- We recommend the City convert its current capital asset spreadsheet, which is manually prepared, to the capital asset module in the computerized system. The system is designed to accumulate asset cost and calculate depreciation expense. Once the capital assets are input into the fixed asset module, additions, deletions, depreciation expense, and accumulated depreciation expense for all capital assets meeting the City's capitalization policy should be recorded and reconciled to the general ledger on a monthly basis. This will eliminate a significant amount of manual record-keeping duties, make operations more efficient, and provide more accurate information with which to make business decisions regarding capital assets. This will also free time for the accountant to perform more important tasks, expedite the annual year-end closing, as well as provide more accurate depreciation amounts for interim and year-end financial statements.

Views of Responsible Officials and Planned Corrective Actions:

*City staff concurs with this finding. Capital assets were previously being recorded manually by the City's former auditor. City staff recognized the need for capital assets to be maintained by the City and responded by preparing an updated Excel spreadsheet of capital assets to support the audit process. Moving forward, City staff will work with the Tyler software vendor to convert the manually prepared fixed asset spreadsheet to the capital asset module of the Tyler software system utilized by the City. City staff will undertake additional training as needed to become proficient in the use of the fixed asset module. City staff will identify and record capital assets. Once City assets have been properly recorded and placed into the fixed asset module, procedures will be developed and implemented to track, record and reconcile capital assets on a regular basis. City staff has presented a recommendation to the Board of Mayor and Aldermen to fund a new position in the Finance Department to fulfill the role of Capital Asset Manager/Purchasing Director for FY2017/18 to implement policies and procedures for managing capital assets.*

**2016-003 – Federal and State Grant Funds**

Condition, Criteria, Cause, and Effect: Our audit disclosed that controls over grants of federal and state funds need to be improved. Specifically, we noted that there is currently no centralized review procedure for grant agreements. The grants for the City are not maintained centrally, which made it difficult for the accountant to prepare an accurate grant schedule during the year-end closing process. Additionally, grant revenues and expenses are not tracked by the various grants, which makes it difficult to reconcile to the overall trial balance. Specifically, we noted that the City could be subject to federal and state audit reporting requirements, which would go undetected under the current process in place.

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2016-003 – Federal and State Grant Funds - Continued**

Recommendations: As part of the audit, we made several recommendations to City management, which are summarized as follows:

- Centralized accounting and review procedures are necessary to ensure understanding of and compliance with specific terms identified by the funding source. We recommend that appropriate personnel review grant agreements on a timely basis City-wide. Specifically, a grants coordinator should be in-charge of accounting for all grants.
- We recommend that the grants process be centralized so that all grants received by the City are maintained in one location, which will enable the accountant to prepare an accurate grant schedule. Such a schedule, when periodically reconciled against the general ledger, helps to keep track of the various aspects pertaining to grants, which should include the amount, term, dates of receipt, reporting requirements, any restrictions, and other pertinent information. This is crucial as compliance with laws and regulations regarding federal and state grants and contracts are of the utmost importance. Violation of these laws and regulations can impose significant operating and financial penalties on an organization and should be avoided at all cost. Additionally, where cumulative federal funds are over a certain limit, an additional audit performed in accordance with OMB Uniform Guidance may be required. The City risks non-compliance with these requirements without additional centralized processes.
- We suggest that the City structure a better system, capable of properly accounting for the transactions and restrictions relative to these grants as well as maintaining more accurate and complete documentation for all grant revenue and expenses. The accounting system in place made it difficult to determine the funds received and expended for each individual grant. This could result in missed federal or state compliance including audit and reporting. To more clearly reflect activity on a grant-by-grant basis, we suggest that the City maintain separate cost centers for each federal and state funding source. This practice will also facilitate the reporting requirements for grants and contracts and greatly improve internal control. Again, the centralized grant process should be performed by a designated, suitable employee with appropriate coordination with the departments.

Views of Responsible Officials and Planned Corrective Actions:

*City staff concurs with this finding and previously had been working to address grant administration with a more centralized management and oversight process. Specifically, the City Accountant will house and manage all grant documentation in a centralized location. Management will assign qualified staff members to manage day-to-day grant functions in coordination with the City Accountant including tracking project progress, documentation and project accounting. As recommended, City staff will also contact the Tyler software vendor regarding the Project Management module to integrate the use of this software in the implementation of an improved system for properly accounting for transactions and tracking of grant revenues and expenditures.*

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2016-004 – Reconciliation of Due To/Due From Accounts**

Condition, Criteria, Cause, and Effect: The due to/from accounts do not agree and are not being reconciled on a routine basis. Internal control should require that the due to/due from accounts balance each month to each account in each fund. There are currently no procedures in place to require management's review of the due to/due from accounts. Because there is not adequate oversight of the due to/due from accounts, internal balances could be misstated. Additionally, the due to/due from accounts could be used to perpetuate misappropriation of assets without proper monitoring and reconciliation procedures. Additionally, the City's history with due to/due from accounts should warrant further accounting and complete reconciliation.

Recommendation: The City should review the due to/due from account balances for completeness and accuracy, address old or unused account balances, and then begin properly reconciling these balances on a monthly basis. This is imperative to appropriate fund accounting and compliance.

Views of Responsible Officials and Planned Corrective Actions:

*City Staff concurs with this finding. Staff reviewed interfund transactions at the end of the 2015-2016 year. Staff is performing a more in depth review to develop a procedure for monthly reconciliation of interfund transfers and due to/due from balances. Tyler Technologies is also determining whether or not errors exist in the way the software reports interfund transactions. Staff will be proposing a special accounting project to the Board of Mayor and Aldermen to provide resolution of past years due to/due from and other general ledger account balances.*

**2016-005 – Formal Purchasing/Gas Card Policy**

Condition, Criteria, Cause, and Effect: There is currently not a formal policy surrounding gas cards and/or purchasing cards for the City. Internal control should require adequate controls surrounding appropriation of funds, including gas cards and purchasing cards. Since no policy currently exists, allowing the risk of employees using the cards for personal benefit.

Recommendation: We recommend creating a formal gas card and purchasing card policy that includes limits based on need/authority. Once a formal policy has been adopted, the City should ensure that employees are properly following the policy to ensure there is no misappropriation of monies. Such monitoring should include review and reconciliation of all support to the charges by an employee independent of the charges.

Views of Responsible Officials and Planned Corrective Actions:

*City staff concurs with this finding. While the City currently has a procedure in place for the use of purchasing cards, the City will develop a formalized purchasing and fuel card policy for implementation throughout the City. Currently, the City has a total of three (3) purchasing cards issued under names of the Mayor, City Administrator, and Finance Director, with prescribed purchasing limits. These purchasing cards are kept in a locked filing cabinet and are checked out by the purchasing coordinator only as authorized by the Mayor, City Administrator and Finance Director. Charges on purchasing cards including required receipts are reviewed and reconciled monthly by an employee independent of the charges.*

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2016-006 – Reconciliation of Payroll Liability Accounts**

Condition, Criteria, Cause, and Effect: During the audit, we noted that the City’s payroll deductions do not appropriately clear-out on a monthly basis. In addition, we noted that a system issue is causing internal payroll reports to not agree with pay rates noted in respective employee payroll files. Internal control should require that all payroll liability accounts and TCRS payroll amounts be reconciled monthly. There is currently no policy in place that requires management to review payroll to ensure that this process is being observed. Failure to remove payroll deductions would result in overstated payroll expenses and failure to ensure that system generated reports agree with pay rates in employee files would result in unexplained discrepancies. Further, payroll accounts can be subject to misappropriation. Payroll liabilities also have legal and contractual obligations.

Recommendation: The City should reconcile the payroll liability accounts on a monthly basis to ensure that monthly payroll deductions and related liabilities are properly clearing out in the system. System issues should be addressed by the Software vendor and additional training on the system should take place, as necessary, to ensure the issue in the system is fixed and that payroll deductions properly clear out on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions:

*City staff concurs with this finding. City staff will develop policy to require the review and reconciliation of payroll liability accounts and TCRS payroll amounts on a monthly basis. City staff will also be working closely with the Tyler software vendor to address internal software issues that are contributing to errors in reporting. City staff will also be undertaking additional training where needed to ensure proficiency in the use of the software system. The processes and procedures that are being developed to address this item will be coordinated with process and procedures to reconcile insurance premiums with individuals.*

**2016-007 – Reconciliation of Insurance Premiums with Individuals**

Condition, Criteria, Cause, and Effect: The insurance bills are not being reconciled and corrected on a timely basis. Internal control should require that all insurance billings and accounts be reconciled monthly. The City currently does not have an adequate policy in place to reconcile the insurance bills. As a result, the City has paid insurance premiums on individuals that no longer work for the City.

Recommendation: We recommend reconciling the insurance payments to the billings and related employees on a monthly basis. Additionally, a procedure should be put in place where terminated employees are effectively removed from the insurance coverage. Such a procedure will take coordination of human resources and finance.

Views of Responsible Officials and Planned Corrective Action:

*City staff concurs with this finding. City staff will implement procedures to reconcile insurance payments and related matters on a monthly basis. City staff has established processes and procedures between finance and human resources functions where terminated employees are removed from the insurance coverage. The processes and procedures that are being developed to address this item will be coordinated with process and procedures to reconcile payroll liability accounts.*

CITY OF SPRING HILL  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Schedule of Disposition of Prior Year Findings**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2015-001	Reconciliation of Payroll Liability Accounts (See 2016-006)	Repeated
2015-002	Reconciliation of Accounts Payable (See 2016-001)	Repeated
2015-003	Reconciliation of Accounts Receivable and Other Receivables (See 2016-001)	Repeated
2015-004	Reconciliation of Due To/Due From Accounts (See 2016-004)	Repeated