

**RESOLUTION 20-41**

**A RESOLUTION TO ACCEPT THE ANNUAL AUDIT AND FINANCIAL REPORT FOR CITY OF SPRING HILL FOR FISCAL YEAR 2018-2019 AS PREPARED AND PRESENTED BY  
CROSSLIN CERTIFIED PUBLIC ACCOUNTANTS**

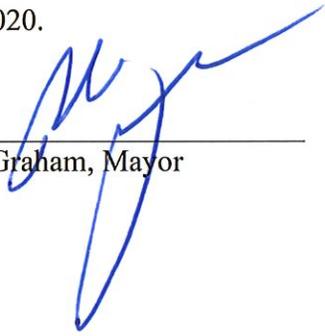
**WHEREAS**, pursuant to T.C.A. § 6-56-105, the governing body of each municipality shall cause an annual audit to be made of the accounts and records of all departments, boards, and agencies under its jurisdiction that receive and disburse funds at the close of each fiscal year; and

**WHEREAS**, the Board of Mayor and Aldermen of the City of Spring Hill has contracted with Crosslin Certified Public Accountants, to perform this Audit for Fiscal Year 2018-2019; and

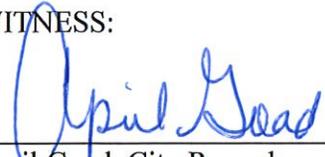
**WHEREAS**, the Board of Mayor and Aldermen of the City of Spring Hill has been presented the results of the Audit and the Financial Report for Fiscal Year 2018-2019 by representatives from Crosslin Certified Public Accountants, on April 6, 2020; and

**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 and Financial Report for the City of Spring Hill for Fiscal Year 2018-2019.

Passed and adopted the 20<sup>th</sup> day of April, 2020.

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

WITNESS:

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

LEGAL FORM APPROVED:

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



# City of Spring Hill, Tennessee

## Report to the Board of Mayor and Alderman

### Results of the 2019 Audit

March 26, 2020



**CROSSLIN**  
CERTIFIED PUBLIC ACCOUNTANTS





March 26, 2020

To the Board of Mayor and Alderman  
City of Spring Hill, Tennessee

Thank you for the opportunity to continue to serve as independent auditors and business advisors for the City of Spring Hill, Tennessee (the "City"). We are pleased to provide our report on the results of the June 30, 2019 audit of the City's financial statements.

A direct line of communication between our Firm and those charged with governance is essential to the proper exercise of our respective responsibilities. Our appointment involves the responsibility on our part to call to your attention any significant matters which we believe require your consideration, either at a regularly scheduled meeting or on a more timely basis, if warranted.

The accompanying report is intended solely for the use of the Board of Mayor and Alderman, and management, and presents information regarding the audit and certain other information which we believe will be of assistance to you. We appreciate this opportunity to communicate the contents of this report to you. If you have any questions, please call David Hunt, Concurring Principal, or me at (615) 320-5500.

We would like to take this opportunity to express our appreciation for the assistance and courtesy extended to us by the City's employees. We look forward to a continued relationship with the City of Spring Hill, Tennessee.

Very truly yours,

A handwritten signature in black ink that reads "Erica D. Saeger". The signature is written in a cursive, flowing style.

Erica D. Saeger  
Audit Principal



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## ***Report on Results of the June 30, 2019 Audit***

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Crosslin, PLLC has completed the audit of the financial statements of the City of Spring Hill, Tennessee (the “City”) as of and for the year ended June 30, 2019, and we have issued our unmodified report thereon. The State of Tennessee has oversight responsibility and approved our audit engagement through the Comptroller of the Treasury’s Standard Contract to Audit Accounts.

The following discussion contains information related to our audit that is required by professional standards, and certain other information which we hope will be of assistance to you.

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### ***Independence***

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Our professional standards require that we communicate at least annually with you regarding all relationships between Crosslin, PLLC (“Crosslin”) and the City that, in our professional judgment, may reasonably be thought to bear on our independence. We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between Crosslin and the City that, in our professional judgment, may reasonably be thought to bear on our independence that have occurred during the period from July 1, 2018 through the date of this letter.

We confirm that as of March 26, 2020, we are independent accountants with respect to the City, within the requirements of both the American Institute of Certified Public Accountants and *Government Auditing Standards*.

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### ***Engagement Personnel***

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The following is the engagement team:

Erica Saeger	Audit Principal
David Hunt	Audit Principal, Concurring Reviewer
Lindsey Ellis	Audit Manager
Marcus Noll	Audit Senior
J.D. Cage	Audit Advanced Team Member



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## ***Our Responsibility Under U.S. Generally Accepted Auditing Standards***

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Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free from material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not to be detected by us.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements but not to provide assurance on the internal control over financial reporting. Accordingly, we express no such opinion.

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## ***Management Judgments and Accounting Estimates***

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significant to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant accounting estimates reflected in the City's financial statements include the following:

- Property taxes receivable and related deferred inflows of resources
- Allowance for doubtful receivables
- The useful lives and valuation of capital assets
- Valuation of contributed capital assets, including streets and other infrastructure
- Appropriateness of assumptions used to calculate the net pension liability
- Commitments and contingencies, including accruals and disclosures

The basis for our conclusions as to the reasonableness of the estimates when considered in the context of the financial statements taken as a whole, as expressed in our auditor's report, is our review and tests of the process used by management to develop the estimates. During the year ended June 30, 2019, we are not aware if any significant changes in methodology surrounding accounting estimates or in management judgments relating to such estimates.



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## ***Audit Adjustments***

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Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have significant impact on an organization's financial reporting process.

During the course of the audit, we proposed adjusting journal entries, which have been included in Appendix B. The entries identified during the audit have been reviewed, accepted, and recorded by management within the financial statements.

A list of uncorrected misstatements is included in Appendix C. Management has concluded the uncorrected adjustments are immaterial to the financial statements as a whole.

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## ***Significant Accounting Policies***

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Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note A to the financial statements. We noted no matters that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transaction and (2) the effect of significant accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus. The City's significant accounting policies appear to be appropriate and comprehensive under U.S. generally accepted accounting principles.

See discussion of new accounting pronouncements beginning on page 6.

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## ***Difficulties Encountered in Performing the Audit***

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We encountered certain delays in performing and completing our audit primarily due to the capital asset physical inventory being completed after year end, which resulted in a prior period restatement.

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## ***Alternative Accounting Treatments***

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We had no discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices related to material items including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies related to the year ended June 30, 2019.



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### ***Management Consultations with Other Independent Accountants***

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In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion.” If a consultation involves application of an accounting principle to the organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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### ***Disagreements with Management***

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For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor’s report. No such disagreements arose during the course of our audit.

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### ***Issues Discussed Prior to Retention of Independent Auditors***

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We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to our retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

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### ***Fraud and Illegal Acts***

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We did not identify any fraudulent or illegal acts during the course of our audit with the exception of the one item that was disclosed to us by management as noted in 2019-002 in the Schedule of Findings Responses in the report.

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### ***Management Representations***

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We have requested certain written representations from management that are included in the management representation letter. This letter has been included for informational purposes as Appendix A.

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### ***Information in Documents Containing Audited Financial Statements***

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We are not aware of any documents that will contain the audited financial statements. If such a need arises, we will review the other documents to ensure that there are no material inconsistencies in the information.



## ***Findings, Views of Responsible Officials, and Planned Corrective Action***

During our audit we noted one material weakness (2019-001) and one other matter (2019-002) in internal control. These items are described in the Schedule of Findings and Responses, which is included in the Compliance and Internal Control section of the financial statements for the fiscal year ended June 30, 2019. Please see this section of the report.

## ***Areas of Audit Emphasis***

- Cash
- Capital assets, including infrastructure
- Receivables, including property taxes, other taxes, grants and other
- Net position/fund balances, including classification
- Long-term debt
- Accounts payable and accrued expenses
- Interfund balances
- Revenues, including taxes, fees and other sources
- Salaries and benefits as well as other operating expenses
- Consideration of net pension liability and related impact on financial position and disclosures
- Implementation of new GASB Statements (See below)
- Financial reporting

## ***Recent Accounting Pronouncements***

The government and standard-setting bodies are issuing guidance at an unprecedented pace. Crosslin, PLLC is constantly receiving, reviewing, and searching for the latest authoritative literature, in part through our involvement with the AIPCA’s Government Audit Quality Center and the Government Finance Officers Association (“GFOA”), including GFOA’s Special Review Committee. We routinely interface with the City’s management to ensure proper understanding and application of pronouncements, standards, interpretations, and addenda that arise and will continue to have these discussions with management to implement all new standards as they arise.

The following Governmental Accounting Standards Board (“GASB”) accounting pronouncements are effective for fiscal year 2019:



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## ***Recent Accounting Pronouncements (continued)***

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The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, required for fiscal periods beginning after June 15, 2019, fiscal year 2019 for the City. This Statement enhances comparability of financial statements among governments by establishing uniform criteria for recognizing and measuring certain asset retirement obligations (ARO's) and enhances the usefulness of information by requiring disclosures related to ARO's.

The GASB issued Statement No. 85, *Omnibus 2017*, required for fiscal periods beginning after June 15, 2017, fiscal year 2019 for the City. This Statement enhances consistency in the application of accounting and financial reporting requirements.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, required for reporting periods beginning after June 15, 2019, fiscal year 2019 for the City.

### ***Upcoming pronouncements:***

The GASB issued Statement No. 84, *Fiduciary Activities*, required for fiscal periods beginning after December 15, 2019, fiscal year 2020 for the City. This Statement enhances consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

The GASB issued Statement No. 87, *Leases*, required for fiscal periods beginning after December 15, 2019, fiscal year 2021 for the City. This Statement increases the usefulness of financial statement by requiring reporting of certain lease liabilities that currently are not reported, enhances comparability by requiring lessees and lessors to report leases under a single model, and enhances the usefulness of information by requiring notes to the financial statements regarding leasing arrangements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, required for reporting periods beginning after December 15, 2019, fiscal year 2020 for the City. Earlier application is encouraged.

The GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, required for reporting periods beginning after December 15, 2019, fiscal year 2020 for the City. Earlier application is encouraged.



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## ***Recent Accounting Pronouncements (continued)***

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The GASB issued Statement No.91, *Conduit Debt Obligations*, required for reporting periods beginning after December 15, 2020, fiscal year 2022 for the City. Earlier application is encouraged.

The GASB issued Statement No. 92, *Omnibus 2020*, which is effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.



March 26, 2020

Crosslin, PLLC  
 The Astoria  
 3803 Bedford Avenue, Suite 103  
 Nashville, Tennessee 37215

This representation letter is provided in connection with your audit of the financial statements of City of Spring Hill, Tennessee (the "City") which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows for the period then ended, the budgetary comparisons of the General Fund, Adequate Facilities/Development Fund and Sanitation Fund, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 16, 2016, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.

199 Town Center Parkway  
 P. O. Box 789  
 Spring Hill, TN 37174



Phone 931.486.2252  
 Fax 931.486.0516  
[www.springhilltn.org](http://www.springhilltn.org)

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and responses.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatement is attached to the representation letter.
- 9) We are in agreement with the adjusting journal entries you have proposed, have reviewed and accept responsibility for them, and have posted them to the accounts.
- 10) We acknowledge and agree with the restatement made to correct a material misstatement in the prior period related to capital assets.
- 11) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 12) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

- 13) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Board of Mayor and Aldermen or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards and state financial assistance.

- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 16) Except as made known to you, we have no knowledge of any other fraud or suspected fraud that affects the City and involves—
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 17) Except as made known to you, we have no knowledge of any other allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 18) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 19) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 20) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

**Government-specific**

- 21) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 22) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
- 23) We have a process to track the status of audit findings and recommendations.
- 24) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 25) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 26) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

- 27) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 29) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 30) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 31) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 32) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 33) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 34) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 35) The City does not have any component units or joint ventures with an equity interest for inclusion within the financial reporting entity. Additionally, the financial statements properly disclose all other joint ventures and other related organizations.
- 36) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34, as amended, and GASBS No. 84.
- 37) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

- 38) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 39) Provisions for uncollectible receivables have been properly identified and recorded.
- 40) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 41) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 42) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 43) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 44) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 45) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 46) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 47) We believe that the actuarial assumptions and methods used to measure the pension liabilities for financial accounting purposes are appropriate in the circumstances.
- 48) We acknowledge our responsibility for the required supplementary information ("RSI"). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 49) With respect to the supplementary information on which an in-relation-to opinion is issued (e.g., combining statements, individual fund statements, schedule of expenditures of federal awards and state financial assistance, long-term debt requirements and property taxes receivable):
  - a) We acknowledge our responsibility for presenting the supplemental information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used

in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

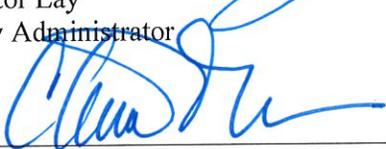
50) With respect to federal programs, for fiscal years 2019, we confirm that expenditures of federal awards were below the \$750,000 threshold, and we were not required to have an audit in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Additionally, we confirm that all expenditures of federal or state program awards are presented on the schedule of expenditures of federal awards and state financial assistance to be presented as supplementary information with the financial statements. The schedule of expenditures of federal awards and state financial assistance is presented in accordance with the requirements of the State of Tennessee and is complete and accurate.

51) No subsequent events have occurred through the date of this letter that would require adjustment of or the financial statements. Subsequent events requiring disclosure have been included in the footnotes to the financial statements.

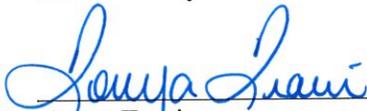
CITY OF SPRING HILL, TENNESSEE



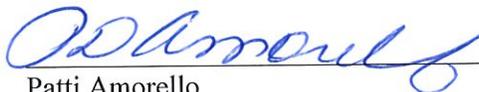
Victor Lay  
City Administrator



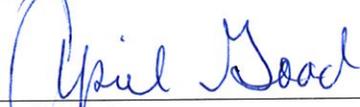
Chuck Downham  
Assistant City Administrator



Tonya Travis  
Finance Director



Patti Amorello  
Finance Associate



April Goad  
City Recorder

City of Spring Hill  
 Year End: June 30, 2019  
 Adjusting Journal Entries  
 Date: 7/1/2018 To 6/30/2019

Number	Date	Type	Name	Account No	Reference	Debit	Credit
1	6/30/2019	N	MANUAL ACCRUALS	110-21124 GF	CC-2		(56,852.00)
1	6/30/2019	N	WILLIAMSON COUNTY ANIMAL CONTROL	110-41720-292 GF	CC-2	56,852.00	
to adjust general fund accounts payable to include services provided by williamson country animal control							
2	6/30/2019	N	Deferred Outflows of Resources-Pensions	410-15490 WS	DD-3	124,924.00	
2	6/30/2019	N	DEFERRED INFLOW OF RESOURCES - PENSION	410-23300 WS	DD-3		(14,851.00)
2	6/30/2019	N	NET PENSION LIABILITY	410-23400 WS	DD-3		(42,242.00)
2	6/30/2019	N	Deferred Outflows of Resources-Pensions	416-15490 SWF	DD-3	13,057.00	
2	6/30/2019	N	DEFERRED INFLOWS OF RESOURCES - PENSIONS	416-23300 SWF	DD-3		(1,552.00)
2	6/30/2019	N	NET PENSION LIABILITY	416-23400 SWF	DD-3		(4,415.00)
2	6/30/2019	N	EMPLOYEE RETIREMENT PLAN	410-52100-143 WS	DD-3		(67,831.00)
2	6/30/2019	N	EMPLOYEE RETIREMENT PLAN	416-42425-143 SWF	DD-3		(7,090.00)
To record GASB 68 pension entries for proprietary Funds							
3	6/30/2019	N	A/D - Infrastructure	416-18479 SWF	WW-1		(27,801.00)
3	6/30/2019	N	MS4 Fund Balance	416-27100 SWF	WW-1	27,801.00	
To adjust previously unrecorded depreciation expenses in PY to have SW fund roll properly.							
4	6/30/2019	N	Infrastructure - Water	410-16200 WS	M-0	2,879,497.00	
4	6/30/2019	N	Infrastructure - Water	410-16200 WS	M-0	4,638,696.00	
4	6/30/2019	N	A/D - Infrastructure	410-16210 WS	M-0		(1,228,701.00)
4	6/30/2019	N	Water Structures & Buildings	410-16220 WS	M-0	25,523,156.00	
4	6/30/2019	N	Water Structures & Buildings	410-16227 WS	M-0	26,375,191.00	
4	6/30/2019	N	Water Structures & Buildings	410-16227 WS	M-0	14,639,176.00	
4	6/30/2019	N	Infrastructure - Sewer	410-16230 WS	M-0	30,307,026.00	
4	6/30/2019	N	A/D - Infrastructure -Sewer	410-16310 WS	M-0		(6,242,364.00)
4	6/30/2019	N	A/D - Water Structures & Building	410-16320 WS	M-0		(6,721,056.00)
4	6/30/2019	N	A/D - Water Structures & Building	410-16320 WS	M-0		(6,484,199.00)
4	6/30/2019	N	A/D - Sewer Structures & Building	410-16325 WS	M-0		(5,626,382.00)
4	6/30/2019	N	A/D - Sewer Structures & Building	410-16325 WS	M-0		(8,745,685.00)
4	6/30/2019	N	Equipment - Water	410-16400 WS	M-0		(1,211,187.00)
4	6/30/2019	N	A/D - Equipment	410-16410 WS	M-0	1,413,181.00	
4	6/30/2019	N	Equipment - Sewer	410-16420 WS	M-0		(956,683.00)
4	6/30/2019	N	A/D - Equipment	410-16430 WS	M-0	304,562.00	
4	6/30/2019	N	Water Plant in Operation	410-16610 WS	M-0		(27,191,468.00)
4	6/30/2019	N	A/D - Water Plant	410-16611 WS	M-0	6,536,576.00	
4	6/30/2019	N	Sewer Plant in Operation	410-16620 WS	M-0		(55,725,533.00)
4	6/30/2019	N	A/D - Sewer Plant	410-16621 WS	M-0	11,564,184.00	
4	6/30/2019	N	Water/Sewer Fund Balance	410-27100 WS	M-0		(4,047,987.00)
4	6/30/2019	N	Infrastructure	416-16200 SWF	M-0	981,464.00	
4	6/30/2019	N	Improvements other than Bul	416-16300 SWF	M-0		(981,464.00)
4	6/30/2019	N	Equipment - MS4	416-16410 SWF	M-0		(222,484.00)
4	6/30/2019	N	A/D - Equipment	416-16419 SWF	M-0	227,636.00	
4	6/30/2019	N	MS4 Fund Balance	416-27100 SWF	M-0		(5,152.00)
4	6/30/2019	N	Land - General Fund	800-16115 GFA	M-0	1,820,598.00	
4	6/30/2019	N	Building and Improvements	800-16125 GFA	M-0	2,199,512.00	
4	6/30/2019	N	A/D - Buildings and Improvements	800-16126 GFA	M-0		(1,341,225.00)
4	6/30/2019	N	Equipment - General	800-16135 GFA	M-0	257,190.00	
4	6/30/2019	N	A/D - Equipment	800-16136 GFA	M-0		(170,297.00)
4	6/30/2019	N	Buildings & Improvement - IT	800-16225 GFA	M-0	64,613.00	
4	6/30/2019	N	A/D - Structures & Building	800-16226 GFA	M-0		(64,613.00)
4	6/30/2019	N	Equipment - IT	800-16235 GFA	M-0	142,575.00	
4	6/30/2019	N	A/D - Equipment	800-16236 GFA	M-0		(50,745.00)
4	6/30/2019	N	Equipment - Codes	800-16335 GFA	M-0	98,674.00	
4	6/30/2019	N	A/D - Equipment	800-16336 GFA	M-0		(46,496.00)
4	6/30/2019	N	Land - Police	800-16415 GFA	M-0		
4	6/30/2019	N	Building & Improvements	800-16425 GFA	M-0	20,384.00	
4	6/30/2019	N	A/D - Buildings and Improvements	800-16426 GFA	M-0		(6,549.00)
4	6/30/2019	N	Equipment - Police	800-16435 GFA	M-0	2,590,445.00	
4	6/30/2019	N	A/D - Equipment	800-16436 GFA	M-0		(1,452,301.00)
4	6/30/2019	N	Land - Fire	800-16515 GFA	M-0	894,308.00	
4	6/30/2019	N	Building & Improvements	800-16525 GFA	M-0	3,944,478.00	
4	6/30/2019	N	A/D - Buildings and Improvements	800-16526 GFA	M-0		(1,066,936.00)
4	6/30/2019	N	Equipment - Fire	800-16535 GFA	M-0	2,814,910.00	
4	6/30/2019	N	A/D - Equipment	800-16536 GFA	M-0		(1,843,320.00)
4	6/30/2019	N	Land - Public Works	800-16615 GFA	M-0	130,000.00	
4	6/30/2019	N	Infrastructure - Public Works	800-16620 GFA	M-0	11,469,970.00	

4	6/30/2019	N	A/D - Infrastructure	800-16621 GFA	M-0		(2,576,123.00)
4	6/30/2019	N	Building & Improvements	800-16625 GFA	M-0	660,709.00	
4	6/30/2019	N	A/D - Buildings and Improvements	800-16626 GFA	M-0		(363,387.00)
4	6/30/2019	N	Equipment - Public Works	800-16635 GFA	M-0	2,901,483.00	
4	6/30/2019	N	A/D - Equipment	800-16636 GFA	M-0		(1,381,101.00)
4	6/30/2019	N	Building & Improvements	800-16725 GFA	M-0	3,236,585.00	
4	6/30/2019	N	A/D - Buildings and Improvements	800-16726 GFA	M-0		(1,071,287.00)
4	6/30/2019	N	Equipment - Parks	800-16735 GFA	M-0	608,431.00	
4	6/30/2019	N	A/D - Equipment	800-16736 GFA	M-0		(246,664.00)
4	6/30/2019	N	Building & Improvements	800-16825 GFA	M-0	3,120,603.00	
4	6/30/2019	N	A/D - Buildings and Improvements	800-16826 GFA	M-0		(1,241,740.00)
4	6/30/2019	N	Equipment - Library	800-16835 GFA	M-0	5,000.00	
4	6/30/2019	N	A/D - Equipment	800-16836 GFA	M-0		(5,000.00)
4	6/30/2019	N	Land - Northfield	800-16915 GFA	M-0	190,200.00	
4	6/30/2019	N	Building & Improvements	800-16925 GFA	M-0	8,020,435.00	
4	6/30/2019	N	A/D - Buildings and Improvements	800-16926 GFA	M-0		(200,511.00)
4	6/30/2019	N	Capital Assets Fund Balance	800-27100 GFA	M-0		(32,062,808.00)

To record effect of prior period adjustment to the start of 2019.

5 Relates to the prior period adjustment for capital assets; therefore, not included here.

6	6/30/2019	N	A/D - Infrastructure	410-16210 WS	M-0		(200,089.00)
6	6/30/2019	N	A/D - Infrastructure -Sewer	410-16310 WS	M-0		(662,826.00)
6	6/30/2019	N	A/D - Water Structures & Building	410-16320 WS	M-0		(537,414.00)
6	6/30/2019	N	A/D - Sewer Structures & Building	410-16325 WS	M-0		(878,937.00)
6	6/30/2019	N	A/D - Equipment	410-16410 WS	M-0		(61,273.00)
6	6/30/2019	N	A/D - Equipment	410-16430 WS	M-0		(39,152.00)
6	6/30/2019	N	A/D - Equipment	416-16419 SWF	M-0		(26,271.00)
6	6/30/2019	N	A/D - Infrastructure	416-18479 SWF	M-0		(49,617.00)
6	6/30/2019	N	A/D - Buildings and Improvements	800-16126 GFA	M-0		(54,432.00)
6	6/30/2019	N	Equipment - General	800-16135 GFA	M-0	8,950.00	
6	6/30/2019	N	A/D - Equipment	800-16136 GFA	M-0		(17,008.00)
6	6/30/2019	N	Equipment - IT	800-16235 GFA	M-0	34,264.00	
6	6/30/2019	N	A/D - Equipment	800-16236 GFA	M-0		(22,353.00)
6	6/30/2019	N	Equipment - Codes	800-16335 GFA	M-0		(11,311.00)
6	6/30/2019	N	Equipment - Codes	800-16335 GFA	M-0	8,000.00	
6	6/30/2019	N	A/D - Buildings and Improvements	800-16426 GFA	M-0		(1,025.00)
6	6/30/2019	N	Equipment - Police	800-16435 GFA	M-0	459,008.00	
6	6/30/2019	N	A/D - Equipment	800-16436 GFA	M-0		(381,585.00)
6	6/30/2019	N	A/D - Buildings and Improvements	800-16526 GFA	M-0		(101,606.00)
6	6/30/2019	N	Equipment - Fire	800-16535 GFA	M-0	644,084.00	
6	6/30/2019	N	A/D - Equipment	800-16536 GFA	M-0		(271,151.00)
6	6/30/2019	N	Infrastructure - Public Works	800-16620 GFA	M-0	1,450,385.00	
6	6/30/2019	N	A/D - Infrastructure	800-16621 GFA	M-0		(468,307.00)
6	6/30/2019	N	A/D - Buildings and Improvements	800-16626 GFA	M-0		(16,740.00)
6	6/30/2019	N	Equipment - Public Works	800-16635 GFA	M-0	326,754.00	
6	6/30/2019	N	A/D - Equipment	800-16636 GFA	M-0		(137,029.00)
6	6/30/2019	N	Land - Parks	800-16715 GFA	M-0	98,900.00	
6	6/30/2019	N	Building & Improvements	800-16725 GFA	M-0		(253,314.00)
6	6/30/2019	N	A/D - Buildings and Improvements	800-16726 GFA	M-0		(129,602.00)
6	6/30/2019	N	Equipment - Parks	800-16735 GFA	M-0	37,520.00	
6	6/30/2019	N	Equipment - Parks	800-16735 GFA	M-0	253,314.00	
6	6/30/2019	N	A/D - Equipment	800-16736 GFA	M-0		(36,541.00)
6	6/30/2019	N	A/D - Buildings and Improvements	800-16826 GFA	M-0		(78,286.00)
6	6/30/2019	N	Equipment - Library	800-16835 GFA	M-0	5,000.00	
6	6/30/2019	N	A/D - Equipment	800-16836 GFA	M-0		(500.00)
6	6/30/2019	N	A/D - Buildings and Improvements	800-16926 GFA	M-0		(200,511.00)
6	6/30/2019	N	Capital Assets Fund Balance	800-27100 GFA	M-0		(3,072,865.00)
6	6/30/2019	N	Water Depreciation	410-52100-540 WS	M-0	798,775.00	
6	6/30/2019	N	Sewer Depreciation	410-52316-540 WS	M-0	1,580,916.00	
6	6/30/2019	N	MS4 Depreciation Expense	416-42425-540 SWF	M-0	75,888.00	
6	6/30/2019	N	General Gov't Depreciation	800-41100-540 GFA	M-0	71,441.00	
6	6/30/2019	N	IT - Depreciation Expense	800-41600-540 GFA	M-0	22,353.00	
6	6/30/2019	N	Codes Depreciation Expense	800-41720-540 GFA	M-0	11,311.00	
6	6/30/2019	N	Police Depreciation Expense	800-42100-540 GFA	M-0	382,610.00	
6	6/30/2019	N	Fire Depreciaiton Expense	800-42200-540 GFA	M-0	372,757.00	
6	6/30/2019	N	Public Works Depr Exp	800-43100-540 GFA	M-0	622,076.00	
6	6/30/2019	N	Parks Depreciaiton Expense	800-44700-540 GFA	M-0	166,142.00	
6	6/30/2019	N	Library Depreciaiton Expense	800-44800-540 GFA	M-0	78,786.00	
6	6/30/2019	N	Northfield Depreciaiton Expense	800-45000-540 GFA	M-0	200,511.00	

To record adjustment for CY activity in capital assets.

7	6/30/2019	N	Infrastructure - Water	410-16200 WS	M-0	2,096,880.00	
7	6/30/2019	N	Infrastructure - Sewer	410-16230 WS	M-0	3,098,335.00	
7	6/30/2019	N	Equipment - Sewer	410-16420 WS	M-0	14,970.00	
7	6/30/2019	N	Sewer Plant in Operation	410-16620 WS	M-0		(107,789.00)
7	6/30/2019	N	DONATED WATER LINES	410-37505 WS	M-0		(2,096,879.00)
7	6/30/2019	N	DONATED SEWER LINES	410-37506 WS	M-0		(3,005,517.00)

7	6/30/2019	N	Infrastructure	416-16200 SWF	M-0	2,140,570.00	
7	6/30/2019	N	Improvements other than Buil	416-16300 SWF	M-0		(54,582.00)
7	6/30/2019	N	DONATED STORMWATER INFRASTRUCTURE	416-37505 SWF	M-0		(2,085,988.00)
7	6/30/2019	N	Equipment - Codes	800-16335 GFA	M-0	11,311.00	
7	6/30/2019	N	A/D - Equipment	800-16336 GFA	M-0		(11,311.00)
7	6/30/2019	N	CIP	800-16950 GFA	M-0	3,047,004.00	
7	6/30/2019	N	Capital Assets Fund Balance	800-27100 GFA	M-0		(3,047,004.00)

To book final client AJE to adjust ending capital asset balances.

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8 Relates to the prior period adjustment for capital assets; therefore, not included here.

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9 Relates to the prior period adjustment for capital assets; therefore, not included here.

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10	6/30/2019	N	Water Structures & Buildings	410-16220 WS	M-0A		(2,574,742.00)
10	6/30/2019	N	A/D - Water Structures & Building	410-16320 WS	M-0A	154,485.00	
10	6/30/2019	N	A/D - Water Structures & Building	410-16320 WS	M-0A	51,495.00	
10	6/30/2019	N	Wate/Sewer Fund Balance	410-27100 WS	M-0A	2,420,257.00	
10	6/30/2019	N	Water Depreciation	410-52100-540 WS	M-0A		(51,495.00)

To remove asset 2818 as it is a duplicate of asset 119.

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11	6/30/2019	N	CIP	800-16950 GFA	M-0		(340,937.00)
11	6/30/2019	N	Capital Assets Fund Balance	800-27100 GFA	M-0	340,937.00	

To remove CIP asset that is a State asset.

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12	6/30/2019	N	Building & Improvements	800-16725 GFA	M-0A	253,314.00	
12	6/30/2019	N	Equipment - Parks	800-16735 GFA	M-0A		(253,314.00)

To reclassify the GL to agree to the asset listing.

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13	6/30/2019	R	DUE TO CITY RET SYSTEM (SELF-ADMINISTER)	410-21243 WS	BB-1	45,081.00	
13	6/30/2019	R	LESS CURRENT PORTION OF LONG TERM DEBT	410-21244 WS	BB-1		(45,081.00)
13	6/30/2019	R	CPLTD	416-21601-C&A SWF	BB-1		(90,387.00)
13	6/30/2019	R	CPLTD - Contra Account	416-21601-C&A2 SWF	BB-1	90,387.00	

Reclassifying entry to reclass class current portion of debt for the proprietary funds.

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**192,278,853.00 (192,278,853.00)**

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**ALG-CX-12.2: Audit Difference Evaluation Form**

Governmental Unit:  Financial Statement Date:

Completed by:  Date:

Opinion Unit:  A Listing of Known Audit Differences Over:

**Instructions:** This form may be used to accumulate audit differences (AD) greater than the amount considered trivial (documented at Step 5 of ALG-CX-2.1). This form should *not* include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in the context of individual opinion units and conclude on whether they materially misstate the financial statements of an opinion unit taken as a whole. Thus, a separate "Audit Difference Evaluation Form" should be prepared for each opinion unit. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements, using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance in section 1010 before completing this form.

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Work-paper Ref.	Financial Statement Effect—Amount of Over- (Under-) statement of:							
				Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expen.	Change in Fund Balance/ Net Position	
Understatement of accounts payable	Factual (F)	Invoice covered services rendered in FY 19 & FY20	CC-2		-10,157		10,157			-10,157	-10,157
<b>Total</b>				0	-10,157	0	10,157	0	-10,157	-10,157	
Less audit adjustments subsequently booked											
Net unadjusted AD—current year (iron curtain method)				0	-10,157	0	10,157	0	-10,157	-10,157	
Effect of unadjusted AD—prior years											
Combined current year and prior year AD (rollover method)				0	-10,157	0	10,157	0	-10,157	-10,157	
Financial statement caption totals											
Current year AD as % of F/S captions (iron curtain method)				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Current and prior year AD as % of F/S captions (rollover method)				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

**Qualitative Factors:** Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

**Conclusion:** Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate, cause the financial statements of opinion unit taken as a whole to be materially misstated.



**CITY OF SPRING HILL, TENNESSEE**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CITY OF SPRING HILL, TENNESSEE  
 FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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CITY OF SPRING HILL, TENNESSEE  
 FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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## INTRODUCTORY SECTION



CITY OF SPRING HILL, TENNESSEE  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2019

Board of Mayor and Aldermen

Mayor	Rick Graham
Vice Mayor and Alderman	Bruce Hull (term expired April 2019)
	Amy Wurth (beginning May 2019)
Alderman	Matt Fitterer
Alderman	Kevin Gavigan
Alderman	Vincent Fuqua
Alderman	Susan Zemek (term expired April 2019)
Alderman	Jeff Graves
Alderman	John Canepari (term began April 2019)
Alderman	Dan Allen (term began April 2019)
Alderman	Hazel Nieves (term began April 2019)

City Officials

City Administrator	Victor Lay
Assistant City Administrator	Chuck Downham
Finance Director	Patti Amorello, CMFO
Chief of Police	Don Brite
City Planner	Steve Foote
City Recorder	April Goad
Codes Director	Chris Brooks
Communications Officer	Jamie Page
Dispatch Director	Brandi Smith (resigned 9/26/2018)
Fire Chief	Terry Hood
GIS/IT	John Pewitt
Human Resources Director	Shelley Taylor
Infrastructure Director	Philip Stuckert (resigned 8/24/2018)
	James Moore (appointed 1/24/2019)
Library Director	Dana Juriew
Parks & Recreation Director	Kevin Fischer
Public Works Director	Tyler Scroggins
Wastewater Treatment Plant Director	Travis Massey
Water Treatment Plant Director	Caryl Giles

**FINANCIAL SECTION**





## Independent Auditor's Report

The Board of Mayor and Alderman  
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 and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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, 2019, 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.

### ***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 supplementary information - pension plan on pages 58 through 60, 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 statements and schedules on pages 61 through 70, and the supplemental schedules on pages 73 through 81, 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 pages 71 through 72 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 statements and schedules, the other schedules on pages 73 through 76, and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate 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 statements and schedules, the other schedules on pages 73 through 76, 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 77 through 81 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 March 26, 2020, 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 solely 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 the effectiveness of the City's 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  
March 26, 2020

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. 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 of resources at the close of the most recent fiscal year by \$122,715,597 (total net position).
- The government's total net position increased by \$21,945,236.
- As of the close of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$20,572,411, which is an increase of \$5,424,528 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance in the general fund was 60.3% of total general fund expenditures for the year.

### 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  
FOR THE YEAR ENDED JUNE 30, 2019

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 of 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 eleven 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 61 of this report.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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 - 28 of this report.

*Proprietary Funds.* The City of Spring Hill maintains two proprietary funds, which include the Water and Sewer Fund and the Storm Water 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 and Storm Water 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 and the Storm Water Fund. The basic proprietary fund financial statements can be found on pages 29 - 31 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 32 - 57 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report 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 61 - 70 of this report.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

**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 \$122,715,597.

**Net Position - Primary Government  
June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2018		2018		2018	
	2019	(As Restated)	2019	(As Restated)	2019	(As Restated)
Current and other assets	\$ 34,148,518	\$ 24,275,118	\$ 24,782,440	\$ 19,980,552	\$ 58,930,958	\$ 44,255,670
Capital assets	35,913,753	32,756,097	75,107,339	69,707,729	111,021,092	102,463,826
Total assets	<u>70,062,271</u>	<u>57,031,215</u>	<u>99,889,779</u>	<u>89,688,281</u>	<u>169,952,050</u>	<u>146,719,496</u>
Deferred outflows of resources	1,679,844	1,247,657	536,309	398,328	2,216,153	1,645,985
Other liabilities	5,302,060	4,688,685	2,513,526	2,319,611	7,815,586	7,008,296
Long-term liabilities outstanding	17,580,080	18,930,080	12,581,343	14,135,607	30,161,423	33,065,687
Total liabilities	<u>22,882,140</u>	<u>23,618,765</u>	<u>15,094,869</u>	<u>16,455,218</u>	<u>37,977,009</u>	<u>40,073,983</u>
Deferred inflows of resources	11,451,396	7,513,339	24,201	7,798	11,475,597	7,521,137
Net position:						
Net investment in capital assets	17,541,619	13,003,661	63,948,607	54,060,558	81,490,226	67,064,219
Restricted	1,539,878	882,850	1,295,535	3,904,095	2,835,413	4,786,945
Unrestricted	18,327,082	13,260,257	20,062,876	15,658,940	38,389,958	28,919,197
Total net position	<u>\$ 37,408,579</u>	<u>\$ 27,146,768</u>	<u>\$ 85,307,018</u>	<u>\$ 73,623,593</u>	<u>\$ 122,715,597</u>	<u>\$ 100,770,361</u>

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), net of 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. Fiscal year 2018 has been restated in relation to the City's capital assets. During fiscal year 2019, the City performed a physical capital asset inventory, based on a prior year material weakness finding, to ensure accurate accounting for the City's capital assets. Once the physical capital asset inventory was completed, the information was entered into the City's accounting software and an entry to beginning balances was necessary to record the adjustments. See Note A. 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  
FOR THE YEAR ENDED JUNE 30, 2019

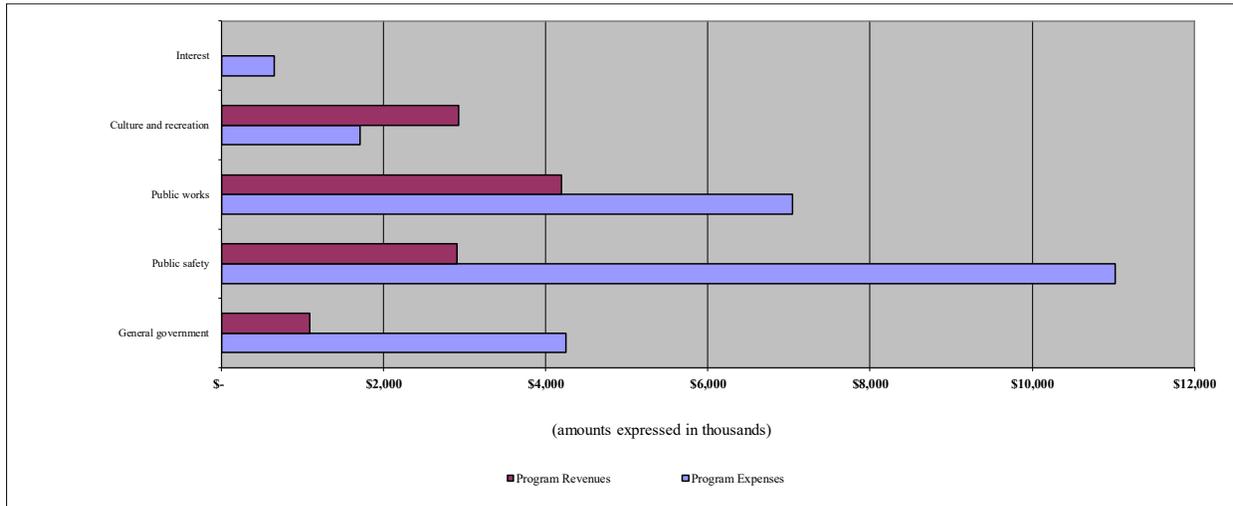
**Changes in Net Position  
For the Year Ended June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 (As Restated)	2019	2018 (As Restated)	2019	2018 (As Restated)
Program revenues:						
Charges for service	\$ 7,263,801	\$ 6,686,561	\$ 11,065,430	\$ 9,693,081	\$ 18,329,231	\$ 16,379,642
Operating grants and contributions	1,959,073	1,662,061	-	-	1,959,073	1,662,061
Capital grants and contributions	1,896,053	3,166,306	11,963,465	6,774,059	13,859,518	9,940,365
General revenues:						
Taxes	17,854,888	14,946,721	-	-	17,854,888	14,946,721
Intergovernmental revenues	4,282,232	3,662,641	181,562	86,726	4,463,794	3,749,367
Unrestricted investment earnings	125,294	9,298	223,345	29,714	348,639	39,012
Rent	943,907	-	117,375	83,916	1,061,282	83,916
Sales of materials	21,522	4,589	242,562	151,761	264,084	156,350
Miscellaneous	421,560	536,850	79,906	263,286	501,466	800,136
Total revenues	<u>34,768,330</u>	<u>30,675,027</u>	<u>23,873,645</u>	<u>17,082,543</u>	<u>58,641,975</u>	<u>47,757,570</u>
Expenses:						
General government	4,244,835	3,904,512	-	-	4,244,835	3,904,512
Public safety	11,024,249	11,344,469	-	-	11,024,249	11,344,469
Public works	7,042,826	6,430,800	-	-	7,042,826	6,430,800
Culture and recreation	1,711,219	1,905,968	-	-	1,711,219	1,905,968
Interest	650,390	767,208	-	-	650,390	767,208
Business-type activities	-	-	12,023,220	10,610,679	12,023,220	10,610,679
Total expenses	<u>24,673,519</u>	<u>24,352,957</u>	<u>12,023,220</u>	<u>10,610,679</u>	<u>36,696,739</u>	<u>34,963,636</u>
Change in net position before transfers	10,094,811	6,322,070	11,850,425	6,471,864	21,945,236	12,793,934
Transfers	167,000	199,354	(167,000)	(199,354)	-	-
Change in net position	10,261,811	6,521,424	11,683,425	6,272,510	21,945,236	12,793,934
Net position - beginning of year	27,146,768	22,905,876	73,623,593	65,718,202	100,770,361	88,624,078
Restatement (Note A)	-	(2,280,532)	-	1,632,881	-	(647,651)
Net position - end of year	<u>\$ 37,408,579</u>	<u>\$ 27,146,768</u>	<u>\$ 85,307,018</u>	<u>\$ 73,623,593</u>	<u>\$ 122,715,597</u>	<u>\$ 100,770,361</u>

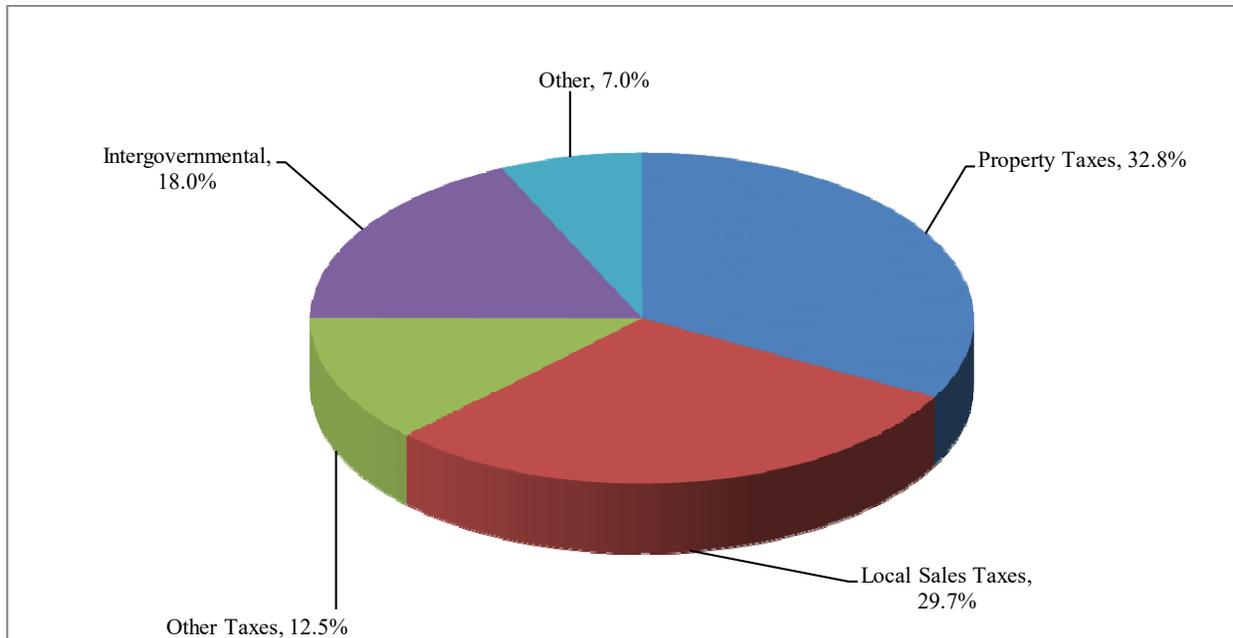
CITY OF SPRING HILL, TENNESSEE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2019

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



As shown above, 62.5% of governmental revenues were provided by property taxes and local sales taxes. Intergovernmental revenues totaling 18.0% were predominately state-shared sales tax and TVA payments in lieu of tax, with other taxes providing 12.5%. Other governmental revenues totaled 7.1%.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

**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, 2019 and 2018**

	2019	2018
<b>Total assets</b>	<b>\$ 34,148,518</b>	<b>\$ 24,275,118</b>
Total liabilities	2,200,515	1,638,319
Deferred inflows of resources	11,375,592	7,488,916
Fund balances:		
Nonspendable	10,226	708,969
Restricted	2,097,824	1,454,347
Committed	6,508,997	5,637,526
Unassigned	11,955,364	7,347,041
Total fund balances	20,572,411	15,147,883
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 34,148,518</b>	<b>\$ 24,275,118</b>

As of the end of the current fiscal year, the City of Spring Hill's governmental funds reported combined ending fund balances of \$20,572,411, which is an increase of \$5,424,528 in comparison with the 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 \$11,955,364.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

**Changes in Fund Balances of Governmental Funds  
For the Year Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>		
Taxes	\$ 17,854,888	\$14,946,721
Licenses, permits and fees	1,381,821	1,196,115
Intergovernmental	6,602,764	6,147,099
Impact fees	2,879,789	2,374,970
Charges for services	2,111,838	2,233,533
Rent	943,907	-
Contributions	44,552	68,969
Fines and forfeitures	275,778	314,527
Recycling fees	614,575	567,416
Insurance recovery	39,657	40,373
Interest revenue	125,294	9,298
Sale of property	21,522	4,589
Miscellaneous	<u>421,560</u>	<u>536,850</u>
 Total revenues	 <u>33,317,945</u>	 <u>28,440,460</u>
 <b>Expenditures:</b>		
General government	3,976,202	3,497,036
Public safety	10,687,079	10,662,639
Public works	5,720,908	5,795,055
Culture and recreation	1,631,106	1,688,289
Debt service	2,098,650	1,373,685
Capital outlay	<u>3,946,472</u>	<u>11,048,104</u>
 Total expenditures	 <u>28,060,417</u>	 <u>34,064,808</u>
 <b>Excess (deficiency) of revenues over (under) expenditures</b>	 5,257,528	 (5,624,348)
 <b>Other Financing Sources (Uses):</b>		
Issuance of new debt	-	8,259,080
Transfers in	<u>167,000</u>	<u>199,354</u>
Total other financing sources	<u>167,000</u>	<u>8,458,434</u>
 <b>Net change in fund balances</b>	 5,424,528	 2,834,086
 <b>Fund balance - beginning</b>	 <u>15,147,883</u>	 <u>12,313,797</u>
 <b>Fund balance - ending</b>	 <u>\$ 20,572,411</u>	 <u>\$ 15,147,883</u>

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

The fund balances of the City's governmental funds increased by over \$5.4 million during the current fiscal year. This increase was predominantly a result of increased revenues, including:

- Increased property tax, sales tax and building permit revenues (including both General Fund permits and impact fees), and
- Rental income in the amount of \$944,000 from the Northfield facility.
- Governmental fund balances reflecting increases included General Fund (\$3.9 million), Impact Fees (\$444,000), State Street Aid (\$550,000), Northfield (\$172,000), Adequate Facilities (\$156,000), Sanitation (\$93,000), and Tourism (\$76,000).

*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 and the Storm Water Fund at the end of the year amounted to \$20,062,876. Restricted net position in these funds at the end of the year amounted to \$1,295,535. Net investment in capital assets at the end of year amounted to \$63,948,607. The total increase in net position for the proprietary funds was \$11,683,425. 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 \$2,215,577. Total assessed valuation for property taxes increased approximately 31% from \$318 million to \$417 million and the resulting property tax budget increased over \$1.7 million (30%). Budgeted revenues for building permits increased 23% from \$975,000 to \$1.2 million, primarily a result of increased residential construction activity in the area. Budgeted sales tax revenue increased \$419,000 (14%).

The amount of budgeted expenditures decreased by 36% from \$32.7 million to \$24 million (a decrease of \$8.7 million). During FY 2017-18, \$8.2 million was expended for the purchase of the Northfield Facility. The Dispatch budget was reduced by \$302,673 as a result of transitioning the Dispatch function to Williamson County.

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

Actual revenues were more than final budgeted amounts by nearly \$1.3 million, driven by property taxes (\$334,594), Local Sales Tax (\$746,158) and State Sales Tax (229,305).

Actual expenditures were \$4,212,941 lower than budgeted amounts. Nearly \$900,000 was related to salary/benefit savings from staff transitions and reduced health insurance compared to budget during the year throughout all General Fund departments. Within Public Works, \$2.1 million budgeted for two capital projects (partially funded through the issuance of debt) was not fully expended at fiscal yearend (project budgets were reallocated in FY 2019-20). Approximately \$100,000 was left between Police, Public Works & Legislative for outstanding purchase orders at June 30<sup>th</sup> for which goods/services had not been received. Those items were reappropriated within the fiscal year 2019-20 budget. Approximately \$200,000 remained within Public Works for right of way acquisitions not conducted during the year.

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

Other financing sources were budgeted at \$2.25 million for issuance of debt that didn't occur during the year (Crossings Circle North and Northfield) and \$250,000 in transfers out to the Northfield Fund for facility improvements did not move forward.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounts to \$81,490,226 (net of accumulated depreciation), an increase of \$14,426,007. Depreciation charges for the fiscal year totaled \$4,332,072. 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:

- Land acquired on Derryberry for a future Park location totaled \$98,900.
- Mobile radio purchases for Police and Fire totaled approximately \$843,000 during the year and other acquisitions of equipment included a Fire vehicle, trailer & tools (\$82,002), Police vehicles (\$135,368), message boards/trailers (\$37,350), crime scene equipment (\$15,247), Parks vehicles (\$37,520), IT equipment (\$34,264), traffic signalization (\$192,288), Public works vehicles/equipment (\$63,780) and a garbage truck (\$70,686).
- Infrastructure additions within governmental funds totaled \$1,450,385 for accepted streets (\$926,803) and sidewalks (\$523,582 during the fiscal year.
- CIP projects in process at year-end included several road improvement projects (interchange approaches, turn lane improvements, Crossings Circle Bridge, Mahlon Moore Road), and design services for the Police Department and Library.

Within business-type activities, plant and equipment increased:

- \$2.1 in donated water lines, \$3 million in donated sewer lines and \$2.1 million in stormwater improvements,
- \$138,000 in vehicle/equipment acquisitions for water, sewer and stormwater, and
- CIP projects in progress at fiscal year-end included water and sewer line relocations for Duplex Road, Cleburne Road, Saturn Parkway and Project Shotgun.

**Capital Assets  
June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2018		2018		2018	
	2019	(As Restated)	2019	(As Restated)	2019	(As Restated)
Land	\$ 3,134,006	\$ 3,035,106	\$ 685,955	\$ 685,955	\$ 3,819,961	\$ 3,721,061
Building and improvements	21,267,317	21,267,317	-	-	21,267,317	21,267,317
Plant and equipment	10,942,288	9,418,708	111,552,503	104,078,762	122,494,791	113,497,470
Infrastructure	12,920,354	11,469,969	-	-	12,920,354	11,469,969
Easements	-	-	299,843	299,843	299,843	299,843
Construction in progress	2,706,068	693,289	566,793	236,840	3,272,861	930,129
Total capital assets	50,970,033	45,884,389	113,105,094	105,301,400	164,075,127	151,185,789
Less: Accumulated depreciation	(15,056,280)	(13,128,292)	(37,997,755)	(35,593,671)	(53,054,035)	(48,721,963)
Capital assets, net	\$ 35,913,753	\$ 32,756,097	\$ 75,107,339	\$ 69,707,729	\$ 111,021,092	\$ 102,463,826

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

CITY OF SPRING HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

***Long-term Debt***

At the end of the current fiscal year, the City of Spring Hill's governmental activities had total long-term debt outstanding of \$18,930,080. The business-type activities had total long-term debt of \$14,135,607.

**Outstanding Debt, General Obligation, and Revenue Bonds  
June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Notes payable	\$ 10,515,080	\$ 11,378,933	\$ -	\$ -	\$ 10,515,080	\$ 11,378,933
Capital outlay note	1,120,000	1,295,000	345,000	685,000	1,465,000	1,980,000
Public improvement bonds	7,295,000	7,650,000	2,751,000	3,025,000	10,046,000	10,675,000
Clean water state loan program	-	-	10,665,578	11,295,806	10,665,578	11,295,806
State of Tennessee loan program	-	-	374,029	641,365	374,029	641,365
Total	<u>\$ 18,930,080</u>	<u>\$ 20,323,933</u>	<u>\$ 14,135,607</u>	<u>\$ 15,647,171</u>	<u>\$ 33,065,687</u>	<u>\$ 35,971,104</u>

The City of Spring Hill's total long-term debt decreased by \$2,905,417 during the current fiscal year (a \$1,393,853 decrease in governmental activities and \$1,511,564 decrease in business-type activities). Principal payments totaled \$2,905,417 and there were no additions of new debt during fiscal year 2019. Additional information on the City of Spring Hill's long-term debt can be found in Note G of this report.

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

- The City of Spring Hill continues to see rapid growth. Calendar year 2019 reflected a second record number of new residential permits. This growth serves to build the property tax base and 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 and presents a continuing challenge in existing infrastructure.
- Several major road projects are in progress throughout the City, including a new I-65 interchange and related East and West approaches. A property tax increase was approved, with the associated funds designated for specific capital improvements. Design work on the Northfield Building to provide new physical locations for the Library and Police Departments is on hold pending a decision regarding the facility as a whole. New rate structures have been approved for water and sewer to assist with operating and infrastructure needs.

These factors were considered in preparing the 2020 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: Tonya Travis, Finance Director  
P.O. Box 789  
Spring Hill, Tennessee

# BASIC FINANCIAL STATEMENTS



**City of Spring Hill, Tennessee**  
**Statement of Net Position**  
**June 30, 2019**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total Primary Government</b>
<b>Assets:</b>			
Cash	\$ 19,300,060	\$ 19,049,431	\$ 38,349,491
Taxes receivable	11,394,817	-	11,394,817
Accounts and other receivables, net	246,571	1,243,638	1,490,209
Due from other governments	1,560,676	104,424	1,665,100
Internal balances	22,967	(22,967)	-
Inventory of supplies, at cost	-	132,566	132,566
Prepaid expenses and other assets	10,226	2,938	13,164
Restricted assets:			
Cash	1,613,201	4,272,410	5,885,611
Capital assets:			
Capital assets not being depreciated	5,840,074	1,552,591	7,392,665
Capital assets net of accumulated depreciation	30,073,679	73,554,748	103,628,427
<b>Total assets</b>	<b>70,062,271</b>	<b>99,889,779</b>	<b>169,952,050</b>
<b>Deferred Outflows of Resources:</b>			
Pensions	1,679,844	536,309	2,216,153
<b>Liabilities:</b>			
Accounts payable and other current liabilities	2,391,867	469,750	2,861,617
Due to other governments	-	89,029	89,029
Accrued compensated absences	578,292	87,000	665,292
Long-term liabilities:			
Net pension liability	981,901	313,483	1,295,384
Bonds and notes due within one year	1,350,000	1,554,264	2,904,264
Bonds and notes due in more than one year	17,580,080	12,581,343	30,161,423
<b>Total liabilities</b>	<b>22,882,140</b>	<b>15,094,869</b>	<b>37,977,009</b>
<b>Deferred Inflows of Resources:</b>			
Pensions	75,804	24,201	100,005
Property taxes	11,375,592	-	11,375,592
<b>Total deferred inflows of resources</b>	<b>11,451,396</b>	<b>24,201</b>	<b>11,475,597</b>
<b>Net Position:</b>			
Net investment in capital assets	17,541,619	63,948,607	81,490,226
Restricted for:			
Roads and streets	1,062,523	-	1,062,523
Special revenue funds	366,055	-	366,055
Drug enforcement and education	111,300	-	111,300
Capital projects	-	1,295,535	1,295,535
Unrestricted	18,327,082	20,062,876	38,389,958
<b>Total net position</b>	<b>\$ 37,408,579</b>	<b>\$ 85,307,018</b>	<b>\$ 122,715,597</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, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 4,244,835	\$ 255,438	\$ 389,269	\$ 445,668	\$ (3,154,460)	\$ -	\$ (3,154,460)
Public safety	11,024,249	1,384,879	1,526,052	-	(8,113,318)	-	(8,113,318)
Public works	7,042,826	2,743,635	-	1,450,385	(2,848,806)	-	(2,848,806)
Culture and recreation	1,711,219	2,879,849	43,752	-	1,212,382	-	1,212,382
Interest	650,390	-	-	-	(650,390)	-	(650,390)
Total Governmental Activities	<u>24,673,519</u>	<u>7,263,801</u>	<u>1,959,073</u>	<u>1,896,053</u>	<u>(13,554,592)</u>	<u>-</u>	<u>(13,554,592)</u>
Business-Type Activities:							
Water and Sewer	11,328,701	10,109,737	-	9,877,477	-	8,658,513	8,658,513
Storm Water	694,519	955,693	-	2,085,988	-	2,347,162	2,347,162
Total Business-Type Activities	<u>12,023,220</u>	<u>11,065,430</u>	<u>-</u>	<u>11,963,465</u>	<u>-</u>	<u>11,005,675</u>	<u>11,005,675</u>
<b>Total primary government</b>	<u>\$ 36,696,739</u>	<u>\$ 18,329,231</u>	<u>\$ 1,959,073</u>	<u>\$ 13,859,518</u>	<u>(13,554,592)</u>	<u>11,005,675</u>	<u>(2,548,917)</u>
General revenues:							
Taxes:							
Property taxes					7,809,630	-	7,809,630
Utility taxes					76,425	-	76,425
Local sales taxes					7,071,158	-	7,071,158
Wholesale beer and liquor taxes					989,447	-	989,447
Business and privilege tax					751,271	-	751,271
Franchise tax					556,500	-	556,500
Room occupancy tax					212,827	-	212,827
Mixed drink tax					124,328	-	124,328
Payment in lieu of taxes					263,302	-	263,302
Intergovernmental:							
State taxes					3,763,732	-	3,763,732
Payment in lieu of taxes					478,843	-	478,843
Other					39,657	181,562	221,219
Unrestricted investment earnings					125,294	223,345	348,639
Rent					943,907	117,375	1,061,282
Sales of materials					21,522	242,562	264,084
Miscellaneous					421,560	79,906	501,466
Transfers					167,000	(167,000)	-
Total general revenues and transfers					<u>23,816,403</u>	<u>677,750</u>	<u>24,494,153</u>
Change in net position					10,261,811	11,683,425	21,945,236
Net position - beginning , as previously reported					29,427,300	71,990,712	101,418,012
Restatement (Note A)					(2,280,532)	1,632,881	(647,651)
Net position - ending					<u>\$ 37,408,579</u>	<u>\$ 85,307,018</u>	<u>\$ 122,715,597</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, 2019**

	<b>General Fund</b>	<b>Adequate Facilities/ Development Fund</b>	<b>Sanitation Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Cash	\$ 12,575,955	\$ 4,174,742	\$ 142,001	\$ 2,407,362	\$ 19,300,060
Receivables (net, where applicable, allowances for uncollectible):					
Taxes - property taxes	11,375,593	-	-	-	11,375,593
Taxes - other taxes	-	-	-	19,224	19,224
Accounts and grants	1,464	-	201,087	-	202,551
Accounts receivable	-	-	-	44,020	44,020
Due from other governments	1,383,620	41,533	-	135,523	1,560,676
Due from other funds	-	-	22,967	-	22,967
Prepaid expenses and other assets	9,626	-	-	600	10,226
Restricted assets:					
Cash	557,946	-	-	1,055,255	1,613,201
<b>Total assets</b>	<b>\$ 25,904,204</b>	<b>\$ 4,216,275</b>	<b>\$ 366,055</b>	<b>\$ 3,661,984</b>	<b>\$ 34,148,518</b>
<b>Liabilities:</b>					
Accounts payable	\$ 1,078,378	\$ 14,192	\$ -	\$ 157,611	\$ 1,250,181
Accrued liabilities	927,298	-	-	23,036	950,334
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>2,005,676</b>	<b>14,192</b>	<b>-</b>	<b>180,647</b>	<b>2,200,515</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - taxes	11,375,592	-	-	-	11,375,592
<b>Total deferred inflows of resources</b>	<b>11,375,592</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,375,592</b>
<b>Fund Balances:</b>					
Nonspendable	9,626	-	-	600	10,226
Restricted:					
Unspent debt proceeds	557,946	-	-	-	557,946
Special revenue funds	-	-	366,055	1,173,823	1,539,878
Committed	-	4,202,083	-	2,306,914	6,508,997
Unassigned	11,955,364	-	-	-	11,955,364
<b>Total fund balances</b>	<b>12,522,936</b>	<b>4,202,083</b>	<b>366,055</b>	<b>3,481,337</b>	<b>20,572,411</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 25,904,204</b>	<b>\$ 4,216,275</b>	<b>\$ 366,055</b>	<b>\$ 3,661,984</b>	<b>\$ 34,148,518</b>

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, 2019**

<b>Total fund balances of governmental funds</b>	<b>\$ 20,572,411</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	35,913,753
Deferred inflows and outflows of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.	
Deferred inflows of resources	(75,804)
Deferred outflows of resources	1,679,844
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	(18,930,080)
Net pension liability	(981,901)
Compensated absences	(578,292)
Interest on outstanding long-term debt is accrued in the statement of net position, whereas in governmental funds, interest expenditures are reported when due.	<u>(191,352)</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 37,408,579</u></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 Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	<b>General Fund</b>	<b>Adequate Facilities/ Development Fund</b>	<b>Sanitation Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Taxes	\$ 17,642,061	\$ -	\$ -	\$ 212,827	\$ 17,854,888
Licenses, permits and fees	1,381,821	-	-	-	1,381,821
Intergovernmental	4,661,044	445,668	-	1,496,052	6,602,764
Impact fees	-	1,923,729	-	956,060	2,879,789
Charges for services	11,332	-	2,096,318	4,188	2,111,838
Rent	-	-	-	943,907	943,907
Contributions	800	-	-	43,752	44,552
Fines and forfeitures	203,902	-	32,742	39,134	275,778
Recycling fees	-	-	614,575	-	614,575
Insurance recovery	39,657	-	-	-	39,657
Interest revenue	60,104	55,891	930	8,369	125,294
Sale of property	17,791	-	-	3,731	21,522
Miscellaneous	339,249	-	90	82,221	421,560
<b>Total revenues</b>	<b>24,357,761</b>	<b>2,425,288</b>	<b>2,744,655</b>	<b>3,790,241</b>	<b>33,317,945</b>
<b>Expenditures:</b>					
Current:					
General government:					
Legislative, executive, and general	1,134,692	-	-	-	1,134,692
City court	34,173	-	-	-	34,173
Financial administration	419,332	-	-	-	419,332
Information management system	492,362	-	-	-	492,362
Buildings and codes	596,878	-	-	-	596,878
Planning and zoning	227,400	-	-	-	227,400
General government building	234,381	-	-	836,984	1,071,365
Public safety:					
Police	5,138,228	-	-	31,210	5,169,438
Fire	4,962,779	-	-	-	4,962,779
Dispatch	554,862	-	-	-	554,862
Public works:					
Streets	2,342,143	140,954	-	586,388	3,069,485
Sanitation	-	-	2,651,423	-	2,651,423
Culture and recreation:					
Parks and recreation	560,417	-	-	-	560,417
Economic development	80,167	-	-	-	80,167
Tourism	-	-	-	121,792	121,792
Library	848,013	-	-	20,717	868,730
Debt service	191,113	744,939	-	1,162,598	2,098,650
Capital outlay	2,009,392	1,383,327	-	553,753	3,946,472
<b>Total expenditures</b>	<b>19,826,332</b>	<b>2,269,220</b>	<b>2,651,423</b>	<b>3,313,442</b>	<b>28,060,417</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>4,531,429</b>	<b>156,068</b>	<b>93,232</b>	<b>476,799</b>	<b>5,257,528</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	(636,000)	-	-	803,000	167,000
<b>Total other financing sources</b>	<b>(636,000)</b>	<b>-</b>	<b>-</b>	<b>803,000</b>	<b>167,000</b>
<b>Net change in fund balances</b>	<b>3,895,429</b>	<b>156,068</b>	<b>93,232</b>	<b>1,279,799</b>	<b>5,424,528</b>
<b>Fund balance - beginning, as reclassified</b>	<b>8,627,507</b>	<b>4,046,015</b>	<b>272,823</b>	<b>2,201,538</b>	<b>15,147,883</b>
<b>Fund balance - ending</b>	<b>\$ 12,522,936</b>	<b>\$ 4,202,083</b>	<b>\$ 366,055</b>	<b>\$ 3,481,337</b>	<b>\$ 20,572,411</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, 2019**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 5,424,528</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	3,635,259
Depreciation expense	(1,927,988)
Net carrying value of disposals and adjustments of capital assets	-
Donations of capital assets increase net position for governmental activities, but do not appear in the governments funds because they are not financial resources.	1,450,385
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	-
Payments on debt principal	1,393,853
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	54,407
Changes in the net pension liability and related deferred outflows and inflows of resources	234,667
Compensated absences	(3,300)
<b>Change in net position of governmental activities</b>	<b><u><u>\$ 10,261,811</u></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, 2019**

	<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>				
Taxes:				
Real and personal property	\$ 5,728,000	\$ 7,464,000	\$ 7,798,594	\$ 334,594
Utility taxes	60,000	60,000	76,425	16,425
Interest and penalty on taxes	5,000	5,000	11,036	6,036
Payments in lieu of electric	9,000	9,000	13,302	4,302
Payments in lieu of property taxes	250,000	250,000	250,000	-
Local sales tax	6,325,000	6,325,000	7,071,158	746,158
Wholesale beer tax	600,000	600,000	598,676	(1,324)
Wholesale liquor tax	250,000	250,000	390,771	140,771
Business tax	563,300	563,300	751,271	187,971
Franchise tax	525,000	525,000	556,500	31,500
Mixed drink taxes	100,000	100,000	124,328	24,328
Total Taxes	<u>14,415,300</u>	<u>16,151,300</u>	<u>17,642,061</u>	<u>1,490,761</u>
Licenses and Permits:				
Beer permit applications	20,000	20,000	12,300	(7,700)
Alarm registrations	10,000	10,000	12,710	2,710
Building permits	1,200,000	1,200,000	1,341,617	141,617
Sign permits	15,000	15,000	14,294	(706)
Other permits	1,000	1,000	900	(100)
Total Licenses and Permits	<u>1,246,000</u>	<u>1,246,000</u>	<u>1,381,821</u>	<u>135,821</u>
Intergovernmental:				
Grants	28,900	1,058,057	332,304	(725,753)
TVA payments in lieu of taxes	460,970	460,970	478,843	17,873
Police dispatcher training	5,000	5,000	-	(5,000)
Fire department incentive pay	27,000	27,000	30,000	3,000
State sales tax	3,356,188	3,356,188	3,585,493	229,305
State income tax	50,000	50,000	137,137	87,137
State beer tax	20,218	20,218	18,719	(1,499)
Other state revenue allocations	30,500	30,500	22,383	(8,117)
Library revenue	56,200	56,200	56,165	(35)
Total Intergovernmental	<u>4,034,976</u>	<u>5,064,133</u>	<u>4,661,044</u>	<u>(403,089)</u>
Charges for Services:				
Other charges for services	3,200	3,200	11,332	8,132
Total Charges for Services	<u>3,200</u>	<u>3,200</u>	<u>11,332</u>	<u>8,132</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Fines and Forfeitures:</b>				
City court fines and costs	175,000	175,000	134,160	(40,840)
County court fines and costs	40,000	40,000	66,064	26,064
Police fines and costs	2,200	2,200	8	(2,192)
Public safety	1,000	1,000	3,670	2,670
Total Fines and Forfeitures	<u>218,200</u>	<u>218,200</u>	<u>203,902</u>	<u>(14,298)</u>
<b>Interest Revenue:</b>				
General	5,000	9,000	60,104	51,104
Total Interest Revenue	<u>5,000</u>	<u>9,000</u>	<u>60,104</u>	<u>51,104</u>
<b>Other Revenues:</b>				
Contributions	-	5,000	800	(4,200)
Insurance recoveries	14,200	18,875	39,657	20,782
Sale of surplus property	10,000	10,000	17,791	7,791
Miscellaneous revenues	341,181	348,037	339,249	(8,788)
Total Other Revenues	<u>365,381</u>	<u>381,912</u>	<u>397,497</u>	<u>15,585</u>
Total Revenues	<u>20,288,057</u>	<u>23,073,745</u>	<u>24,357,761</u>	<u>1,284,016</u>
<b>EXPENDITURES:</b>				
<b>General Government:</b>				
<b>Legislative, Executive, and General:</b>				
Personal services	450,200	440,200	381,060	(59,140)
Services	374,600	395,800	336,941	(58,859)
Supplies	30,700	29,800	15,145	(14,655)
Other charges	57,000	62,233	62,140	(93)
Grants, contributions, indemnities, and other	121,200	506,032	339,406	(166,626)
Capital outlay	-	7,000	6,890	(110)
Total Legislative, Executive, and General	<u>1,033,700</u>	<u>1,441,065</u>	<u>1,141,582</u>	<u>(299,483)</u>
<b>Judicial:</b>				
Personal services	30,300	32,900	32,766	(134)
Services	1,400	1,400	1,334	(66)
Supplies	300	300	73	(227)
Other charges	27,500	24,900	-	(24,900)
Total Judicial	<u>59,500</u>	<u>59,500</u>	<u>34,173</u>	<u>(25,327)</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Financial Administration:</b>				
Personal services	353,430	340,030	300,005	(40,025)
Services	141,800	148,175	108,442	(39,733)
Supplies	10,000	10,000	8,183	(1,817)
Other charges	2,100	2,125	2,121	(4)
Grants, contributions, indemnities, and other	2,000	2,000	581	(1,419)
Debt service	104,300	104,300	54,365	(49,935)
<b>Total Financial Administration</b>	<u>613,630</u>	<u>606,630</u>	<u>473,697</u>	<u>(132,933)</u>
<b>Information Management System:</b>				
Personal services	201,900	191,900	158,910	(32,990)
Services	240,951	252,551	211,408	(41,143)
Supplies	134,301	150,592	118,325	(32,267)
Other charges	2,200	2,200	2,180	(20)
Grants, contributions, indemnities, and other	3,500	2,600	1,539	(1,061)
Capital outlay	-	27,376	27,374	(2)
<b>Total Information Management System</b>	<u>582,852</u>	<u>627,219</u>	<u>519,736</u>	<u>(107,483)</u>
<b>Buildings and Codes:</b>				
Personal services	548,825	529,825	496,783	(33,042)
Services	78,200	76,200	73,019	(3,181)
Supplies	19,000	16,000	10,929	(5,071)
Other charges	18,000	16,000	15,995	(5)
Grants, contributions, indemnities, and other	500	500	152	(348)
<b>Total Buildings and Codes</b>	<u>664,525</u>	<u>638,525</u>	<u>596,878</u>	<u>(41,647)</u>
<b>Planning and Zoning:</b>				
Personal services	247,400	239,400	197,345	(42,055)
Services	44,300	76,300	28,389	(47,911)
Supplies	10,000	10,000	1,515	(8,485)
Other charges	6,000	6,000	-	(6,000)
Grants, contributions, indemnities, and other	500	500	151	(349)
Capital outlay	6,000	6,000	-	(6,000)
<b>Total Planning and Zoning</b>	<u>314,200</u>	<u>338,200</u>	<u>227,400</u>	<u>(110,800)</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
General Government Building - City Hall Building:				
Personal services	191,532	182,532	131,027	(51,505)
Services	102,800	105,750	82,020	(23,730)
Supplies	9,500	19,400	16,743	(2,657)
Other charges	2,800	4,450	4,440	(10)
Grants, contributions, indemnities, and other	1,000	200	151	(49)
Total General Government Building	<u>307,632</u>	<u>312,332</u>	<u>234,381</u>	<u>(77,951)</u>
Total General Government	<u>3,576,039</u>	<u>4,023,471</u>	<u>3,227,847</u>	<u>(795,624)</u>
Public Safety:				
Police Department:				
Personal services	4,673,150	4,555,360	4,270,123	(285,237)
Services	353,200	349,000	243,684	(105,316)
Supplies	391,475	393,778	331,926	(61,852)
Other charges	236,200	289,608	288,788	(820)
Grants, contributions, indemnities, and other	7,000	7,000	3,707	(3,293)
Debt service	3,600	3,600	1,829	(1,771)
Capital outlay	149,271	949,471	885,574	(63,897)
Total Police Department	<u>5,813,896</u>	<u>6,547,817</u>	<u>6,025,631</u>	<u>(522,186)</u>
Fire:				
Personal services	4,635,044	4,455,044	4,374,162	(80,882)
Services	325,018	288,428	222,202	(66,226)
Supplies	257,521	290,111	236,178	(53,933)
Other charges	110,000	130,634	130,019	(615)
Grants, contributions, indemnities, and other	2,500	2,500	218	(2,282)
Debt service	136,800	136,800	134,919	(1,881)
Capital outlay	47,500	582,514	567,161	(15,353)
Total Fire	<u>5,514,383</u>	<u>5,886,031</u>	<u>5,664,859</u>	<u>(221,172)</u>
Dispatch:				
Personal services	438,854	305,044	305,035	(9)
Services	243,033	247,433	247,424	(9)
Supplies	4,500	900	894	(6)
Other charges	-	1,340	1,337	(3)
Grants, contributions, indemnities, and other	750	210	172	(38)
Total Dispatch	<u>687,137</u>	<u>554,927</u>	<u>554,862</u>	<u>(65)</u>
Total Public Safety	<u>12,015,416</u>	<u>12,988,775</u>	<u>12,245,352</u>	<u>(743,423)</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Public Works:				
Streets and Highways:				
Personal services	1,378,427	1,314,427	1,168,724	(145,703)
Services	916,100	975,900	865,049	(110,851)
Supplies	183,400	199,575	165,562	(34,013)
Other charges	64,000	106,819	106,642	(177)
Grants, contributions, indemnities, and other	-	233,980	36,166	(197,814)
Debt service	400	400	-	(400)
Capital outlay	43,800	2,623,800	497,947	(2,125,853)
Total Streets and Highways	<u>2,586,127</u>	<u>5,454,901</u>	<u>2,840,090</u>	<u>(2,614,811)</u>
Total Public Works	<u>2,586,127</u>	<u>5,454,901</u>	<u>2,840,090</u>	<u>(2,614,811)</u>
Culture and Recreation:				
Parks and Recreation:				
Personal services	401,200	401,200	357,749	(43,451)
Services	111,700	106,700	94,965	(11,735)
Supplies	31,800	90,800	89,330	(1,470)
Other charges	13,500	17,767	17,529	(238)
Grants, contributions, indemnities, and other	16,000	1,000	844	(156)
Capital outlay	4,000	22,120	22,120	-
Total Parks and Recreation	<u>578,200</u>	<u>639,587</u>	<u>582,537</u>	<u>(57,050)</u>
Economic Development:				
Personal services	51,900	54,300	54,198	(102)
Services	27,000	25,800	24,915	(885)
Supplies	1,300	1,900	1,054	(846)
Grants, contributions, indemnities, and other	1,000	-	-	-
Total Economic Development	<u>81,200</u>	<u>82,000</u>	<u>80,167</u>	<u>(1,833)</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Library:				
Personal services	672,375	589,875	589,836	(39)
Services	85,100	101,000	100,910	(90)
Supplies	104,000	146,210	146,206	(4)
Other charges	4,600	9,480	9,455	(25)
Grants, contributions, indemnities, and other	1,000	1,610	1,606	(4)
Capital outlay	-	2,364	2,326	(38)
Total Library	<u>867,075</u>	<u>850,539</u>	<u>850,339</u>	<u>(200)</u>
Total Culture and Recreation	<u>1,526,475</u>	<u>1,572,126</u>	<u>1,513,043</u>	<u>(59,083)</u>
Total Expenditures	<u>19,704,057</u>	<u>24,039,273</u>	<u>19,826,332</u>	<u>(4,212,941)</u>
Other financing sources (uses)				
Loan proceeds	-	2,250,000	-	(2,250,000)
Transfers out	<u>(584,000)</u>	<u>(888,000)</u>	<u>(636,000)</u>	<u>252,000</u>
Total other financing sources (uses)	<u>(584,000)</u>	<u>1,362,000</u>	<u>(636,000)</u>	<u>(1,998,000)</u>
Net change in fund balance	-	396,472	3,895,429	3,498,957
Fund balance - beginning, as reclassified	<u>8,627,507</u>	<u>8,627,507</u>	<u>8,627,507</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,627,507</u>	<u>\$ 9,023,979</u>	<u>\$ 12,522,936</u>	<u>\$ 3,498,957</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, 2019**

	<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	\$ 420,000	\$ 420,000	\$ 445,668	\$ 25,668
Total intergovernmental	<u>420,000</u>	<u>420,000</u>	<u>445,668</u>	<u>25,668</u>
Adequate Facilities:				
Roads	500,000	500,000	436,500	(63,500)
Other	1,200,000	1,200,000	1,487,229	287,229
Total adequate facilities	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,923,729</u>	<u>223,729</u>
Interest	1,000	5,000	55,891	50,891
Apportioned fund balance	-	1,054,975	-	(1,054,975)
Total revenues	<u>2,121,000</u>	<u>3,179,975</u>	<u>2,425,288</u>	<u>(754,687)</u>
<b>EXPENDITURES:</b>				
Culture and Recreation:				
Parks and Recreation:				
Debt service	747,200	747,200	744,939	(2,261)
Total culture and recreation	<u>747,200</u>	<u>747,200</u>	<u>744,939</u>	<u>(2,261)</u>
Public Safety:				
Repairs and maintenance	-	153,493	140,954	(12,539)
Capital outlay	1,100,000	2,279,282	1,383,327	(895,955)
Total expenditures	<u>1,847,200</u>	<u>3,179,975</u>	<u>2,269,220</u>	<u>(910,755)</u>
Net change in fund balance	273,800	-	156,068	156,068
Fund balance - beginning	<u>4,046,015</u>	<u>4,046,015</u>	<u>4,046,015</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,319,815</u>	<u>\$4,046,015</u>	<u>\$ 4,202,083</u>	<u>\$ 156,068</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, 2019**

	<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	\$ 2,100,000	\$ 2,100,000	\$ 2,096,318	\$ (3,682)
Fines and forfeitures	16,000	16,000	32,742	16,742
Recycling fees	550,000	550,000	614,575	64,575
Interest	400	400	930	530
Other	-	-	90	90
Apportioned fund balance	-	93,600	-	(93,600)
Total revenues	<u>2,666,400</u>	<u>2,760,000</u>	<u>2,744,655</u>	<u>(15,345)</u>
<b>EXPENDITURES:</b>				
Sanitation:				
Refuse collection and disposal service	2,680,000	2,680,000	2,580,802	(99,198)
Capital Outlay	80,000	80,000	70,621	(9,379)
Total expenditures	<u>2,760,000</u>	<u>2,760,000</u>	<u>2,651,423</u>	<u>(108,577)</u>
Net change in fund balance	(93,600)	-	93,232	93,232
Fund balance - beginning	<u>272,823</u>	<u>272,823</u>	<u>272,823</u>	<u>-</u>
Fund balance - ending	<u>\$ 179,223</u>	<u>\$ 272,823</u>	<u>\$ 366,055</u>	<u>\$ 93,232</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, 2019**

	<u>Water and Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Cash	\$ 18,273,150	\$ 776,281	\$ 19,049,431
Accounts receivable, net of allowances	1,163,579	80,059	1,243,638
Interest receivable	-	-	-
Due from other funds	-	8,728	8,728
Due from other governments	104,424	-	104,424
Inventory of supplies, at cost	132,566	-	132,566
Prepaid expenses and other assets	2,938	-	2,938
Total current assets	<u>19,676,657</u>	<u>865,068</u>	<u>20,541,725</u>
Restricted assets:			
Cash	4,272,410	-	4,272,410
Total restricted assets	<u>4,272,410</u>	<u>-</u>	<u>4,272,410</u>
Utility, plant and equipment:			
Utility plant, at cost	107,969,013	3,122,034	111,091,047
Equipment, at cost	1,118,044	329,210	1,447,254
Less accumulated depreciation	<u>(37,742,611)</u>	<u>(255,144)</u>	<u>(37,997,755)</u>
Utility, plant and equipment, net	<u>71,344,446</u>	<u>3,196,100</u>	<u>74,540,546</u>
Construction in progress	559,293	7,500	566,793
Total assets	<u>95,852,806</u>	<u>4,068,668</u>	<u>99,921,474</u>
<b>Deferred Outflows of Resources:</b>			
Pensions	485,559	50,750	536,309
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable and accrued expenses	529,820	26,930	556,750
Current portion of long term-debt	1,463,877	90,387	1,554,264
Due to other funds	31,695	-	31,695
Due to other governments	89,029	-	89,029
Total current liabilities	<u>2,114,421</u>	<u>117,317</u>	<u>2,231,738</u>
Noncurrent Liabilities:			
Net pension liability	283,819	29,664	313,483
Long-term debt, net of current portion	12,581,343	-	12,581,343
Total noncurrent liabilities	<u>12,865,162</u>	<u>29,664</u>	<u>12,894,826</u>
Total liabilities	<u>14,979,583</u>	<u>146,981</u>	<u>15,126,564</u>
<b>Deferred Inflows of Resources:</b>			
Pensions	21,911	2,290	24,201
<b>Net Position:</b>			
Net investment in capital assets	60,835,394	3,113,213	63,948,607
Restricted	1,295,535	-	1,295,535
Unrestricted	19,205,942	856,934	20,062,876
Total net position	<u>\$ 81,336,871</u>	<u>\$ 3,970,147</u>	<u>\$ 85,307,018</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, 2019**

	<b>Water and Sewer Fund</b>	<b>Storm Water Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Intergovernmental	\$ 181,562	\$ -	\$ 181,562
Charges for services	101,452	-	101,452
Water sales	4,958,534	-	4,958,534
Sewer	4,961,474	-	4,961,474
Stormwater fees	-	955,693	955,693
Penalties and service charges	88,277	-	88,277
Insurance recoveries	-	6,930	6,930
Rent	117,375	-	117,375
Sale of materials	242,562	-	242,562
Miscellaneous	50,614	20,442	71,056
Total operating revenues	<u>10,701,850</u>	<u>983,065</u>	<u>11,684,915</u>
<b>Operating Expenses:</b>			
Salaries	2,573,746	298,473	2,872,219
Employee benefits	977,387	132,663	1,110,050
Postage	86,880	-	86,880
Dues and subscriptions	91,539	6,273	97,812
Utility services	1,344,026	-	1,344,026
Professional fees	682,858	39,548	722,406
Repairs and maintenance	745,450	9,527	754,977
Telephone	17,861	5,133	22,994
Travel	3,588	181	3,769
Other services	332,986	54,833	387,819
Office supplies and materials	24,556	1,056	25,612
Operating supplies	1,475,478	36,353	1,511,831
Uniforms	16,641	2,813	19,454
Automobile expenses	52,663	15,427	68,090
Insurance	144,212	13,192	157,404
State fees	37,701	-	37,701
Depreciation	2,328,196	75,888	2,404,084
Total operating expenses	<u>10,935,768</u>	<u>691,360</u>	<u>11,627,128</u>
Operating (loss) income	<u>(233,918)</u>	<u>291,705</u>	<u>57,787</u>
<b>Non-operating Income (Expense):</b>			
Interest income	223,142	203	223,345
Interest expense	(392,933)	(3,159)	(396,092)
Gain on sale of property	1,920	-	1,920
Total non-operating expense	<u>(167,871)</u>	<u>(2,956)</u>	<u>(170,827)</u>
<b>Capital Contributions:</b>			
Tap and development fees	4,775,081	-	4,775,081
Contributed infrastructure	5,102,396	2,085,988	7,188,384
Total capital contributions	<u>9,877,477</u>	<u>2,085,988</u>	<u>11,963,465</u>
<b>Transfers in (out)</b>	<u>(167,000)</u>	<u>-</u>	<u>(167,000)</u>
Change in net position	9,308,688	2,374,737	11,683,425
<b>Net position, beginning of year, as restated</b>	<u>72,028,183</u>	<u>1,595,410</u>	<u>73,623,593</u>
<b>Net position, end of year</b>	<u>\$ 81,336,871</u>	<u>\$ 3,970,147</u>	<u>\$ 85,307,018</u>

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

**City of Spring Hill, Tennessee**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<b>Water and Sewer Fund</b>	<b>Storm Water Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 9,924,556	\$ 983,790	\$ 10,908,346
Payments to or on behalf of employees	(3,618,964)	(438,226)	(4,057,190)
Other operating receipts	498,828	27,372	526,200
Other operating expenses	(4,999,042)	(177,493)	(5,176,535)
Net cash provided by operating activities	<u>1,805,378</u>	<u>395,443</u>	<u>2,200,821</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers to other funds	(167,000)	-	(167,000)
Net receipts on interfund borrowings	(621,615)	(69,750)	(691,365)
Net cash used in noncapital financing activities	<u>(788,615)</u>	<u>(69,750)</u>	<u>(858,365)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal payments on long-term debt	(1,422,487)	(89,077)	(1,511,564)
Proceeds from capital outlay note	-	-	-
Interest paid on debt	(392,933)	(3,159)	(396,092)
Proceeds from sale of capital assets	1,920	-	1,920
Tap and development fees	4,775,081	-	4,775,081
Cash payments for the purchase of plant assets	(526,741)	(88,569)	(615,310)
Net cash provided by (used in) capital and related financing activities	<u>2,434,840</u>	<u>(180,805)</u>	<u>2,254,035</u>
<b>Cash Flows from Investing Activities:</b>			
Interest income from cash deposits	223,142	203	223,345
Net cash provided by investing activities	<u>223,142</u>	<u>203</u>	<u>223,345</u>
Net increase in cash	3,674,745	145,091	3,819,836
<b>Cash, Beginning of Year</b>	<u>18,870,815</u>	<u>631,190</u>	<u>19,502,005</u>
<b>Cash, End of Year</b>	<u>\$ 22,545,560</u>	<u>\$ 776,281</u>	<u>\$ 23,321,841</u>
<b>Reconciliation of operating (loss) income to net cash provided by operating activities:</b>			
Operating (loss) income	\$ (233,918)	\$ 291,705	\$ 57,787
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation	2,328,196	75,888	2,404,084
Net pension liability and related accounts	(67,831)	(7,090)	(74,921)
Changes in assets and liabilities:			
Increase in receivables	(314,285)	28,097	(286,188)
Decrease in inventories	(5,289)	-	(5,289)
Decrease in prepaids	490	300	790
Decrease in accounts payable and accrued expenses	64,352	6,543	70,895
Increase in due to others	33,663	-	33,663
Total adjustments	<u>2,039,296</u>	<u>103,738</u>	<u>2,143,034</u>
Net cash provided by operating activities	<u>\$ 1,805,378</u>	<u>\$ 395,443</u>	<u>\$ 2,200,821</u>

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

During fiscal year 2019, the contributions of water and sewer infrastructure totaled \$7,188,384.

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

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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, 2019, 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, 2019

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 the Water and Sewer Fund and the Storm Water Fund.

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, 2019

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, State Street Aid Fund, Tourism Fund, E-Citations Fund, and Northfield Fund.

During fiscal year 2019, the City performed a physical capital asset inventory, based on a prior year material weakness finding, to ensure accurate accounting for the City’s capital assets. Once the physical capital asset inventory was completed, the information was entered into the City’s accounting software and an entry to beginning balances was necessary to record the adjustments. The effect on opening fund balances are as follows:

	Governmental Activities	Business- Type Activities
Total net position, June 30, 2018, as previously reported	\$ 29,427,300	\$ 71,990,712
Restatement of capital assets	(2,280,532)	1,632,881
Total net position, June 30, 2018, as restated	\$ 27,146,768	\$ 73,623,593

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 Storm Water Fund accounts for storm water fees to the citizens of the City.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 funds included in governmental activities are eliminated so only the net amount is included as transfers in the governmental activities column.

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 fund financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied and legal title to the money exists. 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 fund 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.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 fund's 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, 2019.

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.

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 Mayor and Alderman prior to June 30.
3. The budget is amended by the Board of Mayor and Alderman 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.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Encumbrances

The City does not record encumbrances within the accounting records. However, outstanding purchase orders totaled approximately \$3,100,000 as of June 30, 2019.

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.

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 funds 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 acquisition 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, 2019.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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 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. The City compensates persons leaving the City's employment for any reason, including retirement, for any balance of accrued vacation not taken. The compensation is based upon 100% of the employee's ending regular rate of pay. A final paycheck will be issued to any discharged or resigning employee on the next regular payday.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 inflows 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 \$7,718,667 and included \$7,673,015 collected from current year levy, which was approximately 99.41%.

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 Board of Mayor and Alderman and collected by the Finance Department. The property tax rate for the year ended June 30, 2019 (2018 levy), was \$0.6000 and \$0.6569 per \$100 of assessed value for Maury County and Williamson County, respectively.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-term Obligations

In the government-wide financial statements and proprietary 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:

- *Nonspendable 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 Alderman.
- *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 and Finance Advisory 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 nonspendable, restricted, committed, or assigned resources, in this hierarchical order, prior to expending unassigned resources.

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.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 to the financial statements or disclosed in the financial statements themselves.

B. CASH AND CASH EQUIVALENTS

At June 30, 2019, the cash deposits consisted of the following:

	<u>Weighted Average Maturity</u>	<u>Fair Value or Carrying Amount</u>
Unrestricted		\$ 38,349,491
Restricted for:		
Capital projects, including unspent debt proceeds		4,830,356
Special revenue funds		<u>1,055,255</u>
Total cash deposits	N/A	<u>\$ 44,235,102</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.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

B. CASH AND CASH EQUIVALENTS - Continued

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, 2019, 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.

C. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consist of the following:

Fund	Other Governments	Property and Other Taxes	Customer and Other Accounts	Total
General Fund	\$ 1,383,620	\$ 11,725,285	\$ 1,464	\$ 13,110,369
Adequate Facilities/ Development Fund	41,533	-	-	41,533
Sanitation Fund	-	-	212,321	212,321
State Street Aid Fund	131,921	-	-	131,921
Drug Fund	3,602	-	750	4,352
Water and Sewer Fund	104,424	-	1,196,169	1,300,593
Storm Water Fund	-	-	83,902	83,902
Tourism Fund	-	19,224	-	19,224
Northfield Fund	-	-	43,270	43,270
Less: Allowance for Doubtful Accounts	-	(349,692)	(47,667)	(397,359)
Total	<u>\$ 1,665,100</u>	<u>\$ 11,394,817</u>	<u>\$ 1,490,209</u>	<u>\$ 14,550,126</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 totaled \$11,375,592.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

D. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2019 are attributable to unsettled balances at year end primarily for internal billings and transfers between funds.

Balances at June 30, 2019 are as follows:

All of the interfund payables are expected to be repaid within one year.

Interfund transfers are attributable to the budgeted allocation of resources from one fund to another. Transfers for the year ended June 30, 2019 included \$636,000 from the General Fund to the Northfield Fund and \$167,000 from the Water and Sewer Fund to the Northfield Fund. The purpose of the transfers were to fund the annual debt service payment for the building.

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, 2019, are as follows:

General Fund:	
Unspent debt proceeds	\$ 201,366
Escrow agreement	353,271
Other	3,309
Special Revenue Funds:	
Drug enforcement and education	124,653
Roads and streets	930,602
Water and Sewer Fund:	
Capital projects - water capacity fees	1,295,535
Capital projects - development fees	<u>2,976,875</u>
	<u>\$ 5,885,611</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

F. CAPITAL ASSETS

A summary of changes in governmental activities capital assets for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018 (As Restated)	Additions	Reductions	Balance June 30, 2019
<i>Capital assets, not being depreciated -</i>				
Land	\$ 3,035,106	\$ 98,900	\$ -	\$ 3,134,006
Construction in progress	693,289	2,012,779	-	2,706,068
Subtotal	<u>3,728,395</u>	<u>2,111,679</u>	<u>-</u>	<u>5,840,074</u>
<i>Capital assets, being depreciated -</i>				
Building and improvements	21,267,317	-	-	21,267,317
Equipment	9,418,708	1,523,580	-	10,942,288
Infrastructure	11,469,969	1,450,385	-	12,920,354
Subtotal	<u>42,155,994</u>	<u>2,973,965</u>	<u>-</u>	<u>45,129,959</u>
<i>Accumulated depreciation -</i>				
Building and improvements	5,356,246	582,202	-	5,938,448
Equipment	5,195,923	877,479	-	6,073,402
Infrastructure	2,576,123	468,307	-	3,044,430
Subtotal	<u>13,128,292</u>	<u>1,927,988</u>	<u>-</u>	<u>15,056,280</u>
Capital assets, being depreciated, net	<u>29,027,702</u>	<u>1,045,977</u>	<u>-</u>	<u>30,073,679</u>
Capital assets, net	<u>\$ 32,756,097</u>	<u>\$ 3,157,656</u>	<u>\$ -</u>	<u>\$ 35,913,753</u>

Included in construction in progress for the governmental activities capital assets at June 30, 2019 are various projects that have an estimated cost to complete of approximately \$25,563,000.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

F. CAPITAL ASSETS - Continued

A summary of changes in business-type activities capital assets for the year ended June 30, 2019 is presented below:

	Balance July 1, 2018 (As Restated)	Additions	Reductions	Balance June 30, 2019
Utility, plant and equipment				
<i>Capital assets, not being depreciated -</i>				
Land	\$ 685,955	\$ -	\$ -	\$ 685,955
Easements	299,843	-	-	299,843
Construction in progress	236,840	329,953	-	566,793
Subtotal	<u>1,222,638</u>	<u>329,953</u>	<u>-</u>	<u>1,552,591</u>
<i>Capital assets, being depreciated -</i>				
Utility system in operation	102,769,463	7,335,786	-	110,105,249
Equipment	1,309,299	137,955	-	1,447,254
Subtotal	<u>104,078,762</u>	<u>7,473,741</u>	<u>-</u>	<u>111,552,503</u>
<i>Accumulated depreciation -</i>				
Utility system in operation	34,932,147	2,277,387	-	37,209,534
Equipment	661,524	126,697	-	788,221
Subtotal	<u>35,593,671</u>	<u>2,404,084</u>	<u>-</u>	<u>37,997,755</u>
Utility, plant and equipment, being depreciated, net	<u>68,485,091</u>	<u>5,069,657</u>	<u>-</u>	<u>73,554,748</u>
Total utility, plant and equipment, net	<u>\$ 69,707,729</u>	<u>\$ 5,399,610</u>	<u>\$ -</u>	<u>\$ 75,107,339</u>

Included in construction in progress for the business-type activities capital assets at June 30, 2019 are various projects that have an estimated cost to complete of approximately \$2,471,000.

Depreciation expense was charged to function/programs for the year ended June 30, 2019 as follows:

*Governmental Activities:*

General government and administration	\$ 305,617
Public safety	755,367
Public works	622,076
Culture and recreation	244,928
Total	<u>\$ 1,927,988</u>

*Business-Type Activities:*

Water and sewer	\$ 2,328,196
Storm water	75,888
Total	<u>\$ 2,404,084</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

G. LONG-TERM LIABILITIES

During the year ended June 30, 2019, the changes in long-term liabilities were as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
<b>Governmental Activities</b>					
TN Municipal Bond Fund	\$ 8,259,080	\$ -	\$ 464,000	\$ 7,795,080	\$ 480,000
2016 Capital Outlay Note	1,295,000	-	175,000	1,120,000	180,000
2014 General Obligation Bonds	7,650,000	-	355,000	7,295,000	365,000
2014 Note Payable	79,853	-	79,853	-	-
Note Payable-Williamson Cty	3,040,000	-	320,000	2,720,000	325,000
<b>Total Governmental Activities</b>					
Long-term Liabilities	<u>\$ 20,323,933</u>	<u>\$ -</u>	<u>\$ 1,393,853</u>	<u>\$ 18,930,080</u>	<u>\$ 1,350,000</u>
<b>Business-type Activities</b>					
TN Municipal Bond Fund loan	\$ 3,025,000	\$ -	\$ 274,000	\$ 2,751,000	\$ 288,000
State of Tenn loan program	641,365	-	267,336	374,029	274,308
2016 Capital Outlay Note	685,000	-	340,000	345,000	345,000
Clean Water State					
Revolving Fund Loan 1	5,932,678	-	360,852	5,571,826	370,428
Clean Water State					
Revolving Fund Loan 2	5,363,128	-	269,376	5,093,752	276,528
<b>Total Business-type Activities</b>					
Long-term Liabilities	<u>\$ 15,647,171</u>	<u>\$ -</u>	<u>\$ 1,511,564</u>	<u>\$ 14,135,607</u>	<u>\$ 1,554,264</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

G. LONG-TERM LIABILITIES - Continued

Amounts payable at June 30, 2019 consist of the following:

Governmental Activities:

Public improvement bonds:

A “draw loan/line of credit” from the Public Building Authority of the City of Clarksville, Tennessee through the Tennessee Municipal Bond Fund Loan program. Proceeds are drawn as needed. As of June 30, 2019, \$8,259,080 of the total available loan amount of \$13,180,000 had actually been drawn. The note is for the purchase of/improvements to the Northfield Facility and bears a fixed interest rate of 3.55%. The bond requires monthly payments of interest and an annual payment of principal each year through September 2037.

\$ 7,795,080

Capital outlay note payable:

2016 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.

\$ 1,120,000

Notes payable:

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 fiscal year 2027. The City does not have an asset recorded related to this agreement as the property is owned and maintained by Williamson County.

2,720,000

Public improvement bonds:

2014 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.

7,295,000

Total governmental activities debt

\$ 18,930,080

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

G. 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 note bears an interest rate of 1.51%. The bond requires monthly payments of interest and an annual payment of principal each year through May 2027. \$ 2,751,000

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 including interest. 374,029

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. 5,571,826

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. 5,093,752

Capital outlay notes 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. 254,613

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. 90,387

Total business-type activities debt \$ 14,135,607

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

G. 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, 2019, are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,350,000	\$ 813,060	\$ 1,554,264	\$ 398,172	\$ 2,904,264	\$ 1,211,232
2021	1,392,000	766,650	1,065,813	358,104	2,457,813	1,124,754
2022	1,440,000	718,619	999,720	326,284	2,439,720	1,044,903
2023	1,498,000	667,461	1,033,792	295,492	2,531,792	962,953
2024	1,542,000	614,109	1,068,356	263,568	2,610,356	877,677
2025-2029	6,434,000	2,294,644	5,046,796	814,224	11,480,796	3,108,868
2030-2034	6,213,000	1,287,473	3,286,822	202,767	9,499,822	1,490,240
2035-2038	<u>3,982,000</u>	<u>266,523</u>	<u>80,044</u>	<u>506</u>	<u>4,062,044</u>	<u>267,029</u>
Totals	\$ 23,851,000	<u>\$ 7,428,539</u>	<u>\$ 14,135,607</u>	<u>\$ 2,659,117</u>	\$ 37,986,607	<u>\$ 10,087,656</u>
Less, amount not drawn	<u>(4,920,920)</u>				<u>(4,920,920)</u>	
Balance at June 30, 2019	<u>\$ 18,930,080</u>				<u>\$ 33,065,687</u>	

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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	204
Active employees	<u>227</u>
	<u>460</u>

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, 2019, the actuarially determined contribution ("ADC") for the City was \$842,829 based on a rate of 6.26% of covered payroll. The City voluntarily elected to contribute at an increased rate of 7.25% for fiscal year 2019. 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.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

Net Pension Liability:

The City's net pension liability was measured as of June 30, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent.

The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	<u>1%</u>
		<u>100%</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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 as 7.25 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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.

Changes in the Net Pension Liability (Asset):

	Increase (Decrease)		Net Pension Liability (Asset)
	Total Pension Liability	Plan Fiduciary Net Position	
	(a)	(b)	
Balance at June 30, 2017 (measurement date)	\$ 13,928,438	\$ 12,825,850	\$ 1,102,588
Changes for the year:			
Service cost	837,507	-	837,507
Interest	1,061,413	-	1,061,413
Differences between expected and actual experience	614,173	-	614,173
Changes in assumptions	-	-	-
Contributions-employer	-	687,667	(687,667)
Contributions-employees	-	549,256	(549,256)
Net investment income	-	1,104,634	(1,104,634)
Benefit payments, including of employee contributions	(251,521)	(251,521)	-
Administrative expense	-	(21,260)	21,260
Net changes	<u>2,261,572</u>	<u>2,068,776</u>	<u>192,796</u>
Balance at June 30, 2018 (measurement date)	<u>\$ 16,190,010</u>	<u>\$ 14,894,626</u>	<u>\$ 1,295,384</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's net pension liability (asset)	\$4,200,588	\$1,295,384	\$(1,026,068)

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

Pension Expense

For the year ended June 30, 2019, the City recognized pension expense of \$533,095.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, 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	\$ 1,109,732	\$ 11,466
Changes in assumptions	263,592	-
Net difference between projected and actual earnings on pension plan investments	-	88,539
Contributions subsequent to the measurement date of June 30, 2018	842,829	-
	<u>\$ 2,216,153</u>	<u>\$ 100,005</u>

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

H. RETIREMENT SYSTEM AND PENSION PLAN - Continued

The amount shown above for “contributions subsequent to the measurement date of June 30, 2018,” 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:

<u>Year Ended June 30 ,</u>	
2020	\$ 264,486
2021	182,030
2022	83,093
2023	168,767
2024	196,728
Thereafter	378,215

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 2019 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.

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	\$ 981,901	\$ 283,819	\$ 29,664
Deferred Inflows	75,804	21,911	2,290
Deferred Outflows	1,679,844	485,559	50,750

Payable to the Pension Plan:

At June 30, 2019, the City did not have a payable relating to contributions to the Plan required for the year ended June 30, 2019.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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 operations.

Commitments

The City has contractual commitments for construction projects, including engineering and design, at June 30, 2019. The value of the commitments were approximately \$3,259,000.

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

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. DEFICIT FUND BALANCES

For the fiscal year ended June 30, 2019, there were no instances of deficit fund balance in any funds.

L. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2020, which is the date the financial statement were available to be issued. Management noted that there were two items requiring disclosure, which are as follows:

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

L. SUBSEQUENT EVENTS - Continued

On October 21, 2019, the City authorized the issuance of the Fire Equipment Acquisition Capital Outlay Notes, Series 2019, in an amount not to exceed \$1,375,000, which shall bear interest at a rate or rates not to exceed 2.75% per annum.

On December 16, 2019, the City's Board of Mayor and Aldermen approved Resolution 19-222 authorizing a Build Grant with the Federal Highway Administration for construction of an interchange at I-65 and Buckner Road. On March 6<sup>th</sup>, 2020, the City's Board of Mayor and Alderman passed resolution 20-19A, authorizing the City to enter into an agreement with the State of Tennessee – Department of Transportation for their participation in the Build Grant to construct the interchange and to complete the related approaches. The total project is estimated to cost fifty-seven million dollars. The City is required to fund an estimated twenty million one hundred dollars toward the interchange project.

The Board of Mayor and Alderman passed resolutions 20-14 and 20-15 authorizing the City to issue debt in the amount not to exceed twenty-five million dollars to fund the interchange project and related approaches. The remaining funds from the bond issue will be used to fund other infrastructure projects. The interchange project will be conducted over multiple fiscal years with completion set for fiscal year 2025. As of March 26, 2020, the agreement and related debt have not been executed.

On March 5, 2020, the City entered into a purchase and sale agreement with a Tennessee limited liability company to sale the City's Northfield property in the amount of \$9,200,000. As of the audit report date, the closing on this property had not yet taken place.

M. 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. 84, *Fiduciary Activities*, required for fiscal periods beginning after December 15, 2018, fiscal year 2020 for the City. This Statement enhances consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

The GASB issued Statement No. 87, *Leases*, required for fiscal periods beginning after December 15, 2019, fiscal year 2021 for the City. This Statement increases the usefulness of financial statements by requiring reporting of certain lease liabilities that currently are not reported, enhances comparability by requiring lessees and lessors to report leases under a single model, and enhances the usefulness of information by requiring notes to the financial statements regarding leasing arrangements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, required for fiscal periods beginning after December 15, 2019, in fiscal year 2021 for the City. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

M. RECENT ACCOUNTING PRONOUNCEMENTS - Continued

The GASB issued Statement No. 90, *Majority Equity Interests*, required for fiscal periods beginning after December 15, 2018, in fiscal year 2020 for the City. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, required for fiscal periods beginning after December 15, 2020, in fiscal year 2022 for the City. This Statement's objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The GASB issued Statement No. 92, *Omnibus 2020*, which is required as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirement related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and asset, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

**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, 2019**  
**(UNAUDITED)**

	<b>2019 Financial Statement Date 2018 Measurement Date</b>	<b>2018 Financial Statement Date 2017 Measurement Date</b>	<b>2017 Financial Statement Date 2016 Measurement Date</b>	<b>2016 Financial Statement Date 2015 Measurement Date</b>	<b>2015 Financial Statement Date 2014 Measurement Date</b>
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ 837,507	\$ 750,217	\$ 649,533	\$ 581,698	\$ 575,095
Interest	1,061,413	955,426	819,689	715,535	643,726
Differences between actual and expected experience	614,173	45,493	529,298	292,587	(22,931)
Changes in assumptions	-	338,904	-	-	-
Benefit payments, including refunds of employee contributions	<u>(251,521)</u>	<u>(300,807)</u>	<u>(277,934)</u>	<u>(259,939)</u>	<u>(230,149)</u>
Net change in total pension liability	2,261,572	1,789,233	1,720,586	1,329,881	965,741
Total pension liability-beginning	<u>13,928,438</u>	<u>12,139,205</u>	<u>10,418,619</u>	<u>9,088,738</u>	<u>8,122,997</u>
Total pension liability-ending (a)	<u>\$ 16,190,010</u>	<u>\$ 13,928,438</u>	<u>\$ 12,139,205</u>	<u>\$ 10,418,619</u>	<u>\$ 9,088,738</u>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions-employer	\$ 687,667	\$ 606,207	\$ 479,007	\$ 431,925	\$ 385,342
Contributions-employee	549,256	484,192	438,652	395,537	356,139
Net investment income	1,104,634	1,266,416	270,749	287,276	1,253,177
Benefit payments, including refunds of employee contributions	(251,521)	(300,807)	(277,934)	(259,939)	(230,149)
Administrative expense	<u>(21,260)</u>	<u>(18,722)</u>	<u>(15,505)</u>	<u>(9,765)</u>	<u>(6,509)</u>
Net change in plan fiduciary net position	2,068,776	2,037,286	894,969	845,034	1,758,000
Plan fiduciary net position-beginning	<u>12,825,850</u>	<u>10,788,564</u>	<u>9,893,595</u>	<u>9,048,561</u>	<u>7,290,561</u>
Plan fiduciary net position-ending (b)	<u>\$ 14,894,626</u>	<u>\$ 12,825,850</u>	<u>\$ 10,788,564</u>	<u>\$ 9,893,595</u>	<u>\$ 9,048,561</u>
Net pension liability (a) - (b)	<u>\$ 1,295,384</u>	<u>\$ 1,102,588</u>	<u>\$ 1,350,641</u>	<u>\$ 525,024</u>	<u>\$ 40,177</u>
Plan fiduciary net position as a percentage of total pension liability	92.00%	92.08%	88.87%	94.96%	99.56%
Covered payroll	\$ 10,985,100	\$ 9,683,823	\$ 8,773,028	\$ 7,909,506	\$ 7,122,761
Net pension liability as a percentage of covered payroll	11.79%	11.39%	15.40%	6.64%	0.56%

Notes to Schedule:

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth, and mortality improvements.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be 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, 2019  
 (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, 2019	\$842,829	\$842,829	\$ -	\$11,625,228	7.25%
June 30, 2018	\$687,667	\$687,667	\$ -	\$10,985,100	6.26%
June 30, 2017	\$528,737	\$606,207	\$(77,470)	\$9,683,823	6.26%
June 30, 2016	\$479,022	\$479,022	\$ -	\$8,773,028	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 be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

CITY OF SPRING HILL, TENNESSEE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN  
JUNE 30, 2019  
(UNAUDITED)

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2019 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various by year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation
Investment rate of return	7.25%, 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	2.25%

Information regarding the Plan's annual money-weighted rate of return can be obtained in the separate TCRS report.

Changes of Assumptions

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See independent auditor's report.

City of Spring Hill, Tennessee  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2019

	Special Revenue Funds							Total	
	Library Fund	Drug Fund	Impact Fees Fund	Fire Belle Restoration Fund	State Street Aid Fund	Tourism Fund	E-Citations Fund		Northfield Fund
<b>Assets</b>									
Cash and cash equivalents	\$ 90,010	\$ -	\$ 1,916,946	\$ 3,949	\$ -	\$ 217,110	\$ 1,435	\$ 177,912	\$ 2,407,362
Accounts receivable	-	750	-	-	-	19,224	-	43,270	63,244
Due from other governments	-	3,602	-	-	131,921	-	-	-	135,523
Prepaid Expenses	-	600	-	-	-	-	-	-	600
Restricted assets:									
Cash and cash equivalents	-	124,653	-	-	930,602	-	-	-	1,055,255
Total assets	<u>\$ 90,010</u>	<u>\$ 129,605</u>	<u>\$ 1,916,946</u>	<u>\$ 3,949</u>	<u>\$ 1,062,523</u>	<u>\$ 236,334</u>	<u>\$ 1,435</u>	<u>\$ 221,182</u>	<u>\$ 3,661,984</u>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
Accounts payable	\$ 98	\$ 310	\$ 102,622	\$ 3,947	\$ -	\$ 6,910	\$ -	\$ 43,724	\$ 157,611
Accrued liabilities	-	17,395	-	-	-	-	-	5,641	23,036
Total liabilities	<u>98</u>	<u>17,705</u>	<u>102,622</u>	<u>3,947</u>	<u>-</u>	<u>6,910</u>	<u>-</u>	<u>49,365</u>	<u>180,647</u>
<b>Fund Balances</b>									
Nonspendable	-	600	-	-	-	-	-	-	600
Restricted	-	111,300	-	-	1,062,523	-	-	-	1,173,823
Committed	89,912	-	1,814,324	2	-	229,424	1,435	171,817	2,306,914
Total fund balances	<u>89,912</u>	<u>111,900</u>	<u>1,814,324</u>	<u>2</u>	<u>1,062,523</u>	<u>229,424</u>	<u>1,435</u>	<u>171,817</u>	<u>3,481,337</u>
<b>Total liabilities and fund balances</b>	<u>\$ 90,010</u>	<u>\$ 129,605</u>	<u>\$ 1,916,946</u>	<u>\$ 3,949</u>	<u>\$ 1,062,523</u>	<u>\$ 236,334</u>	<u>\$ 1,435</u>	<u>\$ 221,182</u>	<u>\$ 3,661,984</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, 2019**

	Special Revenue Funds							Total	
	Library Fund	Drug Fund	Impact Fees Fund	Fire Belle Restoration Fund	State Street Aid Fund	Tourism Fund	E-Citations Fund		Northfield Fund
<b>Revenues:</b>									
Intergovernmental and taxes:									
Room occupancy tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212,827	\$ -	\$ -	\$ 212,827
Gasoline and motor fuel tax	-	-	-	-	763,340	-	-	-	763,340
Three cent tax	-	-	-	-	225,637	-	-	-	225,637
Gas 1989 tax	-	-	-	-	121,773	-	-	-	121,773
Petroleum special	-	-	-	-	80,290	-	-	-	80,290
Gas 2017	-	-	-	-	305,012	-	-	-	305,012
Impact fees	-	-	956,060	-	-	-	-	-	956,060
Charges for services	-	4,128	-	-	-	60	-	-	4,188
Rent	-	-	-	-	-	-	-	943,907	943,907
Sale of property	-	3,731	-	-	-	-	-	-	3,731
Contributions	43,752	-	-	-	-	-	-	-	43,752
Fines and forfeitures	-	37,699	-	-	-	-	1,435	-	39,134
Interest revenue	25	33	8,022	1	189	52	-	47	8,369
Other	-	46	-	-	-	-	-	82,175	82,221
<b>Total revenues</b>	<b>43,777</b>	<b>45,637</b>	<b>964,082</b>	<b>1</b>	<b>1,496,241</b>	<b>212,939</b>	<b>1,435</b>	<b>1,026,129</b>	<b>3,790,241</b>
<b>Expenditures:</b>									
Current:									
General Government:									
General government building	-	-	-	-	-	-	-	836,984	836,984
Public Safety:									
Police	-	31,210	-	-	-	-	-	-	31,210
Public Works:									
Streets	-	-	-	-	586,388	-	-	-	586,388
Culture:									
Library	20,717	-	-	-	-	-	-	-	20,717
Tourism	-	-	-	-	-	121,792	-	-	121,792
Debt Service	-	-	-	-	359,884	-	-	802,714	1,162,598
Capital Outlay	-	-	520,514	-	-	15,625	-	17,614	553,753
<b>Total expenditures</b>	<b>20,717</b>	<b>31,210</b>	<b>520,514</b>	<b>-</b>	<b>946,272</b>	<b>137,417</b>	<b>-</b>	<b>1,657,312</b>	<b>3,313,442</b>
Excess (deficiency) of revenues over (under) expenditures	23,060	14,427	443,568	1	549,969	75,522	1,435	(631,183)	476,799
<b>Other Financing Sources (Uses):</b>									
Transfers in (out)	-	-	-	-	-	-	-	803,000	803,000
Net change in fund balance	23,060	14,427	443,568	1	549,969	75,522	1,435	171,817	1,279,799
<b>Fund Balance - Beginning of Year</b>	<b>66,852</b>	<b>97,473</b>	<b>1,370,756</b>	<b>1</b>	<b>512,554</b>	<b>153,902</b>	<b>-</b>	<b>-</b>	<b>2,201,538</b>
<b>Fund Balance - Ending of Year</b>	<b>\$ 89,912</b>	<b>\$ 111,900</b>	<b>\$ 1,814,324</b>	<b>\$ 2</b>	<b>\$ 1,062,523</b>	<b>\$ 229,424</b>	<b>\$ 1,435</b>	<b>\$ 171,817</b>	<b>\$ 3,481,337</b>

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, 2019**

	<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	\$ 43,752	\$ 18,752
Other	-	-	25	25
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>43,777</u>	<u>18,777</u>
<b>EXPENDITURES:</b>				
Culture:				
Library:				
Programs	16,100	16,100	16,086	(14)
Operating supplies	1,600	600	420	(180)
Educational supplies	1,300	1,300	107	(1,193)
Other services	1,000	1,000	407	(593)
Repairs and maintenance	500	470	170	(300)
Miscellaneous	2,700	3,730	3,527	(203)
Total expenditures	<u>23,200</u>	<u>23,200</u>	<u>20,717</u>	<u>(2,483)</u>
Change in fund balance	1,800	1,800	23,060	21,260
Fund balance - beginning	<u>66,852</u>	<u>66,852</u>	<u>66,852</u>	<u>-</u>
Fund balance - ending	<u>\$ 68,652</u>	<u>\$ 68,652</u>	<u>\$ 89,912</u>	<u>\$ 21,260</u>

See independent auditor's report.

## **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; therefore, cannot be diverted to other uses.

**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, 2019**

	<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>				
Charges for services	\$ -	\$ -	\$ 4,128	\$ 4,128
Fines and forfeitures	25,000	25,000	37,699	12,699
Sale of property	5,000	5,000	3,731	(1,269)
Contributions	300	300	-	(300)
Interest	100	100	33	(67)
Other	-	-	46	46
Apportioned fund balance	-	18,195	-	(18,195)
Total revenues	<u>30,400</u>	<u>48,595</u>	<u>45,637</u>	<u>(2,958)</u>
<b>EXPENDITURES:</b>				
Public Safety:				
Police Department:				
Operating supplies	25,000	41,195	28,934	(12,261)
Travel	500	2,500	2,276	(224)
Total expenditures	<u>25,500</u>	<u>43,695</u>	<u>31,210</u>	<u>(12,485)</u>
Change in fund balance	4,900	4,900	14,427	9,527
Fund balance - beginning	<u>97,473</u>	<u>97,473</u>	<u>97,473</u>	<u>-</u>
Fund balance - ending	<u>\$ 102,373</u>	<u>\$ 102,373</u>	<u>\$ 111,900</u>	<u>\$ 9,527</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, 2019**

	<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	\$ 400,000	\$ 700,000	\$ 956,060	\$ 256,060
Interest	-	-	8,022	8,022
Apportioned fund balance	-	1,370,000	-	(1,370,000)
Total Revenues	<u>400,000</u>	<u>2,070,000</u>	<u>964,082</u>	<u>(1,105,918)</u>
<b>EXPENDITURES:</b>				
Capital outlay	-	2,070,000	520,514	(1,549,486)
Change in fund balance	400,000	-	443,568	443,568
Fund balance - beginning	<u>1,370,756</u>	<u>1,370,756</u>	<u>1,370,756</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 1,770,756</u></u>	<u><u>\$ 1,370,756</u></u>	<u><u>\$ 1,814,324</u></u>	<u><u>\$ 443,568</u></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, 2019**

	<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>	\$ -	\$ -	\$ 1	\$ 1
<b>EXPENDITURES:</b>	-	-	-	-
Change in fund balance	-	-	1	1
Fund balance - beginning	1	1	1	-
Fund balance - ending	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 2</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, 2019**

	<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	\$ 1,498,154	\$ 1,498,154	\$ 1,496,052	\$ (2,102)
Interest	200	200	189	(11)
Apportioned fund balance	-	14,591	-	(14,591)
Total revenues	<u>1,498,354</u>	<u>1,512,945</u>	<u>1,496,241</u>	<u>(16,704)</u>
<b>EXPENDITURES:</b>				
Public Safety:				
Streets:				
Services	-	39,591	19,389	(20,202)
Postage	1,500	-	-	-
Professional services	65,000	60,500	17,664	(42,836)
Repairs and maintenance	550,000	553,400	546,968	(6,432)
Operating supplies	-	2,600	2,367	(233)
Debt service	274,600	274,600	274,523	(77)
Interest	87,000	87,000	85,361	(1,639)
Capital outlay	-	-	-	-
Total expenditures	<u>978,100</u>	<u>1,017,691</u>	<u>946,272</u>	<u>(71,419)</u>
Change in fund balance	520,254	495,254	549,969	54,715
Fund balance - beginning	<u>512,554</u>	<u>512,554</u>	<u>512,554</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,032,808</u>	<u>\$ 1,007,808</u>	<u>\$ 1,062,523</u>	<u>\$ 54,715</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Tourism Fund**  
**For the Year Ended June 30, 2019**

	<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>				
Taxes	\$ 140,000	\$ 140,000	\$ 212,827	\$ 72,827
Charges for services	-	-	60	60
Interest revenue	-	-	52	52
Other revenue	-	-	-	-
Apportioned fund balance	-	53,600	-	(53,600)
Total revenues	<u>140,000</u>	<u>193,600</u>	<u>212,939</u>	<u>19,339</u>
<b>EXPENDITURES:</b>				
Culture:				
Tourism:				
Other services	100,000	150,000	118,232	(31,768)
Office supplies and materials	-	-	-	-
Insurance	-	3,600	3,560	(40)
Utilities	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>15,625</u>	<u>(4,375)</u>
Total expenditures	<u>120,000</u>	<u>173,600</u>	<u>137,417</u>	<u>(36,183)</u>
Change in fund balance	20,000	20,000	75,522	55,522
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>153,902</u>	<u>153,902</u>
Fund balance - ending	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 229,424</u>	<u>\$ 209,424</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - E-Citations Fund**  
**For the Year Ended June 30, 2019**

	<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	\$ 8,600	\$ 8,600	\$ 1,435	\$ (7,165)
<b>EXPENDITURES:</b>	-	-	-	-
Change in fund balance	8,600	8,600	1,435	(7,165)
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ 8,600</u>	<u>\$ 8,600</u>	<u>\$ 1,435</u>	<u>\$ (7,165)</u>

See independent auditor's report.

**City of Spring Hill, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Northfield Fund**  
**For the Year Ended June 30, 2019**

	<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>				
Rent	\$ 1,200,000	\$ 950,000	\$ 943,907	\$ (6,093)
Interest	-	-	47	47
Other	-	80,000	82,175	2,175
Total revenues	<u>1,200,000</u>	<u>1,030,000</u>	<u>1,026,129</u>	<u>(3,871)</u>
<b>EXPENDITURES:</b>				
General government:				
General government building:				
Personal services	200	164,200	126,399	(37,801)
Insurance	-	38,600	37,616	(984)
Contractual services	-	619,800	584,358	(35,442)
Supplies	-	147,500	88,611	(58,889)
Debt service	-	803,000	802,714	(286)
Capital outlay	-	5,222,620	17,614	(5,205,006)
Total expenditures	<u>200</u>	<u>6,995,720</u>	<u>1,657,312</u>	<u>(5,338,408)</u>
Excess (deficiency) of revenues over (under) expenditures	1,199,800	(5,965,720)	(631,183)	5,334,537
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of debt	4,920,920	4,920,920	-	(4,920,920)
Transfers in (out)	749,000	1,053,000	803,000	(250,000)
Total other financing sources	<u>5,669,920</u>	<u>5,973,920</u>	<u>803,000</u>	<u>(5,170,920)</u>
Change in fund balance	6,869,720	8,200	171,817	163,617
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,869,720</u>	<u>\$ 8,200</u>	<u>\$ 171,817</u>	<u>\$ 163,617</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, 2019

GRANTOR AGENCY	FEDERAL CFDA NUMBER	GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2018	RECEIPTS	EXPENDITURES	ADJUSTMENTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2019
<b><u>Federal Awards</u></b>								
<u>U.S. Department of Housing and Urban Development</u>								
Direct Assistance								
HOME Investment Partnership Program	14.239	31620-00299	\$ 375,000	\$ -	\$ 144,912	\$ 244,682	\$ -	\$ 99,770
<u>U.S. Department of Justice</u>								
Direct Assistance								
Bulletproof Vest Partnership Program Grant (2016)	16.607	N/A	4,212	2,380	2,380	-	-	-
Bulletproof Vest Partnership Program Grant (2018)	16.607	N/A	5,145	-	1,168	4,886	-	3,718
Total U.S. Department of Justice			9,357	2,380	3,548	4,886	-	3,718
<u>U.S. Department of Transportation</u>								
Direct Assistance								
Highway Planning and Construction - Duplex Road	20.205	80167	38,161,516	48,560	48,560	18,668	-	18,668
Total program 20.205			38,161,516	48,560	48,560	18,668	-	18,668
Passed through Tennessee State Department of Safety and Homeland Security								
State and Community Highway Safety -GHSO Grant	20.600	Z18THS297	15,000	9,545	9,545	-	-	-
State and Community Highway Safety -GHSO Grant	20.600	Z19THS267	20,000	-	-	2,725	-	2,725
Total program 20.600			35,000	9,545	9,545	2,725	-	2,725
Total U.S. Department of Transportation			38,196,516	58,105	58,105	21,393	-	21,393
<b>Total Federal Awards</b>			<b>\$ 38,580,873</b>	<b>\$ 60,485</b>	<b>\$ 206,565</b>	<b>\$ 270,961</b>	<b>\$ -</b>	<b>\$ 124,881</b>
<b><u>State Financial Assistance</u></b>								
<u>Tennessee Department of Finance and Administration</u>								
Passed through the Metropolitan Government of Nashville and Davidson County								
Internet Crimes Against Children FY 18-19	NA	NA	\$ 15,000	\$ -	\$ 15,000	\$ 15,000	\$ -	\$ -

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

GRANTOR AGENCY	FEDERAL CFDA NUMBER	GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2018	RECEIPTS	EXPENDITURES	ADJUSTMENTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2019
<b><u>State Financial Assistance - Continued</u></b>								
<u>Tennessee Department of Transportation</u>								
Direct Assistance								
1990 Bridge Grant Program - John Lunn Bridge	NA	BG 60-B561-0.57	442,373	7,214	7,214	-	-	-
Beechcroft - Water Relocation (117319.01)	NA	8594	257,604	1,376	19,265	22,362	-	4,473
Beechcroft - Sewer Relocation (117319.01)	NA	8596	204,064	1,054	10,430	10,337	-	961
Project Shotgun - Sewer Relocation (121394.00)	NA	8598	247,696	1,269	25,719	30,018	-	5,568
Project Shotgun - Water Relocation (121394.00)	NA	8600	340,528	941	23,808	28,986	-	6,119
Duplex Rd - Water Relocation (103169.00)	NA	8645	4,630,534	-	-	66,635	-	66,635
Duplex Rd - Sewer Relocation (103169.00)	NA	8646	96,504	-	-	2,553	-	2,553
Saturn Parkway Ext - Water Relocation (12339.00)	NA	8893	569,466	-	-	5,645	-	5,645
Saturn Parkway Ext - Sewer Relocations (12339.00)	NA	8892	224,184	-	-	11,469	-	11,469
Total Tennessee Department of Transportation			7,012,953	11,854	86,436	178,005	-	103,423
<u>Tennessee Secretary of State - Library and Archives</u>								
Direct Assistance								
Library Technology Training Grant	NA	30504-02017-41	9,787	-	2,266	2,266	-	-
<b>Total State Financial Assistance</b>			<b>\$ 7,037,740</b>	<b>\$ 11,854</b>	<b>\$ 103,702</b>	<b>\$ 195,271</b>	<b>\$ -</b>	<b>\$ 103,423</b>
<b>Total Federal Awards and State Financial Assistance</b>			<b>\$ 45,618,613</b>	<b>\$ 72,339</b>	<b>\$ 310,267</b>	<b>\$ 466,232</b>	<b>\$ -</b>	<b>\$ 228,304</b>

Basis of Presentation:

Note 1: The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Spring Hill under programs of the federal and state governments for the year ended June 30, 2019. The schedule is presented using the accrual basis of accounting.

Note 2: There were no amounts passed through to subrecipients during the year ended June 30, 2019.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Tax Year	Balance July 1, 2018	Levy and Changes in Assessment	Collections and Adjustments	Balance June 30, 2019
2018	\$ -	\$ 7,718,445	\$ (7,673,015)	\$ 45,430
2017	56,235	-	(45,995)	10,240
2016	<u>26,063</u>	<u>(13,203)</u>	<u>343</u>	<u>13,203</u>
Total	<u>\$ 82,298</u>	<u>\$ 7,705,242</u>	<u>\$ (7,718,667)</u>	68,873
Estimated 2019 tax levy				11,656,412
Less allowance for estimated uncollectible				<u>(349,692)</u>
Total taxes receivable, net				<u>\$ 11,375,593</u>

See independent auditor's report.

CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE  
JUNE 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2019
<b>Government Activities:</b>									
<u>BONDS PAYABLE</u>									
Public Improvement Bonds (TN Municipal Bond Fund)	\$ 13,180,000	3.55%	12/26/2017	9/1/2037	\$ 8,259,080	\$ -	\$ 464,000	\$ -	\$ 7,795,080
Public Improvement Bonds, 2014	8,650,000	2.500-3.300%	8/21/2014	9/1/2034	7,650,000	-	355,000	-	7,295,000
Total Bonds Payable					<u>\$ 15,909,080</u>	<u>\$ -</u>	<u>\$ 819,000</u>	<u>\$ -</u>	<u>\$ 15,090,080</u>
<u>NOTES PAYABLE</u>									
Williamson County Notes	\$ 5,385,000	2.500-5.000%	3/15/2006	4/1/2027	\$ 3,040,000	\$ -	\$ 320,000	\$ -	\$ 2,720,000
Capital Outlay Note	3,000,000	1.760%	6/29/2016	4/1/2025	1,295,000	-	175,000	-	1,120,000
Equipment Financing Notes	500,000	1.530%	11/29/2010	2/28/2019	79,853	-	79,853	-	-
Total Notes Payable					<u>\$ 4,414,853</u>	<u>\$ -</u>	<u>\$ 574,853</u>	<u>\$ -</u>	<u>\$ 3,840,000</u>
<b>Business-type Activities:</b>									
<u>BONDS PAYABLE</u>									
Public Improvement Bonds	\$ 6,000,000	1.510%	4/25/2003	5/25/2027	\$ 3,025,000	\$ -	\$ 274,000	\$ -	\$ 2,751,000
Total Bonds Payable					<u>\$ 3,025,000</u>	<u>\$ -</u>	<u>\$ 274,000</u>	<u>\$ -</u>	<u>\$ 2,751,000</u>
<u>NOTES PAYABLE</u>									
State of Tennessee Loan	\$ 4,406,838	2.580%	6/1/2003	7/1/2021	\$ 641,365	\$ -	\$ 267,336	\$ -	\$ 374,029
Clean Water Revolving Fund Loan 1	10,000,000	2.620%	2/28/2011	3/1/2032	5,932,678	-	360,852	-	5,571,826
Clean Water Revolving Fund Loan 2	7,200,000	2.620%	2/28/2011	3/1/2025	5,363,128	-	269,376	-	5,093,752
Capital Outlay Notes	3,000,000	1.76%	6/29/2016	4/1/2025	685,000	-	340,000	-	345,000
Total Notes Payable					<u>\$ 12,622,171</u>	<u>\$ -</u>	<u>\$ 1,237,564</u>	<u>\$ -</u>	<u>\$ 11,384,607</u>

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2019**

**Governmental Activities**

For the Year Ended June 30,	Public Improvement Bonds (TN Municipal Bond Fund)		Williamson County Notes		Capital Outlay Note		Public Improvement Bonds, 2014		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2020	\$ 480,000	\$ 442,898	\$ 325,000	\$ 132,450	\$ 180,000	\$ 19,712	\$ 365,000	\$ 218,000	\$ 1,350,000
2021	497,000	425,556	340,000	117,500	180,000	16,544	375,000	207,050	1,392,000	766,650
2022	515,000	407,593	355,000	101,850	185,000	13,376	385,000	195,800	1,440,000	718,619
2023	533,000	388,991	375,000	84,100	190,000	10,120	400,000	184,250	1,498,000	667,461
2024	552,000	369,733	390,000	65,350	190,000	6,776	410,000	172,250	1,542,000	614,109
2025	572,000	349,782	415,000	45,850	195,000	3,432	425,000	159,950	1,607,000	559,014
2026	592,000	329,121	430,000	25,100	-	-	435,000	147,200	1,457,000	501,421
2027	613,000	307,732	90,000	3,600	-	-	445,000	136,325	1,148,000	447,657
2028	635,000	285,580	-	-	-	-	460,000	125,200	1,095,000	410,780
2029	657,000	262,647	-	-	-	-	470,000	113,125	1,127,000	375,772
2030	680,000	238,915	-	-	-	-	480,000	100,200	1,160,000	339,115
2031	705,000	214,331	-	-	-	-	495,000	85,800	1,200,000	300,131
2032	730,000	188,860	-	-	-	-	510,000	70,950	1,240,000	259,810
2033	756,000	162,483	-	-	-	-	530,000	54,120	1,286,000	216,603
2034	782,000	135,184	-	-	-	-	545,000	36,630	1,327,000	171,814
2035	810,000	106,926	-	-	-	-	565,000	18,645	1,375,000	125,571
2036	839,000	77,656	-	-	-	-	-	-	839,000	77,656
2037	869,000	47,339	-	-	-	-	-	-	869,000	47,339
2038	899,000	15,957	-	-	-	-	-	-	899,000	15,957
	<u>\$ 12,716,000</u>	<u>\$ 4,757,284</u>	<u>\$ 2,720,000</u>	<u>\$ 575,800</u>	<u>\$ 1,120,000</u>	<u>\$ 69,960</u>	<u>\$ 7,295,000</u>	<u>\$ 2,025,495</u>	<u>\$ 23,851,000</u>	<u>\$ 7,428,539</u>
Less, amount not drawn	(4,920,920)								(4,920,920)	
Balance at June 30, 2019	<u>\$ 7,795,080</u>								<u>\$ 18,930,080</u>	

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
JUNE 30, 2019**

**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
2020	\$ 288,000	\$ 110,040	\$ 274,308	\$ 7,452	\$ 370,428	\$ 143,904	\$ 276,528	\$ 130,704	\$ 345,000	\$ 6,072	\$ 1,554,264	\$ 398,172
2021	302,000	98,520	99,721	2,112	380,244	134,088	283,848	123,384	-	-	1,065,813	358,104
2022	318,000	86,440	-	-	390,336	123,996	291,384	115,848	-	-	999,720	326,284
2023	334,000	73,720	-	-	400,680	113,652	299,112	108,120	-	-	1,033,792	295,492
2024	350,000	60,360	-	-	411,312	103,020	307,044	100,188	-	-	1,068,356	263,568
2025	368,000	46,360	-	-	422,220	92,112	315,180	92,052	-	-	1,105,400	230,524
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	-	-	-	-	417,538	7,227	378,552	28,680	-	-	796,090	35,907
2033	-	-	-	-	-	-	388,584	18,648	-	-	388,584	18,648
2034	-	-	-	-	-	-	398,892	8,340	-	-	398,892	8,340
2035	-	-	-	-	-	-	80,044	506	-	-	80,044	506
	<u>\$ 2,751,000</u>	<u>\$ 523,280</u>	<u>\$ 374,029</u>	<u>\$ 9,564</u>	<u>\$ 5,571,826</u>	<u>\$ 1,024,923</u>	<u>\$ 5,093,752</u>	<u>\$ 1,095,278</u>	<u>\$ 345,000</u>	<u>\$ 6,072</u>	<u>\$ 14,135,607</u>	<u>\$ 2,659,117</u>

See independent auditor's report.

**CITY OF SPRING HILL, TENNESSEE**  
**SCHEDULE OF INSURANCE COVERAGE**  
**JUNE 30, 2019**  
**(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	\$61,212,304
Water/waste water treatment facility	\$71,194,298
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**  
**JUNE 30, 2019**  
**(UNAUDITED)**

Fiscal Year	Tax Year	County	Tax Rate*	Assessed Value
2019	2018	Maury	0.6000	\$ 442,116,176
		Williamson	0.6569	771,159,713
2018	2017	Maury	0.5927	327,847,927
		Williamson	0.5381	725,992,768
2017	2016	Maury	0.5427	285,228,701
		Williamson	0.4881	674,308,155
2016	2015	Maury	0.5767	260,082,996
		Williamson	0.5903	540,260,607
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	0.60	457,439,932
2010	2009	Maury	0.60	196,199,392
		Williamson	0.60	446,203,175

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, 2019  
 (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, 2019 - 16,598

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, 2019 - 16,598

See independent auditor's report.

**COMPLIANCE AND INTERNAL CONTROL**



CITY OF SPRING HILL, TENNESSEE  
 AWWA REPORTING WORKSHEET  
 JUNE 30, 2019  
 (UNAUDITED)

AWWA

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

WAS v6.0  
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:** 2019 7/2018 - 6/2019

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 it.

**WATER SUPPLIED**

	+ ?	9	705.304	MG/Yr			
Volume from own sources:							
Water imported:			121.538	MG/Yr			
Water exported:			10.721	MG/Yr			
<b>WATER SUPPLIED:</b>			<b>816.121</b>	<b>MG/Yr</b>			

Master Meter and Supply Error Adjustments

	+ ?			MG/Yr			
				MG/Yr			
				MG/Yr			

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

---

**AUTHORIZED CONSUMPTION**

	+ ?	10	625.163	MG/Yr			
Billed metered:							
Billed unmetered:			0.000	MG/Yr			
Unbilled metered:			0.000	MG/Yr			
Unbilled unmetered:			2.200	MG/Yr			
<b>AUTHORIZED CONSUMPTION:</b>			<b>627.363</b>	<b>MG/Yr</b>			

Master Meter and Supply Error Adjustments

	+ ?			MG/Yr			
				MG/Yr			
				MG/Yr			

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

---

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

			188.758	MG/Yr			
<b>WATER LOSSES:</b>			<b>188.758</b>	<b>MG/Yr</b>			

**Apparent Losses**

	+ ?		2.040	MG/Yr			
Unauthorized consumption:							
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed							
Customer metering inaccuracies:			12.758	MG/Yr			
Systematic data handling errors:			0.001	MG/Yr			
<b>Apparent Losses:</b>			<b>14.800</b>	<b>MG/Yr</b>			

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

			173.958	MG/Yr			
<b>Real Losses = Water Losses - Apparent Losses:</b>			<b>173.958</b>	<b>MG/Yr</b>			
<b>WATER LOSSES:</b>			<b>188.758</b>	<b>MG/Yr</b>			

Master Meter and Supply Error Adjustments

	+ ?			MG/Yr			
				MG/Yr			
				MG/Yr			

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

---

**NON-REVENUE WATER**

			190.958	MG/Yr			
<b>NON-REVENUE WATER:</b>			<b>190.958</b>	<b>MG/Yr</b>			

= Water Losses + Unbilled Metered + Unbilled Unmetered

---

**SYSTEM DATA**

	+ ?	10	246.0	miles			
Length of mains:							
Number of <u>active AND inactive</u> service connections:			18,400				
Service connection density:			67	conn./mile main			
Are customer meters typically located at the curbside or property line? <span style="border: 1px solid black; padding: 2px;">Yes</span> (length of service line, <u>beyond</u> 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:			75.0	psi			

---

**COST DATA**

	+ ?	9	\$4,050,672	\$/Year			
Total annual cost of operating water system:							
Customer retail unit cost (applied to Apparent Losses):			\$15.78	\$/1000 gallons (US)			
Variable production cost (applied to Real Losses):			\$1,867.43	\$/Million gallons			<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

---

**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: Customer metering inaccuracies

See independent auditor's report.

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CITY OF SPRING HILL, TENNESSEE  
 AWWA REPORTING WORKSHEET  
 JUNE 30, 2019  
 (UNAUDITED)

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association, Copyright © 2014, 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;">2019</span> <span style="border: 1px solid black; padding: 2px;">7/2018 - 6/2019</span>		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 90 out of 100 ***		
<b>System Attributes:</b>		
	Apparent Losses:	14.800 MG/Yr
	+ Real Losses:	173.958 MG/Yr
	= <b>Water Losses:</b>	<b>188.758 MG/Yr</b>
?	Unavoidable Annual Real Losses (UARL):	103.77 MG/Yr
	Annual cost of Apparent Losses:	\$233,540
	Annual cost of Real Losses:	\$324,854
		Valued at <b>Variable Production Cost</b> Return to Reporting Worksheet to change this assumption
<b>Performance Indicators:</b>		
Financial:	{	Non-revenue water as percent by volume of Water Supplied: <span style="border: 1px solid black; padding: 2px;">23.4%</span> Non-revenue water as percent by cost of operating system: <span style="border: 1px solid black; padding: 2px;">13.9%</span> Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day: <span style="border: 1px solid black; padding: 2px;">2.47</span> gallons/connection/day Real Losses per service connection per day: <span style="border: 1px solid black; padding: 2px;">29.06</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;">0.39</span> gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL): <span style="border: 1px solid black; padding: 2px;">173.96</span> million gallons/year
?		Infrastructure Leakage Index (ILI) [CARL/UARL]: <span style="border: 1px solid black; padding: 2px;">1.68</span>
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

See independent auditor's report.



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 Alderman  
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, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 26, 2020.

**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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.



### **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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, but one other matter that is required to be reported under the State of Tennessee Audit Manual is referenced as 2019-002 in the accompanying Schedule of Findings and Questioned Costs.

### **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  
March 26, 2020

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**FINANCIAL STATEMENT FINDINGS**

**2019-001 - Capital Assets**

Condition, Criteria, Cause, and Effect: During the prior year audit, we noted that detailed capital asset records were being maintained by the City in an Excel 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. All fixed asset entries were prepared prior to closing the books. This is a time-consuming process and errors could be easily made and not detected. The City noted that their accounting system has a capital asset module; however, it was not being used.

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

- We recommended that the City perform a physical capital asset inventory or have one performed by an outside source, 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.

- We also recommended the City convert its current capital asset spreadsheet, which is manually prepared, to the capital asset module in the computerized system or another software package in order 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 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.

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2019-001 - Capital Assets - Continued**

Based on our recommendations, the City performed a physical capital asset inventory during fiscal year 2019, which continued into fiscal year 2020. Once the physical capital asset inventory was complete, the City entered the information into their accounting software, which resulted in the current year restatement as discussed further in Note A. We recommend that the City continue to enter and dispose of their capital assets in their accounting software going forward to ensure that capital assets are being properly tracked, depreciated, and reconciled on a monthly basis.

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, in previous years, by preparing an updated Excel spreadsheet of capital assets to support the audit process. As noted above, City staff prepared the related entries for fixed assets in the prior fiscal year prior to closing the books.*

*City staff understood the need to have accurate fixed asset data and performed a physical fixed asset inventory during fiscal year 2019, which continued into fiscal year 2020. City staff worked 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.*

*Now that the City's capital assets have been properly recorded and placed into the fixed asset module of Tyler, procedures are currently being developed and implemented to track, record and reconcile capital assets on a regular basis. Now that accurate information has been obtained and entered into the Tyler software package, City staff believes that the existing Finance Department staff will be able to maintain the database and generate the required entries annually.*

**FINDINGS AND QUESTIONED COSTS REQUIRED BY THE STATE OF TENNESSEE AUDIT MANUAL**

**2019-002 - Employee Fraud**

Condition, Criteria, Cause, Questioned Costs, and Effect: During the period October 2017 through January 2018, a former City employee stole at least \$798. Cash payments were withheld from daily deposits and when a spreadsheet was used to post payments to customer accounts, there were amounts in the spreadsheet that did not tie back to the daily deposits. The employee was confronted with the documents and confessed to taking the money. Staff continued evaluating other missing cash items and asked the Comptroller's Investigative Division to get involved. City officials accepted the resignation of the employee on February 8, 2018. The former employee agreed to make restitution by forfeiting that amount from their final paycheck. After the \$798 was withheld from the employee's last paycheck, the City considered that portion of the theft to be resolved. Subsequently, an additional \$746 was uncovered and the employee was indicted in September 2019.

CITY OF SPRING HILL  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**FINDINGS AND QUESTIONED COSTS REQUIRED BY THE STATE OF TENNESSEE AUDIT  
MANUAL - Continued**

**2019-002 - Employee Fraud - Continued**

Recommendations: We recommend that management continue to consider further controls that could prevent and/or detect future fraudulent issues.

Views of Responsible Officials and Planned Corrective Actions:

*This matter has already been investigated by City. The employee suspected of taking the missing money confessed, resigned, and paid full restitution on \$798 of the \$1,544. On September 5, 2019, the Maury County Grand Jury indicted the employee on one count of theft over \$1,000, one count of official misconduct, one count of computer crimes violation over \$1,000, and one count of destruction/tampering of government records. City officials consider this matter to be partially resolved and closed, pending repayment of the balance of \$746.*

CITY OF SPRING HILL  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**Schedule of Disposition of Prior Year Findings**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2018-001	Capital Assets (See 2019-001)	Partially Corrected/Repeated